KEY

Test Number 1041

Business Management and Administration Cluster Exam

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

1. B
   Consideration. In a contract, consideration is what one party gives or receives in exchange for something else. In order for a contract to be legally binding, something of value must be exchanged. For example, one party might sell a product to another party and receive monetary payment. Both the product and the monetary payment have value. What one party gives or receives in exchange for something else is not an example of agreement, compensation, or acceptance.
   SOURCE: BL:002
   SOURCE: Blackburn, J., & Klayman, E. (2005). *The legal environment of business* (7th ed.) [p. 180]. Boston: Pearson Custom Publishing.

2. C
   Agent. Jenna is the agent because she is the person conducting activities and acting in the best interests for the principal, which is The Jones Company. An employer is a business that hires workers (employees) to perform business activities. In the example, Jenna is an agent, but not enough information is provided to determine if she is a Jones Company employee or independent contractor. A controller is a person who oversees the accounting aspects of a business.
   SOURCE: BL:072
   SOURCE: Blackburn, J., & Klayman, E. (2005). *The legal environment of business* (7th ed.) [pp. 326-327]. Boston: Pearson Custom Publishing.

3. D
   Practice active listening. This means asking questions and restating what the speaker has said in order to prevent any misunderstanding. A good listener concentrates on the message being delivered, rather than on what s/he is going to say next or on the speaker's personality. Also, by jotting down only key points, the listener can concentrate on what is being said.
   SOURCE: CO:119
   SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2009). *Marketing essentials* (pp. 179-182). Woodland Hills, CA: Glencoe/McGraw-Hill.

4. B
   The exchange of ideas and information. Understanding must also exist before good communication is possible. Signals, gestures, and printed materials may all be involved in communication.
   SOURCE: CO:147
   SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2009). *Marketing essentials* (pp. 178-179). New York: Glencoe/McGraw-Hill.

5. C
   Ask questions to clarify other participants' comments. Asking clarifying questions assists the entire group in learning about the topic. No one in the group knows everything about the topic. Talking together through tough subjects and sharing diverse viewpoints is the purpose of working as a group. Similarly, she should attempt to assist the group that she has been chosen for instead of asking to be removed. This is not the right time to take a leadership role, which should be assumed by the person who knows the most—or has the most experience—about the subject.
   SOURCE: CO:053
   SOURCE: QS LAP 29—Put in Your Two Cents

6. C
   Demographics. Demographics are a group's physical and social characteristics, such as interests, ages, political views, incomes, and backgrounds. A profile is similar, but applies at the individual level. Nationality is one kind of demographic. Statistics are often used to report demographics, but are not the demographics themselves.
   SOURCE: CO:025
   SOURCE: QS LAP 9—Well Said!

7. A

Develop an outline. It is necessary to organize information in order to present it in a logical manner in a business report. An effective way to organize information is to develop an outline. The outline serves as the plan for the report, and helps the writer arrange the information in the order that will make the message clear to readers. A writer determines the purpose of the report before gathering and interpreting the data. Then, it is appropriate to develop an outline. It is important to remain objective while writing the business report.

SOURCE: CO:086

SOURCE: Leskiar, R.V., & Flatley, M.E. (2005). *Basic business communication: Skills for empowering the Internet generation* (10th ed.) [pp. 280-282]. Boston: McGraw-Hill/Irwin.

8. D

Developing a rough draft. An important step in preparing a simple written report is developing a rough draft. After the research is complete, the next step is to put the information into a logical format that covers the major points of the report. A rough draft may be revised many times, but it is the beginning of the actual writing process. Visual aids generally are used to support oral presentations. Scheduling a meeting is not part of writing a report. Interviewing may occur as part of the research process, but it is not a common step in writing simple reports.

SOURCE: CO:094

SOURCE: Lesikar, R.V., Pettit, J.D., Jr., & Flatley, M.E. (2005). *Lesikar's basic business communication* (10th ed.) [pp. 100-101]. Boston: Irwin/McGraw-Hill.

