



**KEY**

Test Number 1071

# Finance Cluster Exam

ACT - Accounting Applications Series Event

BFS – Business Finance Series Event

FTDM - Financial Services Team Decision Making Event

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1. B

Judicial system. The court system is an important aspect of government. For example, the U.S. government consists of three primary parts—the judicial, executive, and legislative branches. The judicial system (branch) is the court system. The courts interpret and apply the laws. The president and the presidential cabinet are part of the executive branch of the government. The presidential cabinet consists of experts who advise the president about various issues. The legislative branch (i.e., the U.S. Congress) enacts the laws.

SOURCE: BL:068

SOURCE: Blackburn, J., & Klayman, E. (2005). *The legal environment of business* (7th ed.) [p. 63]. Boston: Pearson Custom Publishing.

2. D

Contract. A contract is an agreement between two or more businesses stating that one party is to do something in return for something provided by the other party. Contract law recognizes contracts as voluntary promises that must be fulfilled. If Business A fails to honor its agreement to supply Business B with a good or service, Business A is in breach of contract. This is a situation that is covered by contract law, and Business B would be able to appeal to the legal system to enforce the contract. Trade law deals with transactions between nations. Antitrust laws deal with restraint of trade. Property law deals with real property.

SOURCE: BL:001

SOURCE: Miller, R.L., & Jentz, G.A. (2005). *Fundamentals of business law* (6th ed.) [p. 274]. Mason, OH: Thomson/South-Western.

3. A

Group affinity. Group affinity fraud typically involves a scammer who either claims or actually is a member of the investor's group. In this case, the man is a member of the same health club and attends the same church as Alice. Because the scammer is a member of the same group, investors may falsely believe they can trust the scammer, especially if the scammer has lured in a few well-respected group members (like the minister or the gym manager) to buy into the scam early on. Natural resource investing fraud occurs when a scammer convinces investors to put money in fraudulent energy investments. Investors are tempted by the scammer's promise of a fast, easy return. Private placement offering fraud involves convincing investors to buy nonexistent stock from businesses. Life settlement fraud occurs when a scammer purchases a large life insurance policy from the insured for an unreasonably small amount of money. This usually occurs when the insured person needs money to pay necessities such as medicine and medical care before death.

SOURCE: BL:133

SOURCE: QS LAP 50—Play by the Rules

4. B

Luxury. Governments increase their revenues by charging taxes on non-essential, often very expensive goods and services, such as high-end automobiles, rare collectibles, and jewelry. This type of tax is called a luxury tax. An individual who receives a certain amount of money as a gift may be required to pay a gift tax. Property taxes are paid on buildings (e.g., homes) and land. A person who inherits some or all of a deceased person's assets pays an estate tax, which is based on the net value of the assets or estate.

SOURCE: BL:134

SOURCE: Answers.com. (2012). *Luxury tax*. Retrieved September 27, 2012, from <http://www.answers.com/topic/luxury-tax>

5. D  
Individuals' defense of their departmental specialties. It is difficult to take an enterprise-wide approach to governance, risk management, and compliance when data are held by individual departments, and the departments fail to share information. A business's ability to stay within its risk tolerance level, its officials' ability to attain trust, and its desire to eliminate the re-working of financial statements are benefits of government, risk management, and compliance.  
SOURCE: CC:003  
SOURCE: Gracyalny, S. (2011, January 28). *Integrated GRC: Understanding the benefits and beginning the journey to obtain them*. Retrieved September 27, 2012, from <http://www.corporatecomplianceinsights.com/integrated-grc-by-scott-gracyalny/>
6. B  
Symbolic. A virtual auditor uses several different reasoning techniques to evaluate financial activities. Symbolic reasoning looks for "signatures"—clues—of noncompliance as well as patterns of events such as duplicate journal entries within one accounting period. Contextual reasoning involves determining the seriousness of the noncompliance incident identified by symbolic reasoning. Comparative reasoning identifies and compares similar transactions and information. It does not focus on identical transactions such as duplicate journal entries. Cross-source reasoning inspects transactions within multiple financial systems.  
SOURCE: CC:004  
SOURCE: Oversight Systems. (n.d.). *A Sarbanes-Oxley compliance program that saves cash: Link Sarbanes-Oxley requirements to business improvement*. Retrieved August 17, 2012, from [http://www.oversightsystems.com/pdf/whitepapers/Compliance\\_to\\_Cash\\_060725.pdf](http://www.oversightsystems.com/pdf/whitepapers/Compliance_to_Cash_060725.pdf)
7. A  
Applauding. When the audience applauds or claps, it is showing that it supports what the speaker is saying. Applause encourages the speaker to continue expressing his/her thoughts. Heckling or making fun of someone is an action that indicates disapproval. When people ignore the speaker, they are not actively listening to the speaker and not indicating their support. If a person tolerates another individual's opinion, s/he does not necessarily agree with an opinion, but supports the individual's right to express that opinion.  
SOURCE: CO:082  
SOURCE: Bovée, C.L., & Thill, J.V. (2008). *Business communication today* (9th ed.) [p. 101]. Upper Saddle River, NJ: Pearson Prentice Hall.
8. A  
Effective listening. Effective listening requires the listener to interpret and process information in order to capture the true meaning of what is being said. Reading and writing are forms of written communication. A person who listened in a distracted manner would be thinking about other things rather than focusing on the speaker's message. Nonverbal communication includes all forms of communication that do not involve the use of words, e.g., facial expressions, body posture, and eye contact.  
SOURCE: CO:119  
SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2006). *Marketing essentials* (pp. 179-182). New York: Glencoe/McGraw-Hill.
9. C  
Giving honest responses. The three main reasons for active listening are gathering information, forming an opinion, and connecting with and helping people. A person receiving instructions, not providing them, would want to use active listening skills.  
SOURCE: CO:017  
SOURCE: QS LAP 1—Listen Up

10. D  
Conducting research about the company prior to the interview. From the research, Shawn can write a few questions that directly relate to the company or its industry. Even though additional questions may come up during the interview, it is always best to be prepared with relevant questions based on research. It is important that Shawn confirms that the questions are relevant by researching them himself instead of taking his friends' (or anyone else's) advice. Questions about the interviewer's personal life are not relevant to the job interview.  
SOURCE: CO:058  
SOURCE: Bailey, L.J. (2007). *Working* (4th ed.) [p. 65]. Mason, OH: South-Western Cengage Learning.
11. B  
To give good customer service. Customers who call businesses often become irritated if they are not connected to the correct person or office the first time. Being transferred several times in order to do business with the company may cause customers to hang up and not contact the business again. In some situations, it is necessary to put callers on hold before they can be connected to the appropriate individual or department. Demonstrating telephone skills and keeping the number of calls handled to a minimum are not valid reasons for connecting calls correctly.  
SOURCE: CO:114  
SOURCE: Hyden, J.S., Jordan, A.K., Steinauer, M.H., & Jones, M.J. (2006). *Communicating for success* (3<sup>rd</sup> ed.) [pp. 85-88]. Mason, OH: Thomson South-Western.
12. C  
Be accurate. When you state a fact, it's important to be accurate. Make sure you can support your statement. Don't generalize. Stating a fact is not usually about thinking before you speak (as in stating an opinion) or about changing your mind (as in hearing a fact stated by another person).  
SOURCE: CO:053  
SOURCE: QS LAP 29—Put In Your Two Cents
13. C  
Explain relationships. Graphic aids help to clarify, reinforce, and summarize information. Flow charts help explain relationships. For example, an organizational chart illustrates a business's chain of command. Flow charts may also show the ways in which sequential processes work, such as project management. Line graphs are often used to illustrate timelines and to identify trends. Bar charts are effective graphic aids to compare and contrast data. Tables are often used to summarize complex numerical data.  
SOURCE: CO:087  
SOURCE: Young, D.J. (2006). *Foundations of business communication: An integrative approach* (pp. 506-509). New York: McGraw-Hill/Irwin.
14. B  
Human relations problems. Workers who lack good communication skills have trouble making themselves understood and sharing information with others. This can cause problems among employees, especially those who work closely together. Job understanding might decrease if a supervisor has poor communication skills. Shared job responsibilities and efficiency in the work area are benefits of good communication among employees.  
SOURCE: CO:014  
SOURCE: Kimbrell, G., & Vineyard, B.S. (2006). *Succeeding in the world of work* (pp. 277, 296). New York: Glencoe/McGraw-Hill.
15. D  
Consideration. Employees should treat others, whether they are customers, coworkers, or supervisors, with consideration. This means being helpful and respectful and not being prejudiced. Business image, work environment, and employees' personal images are all reflected in the manner in which people are addressed. Empathy is the ability to put oneself in another's place. Honesty and integrity refer to a person's truthfulness and ethics.  
SOURCE: CR:003  
SOURCE: CR LAP 1—Accentuate the Positive (Nature of Customer Relations)

