SAMPLE EXAM

FINANCE CAREER CLUSTER

THE FINANCE CAREER CLUSTER EXAM IS USED FOR THE FOLLOWING EVENTS:

ACCOUNTING APPLICATIONS SERIES **ACT**

BUSINESS FINANCE SERIES **BFS**

FINANCIAL CONSULTING **FCE**

FINANCIAL SERVICES TEAM DECISION MAKING **FTDM**

These test questions were developed by the MBA Research Center. Items have been randomly selected from the MBA Research Center's Test-Item Bank and represent a variety of instructional areas. Performance indicators for these test questions are at the prerequisite, career-sustaining, and specialist levels. A descriptive test key, including question sources and answer rationale, has been provided.

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1. Which of the following is a type of intangible business property that is protected by law:
   A. Equipment
   B. Inventory
   C. Acreage
   D. Trademark

2. When filing a tort against a business, the plaintiff must establish that the defendant
   A. damaged property intentionally.
   B. breached the duty of care.
   C. conspired with a competitor.
   D. violated the doctrine of sovereign immunity.

3. Which of the following is an example of a voluntary debtor-creditor relationship:
   A. Requiring specific information
   B. Receiving a monetary gift
   C. Obtaining a loan from a bank
   D. Owing punitive damages

4. Chris purchased 500 shares of microcap HRR stock. Then, he posted false information about HRR on several investment websites to hype up the stock. After driving up the price of HRR stock, Chris quickly sold all of his stock in the company and earned a large profit. The price of the stock then fell, leaving HRR investors with worthless stock. What type of investment scam did Chris commit?
   A. Phishing
   B. Pyramid scheme
   C. Ponzi scheme
   D. Pump and dump

5. Which of the following statements best describes the taxation of Roth IRAs:
   A. Contributions and withdrawals during retirement are both taxed.
   B. Contributions are tax deductible, but withdrawals during retirement are taxed.
   C. Contributions are taxed, but withdrawals during retirement are not.
   D. Contributions and withdrawals during retirement are tax deductible.

6. Compliance in the finance industry involves financial institutions operating within
   A. specific territories.
   B. regulatory guidelines.
   C. organizational plans.
   D. different relationships.

7. In general, a governance, risk, and compliance (GRC) software system identifies and measures risk; monitors the risk-management system; routinely checks adherence to company-wide policies; and ensures compliance with
   A. reporting requirements.
   B. union demands.
   C. product standards.
   D. contingency plans.

8. While conducting a staff meeting, the speaker noticed that Colin was texting on his smartphone. Colin's nonverbal behavior indicates that he was
   A. distracted.
   B. annoyed.
   C. listening to the speaker.
   D. interested in the topic.

9. Before DiAnn presents her new idea to her boss, she searches the Internet and jots down two statistics that reinforce the idea. This is an example of
   A. obtaining primary information.
   B. supporting ideas with evidence.
   C. giving alternative ideas.
   D. clarifying a new idea.

10. At work, Bob is assigned to be on a team of five people that will create a new product. Which action can Bob take to participate in the team in a useful way?
    A. Keep the group on track by stopping others from offering unusual ideas
    B. Encourage the team to avoid setting ground rules
    C. Find out what other people in the group know about the product
    D. Walk around the room during discussions to keep energy in the group

11. Alma is preparing a presentation about her department's budget to make to the company president. She wants to use a visual representation of the budget that shows parts in relation to the whole. Alma should consider using a
    A. table.
    B. pie chart.
    C. line graph.
    D. bar graph.

12. What type of letter should a business include when sending copies of a contract to a vendor?
    A. Request
    B. Acknowledgment
    C. Claim
    D. Transmittal

13. Identify the type of appeal used in the following persuasive message: "This new book is written by Dr. Juliet Browne, who holds a doctorate from the Harvard School of Medicine and is the Chair of the World Health Organization."
    A. Emotions
    B. Reason
    C. Credibility
    D. Shock value

14. What is a type of informal communication that coworkers often use to communicate with each other?
    A. Network
    B. Feedback
    C. Grapevine
    D. Structured

15. What is one of the benefits to a business of reinforcing service orientation through communication?
    A. Rewards customers for their support
    B. Promotes the sale of new products
    C. Builds positive relationships with customers
    D. Encourages employees to be aggressive

16. When Mr. Schwarz's order did not arrive at the expected time, he called Karl, the salesperson with whom he had placed his order. Karl apologized for the delay and told Mr. Schwarz that he would check into the issue. After Karl talked with the transportation company, he immediately called Mr. Schwarz to let him know where the order was and when to expect delivery. Mr. Schwarz thanked Karl for getting back with him so quickly. In this situation, Karl reinforced the company's image by
    A. delegating work tasks.
    B. giving vague answers.
    C. providing efficient follow-up.
    D. complimenting the customer.

17. What is an important aspect of a customer-centric business?
    A. Reducing the number of touch points with customers
    B. Limiting the employees' decision making
    C. Being satisfied with the status quo
    D. Aligning business activities with customer needs

18. When providing product information to clients, finance professionals should use
    A. standard responses.
    B. technical terms.
    C. financial acronyms.
    D. simple explanations.

19. Beverly, the new office manager, just completed a review of the last two years of accounts receivable data. In doing so, she discovered that there are erroneous duplicate entries totaling $25,628 in the system. Unfortunately, due to these duplicate entries, collection letters were sent to many customers who had already paid in full—customers who are angry with the company for sending them the letters. What should Beverly do to try to save these customer relationships and ensure that these customers are not bothered in the future?
    A. Contact each customer by phone and apologize
    B. Complete an accounting software update
    C. Complete a data cleansing of the erroneous entries
    D. Use funds from the accounts payable account to pay the debt

20. The process or activity of using goods is called
    A. production.
    B. consumption.
    C. exchange.
    D. distribution.

21. Which of the following is an example of a change in the relative price ratio when the original price of red apples is $0.60 per pound and the original price of green apples is $0.80 per pound:
    A. Red apples @ $0.30 per pound; green apples @ $0.40 per pound
    B. Red apples @ $0.90 per pound; green apples @ $0.80 per pound
    C. Red apples @ $0.45 per pound; green apples @ $0.60 per pound
    D. Red apples @ $1.20 per pound; green apples @ $1.60 per pound

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. Which of the following describes the matrix organizational structure:
    A. It is a combination of two other organizational structures.
    B. It includes only traditional departments, such as sales and marketing.
    C. It is separated by product lines.
    D. It is the oldest organizational structure being used.

24. Seeing the big picture instead of smaller, individual parts is an organizational learning concept known as
    A. systems thinking.
    B. team learning.
    C. shared organizational vision.
    D. personal mastery.

25. The general economic growth of a country is supported by its
    A. level of productivity.
    B. standard of living.
    C. gross domestic product.
    D. wealth of goods and services.

26. Colleen will vote next week on the new contract that her union has negotiated with management. Union and management are in the __________ stage of the collective-bargaining process.
    A. contract settlement
    B. ratification of contract
    C. preparation and research
    D. tentative agreement

27. An economy with a high unemployment level tends to have
    A. rapid GDP growth.
    B. a high supply of money.
    C. fewer monetary policies.
    D. a lower rate of inflation.

28. Jon decided to promote Bill instead of Maggie to regional manager because he thinks that women aren't assertive enough in business situations. Jon is stereotyping on the basis of
    A. age.
    B. ethnicity.
    C. religion.
    D. gender.

29. One way that individuals exhibit self-confidence is by being
    A. creative.
    B. enthusiastic.
    C. emotional.
    D. reserved.

30. Maureen becomes angry and defensive whenever her supervisor asks Maureen to correct mistakes. Maureen's attitude is not a good response to criticism because
    A. it indicates that Maureen wants to call attention to herself.
    B. there is no reason to be angry about criticism.
    C. Maureen has no right to be angry on the job.
    D. it prevents Maureen from hearing the criticism clearly.

31. Which of the following is an example of an employee respecting the privacy of a coworker:
    A. Speaking up for a coworker who is being unfairly criticized
    B. Leaving the room when a salesperson takes a telephone call
    C. Giving feedback about a project to a coworker or manager
    D. Answering a coworker's telephone when s/he is at lunch

32. Barry's family is originally from Ireland. Their customs, habits, and traditions are known as their
    A. stereotype.
    B. culture.
    C. diversity.
    D. religion.

33. Insecure people are often afraid to become assertive because they think they will
    A. damage their relationships.
    B. have to please others.
    C. be considered childish.
    D. lose their independence.

34. Keeping the end goal in mind refers to which standard of excellence that achievement-oriented people set?
    A. Results
    B. Improvement
    C. Trying something new
    D. Competition

35. One way a leader can encourage others to work toward a shared vision is by
    A. guaranteeing a profit for the business.
    B. describing the objective.
    C. reviewing the new assignment.
    D. explaining how they will benefit.

36. Coaching is mostly about
    A. talking.
    B. organizing.
    C. instructing.
    D. listening.

37. Which of the following people would make the best entrepreneur:
    A. A risk-averse person who wants to work 9-to-5
    B. A person who lacks self-confidence
    C. A risk-taker who has a strong work ethic
    D. A person who often works so hard she makes herself sick

38. When the U.S. federal government owes money to a contracted employee or business, the government must pay the employee or business according to the
    A. Early Bird Act.
    B. Prompt Payment Act.
    C. Secure Contracting Act.
    D. Government Guidelines Act.

39. Financial planning can be described as a way to
    A. retire with a substantial amount of money in the bank.
    B. stop all impulsive purchases.
    C. achieve your professional goals.
    D. realize what it takes to get the things you really want.

40. The key factors involved in compounding growth are the amount of money you invest, how much your investment grows each year, and
    A. your educational background and career.
    B. how you earn the money that you invest.
    C. how long your money is invested.
    D. your mutual fund manager's education.

