

## **NEXT GENERATION GMAT: THE OVERVIEW**

This short book developed by GoGMAT experts combines information from the posts we have recently published at our GMAT blog, practice questions our experts have prepared to familiarize you with the new GMAT format and some strategic tips that will help you deal with the new, unfamiliar question formats.

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Things tend to change. What was new and modern few years ago is no longer as useful, attractive, and innovative as it used to be. This is as true in the business world as everywhere else. The skill set that defined a successful manager ten years ago has been updated and expanded. Consequently, what business schools seek in their applicants has changed. To meet these new requirements and to better assess the reasoning and analytical skills of future MBA students, the Next Generation GMAT will replace the current version of the test beginning on June 5, 2012.

Feared by many, this change probably won't make the test much harder, if any. The duration of the GMAT will remain the same, only a new section will replace the Analysis of an Issue section of the Analytical Writing Assignment. So the test will now be structured like this:

| Section                 | Questions    | Duration | Score |
|-------------------------|--------------|----------|-------|
| Analysis of an Argument | 1 essay      | 30 min   | 0-6   |
| Integrated Reasoning    | 12 questions | 30 min   | 1-8   |
| Optional Break          | –            | 8 min    | –     |
| Quantitative Section    | 37 questions | 75 min   | 0-60  |
| Optional Break          | –            | 8 min    | –     |
| Verbal Section          | 41 questions | 75 min   | 0-60  |

The new section will have questions of four types:

- Graphics Interpretation
- Table Analysis
- Two-Part Analysis
- Multi-Source Reasoning

There are four question types and 12 questions in total, and it would be logical to expect that you will see three questions of each type, but that is not true. GMAC, the guys administering the test, does not specify which questions will be most frequent and which will be less common. The one thing they say for sure is that each test-taker will see at least one question of each type, and that some questions will be experimental. Experimental questions are just newly written test items on the test drive. They are not scored and are only there for the GMAC to determine their difficulty level and gather other statistical data that will determine whether a certain question will appear as a scored question later. But since you do not know which questions are scored and which are experimental, you should take each question seriously.

The new section of the GMAT will not be adaptive. What this means is that unlike Verbal and Math sections, the difficulty of each question will not depend on whether you got the previous one correctly. So each test taker is likely to see easy, medium and hard questions, regardless of whether they perform well or not quite.

Many test takers are curious whether the average total GMAT score of 200-800 will increase or decrease after the new section is introduced. Here's the answer: it is not likely to change; the new section will be scored separately on a scale of 1-8. As before, your total GMAT score will be calculated on the basis of your performance on the Quantitative and Verbal sections.

What concerns many test takers is whether admission officers will be very concerned with the presence of the Integrated Reasoning score in your score report. Note, old GMAT scores are still valid and will remain valid for another five years. We have interviewed admission officers at some business schools, and most of them say that the presence, or absence, of the Integrated Reasoning score will not significantly affect your admission chances. Of course, if you have an excellent IR score, it will add another positive data point to your application package, but business school will not reject you simply because you took the GMAT before the new section was introduced.

Another interesting point is that admission officers have no idea how Integrated Reasoning score correlates with your chances to succeed in and after the business school, and whether it is representative of your abilities at all. They have years of statistics that show how these chances correlated by your math, verbal and total GMAT score, and they know that, for example, a person with a total score below 600 is not likely to handle their academic program or lacks some other essential skills. As of now, they have no statistics that would allow them to draw a similar parallel between your IR score and business school abilities, so at least for the next few years, until they collect such data, your IR score will remain RELATIVELY unimportant. But of course, if the choice will be between two otherwise equally qualified candidates, of which one has a higher Integrated Reasoning score, this score might become the decisive factor.

The new questions will ask you to analyze data from charts and tables and draw conclusions in order to answer the questions. The answer choices may be in the true/false format, you may be asked to select the answer from a drop-down list, or you may see the standard answer choices. From the questions that have been released so far, we can infer that the new section will be addressing mostly math and critical reasoning skills. The questions are often a mix where you are asked to draw a conclusion or evaluate a list of conclusions based on a given set of mathematical data. What the new section does is it “integrates” the math and verbal skills in a new way.

The math skills required to answer the new GMAT questions will not exceed the skills already required for the Quantitative section; the only difference is that the information you will have to analyze will be presented differently. Generally, if you studied well for your Quantitative and Verbal sections, you will be prepared to do well on Integrated Reasoning. Remember, these questions look different, but they test very much the same skills tested before.

As you may expect from questions based on charts, graphs, and other similar sources, many of the questions will ask about percentages (percentage increase/decrease), statistics (central tendencies), and profits. Of course, the questions will not be limited to these concepts, but charts and graphs primarily present this kind of information.