9. C

Receptive. An analytical report is a document that explains and evaluates an issue, opportunity, or problem. Often, the analytical report includes recommendations for a business to take a certain course of action. If the writer anticipates that most members of the audience are receptive and will agree with the recommendations, then using a direct approach to structure the report is optimal. The direct approach involves writing the report so it focuses the attention on the conclusions and recommendations. If the writer anticipates a skeptical, argumentative, or indecisive audience, the indirect approach may be the best way to structure the report. The indirect approach involves preparing a logical argument that supports the recommendations and focuses on the rationale behind the recommendations. Intellect refers to a person's level of understanding about a topic or concept, which varies per person and is not necessarily related to the structure of the report.

SOURCE: CO:185

SOURCE: Bovée, C.L., & Thill, J.V. (2008). *Business communication today* (9th ed.) [pp. 410-411]. Upper Saddle River, NJ: Pearson Prentice Hall.

10. C

Background. The purpose of a research report is to summarize information gathered from an investigation. Companies often review the research report and use it to make business decisions. Research reports contain several elements. The introduction states the problem, purpose, and significance of the investigation. The background section of the research report provides historical information and statistical data that have already been gathered, which relates to the problem or purpose of the study. Because the statement focuses on a study that York University has already published, the statement should be included in the background section of the report. The methodology section focuses on the procedures used to gather the information for the study. The conclusion discusses the research findings and may include recommendations.

SOURCE: CO:186

SOURCE: Walonick, D. (2005). *Elements of a research proposal and report*. Retrieved July 21, 2010, from http://www.statpac.com/research-papers/research-proposal.htm

11. C
Explain that you can't discuss it. In most companies, salary information is confidential and should not be discussed. Disclosing confidential information could cause an employee to be reprimanded or fired. Employees who work with such information should not answer questions about it or offer to provide it to others. It would be overreacting to report those who ask unless the questions are repeated and create problems.
SOURCE: CO:014
SOURCE: Kimbrell, G., & Vineyard, B.S. (2006). *Succeeding in the world of work* (pp. 185-186). New York: Glencoe/McGraw-Hill.

12. D
Be the leader. If a business is large, each department often has regular staff meetings so the manager can communicate important information to employees and keep them informed about current issues. When participating in these staff meetings, the department manager is the leader—the one who runs the meeting and keeps the employees focused on the agenda. As the leader, it may be necessary for the manager to encourage employees to participate or prevent arguments. The manager usually appoints an employee to record the minutes. Managers oversee and encourage the discussion rather than dominate it. Managers should follow the agenda they set for the staff meetings rather than expand it during the meeting.
SOURCE: CO:063
SOURCE: Lussier, R.N. (2003). *Management fundamentals: Concepts, applications, skill development* (2nd ed.) [pp. 327-330]. Mason, OH: South-Western.

13. D
Listen respectfully. The best way for businesses to communicate with customers is to listen respectfully. Customers have a lot of useful information to give businesses if they will listen. Renting billboards, sending direct mail, and providing information about the business are all forms of communication, but none is as valuable as listening.
SOURCE: CR:003
SOURCE: CR LAP 1—Accentuate the Positive (Nature of Customer Relations)

14. B
Fair treatment of customers. Clear policies give employees guidelines to follow and help to reduce misunderstandings that create bad feelings. Fair treatment of customers is not an expense-reduction measure. Satisfying customers' wants is not possible since wants are constantly changing. The business may run more smoothly if customers are treated fairly, but that is not the main purpose of the policy.
SOURCE: CR:007
SOURCE: Rue, L.W., & Byars, L.L. (2006). *Business management: Real-world applications and connections* (pp. 241-242). Woodland Hills, CA: Glencoe/McGraw Hill.

