

Name \_\_\_\_\_

AREC 315  
Fall 2001

Final Exam  
(100 Points)

*Please respond to all the questions with complete sentences, correctly labeled graphs, and show all your calculations in order to receive full credit for the problem. Manage your time wisely. Each question is worth 10 points.*

1. Entrepreneurs, by definition, are continually exploring new ventures that represent a market opportunity. In agribusiness, this new opportunity may involve a new product, market, distribution channel, or a technology. In the early 1990's, lesquerella exhibited potential as a new industrial crop. Using the strategic management framework of Michael Porter, discuss how you would go about analyzing the probability of success in competing in the high quality lubricating oil market.

3. The human mind presents several unique challenges under the pressure to make decisions under uncertainty. Yet managers are required to make these kinds of decision daily. For each of the following decision making traps, (1) describe the trap and (2) give a real world business example of the trap.

a. Anchoring Trap

b. Status-Quo Trap

c. Sunk-Cost Trap

d. Overconfidence Trap

e. Framing Trap

5. One of the keys to superior employee performance in any organization is fostering an environment of trust with management. Without a sense of trust between management and their employees the organization will perform less efficiently and effectively, in either the private or public sectors. Please discuss at least four actions management can take to convey trust and increase productivity.





4. The study of for profit organizations is rewarding and exciting. Please use some combination of words, equations, and/or graphs to define the following concepts dealing with the competitive firm.

a. Learning curve

b. Economies of Size

c. Reaction Curve

d. Economies of Scope

e. Product Life Cycle

6. You are a financial analyst for Bank One. Your first assignment is to analyze the company's financial records on the next page. Please calculate an appropriate business ratio for the following performance categories after defining what the category means..

a. Liquidity

- Definition:

- Measure:

b. Solvency

- Definition:

- Measure:

c. Activity (if necessary, make your own assumption on percent of credit sales)

- Definition

- Measure:

d. Profitability

- Definition

- Measure:

8. One of the fundamental tools of demand theory is the measurement and interpretation of elasticities. Please define in words and using an equation the following tools, and then select an example for each measure from the following tables.

a. Own Price Elasticity

i. Definition

ii. Equation

iii. Example

b. Cross Price Elasticity (Substitute)

i. Definition

ii. Equation

iii. Example

c. Cross Price Elasticity (Complement)

i. Definition

ii. Equation

iii. Example

d. Income Elasticity (Normal Good)

i. Definition

ii. Equation

iii. Example

9. A given product can be produced with the following combinations of resources:

<u>Combination</u>	<u>X<sub>1</sub></u>	<u>X<sub>2</sub></u>
1	28	1
2	20	3
3	14	5
4	9	8
5	5	12

Using the appropriate decision rule for input-input decision making, calculate the least cost combination when the prices of the factors are \$6.40 for X<sub>1</sub> and \$8.00 for X<sub>2</sub>.

10. Suppose X is your input (people working) and Y is your output (tons processed) and you have the following input-output table that represents the production relationship:

<u>X</u>	<u>Y</u>
1	20
2	50
3	84
4	110
5	120
6	126

If your output can be sold for \$50/ton and the total cost of labor is \$600 per worker, what is the profit maximizing number of workers? Use the appropriate marginal decision rule to derive your answer.