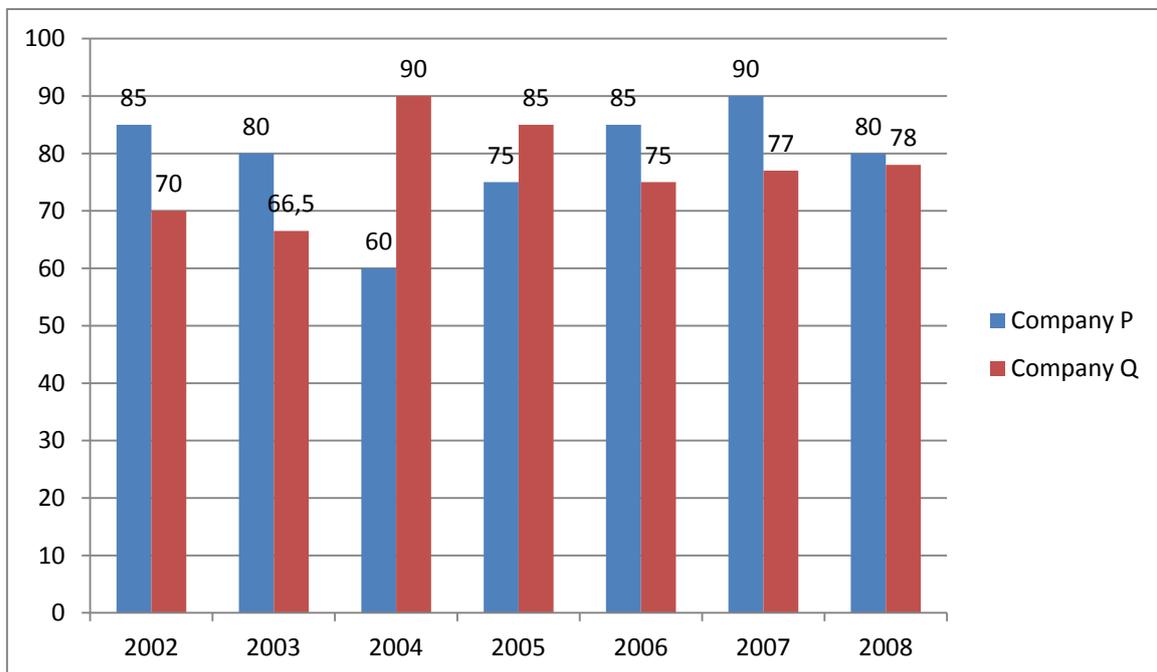
The good thing is that you will have the calculator on your screen for the Integrated Reasoning section of the GMAT, although it will not be available during the Quantitative section. You will need to use your mouse for calculations, so practice precision clicking and think about calculating the easier expressions on your note board.

From the few samples of GMAT Graphics Interpretation questions available, it appears that these problems are illustrated with graphs, pie charts, diagrams, or other images, accompanied by short descriptions of the data and perhaps instructions for reading them. Each Graphics Interpretation problem will be followed by two questions to which you will have to select the correct answers from drop-down lists. Graphs may be very confusing, but keep in mind that harder ones tend to come with easier questions, requiring minimal calculations or none at all. Easier graphs, naturally, will most likely be followed by trickier questions. So don't panic when you see a complex diagram or chart, and don't become careless when you see an easy one!

A good idea is to start by reading the description of the illustration and then the questions, so that you know what kind of information to distill from the graph.

Keeping all this in mind, look at the following Graphics Interpretation questions.

## Question 1



The graph above shows the percent profit earned by two companies, P and Q, on their investments.

*(Note: On the test you will have answers presented in a drop-down list, but we cannot insert it to a pdf file, so will list them in parentheses)*

1. The ratio of investment to income was greatest for Company P in (2008, 2002, 2005, 2007, 2004)
2. If the income of Company P in 2006 was same as the income of Company Q in 2003, then the ratio of investment of company Q in 2003 to the investment of company P in 2006 was (9:10, 10:9, 13:15, 15:13)

### Explanation

The graph itself is straightforward, so you should expect the questions to be more complex. Let's start with the first one.

Remember to begin by reading the description and questions before trying to analyze the graph. Here, you are told that the graph shows percent profit earned by two companies on their respective investments over a 7-year period. The key at the right of the chart assigns the blue bars to Company P and the red ones to company Q.

