

**How to Prepare for the  
Graduate Management Admission Test**

# **GMAT<sup>®</sup>**

**Ninth Edition**

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Graduate Management Admission Test**

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BY

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**Barron's Educational Series, Inc.**

**For Liora, Iris and Nurit  
and for Susan**

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# Preface

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*Barron's How to Prepare for the Graduate Management Admission Test (GMAT)* is designed to assist students planning to take the official Graduate Management Admission Test administered by the Educational Testing Service of Princeton, New Jersey. Since the results of the GMAT are used by many graduate schools of business as a means for measuring the qualifications of their applicants, it is important that the prospective student do as well as he possibly can on this exam. His admission to business school may well depend on it.

A study guide, although not able to guarantee a perfect score, can provide a good deal of assistance in test preparation by enabling students to become familiar with the material they will encounter on the exam and supplying them with ample opportunity for practice and review. With this in mind, we have developed a study guide that goes further than the simple simulation of the official GMAT in its effort to offer a sound basis of test preparation. Besides containing six practice tests with questions (and answers) similar to those students will encounter on the actual exam, it offers invaluable advice on *how* to prepare for the exam, ranging from a general discussion of the purpose and various formats

of the GMAT to a step-by-step program of subject analysis and review designed to help students discover their weak points and take measures to correct them. A tactics section is included that covers every question type. These tactics give students practical instructions and hints on how to analyze and answer each question.

Review sections for each subject area appearing on the exam have been especially developed to meet the specific needs of students who may feel a deficiency in any of these areas. Each review provides both an explanation of the material and exercises for practical work. The six practice exams included in the guide have self-scoring tables to help students evaluate their results and check their progress. All answers to the test questions are fully explained to ensure complete understanding.

The authors would also like to extend their appreciation to Mrs. Susan Hilbert and Ms. Dawn Murcer for their excellent job in typing the manuscript, to Professor Shirley Hockett for several helpful discussions, and to Professor Justin Longenecker for his generous advice.

# How to Use This Guide

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The step-by-step study program appearing below outlines the recommended study plan you should follow when preparing for the GMAT. By making use of this procedure, you will be able to take full advantage of the material presented in this guide.

1. Familiarize yourself with the purpose and general format of the GMAT (Chapter One).
2. Study the analysis of each type of question on the exam (Chapter Two).
3. Take the GMAT Diagnostic Test (Chapter Three)

and use the Self-scoring Table at the end of the test to evaluate your results.

4. Study the review sections (Chapters Four, Five, Six and Seven), spending more time on areas where you scored poorly on the Diagnostic Test.
5. Take the five sample GMAT tests (Chapters Eight, Nine, Ten, Eleven, and Twelve) and evaluate your results after completing each one.
6. Review again any areas you discover you are still weak in after you have evaluated your test results.

# Acknowledgments

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**WHAT YOU NEED TO KNOW ABOUT THE  
GMAT**

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# ONE

## AN INTRODUCTION TO THE GMAT

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The most productive approach to undertaking the actual study and review necessary for any examination is first to determine the answers to some basic questions: What? Where? When? and How? In this case, what is the purpose of the Graduate Management Admission Test (GMAT)? What does it measure? Where and when is the exam given? And most important, how can you prepare to demonstrate aptitude and ability to study business at the graduate level?

The following discussion centers on the purpose behind the Graduate Management Admission Test and answers basic questions about the general format and procedure used on the GMAT.

### The Purpose of the GMAT

The purpose of the GMAT is to measure your ability to think systematically and to employ the verbal and mathematical skills that you have acquired throughout your years of schooling. The types of questions that are used to test these abilities are discussed in the next chapter. It should be noted that the test does not aim to measure your knowledge of specific business or academic subjects. No specific business experience is necessary, nor will any specific academic subject area be covered. You are assumed to have knowledge of basic algebra, geometry, and arithmetic, and of the basic conventions of standard written English.