15. A
Foster goodwill. When their complaints are handled immediately, customers often forget the specifics of the complaint, but they will remember how quickly the business responded. A prompt response usually gives customers a good feeling about the business. There is no law requiring a quick response to complaints. Responding quickly will not prevent future complaints. Making a quick response may be part of employee training but is not one of its purposes.
SOURCE: CR:010
SOURCE: Odgers, P. (2004). *The world of customer service* (p. 51). Mason, OH: South-Western.

16. A
Specialty. Specialty goods are consumer goods with special or unique characteristics consumers are willing to exert efforts to obtain. Examples of specialty goods include diamond rings, antiques, and oil paintings. Convenience goods are goods that are purchased quickly and without much thought or effort. Shopping goods are products purchased by customers after comparing goods and stores in order to get the best quality, price, and/or service. Industrial goods are used to make other products or consumed in the manufacturing process.
SOURCE: EC:002
SOURCE: EC LAP 10—Getting the Goods on Goods and Services (Economic Goods and Services)

17. D
Form. Form utility occurs when the shape or form of a product is altered in order to make it more useful to the consumer. Marketing indirectly affects form utility through marketing research and planning. Marketing has a direct effect on other forms of utility. It affects place utility by making products available where consumers want them. It affects time utility by making products available when consumers want to buy them. And, it affects possession utility by creating circumstances under which ownership of the product can be transferred from seller to buyer.
SOURCE: EC:004
SOURCE: EC LAP 13—Use It (Economic Utility)

18. B
Marketing. Marketing is the process of creating, communicating, and delivering value to customers and managing customer relationships in ways that benefit the organization and its stakeholders. Without marketing, businesses would have no way to sell their products, and consumers would have no way to obtain needed products. Operations management is the process of planning, controlling, and monitoring the day-to-day activities required for continued business functioning. Strategic management is the process of planning, controlling, and organizing an organization or department. Financial analysis is the process of planning, maintaining, monitoring, controlling, and reporting the use of financial resources.
SOURCE: EC:071
SOURCE: EC LAP 19—Strictly Business (Business Activities)

19. A
It may have different consequences than breaching ethics. Breaching business ethics and breaking the law may have different consequences. For example, breaching business ethics alone could result in loss of customers, while breaking the law could result in fines or jail time. Both breaching business ethics and breaking the law are unacceptable practices in most industries, are not necessary for business success, and will not make a company more popular. In fact, doing so will hurt a company's public image.
SOURCE: EC:106
SOURCE: EC LAP 21—On the Up and Up (Business Ethics)

20. D
Competition. Competition is the rivalry among two or more businesses to attract scarce customer dollars. Fair competition is essential if the private enterprise system is to work as it was intended. Monopolies are allowed to exist in a private enterprise economy only if they are regulated. Exclusive agreements and price fixing are illegal.
SOURCE: EC:012
SOURCE: EC LAP 8—Ready, Set, Compete! (Competition)

21. C
Ensuring a business's profitability. Businesses in a free enterprise economy have the risk of loss or gain. The government is not involved. Government is involved in protecting business property by providing the military and by providing trademarks, patents, and copyrights to artists and inventors. Government enforces business contracts and settles business disputes through the courts.
SOURCE: EC:008
SOURCE: EC LAP 16—Regulate and Protect (Government and Business)

22. C
Remain stable. Inflation is a rapid rise in prices that may occur when demand exceeds supply or when productivity declines and costs of labor go up. Generally, low inflation rates range between one percent and four percent, which indicates a strong economy and stable prices. Although some products' prices fluctuate on a daily basis (e.g., gasoline), not all prices do. High inflation causes a decrease in the value of a nation's currency.
SOURCE: EC:083
SOURCE: Clark, B., Sobel, J., & Basteri, C.G. (2006). *Marketing dynamics* (pp. 120-122). Tinley Park, IL: Goodheart-Willcox.