16. A  
Being patient, flexible and empathetic. So that businesspeople don't do something that will offend their clients, they should adapt their communication styles with clients from different cultures. To develop positive relationships with international clients, businesspeople should try to learn as much as they can about their clients' cultures, customs, and social values. Adapting communication styles requires businesspeople to be patient, flexible, empathetic, respectful, confident (but not overly so), honest (transparent), and sensitive to their clients' cultures and customs. Projecting biased, demanding, manipulative, or indifferent attitudes may offend the clients.  
SOURCE: CR:019  
SOURCE: Buckler, C., & Moore, K. (n.d.). *Module 3: Cross-cultural communication*. Retrieved August 17, 2012, from <http://pdfcast.org/pdf/module-3-cross-cultural-communication>
17. C  
Customer loyalty. Customer relationship management increases sales and profits by increasing customer loyalty. Over the long term, focusing on customers and establishing relationships with them increases a business's sales and profit. CRM does not increase prices, product quality, or competition.  
SOURCE: CR:016  
SOURCE: CR LAP 2—Know When to Hold 'Em (Nature of Customer Relationship Management)
18. B  
To provide appropriate financial guidance. Financial planners are responsible for helping their clients achieve their financial goals by providing sound advice and suggesting appropriate financial products—such as investments, insurance, saving and budgeting, etc. Although financial planning involves using financial tools to grow the client's wealth, the financial planner cannot guarantee that the client's investment will double in value or that the client will generate enough investment income to retire at a certain age. A financial planner will work to minimize a client's tax obligation rather than maximize it.  
SOURCE: CR:012  
SOURCE: Kapoor, J.R., Dlabay, L.R., Hughes, R.J., & Hoyt, W.B. (2005). *Business and personal finance* (pp. 259-260). New York: Glencoe/McGraw-Hill.
19. B  
Customer life. The basic steps of the customer life cycle involve attracting present and new customers, acquiring new customers, serving the customers, and retaining the customers. The accounting cycle begins when a sale is made and ends when the books are closed in accounting. Business cycles are the rise and fall in economic activity that businesses experience. Customer complaint cycle is a fictitious term.  
SOURCE: CR:024  
SOURCE: CRMsolution.com. (n.d.). *CRM software strategy:sample crm objectives*. Retrieved September 27, 2012, from <http://www.crm-solution.com/crm-strategy.html>
20. B  
Land. Land is limited in supply, we can't make any more of it, and it supplies us with many other valuable resources (oil, coal, gas, etc.). Air and water are presently in abundant supply in America. Money is a symbol of value, not a natural resource.  
SOURCE: EC:001  
SOURCE: EC LAP 6—Are You Satisfied? (Economics)
21. B  
Possession. Possession utility is usefulness created when ownership of a product is transferred from the seller to the user. Credit allows customers to take possession of purchases and pay for them later. Time utility is usefulness created when products are made available at the time they are needed or wanted by consumers. Place utility is usefulness created by making sure that goods or services are available at the place where they are needed or wanted by customers. Form utility is usefulness created by altering or changing the form or shape of a good to make it more useful to the consumer.  
SOURCE: EC:004  
SOURCE: EC LAP 13—Use It (Economic Utility)

22. D  
Marketing. Marketing is a primary business activity that involves creating, communicating, and delivering value to customers and managing customer relationships in ways that benefit the organization and its stakeholders. Marketing is an important business activity because it identifies what consumers want and plans how to promote and sell those goods and services to the consumers. Management is the process of planning, organizing, directing, and controlling business activities to achieve objectives. Production is the process or activity of producing goods and services wanted by consumers. Risk management is the business activity that involves the planning, controlling, preventing, and procedures involved in limiting business losses—it optimizes the relationship of potential loss to gain.  
SOURCE: EC:071  
SOURCE: EC LAP 19—Strictly Business (Business Activities)
23. B  
Customer type. A banking institution is well-suited for a divisional organizational structure broken down by customer type—consumer and industrial customers, for example. The traditional functional structure may not be the best organizational design for a bank, nor would be a divisional structure broken down by product or process.  
SOURCE: EC:103  
SOURCE: EC LAP 23—Designed to Work (Organizational Design)
24. B  
Receive higher salaries. In a private enterprise system, an unequal distribution of income exists because workers with high levels of education, training, skills, and efficiency generally receive higher salaries than less qualified workers. Some people own a great deal of property while others own little or none because they do not have the money to buy it. Skilled workers may also pay higher taxes, belong to a union, or work longer hours, but those factors do not affect the distribution of property and income.  
SOURCE: EC:009  
SOURCE: EC LAP 15—People Power (Private Enterprise)
25. D  
Competition. This rivalry can be direct or indirect. Direct competition occurs between businesses which sell similar goods or services, while indirect competition occurs between businesses which sell dissimilar products. Businesses tend to focus their competitive strategies on their direct competitors. Monopolistic describes the condition which exists when there is a lack of competition. Competing for customers is not unethical behavior. In fact, competition is encouraged in a private enterprise system. Production is the development or manufacture of new goods and services.  
SOURCE: EC:012  
SOURCE: EC LAP 8—Ready, Set, Compete! (Competition)
26. B  
Underemployed. The underemployed include workers who are working part-time when they want to work full-time, or who are overqualified for the job they currently have, but cannot find a job that matches their skills. The underemployed are not included in the unemployment rate because they are working. However, this category is an indication that there is a problem in the economy because there are not enough jobs for qualified workers. For example, a college graduate with a degree in marketing who is working part-time as a clerk in a retail store because s/he could not find an appropriate job is underemployed. The unemployment rate only includes those people who are out of work and actively seeking employment. The unemployment rate includes workers who have been terminated. These workers might be professionals or semiskilled.  
SOURCE: EC:082  
SOURCE: International Labour Organization. (n.d.). *Underemployment*. Retrieved August 17, 2012, from <http://www.ilo.org/global/statistics-and-databases/statistics-overview-and-topics/underemployment/lang—en/index.htm>

27. D

Aggregate demand, money supply, investment in capital goods, and inventory levels. Internal causes of business cycles take place within the economic system. Aggregate demand is the total demand for an economy's goods and services. The money supply is the total quantity of money that exists at one time in the country. Capital goods investment results in the production of new equipment, the construction of new business facilities, or the expansion of present facilities. Increasing inventory levels expands economic activities, while decreasing inventories causes economic contraction. Political changes, seasonal and climatic changes, discoveries and innovation, and international relations are external factors that cause business cycles.