41. What is the first step Cameron should take to protect himself from identity theft after he loses his wallet?
    A. Advise the proper law enforcement authorities about the loss
    B. Contact the appropriate government agency to replace the credit cards
    C. Cancel all of his credit and debit cards
    D. Change the passwords for his online banking accounts

42. Which of the following are examples of deposit-taking financial institutions:
    A. Commercial banks, corporations, and mutual savings banks
    B. Credit unions, savings and loan associations, and commercial banks
    C. Savings and loan associations, mutual savings banks, and insurance firms
    D. Commercial banks, credit unions, and brokerages

43. If Hannah wants to invest in the capital markets, what types of securities should she purchase?
    A. Corporate bonds and treasury bills
    B. Common stock and certificates of deposit
    C. Treasury bills and certificates of deposit
    D. Corporate bonds and preferred stock

44. Supervised by the Federal Reserve Board, The DAB Company provides investment advisory services, insurance underwriting, securities underwriting, and merchant banking services. What does the DAB Company exemplify?
    A. An accounting firm
    B. A financial holding company
    C. A central bank
    D. A commodities investor

45. According to most analysts, the three economic indicators that stock market investors and traders should pay the closest attention to are
    A. inflation, unemployment, and bonds rates.
    B. interest rates, overhead expenses, and inflation.
    C. Gross Domestic Product, overhead expenses, and unemployment.
    D. Gross Domestic Product, unemployment, and inflation.

46. What do some investors use to hedge the risk of investing in the foreign exchange market?
    A. No-load funds
    B. Emerging markets
    C. Venture capital
    D. Derivatives

47. What type of financial statement includes an accounting of the shareholders' equity for a company?
    A. Annual report
    B. Income statement
    C. Cash flow statement
    D. Balance sheet

48. The most common headings on a stock table include the 52-week high and low, the stock symbol, the estimated dividend per share, the yield percentage/rate of return, the volume/sales for the day, the closing price for the day, the net change and the
    A. net income.
    B. earnings per share.
    C. price-earnings ratio.
    D. stockholder's equity.

49. Businesses usually invest in
    A. bonds.
    B. themselves.
    C. stocks.
    D. real estate.

50. One advantage to businesses of using electronic funds transfer technology to collect accounts receivable is that it eliminates
    A. check processing.
    B. liquidity reporting.
    C. sales discounting.
    D. payee outsourcing.

51. A business's balance sheet lists $3,800 in cash, $15,125 in accounts payable, $2,775 in taxes, $10,350 in machinery and equipment, and $6,280 in salaries. Calculate the business's total liabilities.
    A. $27,030
    B. $18,470
    C. $15,225
    D. $24,180

52. When preparing a statement of equity, what does a business deduct from its total net income to obtain its retained earnings?
    A. Bad debt
    B. Depreciation of assets
    C. Sales tax payable
    D. Dividends paid

53. A characteristic of managerial accounting is that it focuses on
    A. reporting the business's long-term investment goals.
    B. capturing the business's day-to-day financial activities.
    C. developing the business's annual report.
    D. preparing and submitting the business's tax forms.

54. A company purchases an expensive new software system and divides the cost of it between the two departments that will use the system. This is an example of cost
    A. allocation.
    B. accumulation.
    C. dividing.
    D. precision.

55. When a business has been running successfully for several years, what would be a probable next financial step?
    A. Acquiring start-up funds
    B. Purchasing a second location
    C. Deciding on financial goals
    D. Determining product prices

56. A small restaurant wants to expand, but first it needs to raise funds. John wants to raise capital through debt financing, but his partner, Damien, isn't sure that's a good idea. What is one downside of debt financing that Damien could cite to prove his point to John?
    A. They will need to sell stock in their business.
    B. Shareholders will own part of their business.
    C. They will have to pay interest on the borrowed amount.
    D. They will be required to repay the money immediately.

57. Ethan is developing common-size financial statements so that he can compare financial performance across several different companies. Ethan is conducting __________ analysis.
    A. horizontal
    B. vertical
    C. ratio
    D. trend

58. Which of the following equations should employees know when they are verifying the accuracy of a business's balance sheet:
    A. Assets = Liabilities + Owner's Equity
    B. Owner's Equity = Available Cash - Liabilities
    C. Assets = Owner's Equity - Liabilities
    D. Owner's Equity = Liabilities + Available Cash

59. You want to have $8,000 in three years to purchase a car. You can earn 4% compound interest on your investment. How much should you invest today?
    A. $7,364.10
    B. $7,111.75
    C. $7,692.31
    D. $7,821.47

60. Effective financial-information management involves implementing processes that help companies
    A. revise economic indicators.
    B. track their ongoing projects.
    C. interpret government regulations.
    D. make appropriate business decisions.

61. Which of the following is an example of a businessperson exhibiting unethical behavior in relation to a business's financial information:
    A. A banker requests financial information from a business to process a loan.
    B. An auditor verifies the accuracy of a corporation's financial statements.
    C. An unauthorized employee reviews a client's financial information.
    D. A manager examines the business's financial records to develop a budget.

62. The foundation of the principle of least authority is that computer data are more secure when access to specific types of data are only available to
    A. the customers who request it.
    B. mid-level managers.
    C. personnel during set time periods.
    D. the people who need it.

63. Tara knows that for her small business to grow, she must increase her cash flow. She's unsure, though, whether she should take out a loan or a line of credit. Which of the following budgeting software tools could Tara use to assess the potential impact of each source of funding on her business:
    A. Zero-based modeling
    B. Decision trees
    C. Environmental scanning
    D. Debt modeling

64. What financial analysis application does a business use to evaluate changes in its cash position from month to month?
    A. Expense
    B. Cash flow
    C. Fixed costs
    D. Performance

65. Before approving a loan application, a bank is likely to analyze the applicant's
    A. inflation rate.
    B. debt ratio.
    C. brand preferences.
    D. performance goals.

66. The first task in the HR management activity of staffing is
    A. determining job descriptions.
    B. screening and selecting applicants.
    C. determining need.
    D. recruiting.

67. Business customers differ from final consumers in that
    A. there is a greater emphasis on personal selling in business-to-business marketing.
    B. business customers don't care about service as much as consumers do.
    C. consumers tend to buy in bulk more often than businesses do.
    D. consumer products tend to be more technical in nature.

68. Amy says, "I think the primary reason that last year's sales were higher than this year's sales is because Jansen Electronics has taken a portion of our market share." This is an example of
    A. comparative criticism.
    B. a fact.
    C. historical data.
    D. an opinion.

69. What do most businesses use to store information for future use?
    A. Scanners
    B. Display screens
    C. Computer systems
    D. Firewalls

70. Adian is conducting online research for a marketing project at work. What web-based tool will help Adian save and organize the websites that contain the relevant information he needs for his final report?
    A. Personal intranet connection
    B. Notebook with color-coded dividers
    C. Word-processing memo template
    D. Browser bookmarking applications

71. In which of the following situations would a business use a spreadsheet software program to estimate the effect of change on its financial situation:
    A. A salesperson kept all appointments.
    B. Mailing labels are needed for a catalog.
    C. Customers purchased more products.
    D. Sales are expected to increase by 5%.

72. What application enables a business to identify when a record was added to a database?
    A. Validation rules
    B. Date/Time stamp
    C. Data replication
    D. Sort

73. The primary purpose for record keeping is to provide information about what is happening with the
    A. industry.
    B. country.
    C. economy.
    D. business.

74. Which of the following is an example of how a business or industry has a unique relationship with its environment:
    A. Social and cultural attitudes change over time.
    B. An economy in prosperity will eventually experience recession.
    C. Demand for skilled nursing care rises as the population ages.
    D. New technology causes new laws to be enacted.

75. Determine the mode for a customer-survey question using the following statistical information: 7, 5, 3, 7, 7, 9, 5, 7, 9, 9
    A. 5
    B. 3
    C. 7
    D. 9

76. Which of the following statements is true of workplace accidents:
    A. Accidents only occur in factories.
    B. All accidents can be predicted.
    C. There is no way to prepare for accidents.
    D. There are ways to reduce accident risk.

77. Which of the following is a common challenge for project managers:
    A. Laws and regulations
    B. Poorly defined goals
    C. A surplus of resources
    D. A lack of risk

78. What project-planning tool helps businesses to effectively plan and use time?
    A. Policies
    B. Objectives
    C. Schedules
    D. Guidelines

79. Which of the following is NOT a benefit of a post-implementation review?
    A. Identifying ways to improve project planning
    B. Identifying cost-savings opportunities for future projects
    C. Identifying cost-savings opportunities for the current project
    D. Identifying ways to improve the company's processes

80. Purchasing is important to international businesses because
    A. supplies should be delivered in a timely fashion.
    B. good relations with vendors reduce prices.
    C. quality standards should be maintained.
    D. controlling costs increases competitiveness.

81. An advantage to businesses of using quality control methods is that these methods often
    A. involve time.
    B. reduce costs.
    C. increase waste.
    D. require directions.

82. An organization with a quality culture would have executive-level managers who are
    A. flexible, indifferent, and not responsible for quality.
    B. good at delegating all commitments for quality assurance.
    C. committed and involved and take responsibility for quality.
    D. able to enlist the expertise of outside contractors for quality.

83. Joan achieved her goal of being a junior partner in five years. This achievement has made Joan feel good about herself, so she has set a new goal to be a senior partner in 10 years. Joan has received which of the following benefits of goal setting:
    A. Helps you to understand yourself
    B. Gives you a way to measure your progress
    C. Helps you to stay on task
    D. Raises your level of self-esteem

84. Recognizing your strengths and weaknesses helps you to accept yourself, which is one of the foundations of
    A. safety.
    B. social acceptance.
    C. self-esteem.
    D. self-fulfillment.

85. Diana prepares bills and invoices for her company. Her career is in the area of
    A. marketing communications.
    B. corporate finance.
    C. securities and investments.
    D. professional selling.

86. Some job application forms ask why the applicant left a previous job. Which of the following would be an acceptable answer to this question:
    A. "I was expected to do too much work."
    B. "I was seeking a more responsible job."
    C. "I couldn't get along with my supervisor."
    D. "I wanted to get out of a difficult situation."

87. Bobbi, who works for an insurance company, is responsible for calculating the risk of loss, establishing premium rates, and designing insurance policies to cover risk. Bobbi works as a(n)
    A. underwriter.
    B. agent.
    C. accountant.
    D. financial analyst.

88. Corporate governance is primarily concerned with __________ desires.
    A. vendors'
    B. CEO's
    C. stakeholders'
    D. competitors'

89. Which of the following is a benefit of corporate governance:
    A. It encourages transparency.
    B. It decreases investor confidence.
    C. It creates a less definable brand.
    D. It maximizes corruption.

