



*Michigan*

TEST FOR TEACHER CERTIFICATION  
**STUDY GUIDE**

**34 Business  
Administration**



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## **PART 1: General Information About the MTTC Program and Test Preparation**

The first section of the study guide is available in a separate PDF file. Click the link below to view or print this section.

[General Information About the MTTC Program and Test Preparation](#)

## PART 2: Test Objectives and Sample Test Questions

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### INTRODUCTION

This section includes a list of the test objectives, immediately followed by sample test questions and an answer key for the field covered by this study guide.

#### Test Objectives

As noted, the test objectives are broad, conceptual statements that reflect the knowledge, skills, and understanding an entry-level teacher needs in order to teach effectively in a Michigan classroom. Each field's list of test objectives represents the **only** source of information about what a specific test will cover and, therefore, should be studied carefully.

The test objectives are organized into groups known as "subareas." These subareas define the major content areas of the test. You will find a list of subareas at the beginning of the test objective list. The percentages shown in the list of subareas indicate the approximate weighting of the subareas on the test.

#### Sample Multiple-Choice Test Questions

The sample multiple-choice test questions included in this section are designed to give the test-taker an introduction to the nature of the test questions included on the MTTC test for each field. The sample test questions represent the various types of test questions you may expect to see on an actual test; however, they are **not** designed to provide diagnostic information to help you identify specific areas of individual strengths and weaknesses or predict your performance on the test as a whole. Use the answer key that follows the sample test questions to check your answers.

To help you identify which test objective is being assessed, the objective statement to which the question corresponds is listed in the answer key. When you are finished with the sample test questions, you may wish to go back and review the entire list of test objectives and descriptive statements once again.

#### Business Administration (34) Field-Specific Information

The last test date for current program participants is July 2011.

## TEST OBJECTIVES

Subarea	Approximate Percentage of Questions on Test
Business Communication	16%
Accounting, Personal Finance, and Business Mathematics	51%
Management and Business Law	20%
Economics and Employment	13%

### BUSINESS COMMUNICATION

#### **Identify sentence structure and proper use of parts of speech.**

Includes the proper use of parts of speech; subjects and predicates; and sentence structure.

#### **Identify proper capitalization and word usage.**

Includes correctly and incorrectly capitalized words and common errors in word usage.

#### **Identify appropriate use of punctuation.**

Includes commas, semicolons, colons, quotation marks, parentheses, brackets, dashes, hyphens, apostrophes, omission marks, periods, question marks, and exclamation points.

#### **Identify proper spelling and abbreviations.**

Includes spelling of words and abbreviations commonly used in business and business education.

#### **Analyze business outlines and summaries.**

Includes development, form, function, style, and other characteristics of business outlines and summaries.

#### **Use business reference sources.**

Includes the use of dictionaries, thesauruses, almanacs, encyclopedias, and business directories.

#### **Analyze the composition of business communications.**

Includes paragraph structure and transitions between paragraphs.

#### **Analyze the writing style of business communications.**

Includes unity, coherence, clarity, emphasis, and effectiveness.

#### **Understand oral communications.**

Includes style and form of oral reports, presentations, interviews, and meetings; and communication skills related to telephone communications.

**ACCOUNTING, PERSONAL FINANCE, AND BUSINESS MATHEMATICS**

**Analyze the accounting equation.**

Includes the form and meaning of the accounting equation; and the effects of transactions in terms of the equation.

**Understand procedures, forms, and equipment used in accounting.**

Includes types and characteristics of forms, procedures, and equipment used in electronic and manual accounting systems.

**Understand the accounting cycle.**

Includes steps in the accounting cycle and their characteristics; forms and sources of data; and the use of the accounting cycle in the accrual basis and cash basis systems of accounting.

**Understand the use of source documents and journals in accounting.**

Includes types, characteristics, and functions of source documents and special journals; procedures for making entries in general and combination journals; and procedures for preparing journals for posting.

**Analyze ledgers and posting procedures in accounting.**

Includes forms, characteristics, and uses of ledgers; procedures for posting from journals; and procedures for proving the accuracy of posting.

**Apply knowledge of work sheets.**

Includes the purpose and characteristics of work sheets; and procedures for making entries and preparing trial balances.

**Apply adjustment procedures to accounting records.**

Includes procedures for recording losses, accrued expenses and revenues, and deferred expenses and revenues; and procedures for updating plant and equipment accounts.

**Understand the fundamentals of partnership, corporate, and cost accounting.**

Includes accounting requirements and procedures for completing financial statements for partnerships and corporations; and the principles of cost accounting.