SOURCE: EC:018

SOURCE: EC LAP 9—Boom or Bust (Business Cycles)

28. A

Avoided. Situations that reduce one's self-esteem are usually distressing or painful. The idea is to determine how you can more effectively handle similar situations in the future so that you can avoid another lowering of self-esteem. No one would want to obtain, ensure, or create such situations.

SOURCE: EI:016

SOURCE: *Avoid situations that lower self-esteem.* (2008, December 3). Retrieved August 17, 2012, from <http://edu.udym.com/avoid-situations-that-lower-self-esteem/>

29. B

Integrity. Integrity is adhering to an established set of personal ethics and sound moral principles. People with integrity know right from wrong, and they try to do what is right. Having good manners or good judgment would not depend on integrity. Initiative is the willingness to act without having to be told to do so.

SOURCE: EI:022

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2009). *Marketing essentials* (p. 221). Woodland Hills, CA: Glencoe/McGraw-Hill.

30. B

Constructive criticism should result in change. Constructive criticism is evaluative information designed to help someone improve. It is especially useful when it is offered to workers to enable them to improve their performance or behavior on the job and should result in change. Resenting constructive criticism is likely to create negative results. Using constructive criticism does not make a person aggressive.

SOURCE: EI:003

SOURCE: EI LAP 15—Grin and Bear It (Using Feedback for Personal Growth)

31. C

Acquire foreign language skills. The workplace is becoming more global and multinational. In order to be successful, businesspeople need to develop their sensitivity to other cultures and traditions. One way that they can do this is to acquire foreign language skills. By learning something about the language of their customers or coworkers, they will develop an understanding of the foreign culture and become more sensitive to, and understanding of, the differences. Businesspeople do not develop cultural sensitivity by revising research techniques, maintaining current leadership styles, or preserving communication methods. In fact, businesspeople may need to revise their style of leadership and change the way they communicate in order to develop cultural sensitivity.

SOURCE: EI:033

SOURCE: Ball, D.A., McCulloch, W.H., Frantz, P.L., Geringer, J.M., & Minor, M.S. (2006). *International business: The challenge of global competition* (10th ed.) [pp. 197-201]. Boston: McGraw-Hill/Irwin.

32. A  
Assess the negotiating session. Once both parties reach an agreement and establish terms, the negotiating session is complete. This is the stage when the negotiator assesses how the session went. When a negotiator reviews or evaluates his/her actions, s/he can make adjustments for the next negotiating session. Negotiators cannot change the other person's negotiating style after the session occurs. For optimal success, negotiators should know the other person's position and interests before the negotiation begins. Negotiators reach a compromise during the negotiation.  
SOURCE: EI:062  
SOURCE: EI LAP 8—Make It a Win-Win (Negotiation in Business)
33. B  
Discuss why everyone should agree. In reaching a consensus by an informal method, three of the steps are to (1) Write down your ideas, (2) Revise your idea list, and (3) Create a list of alternatives. Discussing why everyone should agree is not one of them, because not everyone has to agree. Coming to a consensus might be impossible.  
SOURCE: EI:011  
SOURCE: QS LAP 17—All Aboard
34. A  
Continuous improvement. Continuous improvement is a result of an achievement orientation. This may refer to products, procedures, ideas, or the work environment in general. Achievement orientation results in higher standards, not lower standards. Achievement orientation also results in moderate risk-taking. Having an achievement orientation does not mean you will automatically receive raises or promotions.  
SOURCE: EI:027  
SOURCE: EI LAP 10—High Hopes (Developing an Achievement Orientation)
35. A  
Coaching. Coaching is enabling other people to reach their true potential by helping them to overcome the barriers that are keeping them from doing so. Although coaching may involve some teaching, teaching is not its main focus. When you coach others, it isn't because they need knowledge; it's because they are having difficulty putting that knowledge into action. They need help to improve their performance. Cross training is a systematic approach for teaching employees how to perform other people's jobs. Counseling is an oral communication method in which a supervisor and an employee discuss the employee's problem, and the supervisor tries to motivate the employee to find a solution. Consensus building is a group's process of coming to agreement.  
SOURCE: EI:041  
SOURCE: QS LAP 7—Bring Out the Best
36. D  
Laissez-faire. The laissez-faire leader offers only general guidance and permits employees to use their own initiative. Democratic leaders seek input from employees and exert moderate control. Authoritarian leaders rely on their own judgment and prefer total control. Subordinate is not a term widely used to describe a leadership style.  
SOURCE: EI:037  
SOURCE: EI LAP 5—Can You Relate? (Positive Working Relationships)
37. C  
Service credit. Service credit applies to utilities (gas, water, sewer, etc.) that have been consumed but not yet paid for. Revolving credit refers to an account with a credit limit that may be paid in full each month or partially paid with finance charges on the outstanding balance. A secured loan is credit backed by collateral. An unsecured loan is credit backed by a promissory note (promise to pay).  
SOURCE: FI:002  
SOURCE: FI LAP 2—Give Credit Where Credit Is Due (Credit and Its Importance)



38. D  
Saving money for unexpected situations. Financial goals are objectives measured in terms of money. Setting financial goals involves financial planning, which is the determination of how to achieve the financial goals. An important aspect of financial planning involves saving money for unexpected situations. Saving money for unexpected situations provides you with funds to pay your bills if you are unable to earn an income for some reason, such as job loss or illness. Obtaining and using several credit cards is problematic if you cannot pay the balances due in a timely manner. The level of investment risk depends on many factors including the individual's comfort level with risk, income level, and age. Financial goals should be specific rather than broad.  
SOURCE: FI:065  
SOURCE: QS LAP 31—Set Yourself Up
39. D  
Education. Education is a financial want rather than a financial need. Financial needs are the basics that are necessary for survival. Food, clothing, and shelter are necessary for survival, but education isn't.  
SOURCE: FI:270  
SOURCE: QS LAP 30—Supersize Your Money
40. B  
How long your money is invested. The most important factors to consider in compounding growth are how much money you invest, how much your investment grows each year, and how long your money is invested. Investing is using money to make money, which means that if you invest money in the stock market, for example, you are likely to make an average of 10 percent each year. As the years pass, your investment will grow tremendously because you will be earning interest on interest. So, it is beneficial to invest for as long as possible to earn the largest amount of compound interest as possible. How you earn the money that you invest, your educational background and career, and your mutual fund manager's education have a much smaller impact on compounding growth than time does.  
SOURCE: FI:270  
SOURCE: QS LAP 30—Supersize Your Money
41. B  
Subtract all applicable fees from. The check register is a central location to record and track all of the checks that you write and the amount of money you spend in your checking account. Each month, you receive a bank statement that details your checking-account activity. You should reconcile your check register with your bank statement to ensure that they match. This step is important for many reasons. For example, if you forget to enter transactions in your check register, you may overdraw your account and be fined for insufficient funds. When reconciling your check register, you want to make sure that you have subtracted all fees including debit card transactions and ATM withdrawals. You should add the interest earned if your account is set up to earn interest.  
SOURCE: FI:069  
SOURCE: Kapoor, J.R., Dlabay, L.R., & Hughes, R.J. (2009). *Personal finance* (9th ed.) [pp. 159-160]. New York: McGraw-Hill Irwin.
42. B  
Late fee. Credit-card issuers often charge late fees for payments that do not arrive on time. Some credit-card issuers charge application fees, which involves billing a customer for applying for credit. Processing fees are charges to complete certain activities. Over-limit fees are charges applied for credit transactions that go over or exceed the credit-card holder's credit limit.  
SOURCE: FI:071  
SOURCE: Irby, L. (n.d.). *The effects of late credit card payments*. Retrieved August 17, 2012, from <http://credit.about.com/od/usingcreditcards/a/latecardpayment.htm>