In effect, the GMAT provides business school admission officers with an objective measure of academic abilities to supplement subjective criteria used in the selection process, such as interviews, grades, and references. Suppose you are an average student in a college with high grading standards. Your overall grade average may be lower than that of a student from a college with lower grading standards. The GMAT allows you and the other student to be tested under similar conditions using the same grading standard. In this way, a more accurate picture of your all-around ability can be established.

### Where to Apply

Information about the exact dates of the exam, fees, testing locations, and a test registration form can be found in the "GMAT Bulletin of Information" for candidates published by ETS. You can obtain a copy by writing:

Graduate Management Admission Test  
Educational Testing Service  
P.O. Box 6103  
Princeton, New Jersey 08541-6103

The GMAT is generally given in October, January, March, and June. Since the majority of business schools send out their acceptances in the spring, it is wise to take the exam as early as possible to ensure that the schools you are applying to receive your scores in time.

## The Test Format

The latest GMAT has contained questions of the following types: Reading Comprehension, Problem Solving, Data Sufficiency, Critical Reasoning, and Writing Ability (Sentence Correction). In the past, exams have included Analysis of Situations questions, but these questions have now been replaced by questions on Critical Reasoning.

Recent GMAT examinations have contained seven sections, with each section allotted thirty minutes. Some possible test formats are:

Form A

SECTION	TYPE OF QUESTION	NUMBER OF QUESTIONS	TIME (MIN.)
I	Reading Comprehension	25	30
II	Reading Comprehension	25	30
III	Problem Solving	20	30
IV	Sentence Correction	25	30
(15 minute break)			
V	Data Sufficiency	25	30
VI	Critical Reasoning	20	30
VII	Problem Solving	20	30
Total		160	210

Form B

SECTION	TYPE OF QUESTION	NUMBER OF QUESTIONS	TIME (MIN.)
I	Reading Comprehension	25	30
II	Critical Reasoning	20	30
III	Problem Solving	20	30
IV	Reading Comprehension	25	30
(15 minute break)			
V	Data Sufficiency	25	30
VI	Sentence Correction	25	30
VII	Sentence Correction	25	30
Total		165	210

There are many different formats for the test, but each version of the test will contain at least one section each of Problem Solving, Reading Comprehension, Sentence Correction, Data Sufficiency, and Critical Reasoning. The remaining two sections will be picked from these five types and will differ from test to test—for example, Problem Solving may appear three times on one version of the test, while on another version Reading Comprehension may appear twice and Critical Reasoning twice. Usually only six of the seven sections are counted in your score. The other section either contains experimental questions or is used to calibrate different versions of the GMAT. However, you will not know which sections are going to count in your score, so you must do your best on every section.

Each section of the GMAT must be completed within the specified time limit. If you finish the section before the allotted time has elapsed, you must spend the remaining time working on that section *only*. You may *not* work on other sections of the test at all.

Specific directions telling you exactly how to answer the questions appear at the beginning of each section of the exam. Keep in mind that although the directions for answering the sample questions in this guide are designed to simulate as closely as possible those on the actual test, the format of the test you take may vary. Therefore, it is important that you read the directions on the actual test very carefully before attempting to answer the questions. You also should be certain of the exact time limit you are allowed.

## Your Scores and What They Mean

You will receive three scores on the GMAT exam: a total score, a verbal score, and a quantitative score. The total score ranges from 200 to 800; the verbal and quantitative scores range from 0 to 60. You will also be given a percentile ranking for each of the three scores. The percentile

ranking gives you the percentage of the test scores in the last three years lower than yours. Thus, a percentile ranking of 75 would mean that 75% of the test scores in the last three years were below your score.

Your score will be based on your raw score, which is the total number of correct answers minus one fourth of the number of wrong answers. The GMAT subtracts one fourth of the number of wrong answers to compensate for random guessing. The verbal score is based on the answers to the questions in the Reading Comprehension, Critical Reasoning, and Sentence Correction sections. The quantitative score is based on the answers to the questions in the Problem Solving and Data Sufficiency sections.

