

Critical Analysis and Reasoning Skills Sample Paper 2

Passage For Question 1 to 9

Recent years have brought minority-owned businesses in the United States unprecedented opportunities—as well as new and significant risks. Civil rights activists have long argued that one of the principal reasons why Blacks, Hispanics and the other minority groups have difficulty establishing themselves in business is that they lack access to the sizable orders and subcontracts that are generated by large companies. Now congress, in apparent agreement, has required by law that businesses awarded federal contracts of more than \$500,000 do their best to find minority subcontractors and record their efforts to do so on forms filed with the government. Indeed, some federal and local agencies have gone so far as to set specific percentage goals for apportioning parts of public works contracts to minority enterprises. Corporate response appears to have been substantial. According to figures collected in 1977, the total of corporate contracts with minority business rose from \$77 to \$1.1 billion in 1977. The projected total of corporate contracts with minority business for the early 1980's is estimated to be over \$3 billion per year with no letup anticipated in the next decade. Promising as it is for minority businesses, this increased patronage poses dangers for them, too. First, minority firms risk expanding too fast and overextending themselves financially, since most are small concerns and, unlike large businesses they often need to make substantial investments in new plants, staff, equipment, and the like in order to perform work subcontracted to them. If, there after, their subcontracts are for some reason reduced, such firms can face potentially crippling fixed expenses. The world of corporate purchasing can be frustrating for small entrepreneur's who get requests for elaborate formal estimates and bids. Both consume valuable time and resources and a small company's efforts must soon result in orders, or both the morale and the financial health of the business will suffer. A second risk is that White-owned companies may seek to cash in on the increasing apportionments through formation of joint ventures with minority-owned concerns, of course, in many instances there are legitimate reasons for joint ventures; clearly, white and minority enterprises can team up to acquire business that neither could Third, a minority enterprise that secures the business of one large corporate customer often runs the danger of becoming – and remaining dependent. Even in the best of circumstances, fierce competition from larger, more established companies makes it difficult for small concerns to broaden their customer bases; when such firms have nearly guaranteed orders from a single corporate benefactor, they may truly have to struggle against complacency arising from their current success.

Question 1

The primary purpose of the passage is to

- A. present a commonplace idea and its inaccuracies
- B. describe a situation and its potential drawbacks
- C. propose a temporary solution to a problem
- D. analyze a frequent source to a problem
- E. explore the implications of a findings.

Correct Answer : B

Question 2

The passage supplies information that would answer which of the following questions?

- A. What federal agencies have set percentage goals for the use of minority owned businesses in public works contracts?
- B. To which governments agencies must businesses awarded federal contracts report their efforts to find minority subcontractors?

- C. How widespread is the use of minority-owned concerns as “fronts; by White backers seeking to obtain subcontracts?
- D. How many more minority owned businesses were there in 1977 than in 1972?
- E. What is one set of conditions under which a small business might find itself financially overextended?

Correct Answer : E

Question 3

According to the passage, civil rights activists maintain that one disadvantage under which minority owned businesses have traditionally had to labor is that they have

- A. been specially vulnerable to governmental
- B. been denied bank loans at rates comparable to those afforded larger competitors
- C. not had sufficient opportunity to secure businesses created by large corporations
- D. not been able to advertise in those media that reach large numbers of potential customers
- E. not had adequate representation in the centers of government power.

Correct Answer : C

Question 4

The passage suggests that the failure of a large business to have its bids for subcontracts results quickly in order might cause it to

- A. experience frustrations but not serious financial harm
- B. face potentially crippling fixed expenses
- C. have to record its efforts on forms filed with the government
- D. increase its spending with minority subcontractors
- E. revise its procedure for making bids for federal contracts and subcontracts

Correct Answer : A

Question 5

The authors implied that the minority owned concern that does the greater part of its business with one large corporate customer should

- A. avoid competition with the larger, more established concerns by not expanding
- B. concentrate on securing even more business from that corporation
- C. try to expand its customers base to avoid becoming dependent on the corporation
- D. pass on some of the work to be done for the corporation to other minority owned concerns.
- E. use its influence with the other corporation to promote subcontracting with other minority concerns.

Correct Answer : C

Question 6

It can be inferred from the passage that, compared with the requirements of law, the percentage goals set by “some federal and local agencies” are

- A. more popular with large corporations
- B. more specific
- C. less controversial

- D. less expensive to enforce
- E. easier to comply with

Correct Answer : B

Question 7

Which of the following if true, would most weaken the author's assertion that, in 1970's, corporate response to federal requirements (lines 18-19) was substantial?

- 1. Corporate contracts with minority owned business totaled about \$2 billion in 1979
- 2. Between 1970 and 1972, corporate contracts with minority owned businesses declined by 25 percent
- 3. The figures collected 1977 underrepresented the extent of corporate contracts with minority owned businesses.
- 4. The estimate of corporate spending with minority owned businesses in 1980 is approximately \$10 million too high
- 5. The \$1.1 billion represented the same percentage of total corporate spending in 1977 as did \$77 million in 1972.

Correct Answer : E

Question 8

The passage most likely appeared in

- 1. a business magazine
- 2. an encyclopedia of black history to 1945
- 3. a dictionary of financial terms
- 4. a yearbook of business statistics
- 5. an accounting textbook

Correct Answer : A

Question 9

The author would most likely agree with which of the following statements about corporate response to working with minority subcontractors?

- 1. Annoyed by the proliferations of "front" organizations, corporates are likely to reduce their efforts to work with minority owned subcontractors in the near future.
- 2. Although corporations showed considerable interest in working with minority businesses in the 1970's their aversion to government paperwork made them reluctant to pursue many government contracts.
- 3. The significant response of corporation in the 1970's is likely to be sustained and conceivably be increased throughout the 1980's
- 4. Although corporations re eager to co-operate with minority owned businesses, a shortage of capital in the 1970's made substantial response impossible.
- 5. The enormous corporate response has all but eliminated the dangers of over expansion that used to plague small minority owned businesses.

Correct Answer : C