**Understand the recording of investment and banking transactions.**

Includes types and characteristics of records; and procedures for recording transactions.

**Understand taxes and tax records.**

Includes types and characteristics of business taxes; tax records and documentation; and related accounting procedures.

**Understand the recording of sales and purchases.**

Includes procedures related to cash receipts records, cash payment records, sales and purchase records, and entries in accounts payable and accounts receivable ledgers.

**Apply knowledge of payrolls and paychecks.**

Includes types and characteristics of payroll records; procedures for computing employee earnings and payroll deductions; and the interpretation of paycheck stubs and records.

**Understand the characteristics and functions of office budgets.**

Includes factors involved in developing office budgets; and the functions of office budgets.

**Understand personal budgets.**

Includes considerations and procedures involved in developing and using personal budgets.

**Understand issues of consumerism.**

Includes information provided with products and services and in advertisements; considerations involved in making purchases; and problem solving involving markups and markdowns.

**Understand savings and checking accounts.**

Includes types and characteristics of accounts; factors involved in choosing an account; procedures for writing checks and reconciling a checking account; and problem solving related to banking.

**Understand personal investment options.**

Includes types and characteristics of investments; factors involved in planning an appropriate investment program; and problem solving related to investments.

**Apply knowledge of consumer borrowing.**

Includes factors involved in borrowing; advantages and disadvantages of borrowing; and procedures for obtaining a loan.

**Understand consumer credit and credit ratings.**

Includes types, characteristics, and costs of consumer credit; factors affecting credit rating; and problem solving related to consumer credit.

**Understand the characteristics and costs of various housing options.**

Includes advantages, disadvantages, and costs of various housing options.

**Apply knowledge of personal taxes.**

Includes types and characteristics of personal taxes and tax-saving strategies; procedures for completing an income tax return; and problem solving involving taxes.

**Understand insurance and insurance policies.**

Includes types and characteristics of insurance; the concept of risk and need; the components of policies; and factors involved in selecting insurance.

**Understand financial aspects of retirement and estate distribution.**

Includes the need for and sources of retirement income; and factors involved in estate planning.

**Solve problems involving basic mathematical operations.**

Includes simple operations and word problems involving addition, subtraction, multiplication, and division.

**Solve problems involving fractions, decimals, and percentages.**

Includes simple operations and word problems involving fractions, decimals, and percentages.

**Solve problems involving measurements and comparisons.**

Includes comparisons and measurements; and conversions between systems of measurement.

**MANAGEMENT AND BUSINESS LAW**

**Analyze business structure and organization.**

Includes types and characteristics of business ownership and organizational structures.

**Analyze business planning procedures used in operational decisions.**

Includes business planning tools and decisions involved in setting long-range goals, short-range goals, and company policies.

**Understand quantity, quality, and cost controls.**

Includes factors involved in setting quantity, quality, and cost controls.

**Understand human resource management and leadership skills.**

Includes methods and procedures for motivating, directing, supervising, hiring, training, and promoting employees; leadership decisions; and labor-management relations.

**Apply knowledge of laws and the courts.**

Includes sources of United States laws; examples and characteristics of tort, criminal, and contract law; and the organizational structure of the United States court system.

**Understand types and characteristics of negotiable instruments.**

Includes types and characteristics of negotiable instruments and endorsements, related laws, and parties liable for negotiable instruments in given situations.

**Identify laws related to purchasing goods and services.**

Includes characteristics of purchasing contracts and warranties; and laws protecting debtors, creditors, and consumers.

**Apply knowledge of laws related to personal and real property.**

Includes characteristics of personal property, real property, bailments, and wills; and laws related to rental contracts and leases.

**Identify laws related to employment and agency.**

Includes characteristics of employment contracts; laws affecting employment; characteristics of an agency; and obligations and liabilities of principals and agents.

**Analyze government regulation of business.**

Includes laws regulating anticompetitive practices, retail prices, and interstate commerce; and costs and benefits of government regulation.

**ECONOMICS AND EMPLOYMENT**

**Understand the basic principles of economics.**

Includes principles relating to supply and demand; phases and characteristics of the business cycle; the components of the circular flow model; and the factors of production.

**Analyze the roles of business, labor, and consumers in the free enterprise system.**

Includes the roles of business, labor, consumers, and incentives; and the effects of credit and savings on the economy.

**Analyze federal fiscal policy.**

Includes the role of fiscal policy; the causes and effects of a large national debt; the effects of fiscal policy and the national budget on the economy; and the role of taxes in federal fiscal policy.