90. Which of the following is a positive characteristic for the members of a corporation's board of directors to possess:
    A. Independent thinking
    B. Conformity
    C. Indecisiveness
    D. Single-minded attitude

91. Which employee reports directly to a corporation's board of directors?
    A. Chief executive officer
    B. Accounting manager
    C. Vice president of operations
    D. Director of sales

92. Ryan is a college student who is interested in becoming a teacher. Every Tuesday afternoon, he spends his free time tutoring second-grade students in reading and math at a local elementary school. What technique is Ryan using to obtain work experience?
    - A. Volunteering
    - B. Informational interview
    - C. Job shadowing
    - D. Internship

93. Is the following statement about trade associations and professional organizations true or false: Once a law has been enacted, organizations/associations are unable to affect the way that law will be enforced.
    - A. True, members of organizations/associations have no way of influencing the enforcement of laws.
    - B. False, there are exceptions that apply to every law.
    - C. False, organizations/associations often can change unfavorable regulations to more favorable ones.
    - D. True, laws cannot be changed and must be obeyed.

94. One way to build professional relationships in the finance industry is to
    - A. encourage others to discuss their finances.
    - B. read about industry trends.
    - C. implement a referral system.
    - D. print new business cards for distribution.

95. To manage potential risks resulting from unethical conduct, many companies build internal infrastructures that promote and enforce ethical practices. This internal infrastructure is likely to include appropriate audit procedures, a code of conduct, and a __________ policy.
    - A. whistleblower
    - B. credit
    - C. monetary
    - D. constituent

96. Many computer software programs help businesses determine their levels of business risk, which is helpful when they develop
    - A. monetary regulations.
    - B. content theories.
    - C. endorsement records.
    - D. contingency plans.

97. How does forming a captive insurance company typically impact a corporation's federal tax liability?
    - A. Reduces tax due on the captive's premiums
    - B. Increases tax due on the captive's loss reserves
    - C. Increases the corporation's sales tax liabilities
    - D. Eliminates the corporation's state tax liabilities

98. To control online transactional risks, a business should consider outsourcing its technology needs when it lacks
    - A. internal expertise.
    - B. financial resources.
    - C. secondary data.
    - D. external training.

99. It is important for companies to practice enterprise risk management (ERM) because
    - A. most risks are predictable and manageable.
    - B. it leads to loss of shareholder value.
    - C. most risks are unexpected.
    - D. it increases business costs in the long run.

100. Why should managers know how to do the work of the workers they supervise?
    A. To create a team spirit among employees
    B. To establish a chain of command
    C. To have realistic expectations for workers
    D. To coordinate employees' efforts

1. D
   Trademark. A trademark is a symbol, design, or word used by a business to identify a good or service and is registered with the government to prevent its use by others. A trademark is an example of intangible business property. Federal law protects a business's intangible property from being used by competitors. A business's inventory, acreage, and equipment are types of tangible property.
   SOURCE: BL:001
   SOURCE: Beatty, J.F., & Samuelson, S.S. (2008). *Essentials of business law* (3rd ed.) [pp. 797-799]. Mason, OH: Thomson/South-Western.

2. B
   Breached the duty of care. The duty of care is the basic principle that expects all individuals and businesses to exhibit socially responsible behavior by using caution to prevent harm and by watching out for one another. A tort is a private wrongdoing that potentially harms another person or entity. If a business or one of its employees breaches the duty of care, the business may be held liable for the tort. However, the plaintiff must have grounds or proof that establishes that the business or its employee (defendant) has committed a wrongful act, thereby breaching the duty of care. Intentional damage and conspiring with a competitor (collusion) are types of torts. The doctrine of sovereign immunity is the universally accepted principle that each nation has the right to manage its own government and develop its own laws.
   SOURCE: BL:069
   SOURCE: McAdams, T., Neslund, N., & Neslund, K. (2007). *Law, business, and society* (8th ed.) [pp. 259-260]. Boston: McGraw-Hill/Irwin.

3. C
   Obtaining a loan from a bank. The debtor is the individual or business that owes money to another individual or business, which is the creditor. A business that obtains a loan from a bank is entering into a voluntary debtor-creditor relationship. It is voluntary because the business (debtor) is seeking to obtain funds from the bank (creditor) by going through a loan-application process. A monetary gift is given without expectations of repayment. A monetary gift and a request for information are not examples of debtor-creditor relationships. In tort cases, the court can order one party to pay punitive damages to the other party. This is an example of an involuntary debtor-creditor relationship.
   SOURCE: BL:071
   SOURCE: Business Owners Toolkit. (2012, May 24). *Understanding the debtor-creditor relationship.* Retrieved September 15, 2015, from http://www.bizfilings.com/toolkit/sbg/run-a-business/assets/understanding-debtor-creditor-relationship.aspx

4. D
   Pump and dump. Pump and dump is an investment scam that takes place mostly online. It typically involves scammers who buy a small stock and then hype it up to other investors, causing its price to rise. The scammers sell when the price is high, leaving the victims to deal with the rapid price decline afterwards. A pyramid scheme is an illegal form of multi-level marketing in which emphasis is placed on collecting initial fees from as many people as possible. A Ponzi scheme is an investment scam that lures in new investors by promising high rates of return with little to no risk. Phishing is an online identity-theft scam that fools its victims into believing they are submitting sensitive, personal information (such as credit card numbers or bank passwords) to a legitimate website.
   SOURCE: BL:133
   SOURCE: QS LAP 50—Play by the Rules (Legal and Ethical Aspects of the Stock Market)

5. C
   Contributions are taxed, but withdrawals during retirement are not. Contributions paid into Roth Individual Retirement Accounts (IRAs) are taxed. But, earnings on the growing funds in the account and withdrawals during retirement are tax-free. Unlike Roth IRAs, contributions to traditional IRAs are tax deductible, but investors must pay taxes on the withdrawals they make from these accounts during retirement.
   SOURCE: BL:134
   SOURCE: CNN Money. (2015). *How is a Roth IRA different from a regular IRA?* Retrieved September 9, 2015, from http://money.cnn.com/retirement/guide/IRA_Roth.moneymag/index2.htm

6. B
   Regulatory guidelines. Financial institutions are required to follow governmental rules and regulations. Following these regulatory guidelines is the process of compliance. The purpose of compliance is to make the industry safe for consumers and to maintain the stability of the financial system. Compliance does not involve operating within specific territories, organization plans, or different relationships.
   SOURCE: BL:148
   SOURCE: Adshead, A. (2014, May). *Principles of compliance in the financial services*. Retrieved September 9, 2015, from http://www.computerweekly.com/feature/Principles-of-compliance-in-the-financial-services-industry

7. A
   Reporting requirements. Demand for governance, risk, and compliance (GRC) software systems has grown significantly in recent years. Although GRC software can be customized to better meet individual business needs, it serves four basic functions. It identifies and measures corporate risk levels; monitors the risk-management system; checks to see that employees are adhering to company-wide policies; and ensures compliance with reporting requirements enforced by federal and state government agencies and other regulatory commissions. It is not designed to ensure compliance with union demands, product standards, or contingency plans.
   SOURCE: BL:149
   SOURCE: Bamberger, K.A. (2010, March). Technologies of compliance: Risk and regulation in a digital age. *Texas Law Review, 88*(4), 669-739. Retrieved from http://scholarship.law.berkeley.edu/cgi/viewcontent.cgi?article=2665&context=facpubs

8. A
   Distracted. Nonverbal cues are the elements of communication that involve gestures and facial expressions rather than words. Nonverbal cues often express what the senders and recipients think about their messages. If Colin was interested in the meeting topic or was listening to the speaker, he would be directing his attention to the speaker. Since Colin was looking at his phone and texting, he was distracted and was probably not paying attention to what the speaker was saying. The speaker likely felt that Colin's nonverbal behavior was rude and inconsiderate. There is not enough information to determine if Colin was annoyed.
   SOURCE: CO:059
   SOURCE: Bovée, C.L., & Thill, J.V. (2008). *Business communication today* (9th ed.) [pp. 54-57]. Upper Saddle River, NJ: Pearson Prentice Hall.

9. B
   Supporting ideas with evidence. Ideas that are evidence-based are more easily accepted than those that are not. Primary information is new information collected for the issue at hand. DiAnn is collecting secondary information, which involves obtaining information that has already been collected by others. The evidence does not create alternative ideas. It is meant to add validation to the original idea. Clarifying an idea involves explaining it in more detail.
   SOURCE: CO:061
   SOURCE: The Writing Center, University of North Carolina at Chapel Hill. (2000-2014). *Evidence*. Retrieved September 9, 2015, from http://writingcenter.unc.edu/handouts/evidence/

10. C
   Find out what other people in the group know about the product. Starting a meeting by learning about others' knowledge of the subject identifies what your team knows—as well as areas where more work will be needed. Some ground rules are needed to let everyone know how the group operates. Otherwise, unacceptable behavior may occur. Unusual ideas should not be avoided. Often these are the breakthroughs that lead to success. Bob should use good listening skills, including making eye contact and using other nonverbal cues, to let others in the group know he is listening.
   SOURCE: CO:053
   SOURCE: QS LAP 29—Put in Your Two Cents (Participating in Group Discussion)

11. B
Pie chart. If Alma wants to illustrate her budget by showing parts in relation to the whole, she should use a pie chart. A table is a visual way of displaying information in rows and columns. A bar graph shows values across categories. Line graphs usually depict information over time. Although Alma might want to use these types of graphics for other parts of her presentation, the pie chart is the best way to show how the parts of her budget add up to form the whole.
SOURCE: CO:087
SOURCE: Cothran, H.M. (n.d.). Business retention and expansion (BRE) programs: Preparing a written report of survey findings and recommendations (FE657)*. Gainesville: University of Florida Institute of Food and Agricultural Sciences*. Retrieved September 15, 2015, from http://edis.ifas.ufl.edu/fe657

