



SECTION 2

TEST I SAMPLE QUESTIONS

This section of the Georgia Assessments for the Certification of Educators® (GACE™) Preparation Guide provides sample selected-response questions with an annotated answer key for you to review as part of your preparation for the test. The sample selected-response questions are designed to illustrate the nature of the test questions. Work through the questions carefully before referring to the annotated answer key, which follows the sample selected-response questions. The answer key provides the correct response to each question, describes why each correct response is the best answer, and lists the objective within the test framework to which each question is linked.

QUESTIONS

1. Mari works in a business where production priorities and schedules often need to be altered to meet customers' changing needs. Mari is creating a six-month plan for the production of a new product. Which of the following planning approaches is likely to be most effective in this environment?
- A. developing a timeline that identifies the benchmarks that must be met during the production cycle
 - B. anticipating various scenarios and identifying contingency actions to deal with each one
 - C. identifying major production goals and delegating the task of meeting them
 - D. creating a set of procedures and rules that are to be followed throughout the production process

2. Use the information below to answer the question that follows.

- Allow salespeople to make key decisions regarding customers.
- Institute channels of communication among all employees.
- Limit the number of levels of management.
- Encourage employees to make decisions and take responsibility for them.
- Focus on the importance of meeting customers' needs.

Which of the following organizational models is best suited to the philosophy indicated by these statements?

- A. hierarchical
- B. line and staff
- C. matrix structure
- D. inverted pyramid

Section 2: Test I Sample Questions

3. Which of the following human resource strategies would likely be most effective in meeting the goals of saving money on labor costs and enhancing employee job satisfaction?
- A. job-sharing
 - B. mentoring
 - C. cross-training
 - D. flexible scheduling
4. The variable costs associated with producing a product are \$9 per unit. The fixed costs are \$1,000,000. If the product's sale price is \$10, how many units must be sold in order to break even?
- A. 100,000
 - B. 900,000
 - C. 1,000,000
 - D. 1,900,000
5. Which of the following parts of a business plan is likely to be most important for the purpose of recruiting potential investors?
- A. staffing and organizational charts
 - B. marketing and financial plans
 - C. five-year goals and objectives
 - D. legal requirements and ownership plans
6. Angelica has excellent time-management, problem-solving, and interpersonal skills. In addition, she exhibits good judgment and performs well under pressure. She is detail oriented and prefers a well-organized work environment. These skills and characteristics indicate that Angelica is likely best suited for which of the following business careers?
- A. accounting
 - B. public relations
 - C. advertising copywriting
 - D. sales

Section 2: Test I Sample Questions

7. According to the federal Truth-in-Lending Act, which of the following must creditors provide to consumers?
- A. a comparison between the interest rate charged and the prime rate
 - B. full disclosure of the details of all applicable interest and finance charges
 - C. an audited statement describing the financial condition of the lender
 - D. a notice that less expensive sources of financing may be available to the consumer
8. Which of the following business practices would be considered unethical as opposed to illegal?
- A. offering customers who buy items in large quantities a price that is below wholesale cost
 - B. telling a potential investor about a change in management before it becomes public information
 - C. selling reconditioned or refurbished equipment to customers as if it were new
 - D. hiring away a competitor's key employees in order to gain a competitive edge
9. In the current fiscal year, a corporation had assets of \$120,000 and liabilities of \$25,000. The company's goal over the next year is to increase assets by 8% and decrease liabilities by 10%. If they meet their goal, what will be the change in the owner's equity?
- A. \$ 9,350
 - B. \$12,100
 - C. \$17,100
 - D. \$21,600

10. Use the information in the table below to answer the question that follows.

Year	Net Income	Sales	Profit Margin	Average Total Assets	Asset Turnover	Average Stockholders' Equity
2004	\$65,000.00	\$886,450.00	7.3%	\$710,000.00	1.25	\$510,000.00
2005	\$43,000.00	\$773,200.00	5.6%	\$676,000.00	1.14	\$545,000.00

According to the data in this table, what is the return on equity for 2004?