Question 1: Since the first question asks about Company P, you are interested only in the blue bars. When we recently presented this question at one of our webinars, students' preferences were almost equally divided between two answer choices: 2004 and 2007, so if you chose one of these options, you are in good company. Let's see whether one is correct. The ratio of investment to income can be represented mathematically as  $\frac{\text{Investment}}{\text{Income}}$ . The value of this fraction (any fraction) will become greater as the denominator gets smaller. Similarly, the ratio of investment to income was greatest when the percent profit was the least, and for the Company P this happened in 2004. The correct answer is 2004.

Question 2: The first question was easy, albeit tricky. This one is more straightforward, but it requires a mathematical way of thinking. You must find the ratio of the two companies' investments in different years, but all the information you have is about income. Use P and Q to mark the companies' respective investments, express incomes in terms of investments, and set them equal because the problem tells you that incomes were equal for the two companies for the years in question.

If the investment of Company P in 2006 = P, then its income in 2006 was P + 85% of P or **1.85P**.

If the investment of Company Q in 2003 = Q, then its income in 2003 was Q + 66.5% of Q = **1.665Q**.

Knowing that the two incomes were equal, we can form the equation: **1.85P = 1.665Q**

From this expression we can deduce that  $\frac{Q}{P} = \frac{1.665}{1.85} = 0.9$  or  $\frac{9}{10}$  or 9:10. This is the kind of question where you want the calculator.

## Question 2



Refer to the diagram above, which represents statistical data on the residents of Businessville. Each symbol represents 10 residents of a community with a total population of 150 residents.

*(Note: On the test you will have answers presented in a drop-down list, but we cannot insert it to a pdf file, so will list them in parentheses)*

If one Businessville resident is selected at random, the chance that such a person will not be a millionaire who holds an MBA degree is: (2/15, 3/30, 13/15, 27/30).

If Businessville statistics are representative of an overall trend, then the probability of a person without an MBA degree becoming a millionaire is: (1/2, 1/4, 1/8, 1/16)

### Explanation

Question 1: If you have already studied for the Quantitative section of the GMAT, you will be familiar with the basics of probability and overlapping sets. You can see that the new GMAT Graphics Interpretation questions therefore do not require mastery of any new math concepts; they just require ability to read graphs, charts, and diagrams—a skill most of you already use and one that those of you who make it through business school will definitely need.

In Question 1, you need to find the probability that a person selected at random from the set of 150 residents of Businessville will NOT be a millionaire who holds an MBA degree. To find the probability of an event not occurring, you calculate the probability that the event will occur and subtract that probability from 1.

$$\text{So } P(\text{not a millionaire with MBA}) = 1 - P(\text{a millionaire with MBA})$$

Millionaires with MBAs are marked in the overlapping area of the Venn diagram, where you see two marks. Since each mark represents 10 persons, there are 20 millionaires with MBAs among the 150 millionaires, making the probability  $\frac{20}{150}$  or  $\frac{2}{15}$ . This is not the final answer however; this is the probability of a person being a millionaire with an MBA. Now you need to subtract this from 1 to get the probability of a random resident not being a millionaire with an MBA:  $1 - \frac{2}{15} = \frac{13}{15}$ .

Question 2: The second question asks you take the diagram as universally true and calculate the probability of someone without an MBA becoming a millionaire. Divide the number of millionaires without MBAs by the total number of residents without MBAs. There are five marks in the millionaire circle outside the MBA circle, and another five marks are in neither circle. Altogether, there are 10 marks outside the MBA circle, so 100 people do not have MBAs. Of those, 5 marks, or 50 persons, are in the millionaire circle. The probability, of a non-MBA becoming a millionaire, therefore, is  $\frac{50}{100} = \frac{1}{2}$ .

To sum up, for Graphics Interpretation questions:

- Learn to read different types of graphs.
- Before analyzing a graph, read the accompanying explanation to see what information it presents.
- Before analyzing a graph, read the question(s) to see what exactly you need to infer from the graph. The same graph can be a source of tons of information: ratios, percentages, increases, decreases, distribution. So read the questions first and understand what info you need to infer from the graph to get the answers.
- Try to use the calculator only when the answer is not intuitively obvious or cannot be calculated manually without wasting time on the calculator.
- Do not get frustrated when you get a scary graph; it will likely be followed by easy common sense questions that can be answered without any calculations.
- Do not get careless when you see an easy graph; it may be followed by tricky questions that will require your full concentration.

In general, the only new skill tested by Graphics Interpretation questions is your ability to read charts; all other reasoning and math skills are the same as those you need for the Quantitative or Verbal section. If you're good at Critical Reasoning and Problem Solving and you learn to read information presented in graphical form, you'll do just fine.

One thing is certain—these questions will have two parts. Some will present math problems and ask you to figure out values for two variables, others will present passages from which you must draw two valid inferences, and other styles are probably coming. While Graphics Interpretation questions mostly address math, Two-Part Analysis questions can address either math or logical reasoning. Again, if the passage presents a lot of information, it's a good idea to start by reading the questions to see what information you are going to need.

