



Competency-Based
Competitive Events
Written Exam
for District/Regional Use

Test Number 1071
Booklet Number _____

Finance Cluster Exam

ACT - Accounting Applications Series Event

BFS – Business Finance Series Event

FTDM - Financial Services Team Decision Making Event

INSTRUCTIONS: This is a timed, comprehensive exam for the occupational area identified above. Do not open this booklet until instructed to do so by the testing monitor. You will have _____ minutes to complete all questions.

CAUTION: Posting these materials on a website is a copyright violation unless specifically authorized by MBAResearch.

This comprehensive exam was developed by the MBAResearch Center. Items have been randomly selected from the MBAResearch Test-Item Bank and represent a variety of instructional areas. Performance Indicators for this exam are at the prerequisite, career-sustaining, and marketing specialist levels. A descriptive test key, including question sources and answer rationale, has been provided the state DECA advisor.



Copyright © 2013 by Marketing & Business Administration Research and Curriculum Center®, Columbus, Ohio (dba MBAResearch). Each individual test item contained herein is the exclusive property of MBAResearch. Items are licensed only for use as configured within this exam, in its entirety. Use of individual items for any purpose other than as specifically authorized in writing by MBAResearch is prohibited. **Possession of this exam, without written authorization, under any other circumstances is a copyright violation.** Posting to inter- or intranet sites is specifically forbidden unless written permission is obtained prior to posting. Report violations to MBAResearch at 800.448.0398. Permission for reprinting is granted to state DECA Associations authorized by DECA, Inc.

1. The federal courts are part of the
 - A. executive branch.
 - B. judicial system.
 - C. legislative body.
 - D. advisory cabinet.
2. Business A's failure to keep an agreement to supply Business B with a certain good or service is an example of a situation that is covered by _____ law.
 - A. property
 - B. antitrust
 - C. trade
 - D. contract
3. Last week, a man who frequents Alice's health club and goes to the same church approached her and struck up a conversation. After a bit of small talk, the man said that he would love to help Alice earn some money on the stock market. "You can trust me," the man said. "We go to the same church and the same gym. In fact, our minister and the manager of the gym just gave me a ton of money to invest for them!" The man is attempting to commit _____ fraud.
 - A. group affinity
 - B. natural resource investing
 - C. private placement offering
 - D. life settlement
4. When individuals purchase items such as high-performance sport cars, rare collectibles, and jewelry containing large, precious gemstones, they must often pay _____ taxes.
 - A. gift
 - B. luxury
 - C. estate
 - D. property
5. A barrier to businesses' pursuing governance, risk management, and compliance in the finance industry is
 - A. the trust placed in company officials.
 - B. a business's ability to stay within its risk tolerance.
 - C. the desire to eliminate re-work of financial statements.
 - D. individuals' defense of their departmental specialties.
6. While reviewing a business's general ledger, a virtual auditor identified two identical journal entries within the same accounting period. What reasoning technique did the virtual auditor use?
 - A. Contextual
 - B. Symbolic
 - C. Comparative
 - D. Cross-source
7. One way for an audience to show that it supports a speaker's opinion is by _____ the speaker.
 - A. applauding
 - B. heckling
 - C. ignoring
 - D. tolerating
8. Jan's supervisor is giving her verbal instructions for a task to be completed. Jan takes notes and asks her supervisor to elaborate on a key point. Jan is practicing
 - A. effective listening.
 - B. written communication.
 - C. distracted listening.
 - D. nonverbal communication.
9. Which of the following is not one of the three main reasons for active listening:
 - A. Providing instructions
 - B. Gathering information
 - C. Giving honest responses
 - D. Connecting with people
10. Shawn is preparing for an interview with a local company. He knows that he should ask relevant questions about the job at the end of the interview. Which of the following will help him prepare these questions:
 - A. Finding background information about the interviewer's high school and asking him/her about that to form a personal relationship
 - B. Relying on the interviewer to generate the questions
 - C. Asking his friends what questions they think he should ask
 - D. Conducting research about the company prior to the interview