12. D
Transmittal. A transmittal letter should always accompany important business papers, such as contracts, that are sent by mail. The purpose of the transmittal letter is to let the recipient know exactly what should be contained in the package and if the recipient needs to take any action. A transmittal letter accompanying contracts should indicate how many copies are included and if the recipient needs to sign and return a copy. An acknowledgment letter acknowledges the receipt of business papers. A claim letter requests a solution to a problem. A request letter asks for information.
SOURCE: CO:133
SOURCE: Sessoms, G. (2015). *What is a letter of transmittal?* Retrieved September 9, 2015, from http://work.chron.com/letter-transmittal-6249.html

13. C
Credibility. Credibility is achieved when the audience has confidence in the persuader. In this case, Dr. Browne's prestigious job title and degree lead the audience to believe she is a credible source. Reason is when logic is used to persuade someone to do something. It often involves solid facts and statistics. An emotional appeal affects the audience's feelings, such as sympathy or love. An appeal that uses shock value is a form of an emotional appeal that includes information that the audience would find shocking.
SOURCE: CO:031
SOURCE: McIntyre, M. & McKee, J. (n.d.). *Ethos*. Retrieved September 9, 2015, from http://writingcommons.org/index.php/open-text/information-literacy/rhetorical-analysis/rhetorical-appeals/585-ethos

14. C
Grapevine. Grapevine is an oral communication method in which information is passed around the company but not formally announced or verified. Coworkers frequently discuss company issues and pass on information from one department to another through the grapevine. Employees often obtain information and communicate it to others through the grapevine before management makes an official announcement. Feedback is evaluative information given by supervisors to employees. Network is a system of contacts within and outside the organization. Structured is formal communication.
SOURCE: CO:014
SOURCE: DuBrin, A. (2009). *Essentials of management: Instructor's edition* (8th ed.) [pp. 416-417]. Mason, OH: South-Western Cengage Learning.

15. C
Builds positive relationships with customers. A service orientation is the business philosophy of providing quality service. One way to do this is to communicate effectively with customers so they trust the business. The benefit of creating trust by providing accurate and credible information is that it tends to build positive relationships with customers. Customers often remain loyal to a business if they have confidence that the business will treat them well and provide quality service. The purpose of reinforcing service orientation through communication is not to promote the sale of new products, reward customers for their support, or encourage employees to be aggressive.
SOURCE: CR:005
SOURCE: Weitz, B.A., Castleberry, S.B., & Tanner, J.F. (2007). *Selling: Building partnerships* (6^{th} ed.) [pp. 40-41]. New York: McGraw-Hill.

16. C
Providing efficient follow-up. Customers often base their impressions of a business on the interactions they have with the business's employees. In the situation provided, Karl worked quickly to find out the status of the order and immediately called Mr. Schwarz with specific information about where the order was and when to expect delivery. This is an example of efficient follow-up. By providing efficient service, Karl is building favorable relationships with customers. There is not enough information provided to determine if Karl delegated work tasks to facilitate his follow-up activities or if he complimented Mr. Schwarz.
SOURCE: CR:002
SOURCE: Kotler, P., & Armstrong, G. (2008). *Principles of marketing* (12th ed.) [pp. 244-245]. Upper Saddle River, NJ: Prentice-Hall.

17. D
Aligning business activities with customer needs. A customer-centric business focuses on customer needs and wants. To focus on the customers' needs and wants, the business must ensure that its business objectives and activities align with its customers' needs and wants. A customer-centric business must continuously improve its processes and products to accommodate its customers' changing needs and wants. The business cannot be satisfied with the status quo. A customer-centric business allows its employees to provide input and make decisions in relation to customer relationships. Touch points are all of the opportunities that businesses have to connect with customers and reinforce their brand value. A customer-centric business is not likely to reduce the number of customer touch points.
SOURCE: CR:016
SOURCE: CR LAP 2—Know When to Hold 'Em (Nature of Customer Relationship Management)

18. D
Simple explanations. When providing product information to clients, finance professionals should keep the clients' point of view in mind. Clients may not be familiar with finance industry jargon, technical terms, or acronyms. Therefore, finance professionals should use simple, clear language that clients understand. While standard responses are sometimes helpful to finance professionals, it is usually better to keep individual clients in mind when providing product information since different clients are likely to have different knowledge bases.
SOURCE: CR:012
SOURCE: Financial Planning Association. (n.d.). *A financial professional's guide to working with older clients*. Retrieved September 9, 2015, from http://assets.aarp.org/www.aarp.org_/articles/money/financial_planning/financial_professional.pdf

19. C
Complete a data cleansing of the erroneous entries. One of the quickest ways for a business to upset its customers is to accuse them of failing to pay their bills—especially when the business has already received payment from them. To ensure that these customers do not receive more erroneous collection letters in the future, Beverly should complete a data cleansing of the erroneous entries, removing them from the system. Completing an accounting software update isn't likely to have an effect on the erroneous entries. While it might be helpful to contact each customer by phone and apologize, Beverly needs to do more than that to ensure that the customers are not bothered in the future. The $25,628 is not a debt. It is the sum total of all the erroneous duplicate entries in the accounts receivable account.
SOURCE: CR:024
SOURCE: Cook, R. (n.d). *Six steps to improved data quality and more effective marketing.* Retrieved September 15, 2015, from http://www.crmsearch.com/marketing-data-quality.php

20. B
Consumption. Everyone consumes goods and services to satisfy unlimited wants. Production, exchange, and distribution are other economic activities. Production is the making or producing of goods and services. Exchange involves the exchange of money payments between producers and the owners of resources. Distribution examines how money payments are divided or distributed between resource owners and producers.
SOURCE: EC:001
SOURCE: EC LAP 6—Are You Satisfied? (Economics and Economic Activities)

21. B
    Red apples @ $0.90 per pound; green apples @ $0.80 per pound. This is the only combination that resulted in a change in the relative price ratio. When red apples sold for $0.30 per pound and green apples for $0.40 per pound, the price of each was cut in half, and the ratio remained the same. When red apples sold for $1.20 per pound and green apples for $1.60 per pound, the price of each was doubled and the ratio remained the same. When red apples sold for $0.45 per pound and green apples for $0.60, the price of each was cut one-fourth, and the ratio remained the same.
    SOURCE: EC:006
    SOURCE: EC LAP 12—When More is Less (Functions of Prices)

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. A
    It is a combination of two other organizational structures. The matrix organizational structure is a combination of the functional structure and the divisional structure. It includes traditional departments, but it is also broken down by division (including, but not limited to, product lines). As organizational design goes, it is a newer, rather than older, structure.
    SOURCE: EC:103
    SOURCE: EC LAP 23—Designed to Work (Organizational Design of Businesses)

24. A
    Systems thinking. Systems thinking is an organizational learning concept that focuses on the big picture rather than seeing smaller, individual parts. Team learning means thinking and working together as a group. Shared organizational vision refers to sharing a mutual commitment to the future the firm seeks to create. Personal mastery is striving for individual learning as a means of advancing the organization.
    SOURCE: EC:107
    SOURCE: EC LAP 25—Keep the Change (Adapting to Markets)

25. A
    Level of productivity. The general economic growth of a country depends upon its level of productivity. For example, the level of productivity in the United States has given the country a wealth of goods and services which allows its citizens to reach a certain standard of living. Gross domestic product is the final, total value of all goods and services produced within a country's geographic boundaries during a year's time. GDP serves as a measure of economic growth.
    SOURCE: EC:013
    SOURCE: EC LAP 18—Make the Most of It (Productivity)

26. D
    Tentative agreement. Tentative agreement is the stage at which union and management have agreed on the terms of a contract but still need union members to approve or reject the contract. Preparation and research occur before labor negotiations begin. A ratified contract is one that union members have approved. Contract settlement occurs when a ratified contract has been signed by union and management.
    SOURCE: EC:015
    SOURCE: Human Resources Department, University of California, Santa Barbara. (2012). *What is a tentative agreement or "T.A." in contract negotiations?* Retrieved September 9, 2015, from http://www.hr.ucsb.edu/what-tentative-agreement-or-ta-contract-negotiations

27. D

A lower rate of inflation. When a lot of people are out of work, they lose their buying power, which means less money is in circulation. Because unemployed people have less disposable income, the demand for goods and services is low, which tends to slow or lower the rate of inflation (rise in prices). The amount of monetary policies that the government establishes does not affect unemployment rates. When the GDP grows, an economic expansion is occurring, which indicates that people and businesses are spending money and the unemployment levels are low.

SOURCE: EC:082

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2009). *Marketing essentials* (pp. 64-67). Woodland Hills, CA: Glencoe/McGraw-Hill.

28. D

Gender. A stereotype is a set image or assumption about a person or thing. When people stereotype others, they tend to classify certain people as a group that possesses certain characteristics. These characteristics are often based on distorted beliefs or unreliable information. A person who stereotypes others often fails to see an individual who possesses unique skills, values, and attitudes. Gender is one characteristic by which people often stereotype others. Assuming men are more assertive than women in business situations is a distorted belief. In fact, many women are very assertive in business situations. Ethnic stereotyping involves having false beliefs about a person on the basis of his/her race or culture. Stereotypes about religion involve having distorted beliefs about a person's spiritual practices. An individual who stereotypes by age might feel that younger people do not possess needed knowledge or that older people are feeble and lack adaptability.

SOURCE: EI:017

SOURCE: Bailey, L.J. (2007). *Working* (4th ed.) [pp. 108-109]. Mason, OH: South-Western Cengage Learning.

29. B

Enthusiastic. Self-confidence is a positive belief in your own talents, skills, and objectives. When people are positive and believe in themselves, they usually are enthusiastic and display great interest or excitement in what they do. Confident people have a good attitude and display that attitude by being enthusiastic. Individuals do not necessarily exhibit self-confidence by being creative, emotional, or reserved.

SOURCE: EI:023

SOURCE: Kimbrell, G. (2012). *Succeeding in the world of work* (pp. 127-128). Columbus, OH: McGraw-Hill Education.

30. D

It prevents Maureen from hearing the criticism clearly. Defensiveness raises a barrier between you and the speaker. Most of us feel angry or resentful when we are criticized, especially when the criticism is unjust. However, we cannot afford to exhibit this kind of attitude on the job. If Maureen listened with an open mind to the supervisor, she might learn not only how to correct her mistakes but how to avoid the mistakes in the future. Maureen's attitude indicates immaturity rather than a desire to call attention to herself.