In our first example, we will dissect a reasoning type of question. Are they hard? Of course, they are. But if you're careful and attentive, you should find them manageable.

### Question 1

*The following is an extract from a sports commentator's speech, which discusses a fictitious location, called Sanura, on a playing field.*

*“And now we can see that in the final minutes of the match, almost all the players have gathered in anticipation near the only gate where the goal can be scored and are waiting for the ball to be thrown into play. Each coach puts one defenseman from his team in Sanura. While until recently controlling Sanura was considered a good idea only at the beginning of a game when a face-to-face game was developing, now it has become clear that even in situations like this one, when the play is occurring far from Sanura, it is crucial to put some players there.”*

*Based on the definition of the fictitious word Sanura as inferred from the extract above, which of the following events CAN happen in Sanura and which CANNOT? Make only two selections, one in each column.*

| CAN | CANNOT |  |
|-----|--------|--|
|     |        | Throwing a ball from the line              |
|     |        | Getting sports trauma                      |
|     |        | Scoring a goal                             |
|     |        | All members of one team gathering together |
|     |        | Members of different teams meeting         |

### Explanation

This GMAT Integrated Reasoning question is similar to a Critical Reasoning question. It has several premises (statements of evidence) about Sanura, a fictional location on a playing field, and you need to infer which activities can and cannot occur there. This is nothing new, just the same inference question in a new format. Let's look at answer choices.

1. Wrong. Nothing in the extract indicates whether the ball can be thrown in Sanura. You know that players are waiting for it near the gate, and probably, at least in some cases, the ball is thrown in somewhere in that area, but you do not know whether throwing in the ball may take place in Sanura.
2. Trap question. You know from the personal experience that any sport is accompanied by trauma risk; however, the extract does not mention trauma, so any inference about it is just your assumption and is therefore wrong.
3. CANNOT. The passage describes the gathering of all players near the gate as occurring far from Sanura, so the gate is obviously not in Sanura. Since the gate is described as the only place where the goal can be scored, scoring a goal cannot occur in Sanura.
4. Wrong. Nothing is said about whether all members can or cannot gather in Sanura.
5. CAN. The passage states that each coach has put one defenseman in Sanura, so it is obvious that members of different teams can meet in Sanura.

Now let's take a look at another, this time math-oriented Two-Part Analysis question.

### Question 2

*Two companies X and Y have the current number of employees at 80 and 110, respectively. Both companies are hiring new additional employees every three months at their respective constant rates. If in 15 months, the number of employees in both companies will become the same, what is the possible rate of increase for companies X and Y?*

*Select only one option in each column.*

| Company X | Company Y | Rate of increase (in employees per three months) |
|-----------|-----------|--|
|           |           | 3  |
|           |           | 4  |
|           |           | 5  |
|           |           | 7  |
|           |           | 9  |
|           |           | 12   |

**Explanation**

Let's sum up the information we have:

Present number of employees in Company X = 80.

Present number of employees in Company Y = 110.

Let  $x$  be the rate of increase in the number of employees for company X.

Let  $y$  be the rate of increase in number of employees for company Y.

As the number of employees increases after every 3 months, in 15 months it will increase 5 times:

$$80+5x = 110+5y$$

$$5x-5y = 30$$

$$5x = 30+5y$$

$$x = 6+y$$

Note that this equation has two variables and cannot be solved for unique values of  $x$  and  $y$ , but what we can determine is that  $x$ , the rate of increase for Company X, is 6 persons per three months greater, than  $y$ , the rate of increase for Company Y. There can be multiple options that may work out for example  $y = 10$  and  $x = 16$ ,  $y = 5$ , and  $x = 11$ , any combination of numbers with a difference of 6. So there is no unique fixed value that describes this rate for the two companies, but we know that the increase rates of the two companies must differ by 6, and the only answer options that satisfy this condition are 3 and 9, so for Company X the correct answer is 9, and for Company Y it's 3.

Alternatively, you could take the values of  $y$  and  $x$ , and plug them into our equation to see which ones would work out, but that's a more tedious way. Remember, many GMAT questions provide an opportunity to strategize, generalize and find answers without performing many calculations, being able to spot such opportunities is the skill that defines those who score in the top percentiles, and that can only be developed with practice.

Another obvious, but important point for you to consider when you approach these questions is that you have to be very careful to select the values in the right columns. In this question we determined that our values are 3 and 9, but you should make sure you select 3 for Company Y and 9 for Company X, not the other way around. You do not want to spend time on calculations, and then just mess it up by selecting the values in wrong columns.

