



# Massachusetts Tests for Educator Licensure<sup>®</sup>

# TEST INFORMATION BOOKLET

**19 Business**

MA-SG-FLD019-04

*Massachusetts Department of Education*

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## ***Business (Field 19)***

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**Test Overview Chart**

**Sample Test Items**

**Answer Key and Sample Responses**

**Test Objectives**



***Test Overview Chart:  
Business (19)***

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Subareas	Approximate Number of Multiple-Choice Items	Number of Open-Response Items
I. Business Management	20–22	2
II. Accounting	13–15	
III. Business Technology and Information Systems	18–20	
IV. Economics and Finance	13–15	
V. Business Knowledge and Employment	11–13	

The Business test is designed to assess the candidate's knowledge of the subject matter required for the Massachusetts Business Teacher certificate. This subject matter knowledge is delineated in the Massachusetts Department of Education *Regulations for the Certification of Educational Personnel in Massachusetts* (April 1995), 603 C.M.R. 7.12, "Competencies for Specific Certificates," Section (19) (a) 2. "Competency I: Subject Matter Knowledge."

The Business test assesses the candidate's proficiency and depth of understanding of the subject at the level required for a baccalaureate major, according to Massachusetts standards. Candidates are typically nearing completion of or have completed their undergraduate work when they take the test.

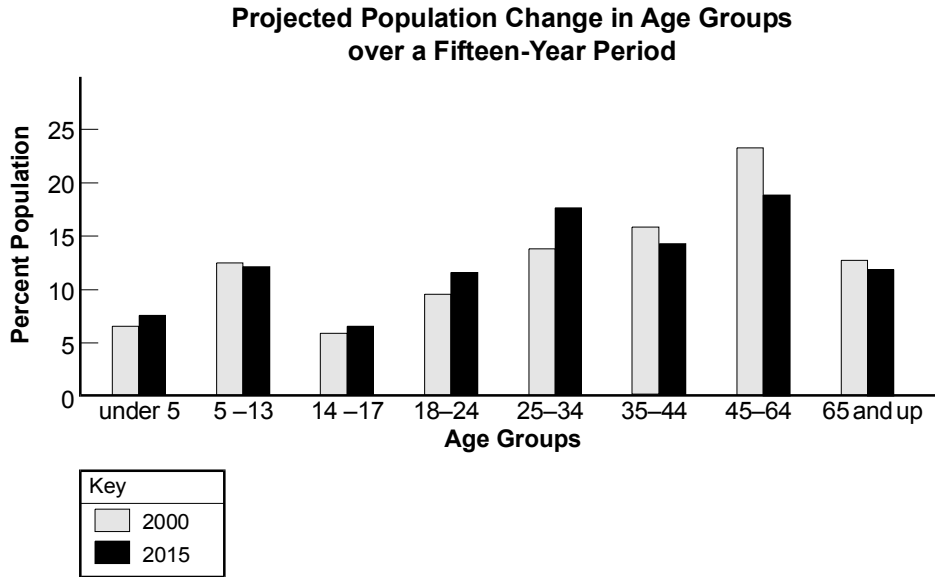
The multiple-choice items on the test cover the subareas as indicated in the chart above. The open-response items may relate to topics covered in any of the subareas and will typically require breadth of understanding of the business field and the ability to relate concepts from different aspects of the field. Responses to the open-response items are expected to be appropriate and accurate in the application of subject knowledge, to provide high-quality and relevant supporting evidence, and to demonstrate a soundness of argument and understanding of the business field.

***Sample Test Items:***  
***Business (19)***

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1. An organizational structure that uses work teams is especially successful when corporate goals place an emphasis on:
  - A. ensuring quick product development in response to changing market needs.
  - B. reducing training time and costs.
  - C. centralizing control over how employees use their work time.
  - D. encouraging employees to develop a broad base of job-related skills.
  