SOURCE: EI:003

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

31. B

Leaving the room when a salesperson takes a telephone call. Successful employees realize the importance of respecting others' privacy in the workplace. When employees respect others' privacy, they are likely to gain the trust and respect of coworkers and managers. An employee who respects others' privacy would leave the room when a coworker (e.g., salesperson) takes a telephone call. Speaking up for a coworker, providing feedback, and answering a coworker's phone call are not necessarily situations in which privacy is being violated; there is not enough information provided to determine if intervention was requested.

SOURCE: EI:029

SOURCE: Kimbrell, G. (2012). *Succeeding in the world of work* (p. 170). Columbus, OH: McGraw-Hill Education.

32. B
Culture. The customs, habits, and traditions of a particular group of people are known as their culture. Stereotypes are set images or assumptions about people or things. Diversity is all the ways in which people differ. Religion is a fundamental set of beliefs.
SOURCE: EI:033
SOURCE: EI LAP 11—Getting to Know You (Cultural Sensitivity)

33. A
Damage their relationships. Insecure people are often anxious about their interpersonal relationships. They are afraid if they become assertive, they may ruin a friendship or end a relationship. Assertiveness is a risk they are unwilling to take. These people are dependent rather than independent and may already be considered childish because of their passive behavior that focuses on pleasing others.
SOURCE: EI:008
SOURCE: EI LAP 18—Assert Yourself (Assertiveness)

34. A
Results. Keeping the end goal in mind refers to being results-oriented, a characteristic of achievement-oriented people. They like being able to objectively evaluate their successes. They also value improvement, trying something new, and competition; however, these standards don't necessarily relate to keeping the end goal in mind.
SOURCE: EI:027
SOURCE: EI LAP 10—High Hopes (Developing an Achievement Orientation)

35. D
Explaining how they will benefit. People tend to work harder to achieve a vision or goal if they understand how they will benefit. Therefore, a leader should explain the benefits they will receive so employees will be encouraged to work toward a shared vision. Simply describing the objective or reviewing the new assignment will not encourage employees to work unless they also understand how they will benefit. Generating a profit is a benefit to the business that will not necessarily encourage employees to work unless they will share in the profit.
SOURCE: EI:060
SOURCE: EI LAP 60—Vision Quest (Enlisting Others in Vision)

36. D
Listening. Coaching is mostly about listening. It isn't really about talking or instructing. Listening is important because coaches must truly understand what the other person is saying and where s/he's coming from. Although organization is certainly helpful, it is not the most important skill in coaching.
SOURCE: EI:041
SOURCE: EI LAP 24—Bring Out the Best (Coaching Others)

37. C
A risk-taker who has a strong work ethic. Entrepreneurship requires risk-taking, a strong work ethic, and self-confidence. It often requires working much longer hours than 9-to-5. Entrepreneurs must work hard, but they are also in charge of protecting their own health. Getting sick means missing work and losing money.
SOURCE: EN:040
SOURCE: Miranda, K. (2015). *What do I need to become an entrepreneur?* Retrieved September 10, 2015, from http://smallbusiness.chron.com/need-become-entrepreneur-2291.html

38. B
Prompt Payment Act. When the U.S. federal government owes money to a contracted employee or business, the government must pay the employee or business according to the Prompt Payment Act. There are no U.S. legal requirements for financial exchange called "Early Bird," "Secure Contracting," or "Government Guidelines."
SOURCE: FI:063
SOURCE: Financial Management Service. (n.d.). *Prompt payment: Regulations and guidelines.* Retrieved September 15, 2015 from http://www.fms.treas.gov/prompt/index.html

39. D
Realize what it takes to get the things you really want. Financial planning is a good way to realize what it takes to get the things you really want. It is not a method for stopping all impulsive purchases nor is it a way to achieve your professional goals. And, even the best financial planning can't guarantee you'll retire with a substantial amount of money in the bank.
SOURCE: FI:065
SOURCE: QS LAP 31—Set Yourself Up (Setting Financial Goals)

40. C
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 (Need to Save and Invest)

41. C
Cancel all of his credit and debit cards. Identity theft occurs when somebody uses another individual's name and personal information (e.g. credit cards) for fraudulent purposes. The first thing Cameron should do when he realizes he has lost his wallet is to cancel his credit cards. By canceling the credit cards, Cameron will protect himself in the event that someone finds his wallet and attempts to use the credit cards. Financial institutions and businesses (e.g., retailers) issue credit cards, not government agencies. Cameron should contact the proper law enforcement authorities (e.g., police) if he thinks his wallet is stolen. He can report a lost wallet, and he can also change the passwords for his online banking accounts. However, the first thing he should do is to cancel his credit and debit cards.
SOURCE: FI:073
SOURCE: Federal Trade Commission. (n.d.). *Recovering from identity theft is easier with a plan.* Retrieved September 10, 2015, from https://www.identitytheft.gov

42. B
Credit unions, savings and loan associations, and commercial banks. Deposit-taking financial institutions accept funds from customers (depositors) and pay interest on the funds. Credit unions, commercial banks, savings and loan associations (banks), and mutual savings banks are types of deposit-taking financial institutions. A corporation is a form of business ownership that is owned by stockholders who have purchased units or shares of the company. Brokerages are financial intermediaries that sell securities. Insurance firms sell insurance and securities. Corporations, brokerages, and insurance firms are not types of deposit-taking financial institutions.
SOURCE: FI:336
SOURCE: Investopedia. (2015). *Introduction—types of financial institutions and their roles*. Retrieved September 22, 2015, from http://www.investopedia.com/walkthrough/corporate-finance/1/financial-institutions.aspx

43. D
Corporate bonds and preferred stock. Capital markets buy and sell long-term securities. Corporate bonds, common and preferred stock, and treasury bonds are examples of securities that are sold on capital markets. Treasury bills and certificates of deposit are money market securities, which are short-term securities.
SOURCE: FI:337
SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (p. 7). Mason, OH: South-Western Cengage Learning.

44. B
A financial holding company. Because financial holding companies provide a wide variety of financial services and related products, the Federal Reserve Board supervises their activities. The primary services that an accounting firm provides include accounting, tax preparation, auditing, and bookkeeping services. Some financial holding companies may offer accounting services. Commodities investors invest their funds in goods (futures) such as grains, livestock, raw materials, etc. A central bank is often responsible for determining interest rates, controlling the nation's money supply, and regulating the banking industry. The Federal Reserve is an example of a central bank.
SOURCE: FI:573
SOURCE: Investopedia. (2015). *Financial holding company (FHC)*. Retrieved September 10, 2015, from www.investopedia.com/terms/f/financial-holding-company-fhc.asp

45. D
Gross Domestic Product, unemployment, and inflation. According to most analysts, the three economic indicators that impact the stock market the most (and, therefore, the three that stock market investors and traders should pay the closest attention to) are the Gross Domestic Product, unemployment, and inflation. The Gross Domestic Product (GDP) is the final market value of the total output of all goods and services produced within a country's geographic boundaries during a year's time. The stock market mirrors the GDP—if the GDP goes up, the stock market usually goes up with it. The unemployment rate is the percentage of the workforce that is unemployed. The stock market is inversely related to the unemployment rate—if the unemployment rate goes up, stock prices usually go down. Inflation is a rapid rise in prices that may occur when demand exceeds supply or when productivity declines and costs of labor go up. If inflation and interest rates both rise, the stock market will suffer. However, if inflation goes up while interest rates stay low, the stock market is likely to benefit. Overhead expenses and bond rates are not economic indicators.
SOURCE: FI:574
SOURCE: Levitt, A. (2013, April 3). *Economic indicators that affect the U.S. stock market*. Retrieved September 10, 2015, from http://www.investopedia.com/articles/investing/031413/economic-indicatiors-affect-us-stock-market.asp

46. D
Derivatives. Derivatives are financial instruments whose value depends upon the value of other financial instruments or market indices. Investors frequently use derivatives to hedge or reduce the risk of investing in the foreign exchange market, which is sometimes volatile. The derivatives help to reduce the impact of significant fluctuations in foreign exchange markets. Emerging markets are financial markets in countries with developing economies. Emerging markets are usually receptive to foreign investment, but they are also more volatile and risky than financial markets in developed countries. Venture capital is invested money that is used for new business opportunities. No-load mutual funds have no up-front sales charges.
SOURCE: FI:575
SOURCE: MBA Research and Curriculum Center. (2009). *Introduction to finance course guide* (pp. 5-156 - 5-157). Columbus, OH: Author.

47. D
Balance sheet. The balance sheet gives a summary of a company's financial health at a specific point in time. It contains two major sections: a listing of the company's assets and a listing of its liabilities. The liabilities section also indicates the shareholders' equity, which is the value of all the outstanding stock owned by shareholders. Shareholders' equity is determined by subtracting the liabilities from the assets. The income statement, also known as the profit-and-loss statement, shows a company's profitability over a specific period of time. The cash flow statement tracks the money that comes into and flows out of a company. An annual report is not a type of financial statement, but it does contain financial statements, along with a good deal of other information about the company.
SOURCE: FI:274
SOURCE: QS LAP 36—The Source Is With You (Finding and Evaluating Securities Information)

48. C
Price-earnings ratio. Most stock tables include the price-earnings ratio, or PE ratio for short. The price-earnings ratio is determined by dividing the last closing price of the stock by the earnings per share. Investors often study the PE ratio to get an idea of whether the stock is overvalued or undervalued, compared to competitors. The earnings per share (EPS), net income, and stockholder's equity are not typically found on the stock table. The earnings per share tells investors how much profit goes to each share of common stock. The net income is the money remaining after operating expenses are subtracted from gross profit. The stockholders' equity is equal to the assets minus liabilities.
SOURCE: FI:275
SOURCE: QS LAP 37—Table Talk (Reading Stock Tables)

49. B
Themselves. Businesses invest money just as individuals do, with the hope for a healthy return. Often, businesses invest back into themselves by researching and developing new products, purchasing the latest and most efficient technologies, expanding into new markets, etc. They may also invest in stocks, bonds, or real estate, but putting money back into the company is the most common form of business investment.
SOURCE: FI:077
SOURCE: FI LAP 77—Invest for Success (Types of Investments)

50. A
Check processing. The technology of electronic funds transfer makes it possible for customers to pay invoices electronically so the cash is transferred from their bank account to the business's bank account. This eliminates the need for the business to handle checks, fill out deposit slips, and send the checks to the bank for processing. The cash is available immediately, and the business does not need to wait for a check to be processed before it can access the funds. The use of electronic funds transfer to collect accounts receivable does not eliminate liquidity reporting, sales discounting, or payee outsourcing.
SOURCE: FI:352
SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (pp. 242-245). Mason, OH: South-Western Cengage Learning.