Table Analysis questions present a data table, which can be complex or contain only a few rows and columns. You will be allowed to sort values in each column by size or alphabetically. Like other illustrations, a table is just information; without the questions, it is useless. So, approach Table Analysis questions by first reading the questions. After that, you can sort the relevant column(s) to see whether certain trends appear or not. Let's take a look at some samples.

### Question 1

*There are four movie stores in a town. The table below shows the in-town movie rentals and sales by genre at Mark's Movie Emporium.*

| Genre       | Rentals % | Rentals Rank | Sales % | Sales Rank |
|-------------|-----------|--------------|---------|------------|
| Action      | 30        | 3            | 32      | 2          |
| Animation   | 10        | 4            | 15      | 3          |
| Comedy      | 43        | 2            | 29      | 3          |
| Documentary | 50        | 1            | 38      | 2          |
| Drama       | 23        | 2            | 25      | 1          |
| Family      | 13        | 3            | 12      | 4          |
| Romance     | 56        | 1            | 60      | 1          |
| Sci-Fi      | 32        | 2            | 40      | 1          |
| Suspense    | 5         | 4            | 8       | 4          |

*For each of the following statements, select Yes if the statement can be shown to be true based on the information in the table. Otherwise select No.*

| Yes | No |  |
|-----|----|--|
|     |    | For all genres that Mark's leads in rentals, it does not always lead in sales. |
|     |    | All other stores combined rent more Documentaries than Mark's does.            |
|     |    | No single store rents more than 25% of the town's Drama movies.                |

### Explanation

This is an easy table; with only nine rows and four columns, sorting may not be necessary, and given this is a text document, it's not possible. Nevertheless, you should know that, on the real test, you not only CAN sort your tables, but also SHOULD do so. The key is to figure out what to sort, and the clue to that is in the question. (On the test, the sort field will be above the table).

The first question is about genres in which Mark's leads in rentals, so you sort by Rentals Rank and you see that Mark's leads in rentals of Documentaries and Romance movies. Now look up these genres in the Sales Rank column. For Romance movies, Mark's store also leads in sales, but for Documentaries, it ranks 2nd, so the answer is Yes, Mark's store does not always lead in sales in the genres in which it leads in rentals.

For the second question, look up Mark's rentals share for Documentaries, which turns out to be 50% of total documentaries' rentals. All other stores account for the other 50%, which does not exceed Mark's share, so the answer is *No*.

For the third question, you find that Mark's rentals share of Dramas is 23%, while the other three stores combined rent 77%. You know that Mark's ranks second in this category, so the leader could well be renting more than 23%, and the answer is *no*.

