

Chapter 1: The World of Project Management

True/False

1. A primary purpose of forming projects is to assign the responsibility for accomplishing some organizational task to a specific person or small group.

Answer: True

Response: See page 2

Level: easy

2. One of the few similarities between project management and general management is that both exist in the well-defined organizational structure of superior/subordinates in the overall organization.

Answer: False

Response: See page 4

Level: medium

3. Many recent developments in project management are being driven by changes in the nature of the American workforce.

Answer: False

Response: See pages 2 and 3

Level: medium

4. Achieving both strategic and routine goals are growing in importance in project management.

Answer: True

Response: See page 3

Level: medium

5. While general managers have their authority limited to specific areas in the overall organization, project managers have authority over any activity required by the project.

Answer: False

Response: See page 5

Level: medium

6. Projects are always carried out under conditions of uncertainty.

Answer: True

Response: See pages 7

Level: easy

7. One can trade-off time and cost when managing a project, but the project's technical specifications must be maintained exactly as the client initially specifies.

Answer: False

Response: See page 7

Level: medium

8. Nonnumeric project selection methods are only suitable if numeric methods are not available.

Answer: False

Response: See pages 11 and 12

Level: medium

9. If a PM manages her project well enough she can eliminate uncertainty.

Answer: False

Response: See page 21

Level: Easy

10. When using financial methods for selecting projects, the payback period is the simplest and best method to use.

Answer: False

Response: See page 13

Level: medium

11. Rank-ordering a large number of projects can be done with a Q-sort.

Answer: False

Response: See page 12

Level: medium

12. A disadvantage of using the payback period method for selecting projects is that it cannot reflect the time-value of money.

Answer: True

Response: See page 13

Level: medium

13. A disadvantage of using the discounted cash flow method (or net present value) for selecting projects is that it ignores all non-monetary factors associated with the project.

Answer: True

Response: See page 16

Level: medium

14. A disadvantage of using scoring models rather than financial models for selecting projects is that they cannot include the project's profitability.

Answer: False

Response: See page 18

Level: medium

15. A PM does not need to understand why a project is selected for funding because he did not initiate the process.

Answer: False

Response: See page 21

Level: medium

16. The main distinction between platform and breakthrough projects is that the former usually depend on existing technology.

Answer: True

Response: See page 32

Level: medium

17. The main distinction between platform and derivative projects is that the latter depend on existing technology.

Answer: False

Response: See page 32

Level: medium

18. A key deficiency of the aggregate project plan is that it provides little information about the resources committed to the various projects.

Answer: False

Response: See page 33

Level: medium

19. One reason for the emphasis on project management is that tasks fit neatly into business-as-usual.

Answer: False

Response: See page 1

Level: easy

20. Programs are subdivisions of projects.

Answer: False

Response: See page 2

Level: easy

21. Projects are subdivisions of programs.

Answer: True

Response: See page 2

Level: easy

22. A similarity between project management and general management is the tendency to “manage by exception.”

Answer: False

Response: See page 4

Level: medium

23. Project budgets are primarily modifications of budgets for the same activity in the previous period.

Answer: False

Response: See page 4

Level: medium

24. In project management, superior-subordinate relationships are known and lines of authority are clear.

Answer: False

Response: See pages 5

Level: medium

25. Having responsibility for the outcome of a project without the authority of rank or position is common in project management.

Answer: True

Response: See page 5

Level: medium

26. Negotiating the purchase of a new car would typically be characterized as win-win negotiation.

Answer: False

Response: See page 6

Level: medium

27. In project management, it is often necessary to trade-off one objective for another.

Answer: True

Response: See pages 6

Level: easy

28. The construction of a house would likely follow a J-shaped lifecycle.

Answer: False

Response: See page 9

Level: medium

29. A project that is selected because it is necessary for continued operations exemplifies a sacred cow.

Answer: False

Response: See page 11

Level: medium

30. The comparative benefits method is considered a nonnumeric project selection method.

Answer: True

Response: See page 11 and 12

Level: medium

31. When using the weighted scoring model, the categories for each scale must be in equal intervals.

Answer: False

Response: See page 18

Level: medium

32. Scoring methods were developed to overcome some of the disadvantages of simple financial profitability methods.

Answer: True

Response: See page 17

Level: medium

33. One limitation of scoring methods is that they can only incorporate quantitative data.

Answer: False

Response: See pages 17 and 18

Level: medium

34. As a rule of thumb, the number of factors included in a scoring model should be at least 10.

Answer: False

Response: See page 17

Level: medium

35. Projects success is not determined by the portfolio of projects in an organization..

Answer: False

Response: See page 35

Level: medium

36. R&D projects are oriented toward using newly developed technologies or existing technologies in a new manner.

Answer: True

Response: See page 32

Level: medium

37. Projects with deliverables that are incrementally different from existing offerings are classified as platform projects.

Answer: False

Response: See page 32

Level: medium

38. Projects in which team members may never physically meet before the team is disbanded and another team reconstituted is called a virtual team

Answer: True

Response: See page 3

Level: easy

39. The project manager depends on legitimate authority to gain the cooperation of the many departments in the organization that may be asked to supply technology, information, resources and personnel to the project.

Answer: False

Response: See Page 5

Level: medium

40. In the early years of a project when outflows usually exceed inflows, the NPV of the project for those years will be positive.

Answer: False

Response: See page 15

Level: medium

41. As the present value of future returns decreases with rising discount rates, firms with high hurdle rates favor short-run projects.

