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News in depth / **Summer school 2003**

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FT Summer School prize competition

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From August 25 to September 9, readers of FT Summer School were given an opportunity to win a place on an executive education programme at a leading international business school, the Wharton School of the University of Pennsylvania.

The panel of judges at the FT and Wharton singled out the responses of two entrants for special commendation, and have chosen to award them joint first prize. They are:

Donna Childs, founder and president of Childs Capital LLC, a Wall Street financial services company.

David Edwards, Six Sigma Black Belt, Ford Motor Company, Brentwood, UK.

Both winners will attend courses at Wharton.

FT Summer School Quiz Questions

1. Rising bond prices mean:

- a. You will earn more interest on the bond you already own.
- B. MARKET INTEREST RATES ARE LOWER.**
- c. You will earn less interest on the bond you already own.
- d. Market interest rates are higher.

2. According to the 2002 survey by brand consultants Interbrand, the world's three most valuable brands were:

- a. GE, Nokia and Coca-Cola
- b. Intel, Coca-Cola and GE
- c. Microsoft, Nokia and Coca-Cola
- D. COCA-COLA, IBM AND MICROSOFT**

3. Managing accounts receivable to reduce balances outstanding:

- a. Produces cash, increases profit (income) and increases shareholder equity.
- b. Decreases current assets and increases shareholder equity.
- C. INCREASES CASH WITH NO EFFECT ON PROFIT (INCOME).**
- d. Increases current assets and increases profit (income).

4. Japan's long recession is primarily due to:

- A. EXCESS SAVING BY CONSUMERS.**
- b. Excess government spending.
- c. The property price bubble.
- d. High consumer spending.

5. Business process outsourcing:

- a. Looks for ways to reduce cost by contracting out certain functions.
- b. Is moving to countries like India and the Philippines.
- c. Requires monitoring specific performance criteria to ensure success.
- D. ALL OF THE ABOVE.**

6. Who said: "When the rate of change outside is greater than the rate of change inside, the end is in sight"?

- A. JACK WELCH, FORMER CHAIRMAN AND CEO OF GE**
- b. Bernie Ebbers, former CEO of WorldCom
- c. Andrew Grove, founder and former CEO of Intel
- d. Kenneth Lay, former chairman of Enron

7. China's economic growth:

- A. HAS BEEN FUELLED LARGELY WITH FOREIGN DIRECT INVESTMENT.**
- b. Resulted from a well-developed capital market and privatisation of state-owned

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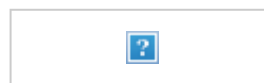
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enterprises.

- c. Has been similar to that of other developing countries.
- d. Has been driven by returns from successful external investing.

8. First-mover advantage:

- a. Allows a company to set the rules of engagement in a market and is usually successful.
- b. Generally explains the most profitable participant in a market or segment.

C. MAY ALLOW A COMPANY TO SET THE INITIAL RULES IN A MARKET OR SEGMENT, BUT IS RARELY A SOURCE OF ADVANTAGE.

- d. Explains why Internet Explorer beat Netscape in the browser wars.

9. Whom did William Donaldson replace as chairman of the SEC (the Securities and Exchange Commission)?

- a. Richard Breeden

B. HARVEY PITT

- c. Richard Grasso
- d. Arthur Levitt

10. Conjoint analysis:

A. IS A MARKET RESEARCH TECHNIQUE USED TO DETERMINE THE TRADE-OFFS CONSUMERS ARE LIKELY TO MAKE WHEN CONSIDERING DIFFERENT PRODUCT ATTRIBUTES

- b. Was originally developed by the British in connection with tradeoffs between the value of military targets in World War II
- c. Is a theoretical market research technique that has had little practical application
- d. Properly predicted the recent property boom in both the US and the UK

11. Who is this man?



- a. Richard Notebaert, chairman and CEO of Qwest Communications
- b. Stratton Sclavos, chairman and CEO of VeriSign
- c. Gary Bloom, CEO of Veritas

D. CRAIG CONWAY, PRESIDENT AND CEO OF PEOPLESOFT

12. Studies of customer service and problem resolution:

- a. Show that customers with problems are less likely to buy from you in the future than customers who did not experience a problem.

B. SHOW THAT CUSTOMERS WITH PROBLEMS THAT WERE QUICKLY RESOLVED ARE MORE LIKELY TO BUY FROM YOU IN THE FUTURE THAN CUSTOMERS WHO DID NOT EXPERIENCE A PROBLEM.

- c. Show that a dissatisfied customer tells an average of three others of the experience.
- d. Show that the cost of resolving problems is excessive.

13. What is the Capital Asset Pricing Model (CAPM)?

- a. It is a simple method of evaluating whether or not to purchase a stock based on its P/E ratio and overall market performance.

B. IT IS A METHOD AN INVESTOR CAN USE TO EVALUATE THE RISK-RETURN RELATIONSHIP OF A PORTFOLIO USING THE RISK-FREE RATE OF RETURN AND SPECIFIC STOCK VOLATILITY.

- c. It is used in conjunction with discounted cash flow analysis by most large corporations in making decisions to allocate capital among their businesses.
- d. It was the basis for pricing assets during the privatisation of Poland's industries in the late 1990s.

14. Which company recently decided to reward its employees with stock, rather than stock options, and to reflect the cost of past options awards in its



accounts?

- a. Cisco
- b. Intel

C. MICROSOFT

- d. Oracle

15. Many industries have been changed by technology over the last 200 years. Based on Eli Whitney's experience what would you advise businesses such as music and movies whose business models are suddenly threatened by technological change?

- a. Use all legal methods available such as patent and copyright protection to minimise the threat while maintaining pricing.
- b. Aggressively price and promote your products in new ways.

C. SEEK TO DEVELOP A NEW BUSINESS MODEL THAT EMBRACES RATHER THAN FIGHTS THE TECHNOLOGY.

- d. Acquire companies unaffected by the technological change to reduce risk.



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