11. Which of the following is the primary reason that employees who answer a business's telephone should try to connect each call correctly:
- A. To keep from putting callers on hold
 - B. To give good customer service
 - C. To handle the minimum number of calls
 - D. To demonstrate their telephone skills
12. When you state a fact, it's important to
- A. generalize.
 - B. think before you speak.
 - C. be accurate.
 - D. change your mind.
13. A primary use of flow charts in business documents or presentations is to
- A. compare and contrast data.
 - B. identify trends.
 - C. explain relationships.
 - D. summarize numerical data.
14. Which of the following is likely to be the result when coworkers do not communicate well with each other:
- A. Shared job responsibilities
 - B. Human relations problems
 - C. Efficient work area
 - D. Increased job understanding
15. What trait is being demonstrated when employees treat customers with respect and without prejudice?
- A. Empathy
 - B. Integrity
 - C. Honesty
 - D. Consideration
16. What should help businesspeople adapt their communication styles to appeal to clients from other cultures?
- A. Being patient, flexible, and empathetic
 - B. Being confident, biased, and manipulative
 - C. Being sensitive, transparent, and demanding
 - D. Being respectful, indifferent, and honest
17. Customer relationship management increases sales and profits by increasing
- A. product quality.
 - B. prices.
 - C. customer loyalty.
 - D. competition.
18. What is the primary responsibility of a financial planner?
- A. To double a client's investment
 - B. To provide appropriate financial guidance
 - C. To ensure that his/her clients can retire
 - D. To maximize her/his clients' tax obligation
19. Customer Relationship Management (CRM) processes should support the basic steps of the _____ cycle.
- A. accounting
 - B. customer life
 - C. customer complaint
 - D. business
20. Which of the following would normally be considered a scarce natural resource in the U.S.:
- A. Water
 - B. Land
 - C. Air
 - D. Money
21. What type of utility is created when a business allows consumers to make purchases on credit?
- A. Time
 - B. Possession
 - C. Form
 - D. Place
22. Determining what consumers want in order to promote and sell those goods and services is a function of the business activity of
- A. risk management.
 - B. quality management.
 - C. production.
 - D. marketing.

23. A banking institution is well-suited for a divisional organizational structure broken down by
- A. job function.
 - B. customer type.
 - C. product.
 - D. process.
24. Property and income are not distributed equally in a private enterprise system because skilled workers usually
- A. belong to a union.
 - B. receive higher salaries.
 - C. work longer hours.
 - D. pay higher taxes.
25. Two local businesses in the same industry are working hard to attract as many customers as possible. What these businesses are engaged in is
- A. production.
 - B. monopolistic practices.
 - C. unethical behavior.
 - D. competition.
26. Which of the following is a category of worker that is not included in the unemployment rate, although this category indicates that there is a problem in the economy:
- A. Professional
 - B. Underemployed
 - C. Terminated
 - D. Semiskilled
27. Which of the following are among the internal causes of business cycles:
- A. Seasonal and climatic changes, aggregate demand, inventory levels, and international relations
 - B. Political change, investment in capital goods, international relations, and money supply
 - C. Discoveries and innovations, inventory levels, international relations, and money supply
 - D. Aggregate demand, money supply, investment in capital goods, and inventory levels
28. It is important to analyze situations which reduce your self-esteem so that similar results in the future can be
- A. avoided.
 - B. created.
 - C. ensured.
 - D. obtained.
29. Responsible employees follow a code of ethics, which means that they have
- A. good judgment.
 - B. integrity.
 - C. good manners.
 - D. initiative.
30. Which of the following statements is true of constructive criticism:
- A. Constructive criticism serves no useful purpose.
 - B. Constructive criticism should result in change.
 - C. People who use constructive criticism are aggressive.
 - D. People should resent receiving constructive criticism.
31. One way that businesspeople can develop cultural sensitivity is to
- A. revise research techniques.
 - B. preserve communication methods.
 - C. acquire foreign language skills.
 - D. maintain current leadership styles.
32. After Sarah reaches an agreement and establishes terms with Greg, she should
- A. assess the negotiating session.
 - B. change Greg's negotiating style.
 - C. identify a fair compromise.
 - D. determine Greg's position and interests.
33. Which of the following is NOT one of the steps of the informal process of reaching a consensus:
- A. Write down your ideas.
 - B. Discuss why everyone should agree.
 - C. Create a list of alternatives.
 - D. Revise your idea list.
34. Which of the following is a result of an achievement orientation:
- A. Continuous improvement
 - B. Lower standards
 - C. Less risk-taking
 - D. Automatic raises and promotions