43. D

World Bank Group. The World Bank Group, which includes the World Bank as well as several other international organizations, is an international financial institution that provides financing and advice to impoverished countries to encourage economic development and eliminate poverty. The Small Business Administration is a U.S. government financial institution that provides financial assistance and advice to American small businesses. The Commonwealth of Nations and the Liberty Institute are not financial institutions. The Commonwealth of Nations is an international organization that promotes world peace, democracy, and free trade. The Liberty Institute is an international organization based in the country of Georgia that advocates civil liberties as well as public accountability and effective governance.

SOURCE: FI:336

SOURCE: MBA Research and Curriculum Center. *Introduction to finance course guide* (pp. 5-20). Columbus, OH: Author.

44. D

Eurobonds. Eurobonds are bonds sold in a foreign country in the currency of the issuing company. Frankfort and Sons, for example, is an American firm, so its Eurobonds will be denominated in American dollars. However, these bonds will be sold overseas, not in the United States. Yankee bonds are issued in the U.S. by a foreign company and denominated in American dollars. Interbonds are fictitious. Savings bonds are issued by the U.S. Department of the Treasury. They are nontransferable securities that can be cashed prior to their maturity date.

SOURCE: FI:337

SOURCE: Mayo, H.B. (2007). *Basic finance: An introduction to financial institutions, investments, & management* (9th ed.) [p. 262]. Mason, OH: South-Western Cengage Learning.

45. A

One-stop shopping environment for consumers. Convergence, which is the merging of financial providers from different financial sectors, and consolidation, which is the merging of financial providers within the same institutional category, have created a one-stop shopping environment for consumers. Rather than having to go to different financial providers for different financial products and services, customers can find all of the financial products that they need—banking services, insurance policies, brokerage services, etc.—in one place, from one company. Rather than creating a highly compartmentalized finance industry, convergence and consolidation have created finance companies that want to be everything to everybody. Rather than specializing in any one service, many of today's financial firms offer a vast array of products and services. As financial firms merge and grow in size, it becomes more difficult for financial experts and the government to get an accurate picture of the firms' current financial condition. As finance corporations expand their product offerings to encompass several financial sectors, it becomes increasingly difficult to determine which agency should oversee the companies. There is no single supervisory agency to regulate the entire finance industry.

SOURCE: FI:573

SOURCE: MBA Research and Curriculum Center. *Introduction to finance course guide* (pp. 5-106, 5-107). Columbus, OH: Author.

46. B

Rise. Inflation is the rapid rise in prices. Different factors can affect the rate of inflation. One factor that affects the inflation rate is the value of the dollar in foreign exchange markets. If the value of the dollar decreases, inflation tends to increase. The value of the dollar in foreign market exchanges is also affected by many factors, which influence investors' perceptions and confidence levels. Some factors include the nation's political stability, various economic indicators (e.g., unemployment), and the nation's trade deficits and imbalances. Therefore, if the investors' confidence decreases, foreign investment tends to decrease, which causes the value of the dollar to decrease. When the value of the dollar decreases in foreign markets, the inflation rate does not tend to fall slowly, fall rapidly, or stabilize.

SOURCE: FI:574

SOURCE: Andrews, J.A. (2004). *Forces that move stock prices*. Retrieved September 27, 2012, from <http://www.daytradersclub.net/forces-that-move-stock-prices/>

47. D  
Unstable stock markets in a transitional economy. Emerging markets are growing markets (e.g., stock, bond, commodities, etc.) that result when a country initiates reforms that move it from a closed economy to an open or market economy. Because the markets are new, they are untried and relatively unstable, which is a high risk for investors. However, these markets also have the potential to provide investors with high returns, as the country's business activity increases and its economy grows. Developing countries tend to experience gains in gross domestic product due to higher production and business activity, which is often facilitated by high foreign investment. The infrastructure of developing countries often improves when the government and investors provide the financial resources to support it.  
SOURCE: FI:575  
SOURCE: Heakal, R. (2009, August 11). *What is an emerging market economy?* Retrieved September 27, 2012, from <http://www.investopedia.com/articles/03/073003.asp#axzz27hK7NqXM>
48. C  
A listing of all the things that went wrong. A company's annual report is usually a glossy, four-color print piece in which the key management tries to shine the best possible light on what the company did that year and what the important achievements were. Management also may provide some ideas on where the company will go next. The annual report is not a place where management wants to highlight all the things that went wrong.  
SOURCE: FI:274  
SOURCE: QS LAP 36—The Source Is With You
49. C  
52-Week HI/LO. The highest and lowest prices paid during the past year can be used to learn how volatile a stock is. If the range between the lowest and highest prices is large, then the stock's price has risen or fallen sharply in the past year. Such a stock would be considered volatile. The stock's dividend, volume, and closing price are much less reliable indicators of a stock's volatility.  
SOURCE: FI:275  
SOURCE: QS LAP 37—Table Talk
50. D  
To make decisions. One reason why businesses gather information is to use that information for making decisions for the business. No business can be efficiently managed without information. Businesses depend heavily on advance information to help them make decisions about what may happen tomorrow. Gathering information will not help businesses to eliminate all risks but will help them to reduce risk. Businesses do not gather information specifically to test employees or to handle emergencies, although they may use information to make decisions about those issues.  
SOURCE: FI:084  
SOURCE: FI LAP 8—Prepare for the Worst...Expect the Best (Risk Management)
51. B  
Assets. All the items that a business owns that have value are its assets. Businesses applying for loans usually have their accounting department compute the total value of their assets to present to the lending institution as verification of their ability to repay the loan. Cash, inventory, and equipment are types of business assets whose value would be listed on a balance sheet.  
SOURCE: FI:085  
SOURCE: FI LAP 5—Show Me the Money (Nature of Accounting)
52. A  
Cash conversion cycle. Working capital is the cash available for the business to use in its day-to-day operations. The cash conversion cycle is a key component of managing working capital. It refers to how long a business's money is "tied up" between purchasing raw materials and receiving cash from sales. GAAP refers to the generally accepted accounting principles which provide a consistent framework for reporting financial data. The depreciation (reduction in value) of plant assets does not affect working capital. Capital structure refers to a business's mix of financing.  
SOURCE: FI:354  
SOURCE: FI LAP 7—Money Matters (Role of Finance)

53. B

It allows you to have a year-long budget in place at all times. One advantage to rolling budgets is that there is always a year-long budget in place. As each month goes by, another one is added. A rolling budget does not require less effort than an annual budget, but the effort is divided up throughout the year. Rolling budgets do not set an unchangeable annual budget. Indeed, they are often more flexible than a typical annual budget because they are assessed more frequently. Managers consult rolling budgets more frequently, not less.