Answer: True

Response: See Page 16

Level: medium

Multiple Choice

42. Which of the following are projects?
- a) the design and development of a new product
 - b) gathering and entering employment data for a Bureau of Labor Statistics quarterly report
 - c) producing a car on an automobile assembly line
 - d) a and b above.
 - e) a, b, and c above.

Answer: a

Response: see page 2

Level: medium

43. Which of the following is not a trend in project management?
- a) achieving strategic goals
 - b) improving project effectiveness
 - c) quasi projects
 - d) reductive projects
 - e) achieving routine goals

Answer: d

Response: See page 3

Level: medium

44. Which of the following criteria can be included in scoring models for selecting projects?
- a) potential profitability of the project
 - b) potential impact on the firm's competitive position
 - c) the organization's ability to market the output of a project
 - d) All of the above can be included
 - e) only a and b above

Answer: d

Response: See page 17-18

Level: medium

45. If the initial investment in a project is \$100,000 and the expected annual net profit for the project is \$20,000, the payback period is:
- a) One fifth of a year
 - b) 4 years
 - c) 5 years
 - d) 10 years
 - e) insufficient information to determine the payback period

Answer: c

Response: See page 13

Level: medium

46. Which of the following is not a characteristic of a project?
- a) They are unique
 - b) They are routine
 - c) They have specific due date
 - d) They have a specific deliverable
 - e) They have a purpose

Answer: b

Response: See page 1

Level: medium

47. Which of the following would not be considered a project?
- a) placing the weekly replenishment order
 - b) a political campaign

- c) constructing a new office building
- d) developing a new cancer treatment.
- e) writing a new textbook

Answer: a

Response: See pages 1 and 2

Level: easy

48. "Blue Sky" projects are
- a) R & D projects
 - b) Platform projects
 - c) Breakthrough projects
 - d) Derivative projects
 - e) High risk projects

Answer: a

Response: See page 32

Level: medium

49. Searching for the third alternative is most closely associated with
- a) win-win negotiation
 - b) project planning
 - c) project budgeting
 - d) the three goals of a project
 - e) the weighted scoring model

Answer: a

Response: See page 5

Level: medium

50. Which of the following is not related to the three goals of a project?
- a) time
 - b) data
 - c) schedule
 - d) cost
 - e) performance

Answer: b

Response: See page 6
Level: medium

51. Projects that begin with a slow start, have quick momentum in the middle, and have a slow finish are said to follow which type of lifecycle?
- a) J-shaped lifecycle
 - b) L-shaped lifecycle
 - c) an exponential growth lifecycle
 - d) an S-shaped lifecycle
 - e) an X-shaped lifecycle

Answer: d
Response: See page 9
Level: medium

52. Which of the following is a nonnumeric project selection method?
- a) Q-sort method
 - b) payback period
 - c) discounted cash flow method
 - d) real options
 - e) scoring methods

Answer: a
Response: See page 12
Level: medium

53. Which of the following is a numeric project selection method?
- a) comparative benefits
 - b) payback period
 - c) Q-sort method
 - d) operating/competitive necessity
 - e) sacred cow

Answer: b
Response: See page 12
Level: medium

54. In Crystal Ball, cells that contain outcomes we are interested in are called
- a) assumption cells
 - b) distribution cells
 - c) forecast cells
 - d) decision cells
 - e) define cells

Answer: c

Response: See page 24

Level: medium

55. A matrix that illustrates the magnitude of both product and process changes resulting from a project is called
- a) the aggregate project plan
 - b) the product-process matrix
 - c) the aggregate master production schedule
 - d) the balanced scorecard
 - e) the R&D project portfolio

Answer: a

Response: See page 32

Level: medium

56. The _____ attempts to link the organization's projects directly to the goals and strategy of the organization.
- a) the product-process matrix
 - b) the balanced scorecard
 - c) the action plan
 - d) project portfolio process
 - e) the work breakdown structure

Answer: d

Response: See page 31

Level: medium

57. Which of the following is are criteria for project selection?
- a) Is there a market offering for the project results
 - b) How risky is the project
 - c) Is the project synergistic with other important projects

d) All of the above

Answer: d

See response page 25 and 26

Level: medium

58. The aggregate project plan can be used for the following except:
- a) View the mix of projects within each illustrated aspect
 - b) Determine the profitability of the projects
 - c) Analyze and adjust the mix of projects within each category or aspect
 - d) Identify and adjust the gaps in the categories, aspects, sizes and timing of the projects.

Answer: b

Response: See page 24

Level: medium

Short Answer

59. Briefly explain what a project is.

Response: See pages 1-2

60. How do you know if project completion is successful?.

Response: See pages 6-7

61. What are the major trends in project management?

Response: See pages 2 and 3

62. To what extent can the three goals of a project be traded-off for one another?

Response: See pages 6 and 7

63. Briefly highlight the difference between win-win and win-lose negotiation strategies.

Response: See page 5

64. Why is having a negotiation skill in win-win negotiation necessary for the project manager?

Response: See page 5-6

65. Briefly describe each of the three fundamental goals of a project.

Response: See page 6-7

66. Briefly describe the two different life cycles of projects.

Response: See pages 8 and 9

67. Explain what the third alternative is in negotiation.

Response: See page 6

68. Briefly explain the advantages of using scoring models to evaluate and select projects rather than using financial models.

Response: See pages 17 and 18

69. Briefly explain the project portfolio process.

Response: See page 28-31

70. Briefly differentiate between derivative and breakthrough projects as defined by Wheelwright and Clark.

Response: See pages 29