35. What do employees sometimes need to help them put their knowledge into action on the job?
- A. Coaching
 - B. Cross training
 - C. Counseling
 - D. Consensus building
36. The supervisor who exercises very little or no control over employees is using the _____ style of leadership.
- A. democratic
 - B. authoritarian
 - C. subordinate
 - D. laissez-faire
37. Which type of credit applies to utilities that have been consumed but not yet paid for?
- A. Secured loan
 - B. Revolving credit
 - C. Service credit
 - D. Unsecured loan
38. A critical aspect of financial planning involves
- A. setting broad financial goals.
 - B. obtaining several credit cards.
 - C. investing money in high-risk securities.
 - D. saving money for unexpected situations.
39. Which of the following is a financial want rather than a financial need:
- A. Shelter
 - B. Food
 - C. Clothing
 - D. Education
40. The key factors involved in compounding growth are the amount of money you invest, how much your investment grows each year, and
- A. how you earn the money that you invest.
 - B. how long your money is invested.
 - C. your educational background and career.
 - D. your mutual fund manager's education.
41. When reconciling your check register, it is important to _____ your balance.
- A. add your debit card transactions to
 - B. subtract all applicable fees from
 - C. subtract your earned interest from
 - D. add ATM withdrawals to
42. On January 3, Anna mailed her credit-card payment, which was due on January 5. The credit-card issuer received the payment on January 7. What most likely appeared on Anna's credit-card statement the following month?
- A. Application charge
 - B. Late fee
 - C. Processing charge
 - D. Over-limit fee
43. Which of the following international financial institutions provides financing and advice to countries to encourage economic development:
- A. Liberty Institute
 - B. Small Business Administration
 - C. Commonwealth of Nations
 - D. World Bank Group
44. Frankfort and Sons, an American firm, is preparing to issue bonds overseas. Even though the bonds will be sold outside the U.S., they will be denominated in American dollars. These bonds are called
- A. Savings bonds.
 - B. Yankee bonds.
 - C. Interbonds.
 - D. Eurobonds.
45. Convergence and consolidation in the finance industry have resulted in a(n)
- A. one-stop shopping environment for consumers.
 - B. highly compartmentalized finance industry.
 - C. more accurate picture of financial firms' financial condition.
 - D. single supervisory agency to regulate the finance industry.
46. When the value of the dollar decreases in foreign exchange markets, the inflation rate tends to
- A. fall slowly.
 - B. rise.
 - C. stabilize.
 - D. fall rapidly.