SOURCE: FI:106

SOURCE: FI LAP 3—Money Tracks (Nature of Budgets)

54. D

Inaccurate data. When companies fail to maintain and update their financial information, they have inaccurate data. Companies look at all types of financial data to make business decisions. When business decisions are based on inaccurate or incorrect information, it could be very costly to the company. Ineffective leadership may be one reason why data are inaccurate. Simplified processes and understandable feedback are positive results of well-managed financial information.

SOURCE: FM:002

SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (pp. 341-343). Mason, OH: South-Western Cengage Learning.

55. B

Capital budgeting. A financial-information management system is a set of processes, people, and equipment used to gather, store, organize, and provide financial information to decision-makers. A financial manager might use a financial-information management system to make capital budgeting decisions. Capital budgeting involves developing a plan to acquire and finance long-term business assets. Financial managers would not use a financial-information management system to schedule employees. Although a financial-information management system might be useful when selecting vendors or adding/dropping products, those decisions would not be made by financial managers.

SOURCE: FM:002

SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (p. 341). South-Western Cengage Learning.

56. A

Meeting analysts' estimated earnings. Managers are often pressured to ensure that analysts' estimated earnings are reached. Managers should focus on use of accounting principles that provide the most accurate results rather than on providing the most desired results. Otherwise, they will be guilty of cooking the books to provide a more favorable financial report than actually exists. Postponing purchases, accelerating expense payments, and selling securities for a gain are ethical earnings-management practices.

SOURCE: FM:003

SOURCE: Millstein, I. (2005, May 26). *When earnings management becomes cooking the books*. Retrieved August 17, 2012, from [http://www.ft.com/cms/s/2/90ce4c50-cdd3-11d9-9a8a-00000e2511c8,dwp\\_uuid=1d0ff528-c86c-11d9-87c9-00000e2511c8.html](http://www.ft.com/cms/s/2/90ce4c50-cdd3-11d9-9a8a-00000e2511c8,dwp_uuid=1d0ff528-c86c-11d9-87c9-00000e2511c8.html)

57. D

ERP (Enterprise Resource Planning). Master data management is made up of processes and tools that define and manage non-transactional data entities. In other words, it collects, pulls together, matches, consolidates, and distributes data throughout an organization. ERP is an example of a system that's intended to integrate all data and processes into a unified system. A key ingredient of most ERP systems is the use of a unified database that stores data for the system. Accounting systems do not provide a source for master data management. Their focus is on collecting and storing financial data for the accounting department. SutiExpense is a mobile expense management application used to monitor, manage, and simplify travel and expense recordkeeping. Users are able to attach receipts "on the go" from their smart phones, enabling them to save both time and money.

SOURCE: FM:011

SOURCE: SutiSoft. (2012). *Key features of SutiExpense*. Retrieved August 17, 2012, from <http://www.sutisoft.com/sutiexpense/keyfeatures.html>

58. D

Categorized. Data mining is the process of searching computer databases to look for patterns and relationships among information. Before a business can retrieve certain types of information, it must identify how the data are stored and categorized in the database. After identifying storage and categorization methods, the business decides which approach to use to obtain the information. After the information is obtained, the business views and analyzes it.

SOURCE: FM:012

SOURCE: Hair, J.F., Bush, R.P., & Ortinau, D.J. (2009). *Marketing research in a digital information environment* (4<sup>th</sup> ed.) [pp. 98-100]. New York: McGraw-Hill Irwin.

59. B

Creating unlimited scenarios to depict the impact of decisions. When using budgeting applications, users can benefit by creating a variety of "what-if" scenarios in order to develop the most realistic budget. Automatic deletion of files would be a disadvantage since the prior year's budget is used in developing the future budget. An audit trail should be maintained on all data entries rather than audits occurring at random. An effective budgeting application would set limits on how much over budget an account can go and flag the overage so that steps can be taken to handle the situation.

SOURCE: FM:013

SOURCE: Tyler Technologies. (n.d.). *Flexible budget forecasting tools*. Retrieved August 17, 2012, from <http://www.tylertech.com/solutions-products/infinite-visions-product-suite/performance-features/budget-forecasting>

60. A

Most budgeting software can be used to measure the impact of different actions on the budget. Budgeting software, which is generally much more sophisticated than standard spreadsheet software, allows business owners and managers to study each item in a budget individually as well as together as a whole. Owners and managers can see the impact that different actions have on a business's budget, both before and after these actions take place. The software also allows them to pinpoint business units/products that are underperforming and helps them to determine suitable corrective action. Creating line-item projections using standard spreadsheet software can be extremely time-consuming, but budgeting applications shorten the process considerably. Spreadsheet software also makes it difficult to adapt to unexpected events and changing economic conditions, while budgeting software is much more nimble. Therefore, budgets prepared with budgeting-specific software are much easier and simpler to modify. While some budgeting software is appropriate for both business and personal use, many programs are designed to be used solely by a business or an individual, not both.

SOURCE: FM:013

SOURCE: Golde, J. (2010, May 19). *The importance of using budgeting and forecasting software for small business owners*. Retrieved August 17, 2012, from <http://ezinearticles.com/?The-Importance-of-Using-Budgeting-and-Forecasting-Software-For-Small-Business-Owners&id=4326827>

61. A

Financial analysis. Businesses often use financial analysis applications to quickly and easily examine their financial health. The software calculates and reports many different financial ratios, compares a business's financial performance to that of competitors and industry standards, and increases the finance department's productivity. Budgeting software allows business owners and managers to develop budgets, study each item in a budget individually and together as a whole, and measure the impact that different actions would have on the budget. Data mining software is often used to find relationships or patterns among a vast amount of company data. Data mining software is also used to analyze data; however, not all data mining software analyzes financial data. Field service software is typically used by businesses with sales and service teams who do most of their work outside the office. Professionals such as plumbers and home health care aides use field service software to report their hours, activities, clients, etc.

SOURCE: FM:014

SOURCE: Thomson Reuters. (2012). *Financial analysis CS: Features and benefits*. Retrieved August 17, 2012, from <http://cs.thomsonreuters.com/financial-analysis/features.aspx>

62. A

Relational. A relational database contains tables of separate, yet related, files or data organized in a computer system. Businesspeople can obtain various types of financial information from the relational database to compare with other information. Abstract, decisive, and ordinal are not types of databases that businesses use to compare financial data.

SOURCE: FM:015

SOURCE: HowStuffWorks.com. (1998-2012). *What are relational databases?* Retrieved August 17, 2012, from <http://computer.howstuffworks.com/question599.htm>

63. A

Monetary fines. Businesses that do not provide accurate and timely financial information in the appropriate format to the government may be required to pay fines, which are costly to businesses. The government would not reward business delinquency by offering tax reductions, payroll exemptions, or subsidies (financial assistance).

SOURCE: FM:004

SOURCE: Financial Industry Regulatory Authority. (2009, October 12). *FINRA fines Citigroup for failing to supervise tax-related stock transactions*. Retrieved August 17, 2012, from <http://www.finra.org/Newsroom/NewsReleases/2009/P120206>

64. C

Vendor C. Sometimes, businesses experience temporary or short-term cash-flow problems when the anticipated inflow of cash falls short. When this type of situation occurs, the business needs to determine how to handle it. To do this, the business needs to carefully monitor its cash flow, so it can plan how and when it will pay its bills. XTY should pay Vendor C first because it is the oldest invoice that hasn't been paid. A business's credit rating can be negatively affected if the business does not pay its bills within a reasonable amount of time. Although Vendor B's bill was due five days ago, the business is probably within its payment grace period with the vendor. The bills that are not yet due should be paid after the overdue bill is paid.