The scores you receive are *scaled scores*. Since there are many different versions of the exam, the use of scaled scores allows test results based on different versions of the exam to be compared. The same *raw score* (total number of correct answers minus one fourth of the number of wrong answers) will be converted into a higher scaled score if you took a more difficult version of the exam. If you take several versions of the exam, your scaled scores should cluster about your "true" scaled score. Thus, your scaled score in some sense represents a range of possibilities. A score of 510 means that your "true" score is probably between 480 and 540.

In general, no particular score can be called good or bad, and no passing or failing grade has been established. Scores above 700 or below 250 are unusual. In recent years, about two thirds of all scores have fallen between 380 and 600, with the average between 480 and 490. In the verbal and quantitative scores, grades above 46 or below 10 are unusual. About two thirds of these scores fall between 20 and 38, with the average about 30. The average verbal score is slightly lower than the average quantitative score.

Your score on the GMAT is only one of several factors examined by admissions officers. Your undergraduate record, for example, is at least as important as your GMAT score. Thus, a low score does not mean that no school will accept you, nor does a high GMAT score guarantee acceptance at the school of your choice. However, since your score is one important factor, you should try to do as well as you can on the exam. Using this book should help you to maximize your score.

## How to Prepare for the GMAT

You should now be aware of the purpose of the GMAT and have a general idea of the format of the test. With this basic information, you are in a position to begin your study and review. The rest of this guide represents a study plan which will enable you to prepare for the GMAT. If used properly, it will help you diagnose your weak areas and take steps to remedy them.

Begin your preparation by becoming as familiar as possible with the various types of questions that appear on the exam. The analysis of typical GMAT questions in the next chapter is designed for this purpose. Test-taking tactics provide hints on how to approach the different types of questions. When you feel you understand this material completely, take the Diagnostic Test that follows and evaluate your results on the self-scoring table provided at the end of the test. (An explanation of how to use these tables appears below.) A low score in any area indicates that you should spend more time reviewing that particular material. Study the review section for that area until you feel you have mastered it and then take one of the sample GMATs at the back of the book. Continue this pattern of study until you are completely satisfied with your performance. For best results, try to simulate exam conditions as closely as possible when taking sample tests: no unscheduled breaks or interruptions, strict adherence to time limits, and no use of outside aids.

### The Self-scoring Tables

The self-scoring tables for each sample test in this guide can be used as a means of evaluating your weaknesses in particular subject areas and should help you plan your study program most effectively.

After completing a sample test, turn to the Answers section which immediately follows each test. First, determine the number of *correct* answers you had for each section. Next, subtract *one-fourth* the number of *wrong* answers for each part from the number of correct answers. This is done to eliminate the benefits of wild guessing. Do *not* subtract for any answers left blank. For example, suppose that in Section I you answered 15 out of 25 questions correctly, with 6 incorrect responses and 4 blanks. Subtract  $\frac{1}{4}$  of 6 ( $1\frac{1}{2}$ ) from 15 to obtain a final score of  $13\frac{1}{2}$ . Now turn to the section Evaluating Your Score, which follows the Answers Explained section of each test. Record your scores in the appropriate score boxes in the Self-scoring Table as shown below.

Self-scoring Table

SECTION	SCORE	RATING
1	$13\frac{1}{2}$	FAIR
2		
3		
4		
5		
6		
7		

Use the Rating scale to find your rating for each section. A typical rating scale follows.

Self-scoring Scale—RATING

SECTION	POOR	FAIR	GOOD	EXCELLENT
1	0–12+	13–17+	18–21+	22–25
2	0–9+	10–13+	14–17+	18–20
3	0–12+	13–17+	18–21+	22–25
4	0–9+	10–13+	14–17+	18–20
5	0–9+	10–13+	14–17+	18–20
6	0–12+	13–17+	18–21+	22–25
7	0–12+	13–17+	18–21+	22–25

In the rating scale, numbers such as 12+ mean numbers larger than 12 but less than 13. For example, if your raw score on Section 6 of the exam was  $21\frac{1}{2}$ , then this translates to GOOD on the self-scoring table.