2. In preparing forecasts of a large department store's demand for employees, human resource managers need to be most aware of which of the following?
  - I. the annual sales revenue of various departments within the store
  - II. the projected growth of the store
  - III. the relative attractiveness of the store's compensation and incentive policies
  - IV. the average turnover rate within the store
  - A. I and III only
  - B. I and IV only
  - C. II and III only
  - D. II and IV only

3. Use the graph below to answer the question that follows.



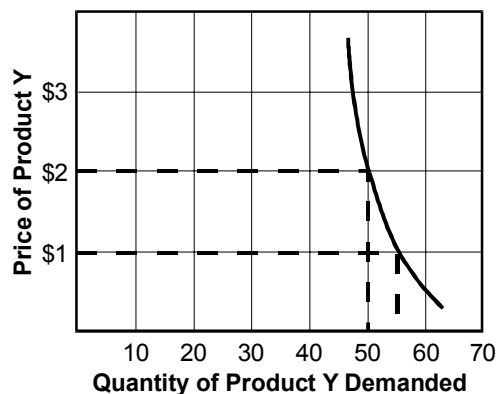
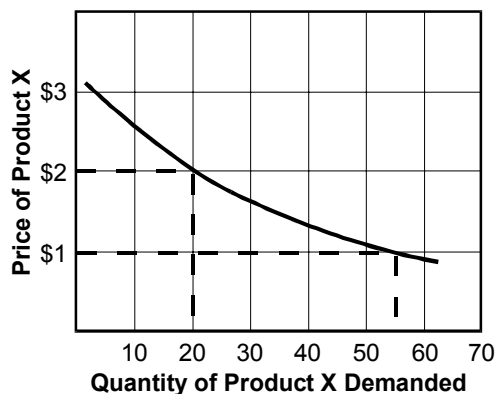
These data would be most useful for answering which of the following marketing questions?

- A. What changes are likely to occur in advertising from 2000 to 2015?
- B. What are likely to be growth markets from 2000 to 2015?
- C. What changes are likely to occur in socioeconomic status from 2000 to 2015?
- D. What changes are likely to occur in geographic distribution from 2000 to 2015?

4. The owner of several rental properties has asked Westport Real Estate Company to act as manager of her properties, beginning January 1, for a fee of \$500 per month. She paid \$3000 in advance to cover the first six months of the contract. The accountant for Westport Real Estate entered the \$3000 into an account called Unearned Management Fees. Which of the following is the correct adjusting entry for Westport Real Estate Company to make on a monthly basis, beginning January 31, to recognize the revenue earned during the month?
- A. debit: Unearned Management Fees \$500  
credit: Management Fees Earned \$500
  - B. debit: Cash \$500  
credit: Management Fees Earned \$500
  - C. debit: Cash \$3000  
credit: Unearned Management Fees \$3000
  - D. debit: Management Fees Earned \$3000  
credit: Unearned Management Fees \$3000
5. Compared with the first in, first out (FIFO) method of inventory accounting, the last in, first out (LIFO) method of inventory accounting has which of the following characteristics?
- A. The cost of goods sold is lower in times of rising prices.
  - B. The cost of goods sold tends to magnify net income in times of rising prices.
  - C. Balance sheet figures provide a more accurate assessment of inventory value.
  - D. The cost of goods sold is closer to prices at the time of sale.

6. A purchasing manager has finished reviewing five proposals submitted by prospective vendors. She is preparing an analytical report for upper management based on her review. Which of the following should be included in the *summary* of her report?
- A. a description of the methods she used to collect and analyze the information about the merits of the individual proposals
  - B. a copy of the five proposals with attachments describing various pricing methods
  - C. an outline of the available options to be considered with an analysis of the strengths and weaknesses of each
  - D. a chart with information on the products available
7. Managers at a company determine that they could improve productivity if their accounting department had access to electronic information stored by their shipping department. Which of the following is the most appropriate solution to this problem?
- A. link the computers via a local area network (LAN)
  - B. load the same software applications on the computers of the two departments
  - C. link the computers via modems and phone lines
  - D. link the computers to a CD-ROM file server

8. Use the two demand curves below to answer the question that follows.



Source: Lawrence Wolken and Janet Glocker, *Invitation to Economics*, 3d ed. (Glenview, IL: Scott, Foresman and Company, 1988), p. 93.