47. What is a characteristic of an emerging market?
- A. Low gross domestic product due to high foreign investment
 - B. Strong and highly developed infrastructure
 - C. High-yield bond markets that operate in a secure economic climate
 - D. Unstable stock markets in a transitional economy
48. Which of the following is **not** found in a company's annual report:
- A. What the important achievements were
 - B. What the company did that year
 - C. A listing of all the things that went wrong
 - D. Some ideas about where the company will go next
49. An investor using a securities table can learn about a stock's volatility by checking the stock's
- A. VOL.
 - B. DIV.
 - C. 52-Week HI/LO.
 - D. CLOSE.
50. Which of the following is one reason why businesses gather information:
- A. To handle emergencies
 - B. To eliminate risks
 - C. To test employees
 - D. To make decisions
51. A business owner applying for a bank loan would probably ask the accounting department to provide records that show the value of the company's total
- A. cash.
 - B. assets.
 - C. inventory.
 - D. equipment.
52. Which of the following is a key component of managing working capital:
- A. Cash conversion cycle
 - B. Depreciation of plant assets
 - C. GAAP
 - D. Capital structure
53. Which of the following is an advantage of a rolling budget?
- A. It requires less effort than an annual budget.
 - B. It allows you to have a year-long budget in place at all times.
 - C. It sets an annual budget that does not change.
 - D. It has to be consulted less frequently by managers.
54. What is a common consequence of poor financial-information management?
- A. Understandable feedback
 - B. Simplified processes
 - C. Ineffective leadership
 - D. Inaccurate data
55. A financial-information management system can help a financial manager to make which of the following types of decisions:
- A. Employee scheduling
 - B. Capital budgeting
 - C. Vendor selections
 - D. Adding/dropping products
56. Which of the following leads accountants to apply unethical earnings-management practices:
- A. Meeting analysts' estimated earnings
 - B. Postponing a large purchase to a later time
 - C. Accelerating payment of expenses when earnings are high
 - D. Selling securities for a gain
57. Which of the following technologies is frequently used to provide a source for master data management in the finance industry:
- A. SutiExpense Application
 - B. Accounting systems
 - C. Databases
 - D. ERP (Enterprise Resource Planning)

58. Before implementing data mining procedures, a business must first identify how the financial information is
- A. internalized.
 - B. analyzed.
 - C. viewed.
 - D. categorized.
59. Which of the following capabilities would be most useful when using budgeting applications:
- A. Deleting files from the prior year automatically
 - B. Creating unlimited scenarios to depict the impact of decisions
 - C. Selecting records to audit at random
 - D. Allowing overspent budgets to smoothly move through the system
60. Which of the following statements regarding business budgeting software is true:
- A. Most budgeting software can be used to measure the impact of different actions on the budget.
 - B. Creating line-item projections using budgeting software is extremely time-consuming.
 - C. Budgeting software makes it difficult to adapt to changing economic conditions.
 - D. Most budgeting software is appropriate for both business and personal use.
61. Helena's manager asked her to put together a report containing a number of different financial ratios, including the company's current ratio and rate of return on equity. To create the report, Helena should use _____ software.
- A. financial analysis
 - B. budgeting
 - C. data mining
 - D. field service
62. What type of database should a business use to compare financial data?
- A. Relational
 - B. Abstract
 - C. Decisive
 - D. Ordinal
63. A business that fails to provide accurate financial information in the required timeframe to a government agency may be subject to
- A. monetary fines.
 - B. tax reductions.
 - C. payroll exemptions.
 - D. regulatory subsidies.
64. The XTY Company is experiencing a cash-flow problem, and is falling behind in paying its bills. It recently received payment on an invoice in the amount of \$450 and wants to use it to pay its vendors. Review the following information and determine which vendor the company should pay first: Vendor A, \$300, due in two weeks; Vendor B, \$75, due five days ago; Vendor C, \$325, due 30 days ago; Vendor D, \$110, due in three days.
- A. Vendor B
 - B. Vendor A
 - C. Vendor C
 - D. Vendor D
65. When a business is using the financial accounting system to prepare and report financial information, what should it do?
- A. Include more data than is needed to establish credibility
 - B. Implement the financial data registration guidelines (FDRG)
 - C. Follow accounting standards such as GAAP or IFRS
 - D. Attach copies of all transaction receipts to the reports or forms
66. What is the significance of the base year in horizontal trend analysis?
- A. It represents the time period in which a trend is first detected.
 - B. It is the time period that is used as the basis for comparisons.
 - C. It is the time period in which the difference between revenue and expenses is the greatest.
 - D. It represents the time period in which the difference between accounts receivable and accounts payable is the smallest.