SOURCE: FM:005

SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (pp. 72,77, 122). South-Western Cengage Learning.

65. C

Follow accounting standards such as GAAP or IFRS. Because businesses must use the financial accounting system to prepare financial information for external audiences (i.e., shareholders and government agencies), the information must be presented in a consistent way. The generally accepted accounting principles (GAAP) are currently used by most accountants in the U.S. to ensure that they prepare financial reports in a consistent manner. However, much of the rest of the world uses the International Financial Reporting Standards (IFRS) to prepare and report financial information. Use of the financial accounting system is a government requirement rather than a way for the business to establish credibility. Businesses do not need to attach copies of all transaction receipts to reports or forms; however, receipts and documentation must be available for review if the government requests or requires it for an additional audit. Financial data registration guidelines is a fictitious term.

SOURCE: FM:006

SOURCE: Accountinginformationmanagement.com. (2012). *Financial accounting vs. managerial accounting - difference between financial and managerial accounting*. Retrieved August 17, 2012, from [http://www.accountingformanagement.com/financial\\_accounting\\_vs\\_managerial\\_accounting.htm](http://www.accountingformanagement.com/financial_accounting_vs_managerial_accounting.htm)

66. B

It is the time period that is used as the basis for comparisons. The base year is the starting point for comparisons; therefore, each category on a financial statement in the base year is 100%. By subtracting the base year's amount from each future amount, and then dividing by the base year amount, you can determine the percent of increase or decrease from year to year. The other responses do not relate to the base year that is used in horizontal analysis.

SOURCE: FM:008

SOURCE: Guerrieri, D.J., Haber, F.B., Hoyt, W.B., & Turner, R.E. (2004). *Accounting: Real-world applications & connections* (First-Year Course) [p. 568]. New York: Glencoe/McGraw-Hill.

67. D

The current balance that the customer owes to each of its existing suppliers. Businesses often analyze customer financial information to determine their customers' creditworthiness. If a potential business customer applies for a loan or line of credit, the creditor is likely to review the customer's bank information, financial statements, and trade references. These trade references should come from three or four of the customer's existing suppliers who have already extended credit to the customer. Each trade reference should provide information such as the customer's credit line, high balance, current balance, and payment history. Reviewing this information will help the company to determine whether it wants to extend credit to the customer, too. The name of the customer's purchasing agent, each supplier's articles of incorporation, and a list of the items that the business typically purchases from each supplier are not usually needed when determining whether to extend credit to a potential customer.

SOURCE: FM:009

SOURCE: CreditGuru.com. (1999-2012). *Trade references*. Retrieved August 17, 2012, from <http://www.creditguru.com/TradeRef.htm>

68. C

Financial risks and deficiencies. By analyzing relevant financial data, management has determined that the company is facing a risky financial situation—it does not have enough cash available to pay its employees. As a result, the company plans to temporarily borrow capital to cover its expenses. Although the company would probably like to find ways to reduce expenses, identify possible investment opportunities, and determine ways to reduce the cost of credit, those were not reasons for reviewing financial data in this situation.

SOURCE: FM:010

SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (pp. 342-343). Mason, OH: South-Western Cengage Learning.

69. A

Variance. Business managers and owners often analyze their financial data to identify and attempt to explain differences between budgeted costs and actual costs or budgeted sales and actual sales. The difference or discrepancy between the budgeted and actual costs is called a variance. Break-even analysis involves identifying the level of sales needed to reach the break-even point at various prices. A competitive analysis is the process of comparing a business's income statement with that of its competitors to see how it is doing by industry standards. A market analysis is a systematic study of potential customers.

SOURCE: FM:010

SOURCE: Averkamp, H. (2004-2012). *What is variance analysis?* Retrieved August 17, 2012, from <http://blog.accountingcoach.com/variance-analysis-standard-cost/>

70. C

Human resources. The people who work to produce goods and services are known as human resources, and they are invaluable to a company. Capital, raw materials, and facilities are other resources that businesses use; they are all controlled by human resources.

SOURCE: HR:410

SOURCE: HR LAP 35—People Pusher (Nature of Human Resources Management)

71. B

Product/Service management. This is a marketing function that involves obtaining, developing, maintaining, and improving a product or service mix in response to market opportunities. This includes selecting products that help to promote a certain image for the business. Selling is a marketing function that involves determining client needs and wants and responding through planned, personalized communication that influences purchase decisions and enhances future business opportunities. Promotion is a marketing function that communicates information about goods, services, images, and/or ideas to achieve a desired outcome. Channel management is the processes by which marketers ensure that products are distributed to customers efficiently and effectively.

SOURCE: MK:002

SOURCE: MK LAP 1—Work the Big Six (Marketing Functions)

72. A

Obtain employees' input. Because employees perform the work, they know what types of information they need to complete their tasks efficiently. Employees often have ideas about improving work processes and retrieving needed information. Upgrading the computer network, developing a production schedule, and revising business goals will not help businesses assess their information needs.

SOURCE: NF:077

SOURCE: Duggan, T. (n.d.). *How to identify business IT needs*. Retrieved August 17, 2012, from <http://smallbusiness.chron.com/identify-business-needs-351.html>

73. C

Usable, accurate, and retrievable. Companies use many sources of internal and external information to make decisions about their business activities. Effective information should be usable (applicable), accurate, and retrievable (accessible). Whether the information needs to be current, historical, organized, complete, simple, or complex depends on the type of information the company needs, and how the company intends to use the information. Making important business decisions based on superficial information could be costly to companies.

SOURCE: NF:110

SOURCE: NF LAP 3—In the Know (Nature of Information Management)

74. B

Make an informed buying decision. The Internet has revolutionized the ways in which business is conducted. The Internet provides customers with the ability to obtain product information in a variety of ways—from business web sites, blogs, newsfeeds, and consumer information web sites. In the example, William is doing research to find out how other users like different smartphones before he makes a decision about the one that he wants to buy. William will likely visit various smartphone e-tailers to get product specifications and pricing before making his decision. Although phone plans are often a factor when making a mobile-phone purchasing decision, there is not enough information provided to determine whether phone plans will affect William's buying decision. William hasn't purchased his smartphone yet, so he can't reaffirm his recent purchase.

SOURCE: NF:086

SOURCE: Roberts, M. (2008). *Internet marketing: Integrating online and offline strategies* (2nd ed.) [pp. 7-9]. Mason, OH: Cengage Learning.

75. B

Quotation marks. A search engine is a software program that automatically crawls the Web looking for information pertaining to specified search terms and displays a list of results. To narrow the scope of the information that the search query returns, Eli should place quotation marks around the specific phrase, such as "International Internet Marketing Association." By using quotation marks, the search will return results with those words in the exact way the researcher enters them, which narrows the scope of the returned results. Asterisks, the number sign, and the equal sign are not keystroke options that will narrow online search results.

SOURCE: NF:006

SOURCE: Google. (n.d.). *Google search basics*. Retrieved August 17, 2012, from <http://support.google.com/websearch/bin/answer.py?hl=en&answer=134479&topic=1221265&ctx=topic>



76. B

Spreadsheet. Spreadsheet software programs are designed to organize, calculate, and analyze mathematical or numerical information. Businesses are able to enter mathematical information into rows and columns, and the software provides accurate calculations in a matter of seconds. Database software programs maintain information according to specific criteria. Word-processing software programs are used to create text documents. Graphics software programs are used to combine text and pictures to create visual impact.