The information presented in the graphs above best supports which of the following conclusions?

- A. The demand for product Y is less responsive to price changes than is the demand for product X.
- B. Product X appeals to consumers from a broader range of income levels than does product Y.
- C. The demand for product X is more responsive to changes in income than is the demand for product Y.
- D. Compared with product X, product Y is more likely to be considered a luxury item by consumers.

9. For which of the following reasons might a municipal bond paying an interest rate of 6.75 percent be a better investment vehicle for a two-income professional couple than a corporate bond paying a higher rate of interest?
- A. The interest rate risk of private debt is considerably higher than that for municipal bonds.
  - B. Since interest income for municipal bonds is exempt from federal income taxes, the actual rate of return can be equal to or higher than private bonds, depending on the individual's tax status.
  - C. Bond-rating organizations usually rate municipal bonds higher than private bond issues; therefore, municipal bonds are a less risky investment.
  - D. Since private bonds are sold primarily through secondary markets, securities brokers charge higher fees for trading these securities than they do for trading municipal bonds.
10. For which of the following reasons might it be advantageous for the owners of a company to organize their business as a partnership rather than a corporation?
- I. When a business operates as a partnership, creditors can only make claims against the assets of the business, not against the personal property of the partners.
  - II. The income earned by a corporation is taxed twice. First, income to the corporation is taxed, then individual stockholders pay taxes on the distributions they receive.
  - III. A partnership is a more stable form of organization than a corporation since it is a separate legal entity that endures despite changes in ownership.
  - IV. Members of a partnership have greater flexibility and freedom from government regulation than owners of a corporation.
- A. I and II only
  - B. I and III only
  - C. II and IV only
  - D. III and IV only

11. **Use the information below to complete the exercise that follows.**

Natureen is a small company (250 employees) that produces and sells natural juice drinks to upscale markets. They have developed a new flavor that has received mixed reviews from in-house taste tests. The marketing director wants to do some small-scale consumer testing to determine the potential marketability of the new product.

Write an essay in which you design and discuss a plan for taste testing the new juice drink. In your essay:

- outline your overall design for taste testing, and explain how the design would meet the company's needs;
- describe the types of resources (e.g., staff, equipment) that would be required to fulfill your plan; and
- describe how the information gathered could be used to determine whether or not to produce the new product.

## ***Answer Key and Sample Responses: Business (19)***

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<b>Question Number</b>	<b>Correct Response</b>	<b>Test Objective*</b>
1.	<b>D</b>	Understand organizational, group, and individual behaviors and their relationship to business management.
2.	<b>D</b>	Understand human resource management and development.
3.	<b>B</b>	Understand business marketing decisions.
4.	<b>A</b>	Understand procedures for processing accounting data.
5.	<b>D</b>	Understand advanced accounting concepts and procedures.
6.	<b>C</b>	Understand business communications.
7.	<b>A</b>	Understand principles and procedures related to information processing and information processing systems.
8.	<b>A</b>	Understand basic principles and applications of microeconomics.
9.	<b>B</b>	Understand basic principles of consumer economics and finance.
10.	<b>C</b>	Understand principles and procedures related to entrepreneurship.

\*Each test objective is clarified and further described by a descriptive statement, which provides examples of the types of knowledge and skills covered by the test objective. The test objectives for the Business test begin on page 43.

The sample response below reflects a weak knowledge and understanding of the subject matter.

Companies with good products do not always do so well when they try something new. The company had been making lots of money selling its juice drink to customers in upscale markets. When it tried to develop a new drink it had all sorts of problems with the new taste. Not even people who worked at the company were especially thrilled with the new fruit drink. That being the case, it was reasonable to figure that the public would not like it either.

The company needs help in finding out if the taste is really bad or not. The design of the test should have people who don't particularly like fruit juices so they could be fair. They could be other employees of the company or people who have never heard of the company.

They should go to a mall and have people drink samples and not know what the product was and tell how it tastes.

Once they have conducted taste tests to see if people like it they may find it can sell however much of the drink it still has on hand at a reduced price. Or it may even want to continue production if it looks like they can get a sufficient profit margin.