67. Bonnie is responsible for determining whether her firm should extend credit to a potential business customer. The customer's trade reference information should include
- A. a list of the items that the business typically purchases from each supplier.
 - B. the name of the purchasing agent who buys from the business's suppliers.
 - C. the articles of incorporation for each of the suppliers.
 - D. the current balance that the customer owes to each of its existing suppliers.
68. The IHF Company is experiencing a temporary cash shortage and doesn't have enough cash available to cover its payroll for this pay period. Since the company expects to receive a large payment from a customer in the next four weeks, though, management has decided to obtain a short-term loan to pay company employees. By analyzing financial data, company management was able to identify
- A. possible investment opportunities.
 - B. methods to reduce expenses.
 - C. financial risks and deficiencies.
 - D. ways to reduce the cost of credit.
69. Kenneth is comparing his business's actual sales revenue against his budgeted sales revenue. He hopes to figure out why his actual sales last month were lower than what he had budgeted. Kenneth is conducting a _____ analysis.
- A. variance
 - B. break-even
 - C. competitive
 - D. market
70. The people who work to produce goods and services are known as
- A. raw materials.
 - B. capital.
 - C. human resources.
 - D. facilities.
71. After the popularity of a product dropped, the business needed a new product to promote that would help to improve its image. Which marketing function would come up with the new product?
- A. Channel management
 - B. Product/Service management
 - C. Selling
 - D. Promotion
72. To determine the types of information that the business needs to operate, it is often beneficial to
- A. obtain employees' input.
 - B. upgrade the computer network.
 - C. develop a production schedule.
 - D. revise business's goals.
73. Which of the following are characteristics of effective business information:
- A. Applicable, historical, and complete
 - B. Current, simple, and accessible
 - C. Usable, accurate, and retrievable
 - D. Organized, complex, and superficial
74. William is thinking about getting a new smartphone, so he logged on a well known web site to read others' opinions and experiences with different types of smartphones that are currently on the market. William is reading Internet product reviews to
- A. compare the prices of smartphones from various online stores.
 - B. make an informed buying decision.
 - C. determine which company has the best phone plan.
 - D. reaffirm his recent purchasing selection.
75. Eli is using an online search engine to obtain business information. To obtain narrow search results for a specific phrase, which of the following should Eli place around the text:
- A. Asterisks
 - B. Quotation marks
 - C. Number sign
 - D. Equal sign
76. The ability to quickly and accurately calculate mathematical data is one of the characteristics of a _____ software program.
- A. database
 - B. spreadsheet
 - C. graphics
 - D. word-processing