**Analyze federal monetary policy.**

Includes the Federal Reserve System's structure, functions, and powers; the means by which it controls the money supply; and the effects of the money supply on inflation and deflation.

**Understand the role of the United States in the world economy.**

Includes types and characteristics of economic systems; the effects of world trade on the United States economy; methods for measuring national production; and economic relationships between the United States and other countries.

**Understand principles of international economics.**

Includes the effects of tariffs and other protectionist measures on the United States economy; factors that influence international currency fluctuations; and the principles of balance of trade and comparative/absolute advantage in international economic relations.

**Understand consumer economics.**

Includes the rights and responsibilities of consumers; regulatory mechanisms and agencies that protect investors and depositors; and factors that affect the cost of consumer goods.

## SAMPLE MULTIPLE-CHOICE TEST QUESTIONS

1. Read the introduction from a business report below; then answer the question that follows.

The attached document summarizes the procedures we are currently using in our division for ordering supplies. It combines information taken from the employee handbook with data obtained through interviews with several department directors. This is followed by a more detailed description, along with examples of typical problems managers have encountered in the ordering process. The conclusion of the report details several recommendations for improving the overall ordering process.

Which of the following techniques would most significantly improve the effectiveness of this introduction?

- A. presenting the information in two paragraphs
- B. reorganizing the sentence sequence
- C. using headings and enumerations
- D. explaining the purpose of the report
2. Which of the following is the best guideline to follow when making an oral presentation on a complicated and detailed topic?
- A. slowing down your rate of speech to allow for note taking
- B. defining technical terms each time you use them
- C. using visual aids where appropriate
- D. reading your narration from a prepared script
3. An accountant transfers the net income from temporary accounts to capital accounts. This process is called:
- A. updating account balances.
- B. preparing the post-closing balance.
- C. closing the ledger.
- D. journalizing a transaction.
4. Which of the following will give the most complete understanding of a company's present financial condition?
- A. bank statements
- B. balance sheet
- C. inventory journal
- D. capital budget

5. 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
6. Which of the following is generally true about the yield rate of a bond?
- A. If the price of a bond is above its maturity value, the yield rate is higher than the bond interest rate.
  - B. The yield rate is generally equal to the interest rate of the bond.
  - C. If interest rates increase, the yield rate of existing bonds will increase.
  - D. Bonds with a low risk of default will offer lower yield rates than higher risk bonds.

7. A couple is investigating available types of life insurance coverage. Under which of the following conditions would term life insurance be the most appropriate choice?
- A. They want to guarantee a constant premium throughout the life of the policyholder.
  - B. They want large amounts of coverage for a relatively low cost for short periods of time.
  - C. They want a policy that pays dividends that typically increase every year of the policy.
  - D. They want a life insurance contract that will pay the face value of the policy if the insured is still living at the end of the specified period.
8. Which of the following is likely to be an advantage of the functional approach to organizational structure?
- A. It allows for in-depth skill specialization and development.
  - B. It results in improved communication across departments.
  - C. It maximizes flexibility for changing business needs.
  - D. It eliminates the need for centralized planning and decision making.
9. Several national grocery chains have conspired to fix prices on numerous popular items. This is a violation of which of the following federal laws?
- A. the Taft-Hartley Act
  - B. Uniform Commercial Code
  - C. the Sherman Antitrust Act
  - D. Fair Packaging and Labeling Act
10. According to Keynesian economic theory, the appropriate response by the federal government to an economic recession is to:
- A. increase government spending and decrease taxation.
  - B. increase government regulation of private industry, including price controls.
  - C. balance the federal budget.
  - D. reduce both taxes and government spending.

**ANSWER KEY FOR THE SAMPLE MULTIPLE-CHOICE TEST QUESTIONS**

<b>Item Number</b>	<b>Correct Response</b>	<b>Objective</b>
1.	<b>D</b>	Analyze the writing style of business communications.
2.	<b>C</b>	Understand oral communications.
3.	<b>C</b>	Analyze ledgers and posting procedures in accounting.
4.	<b>B</b>	Understand the recording of investment and banking transactions.
5.	<b>A</b>	Understand the accounting cycle.
6.	<b>D</b>	Understand personal investment options.
7.	<b>B</b>	Understand insurance and insurance policies.
8.	<b>A</b>	Analyze business structure and organization.
9.	<b>C</b>	Analyze government regulation of business.
10.	<b>A</b>	Analyze federal fiscal policy.