The sample response below reflects a strong knowledge and understanding of the subject matter.

Natureen already has an established product line directed at an upscale audience, and the extensive sales data they have on their current flavors can help them in introducing new products and product lines. Because the new flavor has met with only mixed results in in-house testing, it would probably not be prudent for Natureen to launch a large-scale regional marketing trial. But they should not simply write off this new flavor without doing some additional testing. They need to test the potential market for this new flavor using a larger group of consumers with more careful sensory analysis and targeting of demographics than was probably directed toward the in-house phase of this process. In specific, Natureen needs to gather more precise and more extensive primary data.

The place to start is with some carefully designed taste testing. The most common method of taste testing is the paired comparison method, in which the consumer is asked to sample two different products and select the one with the more appealing taste. In this case, however, it would probably make more sense to use a rank order scaling technique, in which the consumer tries the experimental flavor in comparison with perhaps three other juice flavors from the Natureen line. One of these choices should be a proven best-seller; the others should fall at other distinct points of success (e.g., one moderately successful, one minimally successful). Having consumers rank these four products in order of preference will give the company an idea of where the new flavor is likely to fall within the current spectrum of Natureen products. It will also be important to "map" the specific reasons for the new product's appeal--provided that the taste test is successful--in order to make sure that this new product will fill a niche presently not occupied by an existing Natureen product, which may generate sales at the expense of another Natureen product currently on the market.

Taste testing can be done either on a "walk up" basis (e.g., in a market or grocery store) or by utilizing a more private space such as a hotel meeting room or an isolated section of a shopping mall. The second option is preferable because it produces a more laboratory-like setting in which testing panels can make objective, considered, and undistracted choices. The minimum number of responses considered adequate for such a sampling of this sort is 1,000. The administration for a testing of this size would probably require 3-4 staff persons in order to be accomplished over a two-day period. The four flavor choices to be evaluated should be contained in plain unmarked cups and the order in which they are offered to consumers should be random. A key step is for the examiner to develop a questionnaire with specific language that can be used to debrief consumers both in terms of (1) sensory analysis and (2) detailed demographic information. For the sensory analysis the examiner will have to develop a consumer product language that can characterize the taste profile of the product in comparative terms of flavor and texture (e.g., sweet, acid, bitter, pulpy, viscous). This step is extremely important for the mapping of consumer tastes mentioned above. In addition, compiling demographic information on individual test results allows Natureen to analyze its new

*(continued on next page)*

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flavor across a full range of possible market segments. Some juice flavors may be much more attractive to children and younger consumers than to their parents or grandparents, and vice versa.

Once the sensory analysis and demographic data have been gathered from this intermediate-size sampling, Natureen should have a better idea of the market potential of their product. However, it should be emphasized that sensory analysis is only one step in determining the feasibility or acceptability of a new product or product line extension. Natureen will have to move through additional evaluations (e.g., concept and package testing, possible refinements in demographic targeting, brand positioning). When it comes to food and drink purchases, product imagery, consumer self-perception, and brand reputation are very important factors in the consumer's purchasing decision, and sensory analysis/taste testing may not be the ultimate indicator of performance in the marketplace. The example of the introduction of the "New Coke" illustrates this point. This product was heavily favored in blind paired-comparison taste tests, but its introduction was not successful because image and traditional brand loyalty play such a major role in the purchase of Coke. Natureen needs to proceed very cautiously in integrating taste testing with other available tools of market analysis before proceeding with their plans to produce this new flavor.

***Test Objectives:***  
***Business (19)***

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**SUBAREAS:**

BUSINESS MANAGEMENT  
ACCOUNTING  
BUSINESS TECHNOLOGY AND INFORMATION SYSTEMS  
ECONOMICS AND FINANCE  
BUSINESS KNOWLEDGE AND EMPLOYMENT

**BUSINESS MANAGEMENT**

**0001 Understand functions of business management.**

For example: the role of management in business; principles and procedures related to planning, controlling, organizing, staffing, and directing; and applications of principles and procedures to meet specified organizational goals and solve business-related problems (e.g., related to finance, marketing, sales, inventory, technology, personnel, workplace environment).