### Question 2

| Category   | Seasonally adjusted at annual rates<br>(in billions of chained 2005 dollars) |          |          |          |          | Annualized<br>%Change from: |                 |
|--|--|----------|----------|----------|----------|-----------------------------|-----------------|
|  | Sep 2010   | Dec 2010 | Mar 2011 | Jun 2011 | Sep 2011 | Last<br>Year                | Last<br>Quarter |
| Gross Domestic Product                                   | 13,139.6   | 13,216.1 | 13,227.9 | 13,271.8 | 13,331.6 | 1.46%                       | 1.81%           |
| Personal consumption expenditures                        | 9,247.1  | 9,328.4  | 9,376.7  | 9,392.7  | 9,433.5  | 2.02%                       | 1.75%           |
| Goods  | 3,240.8  | 3,306.0  | 3,344.4  | 3,331.2  | 3,342.7  | 3.14%                       | 1.39%           |
| Durable goods  | 1,194.1  | 1,242.4  | 1,277.4  | 1,260.2  | 1,277.8  | 7.01%                       | 5.70%           |
| Nondurable goods   | 2,045.8  | 2,067.4  | 2,075.4  | 2,076.6  | 2,073.7  | 1.36%                       | -0.56%          |
| Services   | 6,008.1  | 6,027.5  | 6,039.1  | 6,067.0  | 6,096.1  | 1.46%                       | 1.93%           |
| Gross private domestic investment                        | 1,766.8  | 1,734.5  | 1,750.9  | 1,778.4  | 1,784.2  | 0.98%                       | 1.31%           |
| Fixed investment   | 1,663.5  | 1,693.9  | 1,699.0  | 1,736.7  | 1,790.4  | 7.63%                       | 12.95%          |
| Nonresidential   | 1,343.6  | 1,371.9  | 1,378.9  | 1,413.2  | 1,465.6  | 9.08%                       | 15.68%          |
| Structures   | 310.1  | 318.0    | 305.9    | 321.9    | 332.9    | 7.35%                       | 14.39%          |
| Equipment and software                                   | 1,044.1  | 1,064.5  | 1,086.9  | 1,103.5  | 1,145.7  | 9.73%                       | 16.20%          |
| Residential  | 321.1  | 323.1    | 321.1    | 324.4    | 325.4    | 1.34%                       | 1.24%           |
| Change in private inventories                            | 92.3   | 38.3     | 49.1     | 39.1     | -2.0     |                             |                 |
| Net exports of goods and services                        | -458.7   | -414.2   | 424.4    | 416.4    | 402.8    |                             |                 |
| Exports  | 1,684.8  | 1,716.8  | 1,749.6  | 1,765.0  | 1,785.2  | 5.96%                       | 4.66%           |
| Goods  | 1,178.8  | 1,204.9  | 1,235.6  | 1,243.2  | 1,258.3  | 6.74%                       | 4.95%           |
| Services   | 506.5  | 512.4    | 514.6    | 522.4    | 527.5    | 4.15%                       | 3.96%           |
| Imports  | 2,143.5  | 2,131.0  | 2,173.9  | 2,181.4  | 2,187.9  | 2.07%                       | 1.20%           |
| Goods  | 1,779.8  | 1,777.4  | 1,818.4  | 1,825.4  | 1,827.9  | 2.70%                       | 0.55%           |
| Services   | 365.5  | 355.6    | 357.5    | 357.9    | 362.2    | -0.90%                      | 4.89%           |
| Government consumption expenditures and gross investment | 2,570.3  | 2,552.1  | 2,513.9  | 2,508.2  | 2,507.6  | -2.44%                      | -0.10%          |
| Federal  | 1,087.8  | 1,079.6  | 1,053.3  | 1,058.3  | 1,063.7  | -2.22%                      | 2.06%           |
| National defense   | 728.6  | 717.7    | 694.0    | 705.9    | 714.6    | -1.92%                      | 5.02%           |
| Nondefense   | 359.2  | 361.9    | 359.4    | 352.4    | 349.0    | -2.84%                      | -3.80%          |
| State and local  | 1,488.9  | 1,478.9  | 1,466.4  | 1,456.1  | 1,450.4  | -2.59%                      | -1.56%          |

For each of the following statements, select *YES* if the statement can be shown to be true based on the information in the table. Otherwise select *No*.

| Yes | No |  |
|-----|----|--|
|     |    | The category with the greatest annual percent increase over the last year had the mean increase over the last quarter. |
|     |    | The smallest increase from June 2011 to September 2011 was in Personal consumption expenditures.                       |
|     |    | In the last quarter, there were around 4 times as many exports as imports.   |

### Explanation

You cannot sort the table here, but let's assume you can, as this will be the case on the test, and tailor our explanation accordingly.

**First:** First sort the table by Last Year and you will see that Equipment and software rose by 9.73% over the year, the greatest percent increase. In the last quarter it rose by 16.2%, the largest gain, not the mean. Again, note that you do not have to get involved into calculating the mean of all those values in the Last Quarter column. Just understanding that in a set of different values, the mean cannot equal to the greatest value is sufficient to answer this question.

**Second:** Again, you don't need to calculate the increase in all categories. You just calculate it for personal consumption expenditures. The smallest INCREASE was in residential and it went up from 324.4 to 325.4, an increase of 1 billion dollars.

**Third:** While the amount of increase was around 4 times more, in actual amounts, there were more imports than exports.

Multi-source Reasoning questions are similar to Reading Comprehension questions in that they usually present a significant amount of information, requiring you to distill the bits of information needed to answer the questions. It's a good idea, as always, to start by reading the questions and then skim the information provided to locate what's relevant. The information will be presented in several tabs, so don't assume that all the information you get is what's on the screen initially; there are other tabs you must click for access to the rest of the information. The questions are also very similar to Math and Critical Reasoning: they usually ask you to decide whether a certain statement can be inferred logically or mathematically from the sources provided. Let's look at some samples:

### Question 1

| <i>Memo #1</i>   | <i>Memo #2</i>  | <i>Memo #3</i>   |
|--|---|--|
| <p>From the Chief Operations Officer of Jackson's Auto Company to Quality Control on March 23, 2011.</p> <p>I am concerned about the wiring of the front seat adjustment system in our POGO X3 car. We currently have 8500 cars that were made before upgraded components began to be installed. Should the wiring system in these cars have additional tests run to ensure proper functioning? If so, what tests need to be run and on how many cars?</p> | <p>From the VP of Quality Control to the COO on March 24, 2011.</p> <p>On small initial tests previously conducted, the old wiring works properly in 75% of cars tested. This was done on a small sample however. In my opinion, the pass rate should be close to the original, and we should randomly test around 30% of the cars, fixing those that fail.</p> | <p>From COO to VP of QC on March 25<sup>th</sup>, 2011.</p> <p>The cost to uninstall the old components and upgrade them is around \$400 per car if done here in our factory. The cost to repair this component in the field will exceed \$500, as well as damage our image. However, this is not a safety issue and we are losing significant amounts as they are being tested. Test 25% of the cars.</p> |

