



Introduction to Management (WT 2009/10) – Final Exam

You have 120 minutes to reach a maximum of 50 points. There are a few pieces of advice we can offer at this stage:

1. Use the theoretical tools and terminology you have learned in class and from the textbook.
2. Make sure there is a clear structure in your argument. Use some time to sort your ideas before you start writing the version you want to submit.
3. Use the time you have! If you are ready much earlier than we planned, you should wonder if you forgot something.
4. The less we can understand from your handwriting, the fewer points you will likely receive.
5. Leave a margin for our comments.
6. You are welcome to use a non-programmable calculator.

Last Name, First Name: _____ Student ID-number: _____

Here is the set of problems:

Examiners: Prof. Dr. Kirstein, Prof. Dr. Raith, Prof. Dr. Spengler, Prof. Dr. Chwolka, Prof. Dr. Burgard, Prof. Dr. Inderfurth, Prof. Dr. Schönhuber-Pirchegger, Prof. Dr. Wolff, Dr. Wu

Please solve four (4) - and only four - of the following five problems (maximum of 12.5 points per problem):

1. Definitions

Define the following terms. Feel free to illustrate your definitions by examples.

- a) Benchmarking
- b) Debt-to-Asset ratio
- c) Asset Turnover Ratio
- d) Shareholders' rights in a Company with Limited Liability (GmbH)
- e) Upstream integration

2. Incentives

a) A cafeteria plan has five different categories of incentives. Please explain them with an example for each.

b) What is an adverse selection problem? What is a moral hazard problem? Explain the concepts and suggest two standard solutions to each problem.

c) What is an implicit contract?

3. Production and logistics

a) Using the production function $Q_p = \sqrt{S \cdot A}$ and with a numerical example, explain "constant return to scale", "diminishing marginal product", and "feasibility of input substitution".

b) Using the minimum unit cost heuristic, find the transportation scheme that costs the least to deliver the goods to the retail stores.

	Retail stores				
	A	B	C	D	Supply
Factory X	3	5	7	6	50
Factory Y	2	5	8	2	75
Factory Z	3	6	9	2	25
Demand	20	20	50	60	

4. Vertical integration and outsourcing

- a) Four factors can make the costs of nonmarket transactions lower than the costs of market exchanges. Please explain these factors. You can use an example for explanation.
- b) In addition to asset specificity, uncertainty also influences the procurement decisions. What are the suitable procurement decisions under different levels of asset specificity and uncertainty? You are welcome to use a table to illustrate.

5. Accounting and financial planning

a) Never/Summer sells snowboards. On September 1st 2009, it has 10,000 snowboards in inventory. It is estimated that from September to the end of March, 500,000 snowboards will be sold by Never/Summer. If the inventory on March 31st must be kept at 5,000, how many snowboards should be produced?

b) The following information is available for Goliath Motors Group as of December 31st 2009. Please prepare the balance sheet and the income statement with the proper heading and section headings.

- Accounts payable 32,000
- Accounts receivable 22,000
- Cash 6,700
- Cost of sales, net 14,400
- Depreciation expense 100
- Equipment 14,900
- Income tax expense 1,200
- Income tax payable 1,200
- Inventories 5,600
- Other operating expense 600
- Prepaid rent 12,000
- Rent expense 2,400
- Salaries payable 200
- Salary expense 2,500
- Sales revenue, net of returns 24,000
- Share capital 25,000