**0002 Understand organizational, group, and individual behaviors and their relationship to business management.**

For example: the principles and business applications of social and behavioral theories and concepts in organizations (e.g., corporate culture, change theory, formal and informal organizations), groups (e.g., ergonomics, group dynamics, work groups, motivation and leadership styles), and individuals (e.g., strategies for conflict resolution, factors contributing to worker morale and motivation).

**0003 Understand human resource management and development.**

For example: the role of human resource management within an organization; the methods, function, and importance of training and staff development (e.g., continuing education, diversity training); the effects of various personnel decisions and actions (e.g., restructuring, job descriptions, job analysis, personnel evaluations, interviews, hiring and firing decisions); and legal issues related to human resource management (e.g., EEOC regulations, contract issues, unions, labor negotiations).

**0004 Understand issues related to ethical and social responsibility in business.**

For example: business situations that involve ethical considerations (e.g., conflict of interest, worker privacy, use of technology, environmental impact); factors affecting ethical decisions in given business situations, including international situations; the function of public relations in business; and factors affecting public relations decisions in given business situations (e.g., community goodwill, corporate philanthropy, cost-benefit analysis, political considerations, private-public partnerships).

**0005 Understand principles of business law and the legal environment of business.**

For example: the acquisition, ownership, and disposition of businesses; employment laws and regulations (e.g., working conditions, insurance requirements, wage regulations, employee contracts); consumer and environmental laws and regulations; legal issues related to technology systems (e.g., intellectual property, copyright and piracy, restrictions commonly placed on computer software packages, network licenses); and the roles of the U.S. and international legal systems in business regulation (e.g., regulatory agencies, Uniform Commercial Code, antitrust laws, tariffs).

**0006 Understand business marketing decisions.**

For example: social, cultural, and economic factors affecting marketing decisions (e.g., market demographics, local economy); the collection and interpretation of demographic data and its application to marketing situations and decisions (e.g., price, place, promotion, product, people, profit); and other factors that influence the success of a given marketing venture.

**ACCOUNTING**

**0007 Understand basic principles and applications of accounting.**

For example: the functions and purposes of accounting procedures in a business environment; the accounting equation; the accounting cycle; accounting principles; functions of accounting documents; accounting software; and quantitative and qualitative characteristics of accounting (e.g., reliability, relevance, accuracy).

**0008 Understand procedures for processing accounting data.**

For example: relationships among the components of the accounting cycle; the analysis of source documents; procedures for journalizing and posting transactions; procedures for adjusting and closing entries; and the preparation of reconciliations, financial statements, and trial balances.

**0009 Understand advanced accounting concepts and procedures.**

For example: the calculation of financial ratios (e.g., profit margin, return on equity, long-term debt ratio); concepts related to partnership and corporation accounting; and concepts and procedures related to inventory, payroll, depreciation, disposal of assets, intangible assets, etc.

**0010 Understand principles, processes, and procedures related to financial statements.**

For example: types and characteristics of financial statements; the use of financial statements in decision making; the interpretation of ratios; and the use of financial statements in preparing and analyzing budgets.

## **BUSINESS TECHNOLOGY AND INFORMATION SYSTEMS**

### **0011 Understand business communications.**

For example: business terminology; note-taking systems; procedures for writing business documents; appropriate styles and media for given types of business communications and for delivering various types of written and oral messages (e.g., good news, bad news, directive, persuasive); strategies for preparing and delivering oral presentations and reports (e.g., adapting presentations to different audiences, designing appropriate multimedia support materials); strategies for international business communications; and strategies for ensuring that communications are bias free (e.g., based on gender, sexual orientation, race, ethnicity, religion, age, disability, or cultural, economic, or geographic background).

### **0012 Understand basic principles and terminology related to computer technology.**

For example: terminology related to computer technology; types, characteristics, and features of computer hardware and software; computer authoring/programming; features of and relationships among computer input devices, output devices, processing units, network systems, and storage units; and procedures for selecting, operating, and maintaining computer hardware and software.