77. When posting a new page to an existing web site, the new page should be linked to the
- A. pop-up ads.
 - B. home page.
 - C. personal computer.
 - D. online catalog.
78. Keeping reliable financial records helps businesses to
- A. time their promotions appropriately.
 - B. track income and expenses.
 - C. prevent depreciation from occurring.
 - D. retrieve records in a disaster.
79. After replacing a light bulb in a ceiling fixture above the selling floor, an employee should immediately
- A. dispose of the old bulb.
 - B. answer his/her page.
 - C. put away the ladder.
 - D. determine his/her next assignment.
80. Which of the following is an example of point-of-sale fraud:
- A. Employees undercharging their friends
 - B. Competitors accessing computer files
 - C. Customers replacing price tags
 - D. Vendors taking funds from the register
81. What project-management activity involves determining when project tasks should be performed?
- A. Evaluating
 - B. Monitoring
 - C. Scheduling
 - D. Processing
82. Which of the following is often the key to successfully managing a project:
- A. Listening to complaints
 - B. Being organized
 - C. Modifying requirements
 - D. Requiring reports
83. Which of the following is often a factor that a business considers when evaluating a vendor's performance:
- A. Accounting methods
 - B. Business plan
 - C. Invoice number
 - D. Order accuracy
84. A small business owner receives notice that the business's monthly rent will increase next year. The owner should include this increase in an estimate of next year's
- A. sales revenue.
 - B. projected income.
 - C. operating costs.
 - D. inventory costs.
85. Which of the following is considered an advantage to the store of having employees carry out regular housekeeping duties:
- A. Merchandise will be easy for customers to find.
 - B. Employees will learn a valuable skill.
 - C. Customers will be less likely to return.
 - D. Clean aisles can be used for storage.
86. Which of the following is a personal effort that would help an employee to reach a high level of efficiency:
- A. Following company policies
 - B. Being organized
 - C. Working rapidly
 - D. Taking additional training
87. What effect do demands on your time have on the supply of time available to you?
- A. Supply stays the same.
 - B. Supply decreases.
 - C. Supply increases.
 - D. Supply matches time demanded.
88. Comprehending our personal wants and needs, interests, values, and motives, and recognizing their effects on our behavior, is known as
- A. self-control.
 - B. self-understanding.
 - C. self-esteem.
 - D. self-fulfillment.

89. A source of employment information that can be used free of charge by everyone is a public employment agency, which is operated by
- A. local businesses.
 - B. the school system.
 - C. the government.
 - D. private employers.
90. What is an important quality that all résumés should possess?
- A. Length
 - B. Neatness
 - C. Creativity
 - D. Complexity
91. The primary reason why many people engage in career-oriented networking activities is to
- A. cultivate a wide circle of social and personal contacts.
 - B. develop an extensive list of sales prospects and contacts.
 - C. obtain letters of recommendation from previous employers.
 - D. connect with others who might help them accomplish professional goals.
92. Which of the following is an example of the impact of technology on the financial-services industry:
- A. Greater demand for investment professionals
 - B. More walk-in bank customers
 - C. Rising concern about fraud and identity theft
 - D. Blurring the lines between banking, insurance, and investments
93. To become a certified financial planner, an individual must accomplish at least three things: acquire the required education, pay the appropriate fee, and
- A. pass the certification examination.
 - B. join a financial planning association.
 - C. recognize the value of certification.
 - D. solve financial problems.
94. Joining a professional organization is one way for financial planners to
- A. formulate business plans.
 - B. establish personal priorities.
 - C. build business contacts.
 - D. develop organizational charts.
95. To build professional relationships, Brynn serves on several trade association committees, co-authors articles with other finance professionals to publish in the local newspaper, and treats business contacts to dinner or golf. These activities are forms of
- A. advertising.
 - B. cooperating.
 - C. networking.
 - D. up-selling.
96. To save money, an automobile manufacturer imports substandard parts for its car engines. Many of the cars that contain engines with the imported parts have caught on fire. Now, the manufacturer is facing a class-action lawsuit. This is an example of risk associated with
- A. product safety.
 - B. domestic trade.
 - C. service quality.
 - D. trade secrets.
97. Which of the following is most likely to be an unethical risk management activity:
- A. Reporting that an employee is embezzling from the organization
 - B. Paying a share of the loss exposures pooled through insurance
 - C. Withholding pertinent information from insurance underwriters
 - D. Securing fair, favorable premium rates from insurers
98. Many computer software programs help businesses determine their levels of business risk, which is helpful when they develop
- A. content theories.
 - B. contingency plans.
 - C. endorsement records.
 - D. monetary regulations.
99. Risk retention groups are typically only allowed to offer _____ insurance coverage.
- A. health
 - B. life
 - C. homeowners
 - D. liability

100. A company installs automatic sprinklers in all of its facilities. Which of the following techniques is the company using to combat the internal threat of fire:
- A. Risk transfer
 - B. Loss avoidance
 - C. Loss prevention
 - D. Loss reduction