*Consider each of the following statements. Does the information in the three memos support the inference as stated?*

| Yes                   | No                    |  |
|-----------------------|-----------------------|--|
| <input type="radio"/> | <input type="radio"/> | <i>The COO believes that the cost to upgrade the wiring is worth it for the reputation of the company and safety of the owners.</i>                                    |
| <input type="radio"/> | <input type="radio"/> | <i>Quality control feels that around 2100 cars will have problems with their wiring.</i>   |
| <input type="radio"/> | <input type="radio"/> | <i>Future losses caused by the damage to the image of the company will not exceed the cost of testing all 8500 and replacing the wiring where it proves defective.</i> |

**Explanation**

For the first question, take a closer look at Memo #3, in which the COO discusses his concerns. He states, “This is not a safety issue,” and chooses a cheaper testing option, since there are no safety considerations and his choice is presumably less costly than potential brand damage accruing from other options. So the answer is *No*; the COO considers cost more important in this instance than safety and reputation.

For the second question, see Memo #1. According to the COO, 8500 cars were cited as having the potential for this wiring problem. In Memo #2, VP/QC estimates that 75% of the cars will not actually turn out to have problems with their wiring. The number of cars that are probably fine, therefore, is  $8500 \times 0.75 = 6375$ . This leaves  $8500 - 6375 = 2125$ , or around 2100, at risk for having the problem. The answer is *Yes*.

The third question is trickier. The COO would endorse the inference presented to you, but this is only his opinion, however expert it may be. You are asked to endorse a statement of fact about which no data are provided. You cannot infer anything about future losses from brand damage, so you can’t compare it to any estimated cost of testing and replacing. The answer is *No*; you cannot infer this.

### Question 2

The following are emails exchanged between a computer hardware manufacturing firm's sales manager Justin and their marketing agent Alex.

|  |  |   |
|--|--|---|
| <p><i>Mail sent from Alex to Justin:</i></p> <p><i>Good news! We have received the first offer for the new motherboard produced by your company. The offer is \$500 a piece, and while I know this is less than your sale price, it is common for buyers to make an aggressively low bid in an effort to bring down the seller's price. Based on my experience, I think you can make a counter offer with a price of \$585 per item, and still end up agreeing on a price that is no lower than 10% below your sale price. Just let me know what you would like to do.</i></p> | <p><i>Mail sent from Justin to Alex:</i></p> <p><i>We are glad to hear that someone has shown interest in our new product! And yes, their offer is very low compared to our sale price. While we understand the nature of negotiations you described, we are reluctant to end up at a price that's too low for us. After giving it some thought, we think that making a counter offer at \$590 makes sense. This will give us room for further negotiations, if the buyer makes another counter offer. Also, there are other concessions we would be willing to make besides price, if you think those can help us reach a deal. Please communicate our counter offer to the buyer, and let us know how it goes.</i></p> | <p><i>Mail sent from Alex to Justin:</i></p> <p><i>I talked to the client, and it sounds as though they are willing to negotiate further on the price, although the buyer said that \$590 is "a lot more" than they can afford. I mentioned your willingness to negotiate on items other than price, and they have expressed willingness to make this sale happen no later than mid-August so that they can get everything in place before their college reopens. I expect that, if you offer them a price of \$530 and agree to make the deal happen by early August, they will accept your offer. Please let me know how you would like to proceed.</i></p> |
|--|--|---|

Consider each of the following statements. Does the information in the three memos support the inference as stated?

| Yes | No |   |
|-----|----|---|
|     |    | <i>The company's sale price for their motherboards is at least \$620 per item.</i>  |
|     |    | <i>It is possible for the buyer and seller to make a deal in which neither side needs to change its opening offer by more than 15%.</i> |
|     |    | <i>Alex is willing to negotiate to get the deal fixed at a lower price than what the company is ready to accept.</i>                    |

### Explanation

Start by reading the questions. Apparently, we need all the pricing info from this passage to get our answers. This question presents a significant amount of information, and just as we would do with Reading Comprehension passage, let's read it all fast and take some notes that summarize the data given

The summary could look like this:

| T1  | T2  | T3   |
|---|---|--|
| <i>Alex:</i><br><i>Customer offer: \$500 – too low.</i><br><i>Suggest counteroff. \$585.</i><br><i>Can agree on price max.10% below sale price.</i> | <i>Justin</i><br><i>500 – too low!!</i><br><i>Suggest counterof. \$590 – better for negotiations</i><br><i>Also, can consider other things to reach a deal.</i> | <i>Alex:</i><br><i>Customer said: \$590 – too much!!</i><br><i>If sale in early August, and price is 530, they will agree. OK?</i> |

Now we can go back to the statements in each of the questions and look for the information that helps confirm or deny these statements.