51. D
$24,180. A business's balance sheet shows the business's financial condition at a certain point in time. It includes all assets, liabilities, and the owner's equity. Total liabilities—the debts the business owes—include items such as accounts payable, salaries, taxes, and long-term notes such as mortgages. Total liabilities do not include cash or machinery and equipment, which are considered assets. To calculate the business's total liabilities, add the figures for accounts payable, taxes, and salaries ($15,125 + $2,775 + $6,280 = $24,180).
SOURCE: FI:093
SOURCE: FI LAP 10—The Right Balance (The Nature of Balance Sheets)

52. D
Dividends paid. Retained earnings are the income that a corporation keeps after paying dividends to its stockholders. This amount, which includes any forwarding balance of retained earnings from the previous accounting period, is reported on the company's statement of equity, which is also called the statement of retained earnings. The depreciation of assets, sales tax payable, and bad or uncollectible debt are not included on the statement of equity.
SOURCE: FI:630
SOURCE: Peavler, R. (n.d.). *Statement of retained earnings.* Retrieved September 15, 2015, from http://bizfinance.about.com/od/yourfinancialposition/tp/Statement_Retained_Earnings.htm

53. B
Capturing the business's day-to-day financial activities. Accounting is the process of keeping and interpreting financial records. Managerial accounting primarily focuses on capturing, maintaining, and interpreting the business's accounting information for internal use and decision making. Managerial accounting often summarizes information about the business's day-to-day financial activities, such as sales transactions (accounts receivable) and the monies the business owes others (accounts payable). Financial accounting focuses on capturing, maintaining, preparing, and reporting financial information to external audiences. Examples of financial accounting activities include preparing tax data for the government and developing the annual report for the business's stakeholders. The annual report usually contains information about the business's long-term investment goals.
SOURCE: FI:657
SOURCE: BusinessDictionary.com. (2015). *Management accounting.* Retrieved September 10, 2015, from http://www.businessdictionary.com/definition/management-accounting.html

54. A
Allocation. Cost allocation is the assignment of costs to cost objects, such as a project, a department, a customer, etc. The company in this example allocates the cost of its new software system to two departments. This is not considered cost accumulation, dividing, or precision.
SOURCE: FI:663
SOURCE: Averkamp, H. (2004-2015). *What is cost allocation?* Retrieved September 10, 2015, from http://www.accountingcoach.com/blog/what-is-cost-allocation

55. B
Purchasing a second location. If a business has been running successfully for several years, it may be in the expansion stage of its lifecycle. This could mean that the company would consider purchasing a second location. The company would acquire start-up funds, decide on financial goals, and determine product prices at a much earlier stage in development.
SOURCE: FI:339
SOURCE: Ryan, K. (2015, March 23). *The 4 stages of the business lifecycle and how to recognize what you need next.* Retrieved September 10, 2015, from http://www.roseryan.com/blog/2015/03/the-4-stages-of-the-business-lifecycle/

56. C
They will have to pay interest on the borrowed amount. A downside of acquiring capital through debt financing is that the borrower must pay interest on the money borrowed. This means that John and Damien will end up owing more than the amount of money they initially borrowed. In equity financing, stocks are sold to shareholders and those shareholders own a stake in the company. Damien and John would not be required to repay the money immediately.
SOURCE: FI:340
SOURCE: Investopedia. (2015). *How does a company choose between debt and equity in its capital structure?* Retrieved September 10, 2015, from http://www.investopedia.com/ask/answers/032515/how-does-company-choose-between-debt-and-equity-its-capital-structure.asp

57. B
Vertical. Three common types of financial statement analysis are vertical analysis, horizontal analysis, and ratio analysis. When conducting vertical analysis, an individual calculates each individual item on a financial statement as a percentage of the total. After doing so, the analyst can develop common-size financial statements that allow him/her to compare performance across several years for a single company or across several different companies. Horizontal analysis, which is sometimes known as trend analysis, involves analyzing dollar amounts on financial statements for a single company across several years. Horizontal analysis does not involve the development of common-size financial statements. Ratio analysis involves the calculation of ratios based on a company's financial data. It allows analysts to compare numbers within a financial statement and determine the relationships among numbers on different financial statements. It can also be used to compare the performance of multiple companies.
SOURCE: FI:334
SOURCE: eNotes.com. (n.d.). *Financial statement analysis.* Retrieved September 15, 2015, from http://www.enotes.com/business-finance-encyclopedia/financial-statement-analysis/

58. A
Assets = Liabilities + Owner's Equity. A balance sheet is a financial statement that captures the financial condition of the business at that particular moment. Three main elements are included on the balance sheet—assets, liabilities, and owner's equity. Available cash is one part of the business's total assets. If the assets do not equal the liabilities when the liabilities are added to the owner's equity (Assets = Liabilities + Owner's Equity), information on the balance sheet is incorrect.
SOURCE: FI:335
SOURCE: Averkamp, H. (2004-2015). *Balance sheet (explanation)*. Retrieved September 9, 2015, from http://www.accountingcoach.com/balance-sheet/explanation/3

59. B
$7,111.75. To determine how much you should invest today, calculate the present value of your investment using the formula Present Value = Future Value / (1 + Interest Rate)$^{\text{Number of Years}}$. So, the present value of your investment is equal to \$8,000 / (1 + 0.04)^3. To solve this equation, first add one to the interest rate (1 + 0.04 = 1.04). Next, raise this sum to the third power, which is the same as multiplying the sum by itself three times (1.04^3 = 1.04 X 1.04 X 1.04 = 1.1249). Finally, divide the future value of your investment by this product (\$8,000 / 1.1249 = \$7,111.75). To have \$8,000 in three years, you need to invest \$7,111.75 today.
SOURCE: FI:238
SOURCE: Garrison, S. (n.d.). *Time value of money: Self-paced overview.* Retrieved September 15, 2015, from http://www.studyfinance.com/lessons/timevalue/index.mv

60. D
Make appropriate business decisions. Businesses track a variety of accounting and financial data. The data are presented as information to businesspeople to evaluate and to make business decisions. In order for businesspeople to make sound business decisions, the financial data must be accurate, current, and relevant. Making a decision based on incorrect or outdated data could be very costly to a business. Businesses use project-management software to track projects. Businesses implement effective financial-information management processes to be in compliance with government regulations. Businesses evaluate, rather than revise, economic indicators.
SOURCE: FM:002
SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (pp. 341-342). Mason, OH: South-Western Cengage Learning.

61. C
An unauthorized employee reviews a client's financial information. Businesses have an ethical duty to protect their clients' financial information. Businesses must develop and implement procedures that reduce the risk of theft or unauthorized access to confidential financial information by internal and external sources. Verifying the accuracy of financial statements, requesting financial information to process a loan, and examining financial records to develop a budget are necessary and ethical practices.
SOURCE: FM:003
SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (p. 339). Mason, OH: South-Western Cengage Learning.

62. D
The people who need it. By limiting access to those who use or need it, confidential data are more secure and are less likely to be seen or modified by unauthorized people. Computer passwords are common methods of limiting access to certain computer data. Top-level management usually develops or approves the policies that determine who can access certain data. Mid-level managers usually need access to certain types of business data, but not all of it. Customers are often able to access some data about their personal accounts online.
SOURCE: FM:011
SOURCE: Indiana University. (2012, October 9). *What is the principle of least privilege?* Retrieved September 15, 2015, from http://kb.iu.edu/data/amsv.html

63. D
Debt modeling. Some budgeting software applications include a debt modeling tool which allows the user to assess the potential impact of loans and lines of credit. To use the debt modeling tool, the user would input the terms of the loan or line of credit, including the interest rate, term, principal, etc. Decision trees are a data-mining technique commonly used to classify data and build models. Environmental scanning involves gathering information about the environment surrounding a business, analyzing that information, and determining the future impact of that information on the business. Zero-based budgeting is a method of budgeting that requires a manager to demonstrate the need for every expense instead of relying on figures from a previous period.
SOURCE: FM:013
SOURCE: Software Advice. (n.d.). *PlanGuru software.* Retrieved September 15, 2015, from http://www.softwareadvice.com/accounting/planguru-profile/

64. B
Cash flow. Computer applications aid businesses in analyzing many types of financial issues. Businesses often want to evaluate the changes in their cash position. To evaluate changes in cash position, the business would analyze its cash flow. Cash flow is the movement of funds into and out of the business. Evaluating cash flow helps the business forecast and determine the amount of cash it has to work with at any given time. Expenses are cash outflows and are one aspect of analyzing the business's cash flow. Fixed costs are expenses that are not affected by changes in sales volume. Analyzing performance may involve evaluating the productivity and efficiency of different resources (e.g., human, materials, equipment).
SOURCE: FM:014
SOURCE: MicroStrategy. (2013). *Financial reporting analysis module reference*. Retrieved September 10, 2015, from http://www2.microstrategy.com/producthelp/9.3.1/manuals/en/FRAMref.pdf

65. B
Debt ratio. To reduce the risk of nonpayment or default on a loan, a bank reviews the loan applicant's debt ratio before approving the loan. The debt ratio indicates the applicant's current level of debt in relation to his/her current assets (e.g., income, home). If the applicant has a high level of outstanding debt and few liquid assets, the applicant is more likely to default on the loan. In this situation, the applicant would most likely be denied the loan. The bank may consider the economy's inflation rate in relation to the applicant's debt ratio when evaluating the loan application. The bank is not likely to consider the applicant's brand preferences or performance goals.
SOURCE: FM:009
SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (pp. 266-270). Mason, OH: South-Western Cengage Learning.