SOURCE: NF:010

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2009). *Marketing essentials* (p. 199). Woodland Hills, CA: Glencoe/McGraw-Hill.

77. B

Home page. Most business web sites are designed using a hierarchical system. The home page is at the top of the hierarchy—it is the starting point from which all other pages on the web site are connected and accessed. Therefore, it is important that the new page be linked to the home page so web surfers can navigate to the new page using their personal computers. Pop-up ads are promotional messages that appear in a separate browser window. The new page does not need to be linked to a pop-up ad. A business may or may not include an online catalog on its web site. If the new page is related to the online catalog, it should be linked to the catalog, which should be linked to the home page in the navigation scheme.

SOURCE: NF:042

SOURCE: Miles, J.E., & Dolce, C. (2006). *E-Commerce* (p. 193). New York: Glencoe/McGraw-Hill.

78. B

Track income and expenses. Keeping reliable financial records helps businesses to track income and expenses. No record can prevent depreciation from occurring. Financial records do not facilitate retrieving records in a disaster, but they are some of the important records that will need to be preserved. Promotional records, not financial records, help businesses to time their promotions appropriately.

SOURCE: NF:001

SOURCE: NF LAP 1—Record It (Business Records)

79. C

Put away the ladder. Anything left on the selling floor is dangerous for both customers and store personnel. This includes boxes, hand trucks, or supplies. The other alternatives are activities that might occur after the ladder is replaced.

SOURCE: OP:007

SOURCE: Clark, B., Sobel, J., & Basteri, C.G. (2010). *Marketing dynamics: Teacher's edition* (2nd ed.) [pp. 406-410]. Tinley Park, IL: Goodheart-Willcox Company, Inc.

80. A

Employees undercharging their friends. Point-of-sale fraud are attempts to cheat a business out of money at the time of purchase. Employees sometimes commit fraud at the point of sale which results in financial losses for the business. Employees who undercharge their friends when ringing up their purchase are committing point-of-sale fraud because they are selling items for less than the actual value. The business is losing part of the money it should have received for the sale. Customers who replace price tags are committing a type of fraud known as price-ticket switching. Vendors who take funds from a business's register are pilfering. Competitors who access a business's computer files are committing computer fraud.

SOURCE: OP:013

SOURCE: Kimiecik, R.C., & Thomas, C. (2006). *Loss prevention in the retail business* (pp. 139-143). Hoboken, NJ: John Wiley & Sons.

81. C

Scheduling. Project management is the process of planning, scheduling, and monitoring the progress of a project to achieve a specific goal. Scheduling is the process of developing plans that list the order of tasks that need to be performed and their completion dates. Schedules are tools that help project managers and team members organize their tasks, manage their time, and meet stated deadlines. Monitoring is periodically checking the progress of an activity or task. Evaluating is reviewing or examining the value or importance of something. Processing is carrying out a task.

SOURCE: OP:158

SOURCE: OP LAP 6—Projected to Win (The Nature of Project Management)

82. B

Being organized. Being organized is often the key to a successful project. The manager must be able to take ideas and bring each piece together in an orderly way to achieve project goals. The manager assigns tasks, prepares schedules, and monitors the progress. Therefore, the manager needs to have the ability to stay organized and focused to keep the project on target. When managing projects, it is important to handle complaints rather than simply listen to them. Requirement modifications should be made only if necessary. Requiring reports is not the key to successfully managing a project. In fact, simple projects often do not require reports.

SOURCE: OP:002

SOURCE: McCue, T.J. (n.d.). *7 online project management tools to keep you organized*. Retrieved August 17, 2012, from <http://www.openforum.com/articles/7-online-project-management-tools-to-keep-you-organized>

83. D

Order accuracy. Businesses evaluate their vendors' strengths and weaknesses to determine if changes should be made. One factor that businesses evaluate is the accuracy of a vendor's orders. If the vendor consistently sends incorrect items, the business can work with the vendor to correct the problems, or it can decide to terminate the relationship with the vendor. Other considerations might include invoice accuracy, order lead-time, and delivery time. The business does not usually evaluate the vendor's business plan, invoice numbers, or accounting methods.

SOURCE: OP:162

SOURCE: Monczka, R.M., Handfield, R.B., Giunipero, L.C., & Patterson, J.L. (2009). *Purchasing and supply chain management* (4th ed.) [pp. 308-310, 338]. South-Western Cengage Learning.

84. C

Operating costs. The costs of doing business, such as paying rent and utilities, are known as operating costs. Most businesses try to project what their operating costs will be to know how much money will be needed to run the business. Projected income is an estimate of the amount of money the business owner expects to earn. Inventory costs involve the amount of money a business owner must spend to purchase goods for resale. Sales revenue is income from sales.

SOURCE: OP:024

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2009). *Marketing essentials: Teacher wraparound edition* (p. 767). Woodland Hills, CA: Glencoe/McGraw-Hill.

85. A

Merchandise will be easy for customers to find. If a retail store is neat and clean and the merchandise is well organized, it is easier for customers to shop the store. In addition, customers perceive the store and its merchandise in a more positive manner and are likely to become regular customers. Housekeeping skills are considered routine rather than valuable skills. Aisles should be kept clear and uncluttered, not used for storage.

SOURCE: OP:032

SOURCE: Stutts, A.T., & Wortman, J.F. (2006). *Hotel and lodging management: An introduction* (2<sup>nd</sup> ed.) [pp. 88, 99-101]. Hoboken, NJ: John Wiley & Sons.

86. B  
Being organized. Employees can make a personal effort to be organized. One of the benefits of being organized is that it saves time and reduces costs, thus improving efficiency. Working rapidly may lessen efficiency through careless errors. Following company policies and taking additional training do not guarantee increased efficiency.  
SOURCE: PD:009  
SOURCE: Wallace, H.R., & Masters, L.A. (2006). *Personal development for life & work* (9th ed.) [p. 300]. Mason, OH: South-Western Cengage Learning.
87. A  
Supply stays the same. No matter what we do, we cannot expand the day beyond 24 hours. Since the supply of time is fixed, we have to use it efficiently.  
SOURCE: PD:019  
SOURCE: PD LAP 1—About Time (Time Management in Business)
88. B  
Self-understanding. Self-understanding makes it much easier to identify and understand similar characteristics in others. Self-control is the ability to direct the course of your own behavior. Self-esteem is how you feel about yourself at any given time. Self-fulfillment is reaching one's fullest potential.  
SOURCE: PD:013  
SOURCE: Ireland, O.F. (2011, January 22). *Self understanding, the first step to understanding others*. Retrieved August 11, 2012, from <http://ezinearticles.com/?Self-Understanding,-The-First-Step-to-Understanding-Others&id=5773872>
89. C  
The government. Public employment agencies are operated by either the state or the federal government. Businesses provide these agencies with information about their needs for workers, and the agencies pass the information on to job seekers who inquire. Some schools do help students to find jobs, but this service is not open to everyone. Private employment agencies charge a fee for their services. They may collect from both the employers/businesses seeking workers and the workers who find jobs through their services.  
SOURCE: PD:026  
SOURCE: Kimbrell, G., & Vineyard, B.S. (2006). *Entering the world of work* (p. 136). New York: Glencoe/McGraw-Hill.
90. B  
Neatness. All résumés should be neatly prepared. Neat résumés make a good first impression on prospective employers who often form opinions of applicants based on their résumés. A neat résumé indicates that the person will be careful and thorough on the job. Also, employers are more likely to read neat résumés than those that are sloppy or contain errors. Résumés should not be creative but should contain exact information. Résumés should be brief rather than long. They should not be complex but easy to read and understand.  
SOURCE: PD:031  
SOURCE: Kimbrell, G., & Vineyard, B.S. (2006). *Succeeding in the world of work* (p. 122). New York: Glencoe/McGraw-Hill.
91. D  
Connect with others who might help them accomplish professional goals. People engage in networking activities by communicating with customers, friends, family, teachers, and former coworkers. Networking often provides people with information regarding work-related opportunities, such as job openings. Although networking is often used to develop a list of sales prospects and contacts, many people are not involved in selling activities in their occupation. Career-networking activities are primarily used to improve or enhance work-related situations rather than social standing. Obtaining letters of recommendations is often a result of networking activities. However, it is not always the primary reason why people network.  
SOURCE: PD:037  
SOURCE: Kimbrell, G., & Vineyard, B.S. (2006). *Entering the world of work* (pp. 138-140). New York: Glencoe/McGraw-Hill.