Question 1. *The company's sale price for their motherboards is at least \$620 per item.*

#### Step 1. Let's look at the question again.

To decide if the statement above is true, we need to understand:

(a) whether the sale price of the motherboard can be estimated based on the information that is presented in the data sources,

(b) and then we need to compare our estimations for the sale price against a value of \$620.

Step2. Now we go back to the data sources to find information that is relevant to the question.

From the information presented in Tab 1, we can see that

(1) the sale price is definitely higher than the \$500 offer made by the customer (“The offer is \$500 a piece... this is less than your sale price”), this information is not useful as greater than \$500 does not help us to answer the question.

(2) Alex suggests the counter offer of \$585 and expresses an opinion that the final price on which the company and the customer may eventually agree is no lower than 10% below the sale price .

Let's look at (2) a bit closer.

**Final price no lower than 10% below the sale price basically means that Final price anywhere between 90% and 100% of the sale price, but not lower than 90%.**

But if 585 is 99% of the sale price, then the sale price is  $= \frac{585}{99} \times 100 = 590$  (lower than 620). Therefore, the sale price is not necessarily greater than 620.

Question 2. *It is possible for the buyer and seller to make a deal in which neither side needs to change its opening offer by more than 15%.*

1. We need to find the opening offer for each of the sides and figure out a possible price at which the sides could (but not necessarily will) make the deal. Then, we'll check if this hypothetical deal price can differ from any of the 2 opening prices by no more than 15 %.

2. Refer back to the data source.

The opening offer of the customer is 500 [Tab 1]), and Justin's opening offer is 590[Tab 2].

Is it possible to close the deal at a price that is between the customer's initial offer of  $500 + 15\% \times 500 = 575$  and  $590 - 15\% \times 590 = 501,5$ ?

The customer will not be paying more than 575, and the company will not accept less than 501,5. Any price within 501.5 and 575 price interval will be within 15 percent of both opening offers, so it is possible for both sides to come up with a price that is accepted both by the company and the customer, and this price will be between \$501 and \$575.

The answer is *Yes*.

Question 3. *Alex is willing to negotiate to get the deal fixed at a lower price than what the company is ready to accept.*

Alex expresses his personal point of view and asks for Justin's opinion and instructions on the further course of action:

- "Based on my experience, I think ... Just let me know what you would like to do." [Tab 1]
- "I expect...Just let me know what you would like to do." [Tab 3]

So, Alex is not likely to either negotiate a particular price, or, furthermore, to fix the price without Justin's approval. The answer is *No*.

We have presented **several main points** for you to consider about the new GMAT Integrated Reasoning Questions:

- Starting June 5, 2012, the GMAT will include a new format. If you want to take the current version of the test, you need to schedule your GMAT appointment before June 2, the latest date the current version will be administered.
- The new GMAT Integrated Reasoning section will not test any distinctly new skill set. It will test the good old math and logic it tests now, but in a different way. The only new thing is that you will have to get used to a new format in which information is presented and learn to read effectively information presented in graphical form or in tables.
- The new section of the GMAT will be scored individually on the 1-8 scale, so it will not affect your overall 200-800 score, but it will be present in your score report as a separate score.
- They give you the calculator, but for the majority of questions, you do not need it. Most answers can be found either manually or by approximation or they are of the Critical Reasoning type and do not involve math at all.
- Timing is extremely important. Random guesses are not as effective as in previous questions. In the Quantitative section and in the Verbal section, you have five answer choices, so even a random guess will give you a 20% chance to get the question correct. In Two-Part Analysis, however, assuming that the correct answer is selection of the correct option in both columns, with 5-6 options for each column there are 25-36 combinations from among which you might choose. Making a random guess will be very unproductive, so GET USED TO TIMED PRACTICE. It is the only way to become more familiar with the questions, with effective solving algorithms, and with the new and different format of GMAT Integrated Reasoning questions.

Of course, the information we have about the New GMAT Integrated Reasoning questions is very limited right now, but we are continually updating ourselves and will post new information as soon as new details become available. Be sure to keep checking this site! We are actively developing new prep materials at GoGMAT, too, and they will be available to our customers soon.

**Good Luck!**

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