- A. 7.9%
 - B. 10.3%
 - C. 12.7%
 - D. 15.1%
11. Which of the following documents would be the best source of information for preparing the weekly earnings for the employees of a company?
- A. salary worksheet
 - B. cash disbursements ledger
 - C. payroll register
 - D. federal tax deposit coupon

ANNOTATED ANSWER KEY

For question	The correct response is	Reason	Test Objective
1	B	In an environment of change and uncertainty, manufacturers must develop flexible plans in order to deal with unexpected problems and events. One effective way to do this is to use contingency planning: planning that involves anticipating these events and formulating alternative courses of action to take if and when these events occur.	0001
2	D	The statements in the table are typical of an organization that believes in giving its employees increased decision-making power. This type of organization trusts its employees to work at meeting their customers' needs. Employees do not need to be heavily supervised or controlled. This type of organizational structure is called an inverted pyramid.	0002
3	C	Cross-training is a successful way of improving the overall job satisfaction of employees. Through cross-training, employees learn valuable new skills and generally feel more satisfied with their jobs. Cross-training provides employers with workers who are more skilled and more adaptable to changing circumstances. This reduces labor costs because organizations have greater flexibility in meeting their staffing needs.	0003
4	C	Assume x = the number of items to sell. The variable costs of producing each item are \$9, and the fixed costs of producing the items are \$1,000,000, so the total costs of production are $\$9x + \$1,000,000$. Each item will be sold for \$10, so revenues are $\$10x$. To break even, revenues must equal costs, or $\$9x + \$1,000,000 = \$10x$. Solving for x gives $x = 1,000,000$ items to sell.	0004
5	B	Investors are primarily concerned about the return they may receive from a business compared with the risk of investing in that business. Marketing plans provide potential investors with information on how and to whom the proposed business' products will be sold. Financial plans allow investors to assess the viability and profitability of a business. These plans help in assessing the benefits and risks associated with investing in a business.	0005
6	A	Accounting work requires organization and mathematical skills, as well as excellent time-management, problem-solving, and interpersonal skills. Accountants also need to make ethical decisions and must exercise good judgment. The ability to work well under pressure is critical. Since Angelica possesses many of these qualities, she would likely be well suited for a career in accounting.	0006

For question	The correct response is	Reason	Test Objective
7	B	Congress passed the Truth-in-Lending Act to address problems in the loan and mortgage industry. Prior to this law, some lenders may not have consistently and uniformly provided consumers with complete information about lending instruments. The Truth-in-Lending Act requires all lenders to fully disclose to potential consumers all details of any applicable interest and finance charges associated with borrowing money.	0007
8	D	Although not illegal, purposely luring away or attempting to hire the employees of another organization in order to gain a competitive advantage in a market is generally considered unethical. Companies should compete with other businesses in an ethical manner at all times.	0008
9	B	From the accounting equation, owner's equity is equal to total assets minus total liabilities. The initial equity is $\$120,000 - \$25,000 = \$95,000$. An 8% increase in assets is $(\$120,000)(1.08) = \$129,600$. A 10% decrease in liabilities is $(\$25,000)(.90) = \$22,500$. The target owner's equity is $\$129,600 - \$22,500 = \$107,100$. The change in owner's equity is $\$107,100 - \$95,000 = \$12,100$.	0009
10	C	Return on equity is the result of net income divided by average stockholders' equity. According to the amounts in the table for 2004, the net income is \$65,000. When this amount is divided by average stockholders' equity of \$510,000, the result is 0.1274. This number rounds to 12.7 percent.	0010
11	C	The payroll register summarizes information about employee earnings for a particular pay period. It includes each employee's total number of hours worked, pay rate, and any voluntary and involuntary deductions such as taxes or insurance. The form is used to calculate employees' net pay by subtracting their total deductions from their gross pay.	0011