92. C  
Rising concern about fraud and identity theft. One of the impacts of technology on the financial-services industry is rising concern about fraud and identity theft since so many financial products and services are now bought and sold online. Encryption technology helps guard against fraud and theft. Banks have fewer walk-in customers when they offer online banking. Blurred lines between the banking, insurance, and investment industries is the result of deregulation. Greater demand for investment professionals is the result of changing demographics.  
SOURCE: PD:152  
SOURCE: QS LAP 51—Careers in the Money
93. A  
Pass the certification examination. Passing the exam verifies that the individual is qualified to be a financial planner. It is not necessary to join an association first. Recognizing the value of certification is something you might do before you seek certification. Solving financial problems is something you intend to do after certification.  
SOURCE: PD:082  
SOURCE: Certified Financial Planner Board of Standards, Inc. (n.d.) *Steps to initial CFP certification*. Retrieved August 17, 2012 from <http://www.cfp.net/become/Steps.asp>
94. C  
Build business contacts. A professional organization is a group of persons in the same profession who form a society to further their common interests. The primary focus of the professional organization is to expand professional knowledge and maintain high professional standards. Joining a professional organization helps financial planners network with others in the same field. Networking provides financial planners with information about employment opportunities and prospective client contacts. Financial planners do not join professional organizations to establish personal priorities, formulate business plans, or develop organizational charts.  
SOURCE: PD:153  
SOURCE: Kearsley, S. (2008, August 20). *Why join a professional organization—it pays to join a professional association*. Retrieved August 17, 2012, from <http://lpcaga.blogspot.com/2008/08/why-join-professional-association.html>
95. C  
Networking. Networking involves connecting with individuals who might help accomplish career and professional goals. By serving on trade association committees, co-authoring articles for publication, and treating business contacts to dinner or golf, Brynn creates situations in which she has the opportunity to get to know other professionals and possibly build relationships that will be beneficial for everyone involved. Cooperating with others shows a willingness to work together to resolve differences or achieve common goals. Although Brynn is cooperating with others while carrying out these activities, her ultimate goal is to build a network of business professionals who can help her to achieve her career goals. Advertising is any paid form of nonpersonal presentation of ideas, images, goods, or services. Up-selling is a sales technique in which a higher priced product than the one originally requested by the customer is suggested.  
SOURCE: PD:153  
SOURCE: Hoban, S. (n.d.). *Building business relationships*. Retrieved August 17, 2012, from [http://www.ciremagazine.com/article.php?article\\_id=30](http://www.ciremagazine.com/article.php?article_id=30)
96. A  
Product safety. Businesses risk financial losses and damaged reputations when they use lower-quality goods and materials. In the example, the manufacturer used low-quality parts that affected the performance and safety of the car engine. When car engines catch on fire and people are injured, the manufacturer may be legally required to pay damages to the injured parties. The risks in the example are not associated with domestic trade, service quality, nor trade secrets.  
SOURCE: RM:041  
SOURCE: Kitzes, B. (n.d.). *Product safety management*. Retrieved August 17, 2012, from <http://www.productsafety.com/>

97. C

Withholding pertinent information from insurance underwriters. While withholding pertinent information from or misrepresenting information to insurance underwriters may help risk managers to obtain unfairly favorable premium rates from insurers in the short-term, doing so is highly unethical and likely to cause problems in the long-term, such as when the company attempts to renew the policy. However, securing fair, favorable premium rates from insurers through ethical, honest actions is acceptable. Companies are typically required to pay a share of the loss exposures pooled through insurance. Embezzling from the organization is unethical, but reporting that someone within the company is embezzling is good, ethical risk management.

SOURCE: RM:041

SOURCE: Head, G.L. (2005, February). *Why link risk management and ethics?* Retrieved August 17, 2012, from <http://www.irmi.com/expert/articles/2005/head02.aspx>

98. B

Contingency plans. A contingency plan is an alternative course of action. A contingency plan states specific guidelines that a business uses when responding to undesirable circumstances. Businesses often use computer software programs to obtain numerical data about their levels of risk in different areas of the business. They use this information to make business decisions and to help them develop alternative action plans when circumstances occur that increase or decrease risk at a given time. Content theories are theories of motivation that focus on internal needs, drives, and incentives that cause people to behave in a certain manner. An endorsement is approval by a reputable external source. Governments develop monetary and fiscal regulations. Risk management software programs do not help businesses develop content theories, endorsement records, and fiscal policies.

SOURCE: RM:042

SOURCE: McIntosh, J. (2007, November 14). *Plan for crisis at work: Risk assessment and contingency planning in business*. Retrieved August 17, 2012, from [http://strategic-business-planning.suite101.com/article.cfm/plan\\_for\\_crisis\\_at\\_work](http://strategic-business-planning.suite101.com/article.cfm/plan_for_crisis_at_work)

99. D

Liability. Risk retention groups are liability insurance companies owned by their members, who are typically businesses, professionals, and municipalities that are unable to acquire liability insurance from traditional insurance companies. Types of liability insurance that risk retention groups typically offer include errors and omissions, medical malpractice, directors and officers, product liability, professional liability, etc. Risk retention groups are not legally permitted to offer life, homeowners, or health insurance in most countries.

SOURCE: RM:043

SOURCE: Captive Insurance Companies Association. (2011). *What are risk retention groups?* Retrieved August 17, 2012, from <http://www.cicaworld.com/Resources/RiskRetentionFAQ.aspx>

100. D

Loss reduction. Loss reduction is a form of risk control. Risk control methods are used to reduce or minimize loss. Loss reduction lessens the impact of a loss after it occurs. For instance, although the automatic sprinklers won't prevent a fire from starting, they will lessen the impact that the fire has on the company's buildings. Companies utilize loss avoidance when they choose not to take part in risky activity. Loss prevention focuses on stopping certain losses from occurring. Companies transfer risk by purchasing insurance and entering into contracts that transfer the risk to others.

SOURCE: RM:058

SOURCE: Longenecker, J.G., Moore, C.W., Petty, J.W., & Palich, L.E. (2006). *Small business management: An entrepreneurial emphasis* (13th ed.) [pp. 464-465]. Mason, OH: Thomson South-Western.