A rating of FAIR or POOR in any area indicates that you need to spend more time reviewing that material.

### Scaled Scores

The rules below will give you a method for converting your raw score on a practice exam into a scaled score. This is not the same procedure that the GMAT uses, but it should give you some idea of what your scaled score would be on the exam. Note that your raw score on an exam is the number of correct answers minus one fourth of the incorrect answers, with no deduction for answers left blank.

Use the following rule to convert your raw score into a scaled score.

$$\text{SCALED SCORE} = 210 + (3.75 \times \text{RAW SCORE})$$

If the rule gives a scaled score greater than 800, then the scaled score is 800.

If the rule gives a scaled score less than 200, then the scaled score is 200.

EXAMPLE: You have a raw score of 117 on a test.

(A)  $3.75 \times \text{RAW SCORE} = 3.75 \times 117 = 438.75$

(B) 438.75 is rounded to 439

(C) So the scaled score is  $210 + 439 = 639$ .

If your scaled scores are low on the first practice exams you take, don't get discouraged. Your scaled score should improve on the later practice exams after you have used the various reviews to strengthen your weaknesses. The tests were made hard. That way you can discover your weaknesses and try to correct them. Easy practice tests are not good practice for a difficult exam. Remember that, on the GMAT itself, you shouldn't expect to be able to answer every single question. Don't worry about that. To maximize your score, you want to answer as many questions as you can correctly in the given amount of time.

## After You Take the Exam

You will usually receive your scores about four weeks after the exam.

You may take the GMAT as many times as you wish. However, if you repeat the test, your scores from that test and the two most recent previous test results will be sent to all institutions you designate as score recipients. Many schools average your scores if you take the test more than once. So unless there is a reason to expect a substantial improvement in your score, it usually is *not* worthwhile to retake the exam.

Currently, you can receive a copy of your answer sheet, a booklet containing all questions that were counted in scoring your exam, an answer key, and the scale used to translate your raw scores into scaled scores. This test disclosure service is available for a fee of \$8 for regular forms of the test given on the scheduled Saturday test dates. The service is available for only 90 days after scores are first reported. You should request the test disclosure service if you are considering retaking the exam. You can see if there was any particular section which hurt your score and concentrate on those questions as you study.

You can also cancel your scores if you act *before* receiving them. If you wish to cancel your scores, you must indicate this on your answer sheet, notify the supervisor before you leave the test center, or notify ETS by mail (your request must be received no later than seven days after you take the test). If you cancel your scores, the fact that you took the test will be reported to all the places you designated as score recipients. Thus, it is generally not advantageous to cancel your scores unless there is reason to believe that you have done substantially worse on the test than you would if you took the test again; for example, if you became ill while taking the exam. Once a score is cancelled from your record it cannot be put back on your record or reported at a later date.

As a general rule, it is better to retake the exam after looking over your previous results (questions, answers, and so on) than it is to cancel your scores. You can do well on the exam without finishing every section. In addition, each version of the exam contains questions or sections that are experimental and are not counted towards your score, so your score may be better than you expect. Thus, you usually are better off waiting to see your score before deciding whether or not to retake the exam.

# TWO

## TYPICAL GMAT

### QUESTIONS AND HOW TO

### APPROACH THEM

---

A logical first step in preparing for the GMAT is to become as familiar as possible with the types of questions that usually appear on this exam. The following analysis of typical GMAT questions explains the purpose behind each type and the best method for answering it. Tactics for handling each of the different types of questions are also given. These tactics provide practical tools and advice to help you prepare for the exam and take it more efficiently. Samples of the questions with a discussion of their answers are also included. More detailed discussions and reviews for each section of the test are presented in the Correct Your Weaknesses part of this book.