66. C
Determining need. The first task in the HR management activity of staffing is determining need. A company cannot fill job positions with appropriate employees until it knows exactly where human resources are lacking. Determining job descriptions, recruiting, and screening and selecting applicants are all staffing activities that occur after need has been determined.
SOURCE: HR:410
SOURCE: HR LAP 35—People Pusher (Nature of Human Resources Management)

67. A
There is a greater emphasis on personal selling in business-to-business marketing. In consumer marketing, the emphasis is on promotion and advertising; in B2B marketing, however, there is a greater emphasis on personal selling. Businesses tend to buy products that are more technical in nature than consumer products. Businesses also tend to buy in bulk more than individual consumers do. Both business customers and individual consumers care about service, but it tends to be more important to businesses.
SOURCE: MK:014
SOURCE: MK LAP 6—Cause and Effect (Buying Behavior)

68. D
An opinion. An opinion is a person's point of view or belief about a topic. Amy is stating her opinion about why sales varied from one year to another. Her opinion may be supported by facts (true data), but she isn't presenting any data—current or historical—in her statement. There isn't enough information provided to determine if Amy is stating her opinion as criticism, which involves expressing disapproval.
SOURCE: NF:077
SOURCE: Gunsch, J., Gilchrist, J., & Harris, B. (2014, January 1). *What is the difference between fact and opinion?* Retrieved September 15, 2015, from http://www.wisegeek.org/what-is-the-difference-between-fact-and-opinion.htm

69. C
Computer systems. Computer systems consist of the hardware and software components that enable computers to function. One of their purposes is to store information for future use. Scanners are input devices that can read text or illustrations on paper and translate the information into a form the computer can use. The scanner itself does not store information, but enables computers to store it. Display screens, or monitors, display the characters being keyed into the computer; they are not storage devices. Firewalls protect a business's computer system from unauthorized use by others (e.g., hackers).
SOURCE: NF:081
SOURCE: Microsoft. (2013). *Parts of a computer.* Retrieved September 15, 2015 from http://windows.microsoft.com/en-us/windows-vista/parts-of-a-computer

70. D
Browser bookmarking applications. Browsers are computer software that retrieve information from the World Wide Web. Browsers have bookmarking applications that allow computer users to select websites and store their URLs on a personal computer for easy access in the future. Bookmarking applications allow users to organize sites by categories by placing them into folders on a computer. Notebooks are not online tools. An intranet is an internal network similar to the Internet that is accessible only by authorized employees. A word-processing memo template formats a type of written message.
SOURCE: NF:006
SOURCE: Boswell, W. (2015). *What is a bookmark?* Retrieved September 10, 2015, from http://websearch.about.com/od/2/g/bookmarks.htm

71. D
Sales are expected to increase by 5%. Spreadsheet software programs allow businesses to use a computer to perform accounting and other financial calculations. An advantage of using a spreadsheet program is that a business can make various assumptions about sales and find out quickly what effect they will have on its financial situation. For example, a business could change the level of sales by different percentages, such as 5% or 10%, to find out the effect that would have on net income. The spreadsheet program automatically does the calculations. Although keeping appointments might lead to sales, a salesperson would likely not use a spreadsheet program to track appointments. Mailing labels are generated with database programs. Database programs are also used to track customers' purchases.
SOURCE: NF:010
SOURCE: Farese, L.S., Kimbrell, G., Woloszyk, C.A. (2012). *Marketing essentials* (pp. 214-215). Columbus, OH: Glencoe/McGraw-Hill.

72. B
Date/Time stamp. The date/time stamp enables a business to identify the date and time that a particular record was added to the database. This can help a business track employees' keying activities and track when customers are added to the database. The validation-rules application enables a database developer to restrict how and/or what data can be keyed in a particular database field. The data replication application involves copying data from one database to another. This enables users to access the data they need to perform their tasks without interfering with others' work. The sort application enables users to view only the data they need to view, such as orders placed on a particular date.
SOURCE: NF:124
SOURCE: Chapple, M. (n.d.). *How to add a date or time stamp to an Access 2010 database table*. Retrieved March 16, 2015, from http://databases.about.com/od/tutorials/ht/Access_2010_Timestamps.htm

73. D
Business. The primary function of record keeping is to provide information that indicates the status of the business. In other words, record keeping provides information about what is happening with the business, such as whether it is making a profit or it is spending too much on expenses. The records that a business keeps are not designed to provide information about what is happening with the economy, the country, or the industry. However, the business's records might reflect current economic or industry trends.
SOURCE: NF:001
SOURCE: NF LAP 1—Record It (Business Records)

74. C
Demand for skilled nursing care rises as the population ages. The impact of demographics (the age of the population) on a specific industry (health care) shows that businesses have unique relationships with their environments. The aging of the population affects other industries, but perhaps not as directly as it does health care. An economy phasing through the business cycle and a shift in social/cultural attitudes are examples of how environmental factors are dynamic. New technology causing new laws to be enacted is an example of how environmental factors are interrelated.
SOURCE: NF:015
SOURCE: NF LAP 2—Get the 411 (Environmental Scanning)

75. C
7. Central tendency refers to a type of average. Mode is a measure of central tendency and is the number that appears most frequently in a group of numbers. A business might determine the mode so it can identify the most common responses for questions appearing on a customer survey. The business assigns a numerical value to each response option on the survey. For example, the response, "extremely satisfied with service," might have a value of nine. To determine the mode, count the number of times each value appears (3 appears 1 time; 5 appears 2 times; 9 appears 3 times; and 7 appears 4 times). The highest number of times a number appears is the mode (7).
SOURCE: NF:093
SOURCE: Farese, L.S., Kimbrell, G., Woloszyk, C.A. (2012). *Marketing essentials* (pp. 182-183). Columbus, OH: Glencoe/McGraw-Hill.

76. D
There are ways to reduce accident risk. Although you can't prevent every accident from happening, there are things your company can (and should!) do to reduce accident risk. For example, to minimize trips and falls you should keep all floors clean, mop up spills, and make sure that ice outdoors is treated or removed. Workplace accidents cannot be predicted—they can happen to anyone at any time. Although you cannot predict accidents, you can prepare for them by having an accident plan in place. Accidents can occur at any workplace, not just in factories.
SOURCE: OP:009
SOURCE: Durham, Jeff. (2015, August 6). *Common accidents at work*. Retrieved September 15, 2015, from http://www.safeworkers.co.uk/CommonWorkPlaceAccidents.html

77. B
Poorly defined goals. Poorly defined project goals are one of the many challenges that project managers routinely face. A surplus of resources would be a *good* thing, as would a lack of risk! Laws and regulations may affect business projects, but they typically don't pose a challenge.
SOURCE: OP:158
SOURCE: OP LAP 6—Projected to Win (Nature of Project Management)

78. C
Schedules. When planning a project, businesses often develop schedules to identify what tasks need to be done and how long it will take to perform those tasks. The use of schedules helps a business to organize work and establish completion dates to make sure the work is done on time. Scheduling an effective use of time helps a business to achieve the objectives, or goals, of the project. Policies are guidelines that businesses follow when making decisions about projects. Objectives, policies, and guidelines are other project-planning tools, but they do not involve planning the use of time.
SOURCE: OP:002
SOURCE: Burrow, J.L., Kleindl, B., & Everard, K.E. (2008). *Business principles and management* (12^{th} ed.) [pp. 329-331]. Mason, OH: South-Western Cengage Learning.

79. C
Identifying cost-savings opportunities for the current project. A post-implementation review is conducted after a project is finished. Therefore, there is not an opportunity to save money on the current project. There is an opportunity to identify ways to improve future projects, such as cost-savings measures, improving project planning methods, and improving the processes used by the company.
SOURCE: OP:159
SOURCE: Smith, E. (2015). *Key activity in closing out a project*. Retrieved September 10, 2015, from http://smallbusiness.chron.com/key-activity-closing-out-project-35457.html

80. D
Controlling costs increases competitiveness. Effective purchasing controls costs, which enables businesses to lower selling prices. For example, Japan, South Korea, and Taiwan can often produce for less. American companies must reduce costs to be competitive in such world markets. Good relations with vendors and suppliers are important but do not reduce prices. Maintaining quality standards is a production goal.
SOURCE: OP:015
SOURCE: OP LAP 2—Buy Right (Purchasing)

81. B
Reduce costs. It is often more costly not to provide quality than to use methods to increase quality. If businesses develop a reputation of providing low quality goods and services, they may lose customers, which is costly. Therefore, it is to the business's advantage to use quality control methods so the work will be done correctly rather than spend money to correct mistakes, handle customer complaints, and find new customers. Using quality control methods involves time, but it is time well spent to reduce the cost of correcting mistakes. Using quality control methods usually decreases waste. Some quality control methods might require directions which could be a disadvantage.
SOURCE: OP:164
SOURCE: Pride, W.M., Hughes, R.J., & Kapoor, J.R. (2008). *Business* (9th ed.) [p. 293]. Boston: Houghton Mifflin.

82. C
Committed and involved and take responsibility for quality. Executive-level managers are both committed and involved. They take responsibility for quality and do not delegate that responsibility. This is a characteristic shared by organizations with a quality culture. The alternatives remove the responsibility for quality from the executive-level manager and delegate it to others.
SOURCE: OP:019
SOURCE: Kotelnikov, V. (n.d.) *Six Sigma—New approach to quality management and efficiency improvement.* Retrieved June 28, 2010, from http://www.1000ventures.com/business_guide/mgmt_quality_six_sigma.html

83. D
Raises your level of self-esteem. Raising your self-esteem increases your self-confidence and encourages you to go on to achieve other goals. Achieving one goal has raised Joan's level of self-esteem so that she feels capable of reaching a higher goal. Goal setting helps you understand yourself, stay on task, and measure your progress, but these benefits were not described in this situation.
SOURCE: PD:018
SOURCE: PD LAP 16—Go for the Goal (Goal Setting)

84. C
Self-esteem. Self-esteem is the regard or respect that you have for yourself. People who have self-esteem understand themselves and like who they are. Social acceptance involves being accepted by others. Safety is associated with personal security and protection from harm. Self-fulfillment involves personal growth, achievement, and reaching one's fullest potential.
SOURCE: PD:013
SOURCE: Ponton, L. (2013). Building self-esteem. *Psych Central*. Retrieved on September 22, 2015, from http://psychcentral.com/lib/building-self-esteem/

85. B
Corporate finance. Diana's job preparing bills and invoices for her company is in the area of corporate finance. The corporate finance function in a company is to manage policy and strategy for (and the implementation of) capital structure, budgeting, acquisition and investment, financial modeling and planning, funding, dividends, and taxation. Diana's career is not in the area of marketing communications, securities and investments, or professional selling. Marketing communications involves marketing activities that inform, remind, and/or persuade the targeted audience of ideas, experiences, goods/services, and/or images. The securities and investments industry consists of brokerage firms, investment banks, and stock exchanges, all of which support the flow of funds from investors to companies and institutions. Careers in professional selling involve marketing and management activities that determine customer needs/wants and respond through planned, personalized communication to influence purchase decisions and enhance future business operations.
SOURCE: PD:025
SOURCE: PD LAP 15—Go For It! (Careers in Business)

86. B
"I was seeking a more responsible job." This is a positive response which indicates that the applicant is interested in getting ahead and is willing to accept additional responsibility. A job applicant should not make negative remarks about his/her previous employer(s) or coworkers. Even though all of the other alternatives could be true statements, they are negative and will reflect poorly on the job applicant.
SOURCE: PD:027
SOURCE: Bailey, L.J. (2007). *Working* (4th ed.) [p. 47]. Mason, OH: South-Western Cengage Learning.