### **0013 Understand principles and procedures related to information processing and information processing systems.**

For example: strategies and techniques for using business software applications (e.g., keyboarding, word processing, database management, simulations, spreadsheet, presentation software); characteristics and uses of multimedia systems and desktop publishing applications; factors involved in linking software applications; and characteristics and potential uses of virtual reality systems.

### **0014 Understand principles and procedures related to telecommunications and applications of telecommunications in business.**

For example: the components and operating principles of telecommunications systems; terms related to telecommunications (e.g., satellites, wide area network, ground stations, Internet, download, uplink, cell, relay, modem); and the analysis of business situations and problems to determine appropriate telecommunications solutions (e.g., teleconferencing, on-line services, electronic mail, telecommuting).

### **0015 Understand principles and procedures related to ethics, security, and data integrity in technology systems.**

For example: procedures related to information security (e.g., passwords, voice imprinting, virus checking, user rights); issues related to electronic privacy and the sharing and gathering of information; issues related to generating, maintaining, and selling data files; procedures for ensuring the accuracy and integrity of electronic data; procedures for recovering data; and issues related to ownership of software and ideas (e.g., intellectual properties, copyrights, software piracy).

## **ECONOMICS AND FINANCE**

### **0016 Understand basic principles and applications of macroeconomics.**

For example: the relationships between economic and political systems; mechanisms by which the U.S. money supply is regulated; U.S. and international banking systems and their functions; principles of international trade and finance; aggregate supply and demand; basic principles of monetary and fiscal policy; methods of measuring economic growth and factors that influence economic growth; and methods of measuring domestic output and unemployment, inflation, and deflation rates.

### **0017 Understand basic principles and applications of microeconomics.**

For example: the basic characteristics of economic systems; characteristics and principles of capitalism; characteristics and effects of monopolies and oligopolies; the effects of market and consumer demand; economics of the firm (e.g., law of diminishing returns, production costs, competition, efficiency, profit maximization); principles of supply and demand; labor markets; marginal revenue/cost analysis; and factors that affect international trade and economics (e.g., trade barriers, trade agreements, monetary exchange rates).

### **0018 Understand basic principles of consumer economics and finance.**

For example: types and characteristics of investment, savings, and retirement options; personal finance management (e.g., loans, credit management, budgeting, installment plans); risk management (e.g., insurance policies, security procedures); and legal and practical issues related to consumers (e.g., consumer rights, advertising and sales techniques, comparison shopping).

### **0019 Apply techniques of quantitative analysis in business situations.**

For example: computation of problems involving basic mathematical operations (e.g., addition, subtraction, multiplication, and division); computation of problems involving fractions, decimals, and percents; procedures and technologies for creating and interpreting charts and graphs; procedures for estimating and forecasting; basic principles of measurement and statistics; creation, manipulation, and interpretation of descriptive and inferential statistics; use of quantitative processes in quality control systems (e.g., determining limits of acceptability using tolerances, using sampling techniques and sampling data); and procedures for reporting and interpreting quantitative aspects of case studies.

## **BUSINESS KNOWLEDGE AND EMPLOYMENT**

### **0020 Understand relationships among business knowledge, employment, and business careers.**

For example: types and characteristics of business careers; personal characteristics associated with success in particular business careers; procedures for résumé writing and for writing letters of application; interviewing skills; procedures for documenting employment credentials (e.g., portfolios, passports, skills certificates); employee rights and responsibilities; appropriate work habits; and diversity issues in the workplace.

**0021 Understand state and federal laws and regulations related to issues in the workplace.**

For example: state and federal agencies (e.g., OSHA, EEOC) and laws (e.g., Americans with Disabilities Act, discrimination policies, Affirmative Action) related to the workplace; environmental, health, and safety issues in the workplace; and advantages and disadvantages of various corporate benefits and policies.

**0022 Understand principles and procedures related to entrepreneurship.**

For example: advantages and disadvantages of business ownership; characteristics of entrepreneurs; the development and use of a business plan; factors, procedures, and issues in starting up a business (e.g., market analysis, risk taking, demographics, financing); and procedures for starting, buying, and operating franchises.