## Reading Comprehension

The Reading Comprehension section tests your ability to analyze written information and includes passages from the humanities, the social sciences, and the physical and biological sciences. The typical Reading Comprehension section consists of three or four passages with a total of 25 questions which must be completed in 30 minutes. You will be allowed to turn back to the passages when answering the questions. However, many of the questions may be based on what is *implied* in the passages, rather than on what is explicitly stated. Your ability to draw inferences from the material is critical to successfully completing this section. You are to select the best answer from five alternatives.

### Major Types of Reading Comprehension Questions

Reading comprehension questions usually fall into several general categories. In most questions, you will be asked about one of the following:

**Main Idea.** In this type of question you may be asked about the main idea or theme of the passage, about a possible title, or about the author's primary objective. Usually the main idea refers to the passage as a whole, not to some segment or part of the passage. The main idea is typically (but not always) found in the first paragraph. It will be a statement that gives the overall theme of the passage. In many cases, it will be in the form of an argument, including a premise and conclusion. (For the identification of the structure of an argument, see the Critical Reasoning Review later in this book.)

A frequent question on Reading Comprehension tests asks you to select the title or theme which best summarizes the passage.

#### EXAMPLE:

Government policy in Frieland has traditionally favored foreign investment. Leaders of all political parties have been virtually unanimous in their belief that foreign investment in Frieland would contribute to speeding that country's economic development, a major priority of both the ruling coalition and opposition parties. Of special interest to the government were those industries that exported a significant share of their total output. Since Frieland had a relatively small population, there was a limit to the amount of goods



that could be produced for the local market. Also, the government did not want to encourage foreign investors to compete with local industry, even though new industries might alleviate the already high unemployment rate.

1. The best possible title of the passage is
  - (A) Government Policy in Frieland.
  - (B) How To Provide Employment.
  - (C) Attracting Foreign Investment.
  - (D) The Economics of Developing Countries.
  - (E) Foreign Investment and Economic Development.

All of the above alternatives can be found in the passage, with the exception of (D)—we don't know if Frieland is a developing country. However, note that the words "foreign investment" are mentioned three times in the passage, and in line 3 it is linked with economic development. Clearly then, the main idea or subject is foreign investment, and the appropriate answer is (E).

Additional questions may ask you to identify the author's purpose in writing the passage.

#### EXAMPLE

2. It can be concluded that the aim of the author is to
  - (A) increase foreign investment.
  - (B) protect local industry from foreign competition.
  - (C) increase unemployment benefits for workers.
  - (D) develop a theory of foreign investment.
  - (E) increase the indigenous population of Frieland.

The most appropriate answer to the above question is (A). The author gives some of the reasons and under what conditions foreign investment would be beneficial to Frieland.

**Supporting Ideas.** In this type of question, you may be asked about the idea expressed in one part of the passage, rather than about the passage as a whole. Questions of this type test your ability to distinguish between the main idea and those themes that support it, some of which may be implicit or implied rather than explicitly stated.

#### EXAMPLE:

Some economists believe that the United States can be utilized as a "land bridge" for the shipment of containerized cargo between Europe and the Far East. Under the land-bridge concept, containerized freight traveling between Europe and the Far East would be shipped by ocean carrier to the United States East Coast, unloaded and placed on special railway flatcars, and shipped via railroad to a West Coast port. At this port, the containers would then be loaded on ships bound to a Far East port of entry. This procedure would be reversed for material traveling in the opposite direction. Thus, a land transportation system would be substituted for marine transportation during part of the movement of goods between Europe and the Far East.

If a land-bridge system of shipment were deemed feasible and competitive with alternative methods, it would open a completely new market for both United States steamship lines and railroads. At present, foreign lines carry all Far East-Europe freight. American carriers get none of this trade, and the all-water route excludes the railroads.

The system established by a land bridge could also serve to handle goods now being shipped between the United States West Coast and Europe, or goods shipped between the Far East and the United States Gulf and East Coasts. Currently, there are 20 foreign lines carrying West Coast freight to Europe via the Panama Canal, but not one United States line. Thus, in addition to the land bridge getting this new business for the railroads, it also gives the United States East Coast ships an opportunity to compete for this trade.