87. A
Underwriter. The work of underwriters is important to the insurance industry. Underwriters are responsible for calculating the risk of loss, establishing premium rates, and designing policies to cover risk. Many choose to specialize in life insurance, health insurance, or property and casualty insurance. Insurance agents are responsible for selling insurance policies and other financial services. Accountants are responsible for preparing, analyzing, and verifying a variety of financial data. Financial analysts evaluate companies and industries and make recommendations to buy, sell, or hold certain securities. Financial analysts are also known as securities analysts or investment analysts.
SOURCE: PD:152
SOURCE: PD LAP 20—Career Opportunities in Finance

88. C
Stakeholders'. Corporate governance is the system of rules and practices that control the company. Corporate governance revolves around balancing the desires of the stakeholders in a company. Corporate governance is not just concerned with the CEO's or vendors' desires; instead, it focuses on the desires of *all* stakeholders, including customers, financiers, the community, the government, and managers. Corporate governance is not necessarily concerned with a company's competitors' desires.
SOURCE: PD:213
SOURCE: Investopedia. (2015). *Corporate governance.* Retrieved September 10, 2015, from http://www.investopedia.com/terms/c/corporategovernance.asp

89. A
It encourages transparency. Corporate governance creates a more transparent business environment, which can increase investor confidence, create a defined brand, and minimize corruption.
SOURCE: PD:213
SOURCE: Management Study Guide. (2013). *Corporate governance-Definition, scope, benefits.* Retrieved September 10, 2015, from http://www.managementstudyguide.com/corporate-governance.htm

90. A
Independent thinking. It is important for members of a corporation's board of directors to be able to think independently. This involves questioning current policies and proposed actions so that the board as a whole acts in the best interests of the corporation and its shareholders. Board members should also be open-minded and willing to listen to suggestions and different opinions so they can make informed, thoughtful decisions. Conformity often involves following or agreeing with others to “fit in” with the group. Conformity can lead to decision-making practices that do not look out for the best interests of the corporation and its shareholders.
SOURCE: PD:214
SOURCE: Hoban, M. (2013, March 8). *Outstanding directors: The five essential traits for great directors.* Retrieved March 10, 2015, from http://www.bizjournals.com/baltimore/print-edition/2013/03/08/outstanding-directors-the-five.html

91. A
Chief executive officer. The board of directors is the group of people chosen to govern the activities of a corporation. The board members are elected by the corporation's shareholders. The corporation's chief executive officer (CEO) reports directly to the board of directors. The vice president of operations is most likely to report to the CEO. The accounting manager and director of marketing are mid-level managers. The accounting manager is most likely to report to the vice president of finance, and the director of sales is most likely to report to the vice president of marketing.
SOURCE: PD:302
SOURCE: Investopedia. (2015). *The basics of corporate structure.* Retrieved March 10, 2015, from http://www.investopedia.com/articles/basics/03/022803.asp

92. A
Volunteering. Volunteer work involves donating time without pay to complete tasks or projects. Because Ryan is tutoring in his free time, he is performing volunteer work. By volunteering to tutor students, Ryan can determine if he enjoys working with and teaching young children. Participating in these activities may help Ryan determine if he would like to pursue a career in teaching. Internships involve training in which schools and businesses cooperate to provide on-the-job practice for learners. Job shadowing involves observing an individual perform his/her daily job activities in the workplace. An informational interview involves talking with a business professional about his/her job.
SOURCE: PD:032
SOURCE: Preston, K. (2014, October 6). *4 ways to gain job experience.* Retrieved September 6, 2015, from http://www.fastweb.com/career-planning/articles/the-4-ways-to-gain-job-experience

93. C
False, organizations/associations often can change unfavorable regulations to more favorable ones. Once legislation becomes law, administrative rules are often adopted to enable the regulatory agency to enforce the law. Organizations/Associations frequently are able to change unfavorable regulations to more favorable ones by serving as liaison between the industry or profession and the regulatory agency.
SOURCE: PD:036
SOURCE: Dummies.com. (2015). *Trade associations as Washington, D.C., lobbyists*. Retrieved September 22, 2015, from http://www.dummies.com/how-to/content/trade-associations-as-washington-dc-lobbyists.html

94. C

Implement a referral system. A referral is a recommendation given to an individual or business by another individual or business. For example, satisfied clients may refer their friends, family, or colleagues to their financial planners for financial advice. This is one way that businesspeople working in the financial industry can build professional relationships. A financial planner may implement a referral system or program to encourage clients or associates to provide referrals. A referral system might involve giving a free consultation or discount to a client who has provided the financial planner with a lucrative referral. Reading about industry trends and printing new business cards are not actions that build professional relationships. The finance professional must take action on the trends s/he has researched and distribute the business cards to others to begin building professional relationships. Because financial information is personal and confidential, people are usually selective with whom they share their information.

SOURCE: PD:153

SOURCE: Yokam, C. (n.d.). *How to build business relationships.* Retrieved September 15, 2015, from http://www.ehow.com/how_4488222_build-business-relationships.html

95. A

Whistleblower. One way to manage potential risks resulting from unethical conduct is to build an internal infrastructure that promotes and enforces ethical practices and offers incentives to behave ethically. This internal infrastructure typically includes appropriate audit procedures, a code of conduct, a committee to develop the code, training for employees about the code, and a whistleblower policy. A whistleblower policy encourages and enables employees to report unethical behavior or actions without fear of negative repercussions such as demotion or firing. A credit policy is a guideline for a business to follow in controlling the use of payment plans that allow customers to purchase now and pay later. Monetary policy is the government policy that determines the amount of money that will be in circulation and the level of interest rates. Constituent policies are public policies that apply to the government or nation as a whole. Constituent policies include national security, foreign affairs, diplomacy, etc.

SOURCE: RM:041

SOURCE: Francis, R. & Armstrong, A. (n.d.). *Ethics as a risk management strategy: The Australian experience.* Retrieved September 15, 2015, from http://eprints.vu.edu.au/777/1/JBEthicsRisk.pdf

96. D

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: Manktelow, J. (1996-2015). *Contingency planning: Developing a good "plan B."* Retrieved September 10, 2015, from https://www.mindtools.com/pages/article/newLDR_51.htm

97. A

Reduces tax due on the captive's premiums. Even if it is not associated with an insurance company, an individual company, industry, or association may create a captive insurance company to specifically protect its parent group(s). The captive insurer aids its parent group(s) by reducing premium expenses, freeing up capital, and covering risks not commonly addressed by the greater insurance company. In addition, forming a captive insurance company can reduce, eliminate, or defer federal taxes due on the corporation's insurance premiums. A captive insurer typically decreases the tax due on a company's loss reserves. Forming a captive insurance company does not typically increase the corporation's sales tax liabilities, nor does it eliminate the corporation's state tax liabilities.

SOURCE: RM:043

SOURCE: Bertucelli, R.E. (2013, March 1). *The benefits of captive insurance companies.* Retrieved September 15, 2015, from http://www.journalofaccountancy.com/Issues/2013/Mar/20126102.htm

98. A

Internal expertise. An important aspect of controlling online risk is making sure that customers' transactions are secure. Online transactions require customers to provide confidential information (e.g. credit card numbers), so businesses must have the technological tools and expertise to prevent unauthorized access to the information. If a business does not have employees with the expertise to work with this technology, the business should consider hiring a consultant or firm that has the knowledge and training to handle its technological needs. Outsourcing requires a business to have the money (financial resources) to pay for the services. Secondary data are facts and figures that have been collected for purposes other than the project at hand.

SOURCE: RM:058

SOURCE: Corporate Computer Services, Inc. (2015). *IT outsourcing: The reasons, risks, and rewards.* Retrieved September 10, 2015, from http://www.corpcomputerservices.com/articles/outsourcing-reasons

99. A

Most risks are predictable and manageable. Enterprise risk management is important and helpful because most business risks are predictable and manageable. If a company can plan for risks, it can minimize its losses. Although some risks are surprises, most of them are not. Not managing risks can cause loss of shareholder value. ERM should reduce business costs in the long run by helping a business avoid or manage risks that could lose money.

SOURCE: RM:062

SOURCE: Thomson Reuters. (n.d.). *Practical guidance: Seven steps for effective enterprise risk management.* Retrieved September 10, 2015, from https://web.actuaries.ie/sites/default/files/erm-resources/233_Seven_Steps_to_Enterprise_Risk_Management.pdf

100. C

To have realistic expectations for workers. Even though managers don't do the actual jobs, it is important for managers to understand the jobs of the workers they supervise. This helps managers to know how workers should do the work, to be realistic in the amount of work they expect workers to complete, or even to fill in when workers are absent or there is an emergency situation of some kind. Managers do not need to know how to do the work to establish a chain of command. Coordinating employees' efforts and creating a team spirit are managerial responsibilities that improve the output of workers but are not related to managers' knowledge of the jobs to be done.

SOURCE: SM:001

SOURCE: SM LAP 3—Manage This! (Concept of Management)