23. A
One year. A nation's income is derived from all of the goods and services that it produces. By measuring how much a country produces, we can determine its national income and its general economic health. Our nation's income, or gross domestic product (GDP), is measured once each year by the Department of Commerce.
SOURCE: EC:017
SOURCE: EC LAP 1—Measure Up? (Gross Domestic Product)

24. C
The U.S. culture and the geographic region of the country affect the formality of business meetings. Cultural differences are common in different regions of a single country. For example, businesspeople tend to wear conservative suits and ties on the east coast of the United States, while businesspeople on the west coast tend to be more casual. On the west coast, meeting participants may wear business-casual clothing (e.g., golf shirts), which reflects their more relaxed lifestyle. U.S. businesspeople tend to embrace the "time is money" mindset, so they do not always value time more than money. Foreign businesspeople cannot assume that U.S. businesspeople make decisions in a particular way—slowly or quickly. The circumstances dictate the way in which decisions are made. For example, the level of group input needed for decision making depends on the business's type, size, structure, and policies. Many U.S. business transactions take place in social situations—on the golf course, over a meal, or at a sporting event.
SOURCE: EC:130
SOURCE: Cyborlink.com. (n.d.). *United States of America: Introduction*. Retrieved May 13, 2010, from http://www.cyborlink.com/besite/us.htm

25. B
Hello, Herr Schmidt. Using titles to greet friends or business associates is common practice in German culture. Herr is the German word for Mister (Mr.), so it would be appropriate to greet Rudolph Schmidt by his title and last name, which is Herr Schmidt. Carolyn might want to use a common greeting used by Germans, such as, "Guten tag, Herr Schmidt," which means, "Good day, Mr. Schmidt." Sir is a title used by Great Britain to address individuals who have been knighted by the British monarch (i.e., Queen Elizabeth). Greeting the client using the first and last name would not be appropriate. Senor is the Spanish word for mister.
SOURCE: EC:131
SOURCE: Cyborlink.com. (n.d.). *Germany: Behavior*. Retrieved May 14, 2010, from http://www.cyborlink.com/besite/germany.htm

26. A
Appearance. To make a positive impression on foreign business partners, it is important to "dress for success." Cultures have different views regarding appropriate dress and personal appearance. Although pantsuits are appropriate attire for businesswomen in other countries, skirts are more common and acceptable in Japanese culture. Translation is a language consideration. Cleanliness is a personal hygiene issue. Qualifications are an individual's level of expertise in a subject or job.
SOURCE: EC:133
SOURCE: Cyborlink.com. (n.d.). *Japan: Appearance*. Retrieved May 14, 2010, from http://www.cyborlink.com/besite/japan.htm

27. D
Handshake. Greetings are an important gesture to consider when meeting with foreign businesspeople. The tone of a meeting can be negatively impacted by using an inappropriate greeting. Therefore, businesspeople should conduct research and determine the appropriate way to greet their foreign business partners. The handshake is the most common greeting in Middle-Eastern countries. It is important to extend your right hand for the handshake because Middle-Eastern religious beliefs consider the left hand unclean. A bow is appropriate in Japanese culture. A head nod may be considered rude in many cultures. A kiss may be considered inappropriate or too forward and personal.
SOURCE: EC:134
SOURCE: Kwintessential. (n.d.). *Doing business in the Middle East*. Retrieved May 14, 2010, from http://www.kwintessential.co.uk/etiquette/doing-business-middleeast.html

28. C

Winking. A gesture is a movement of the body or limbs that expresses or emphasizes an idea, sentiment, or attitude. Because the meanings of gestures differ by country, it is important for businesspeople to understand and monitor their body language in foreign business situations. Certain gestures (e.g., winking) may be friendly in some cultures but offensive or disrespectful in other cultures. Listening is an important communication skill and would not be offensive to foreign businesspeople. Yelling and mumbling are forms of verbal communication, which may be offensive or annoying in various cultures.

SOURCE: EC:135

SOURCE: Cyberlink.com. (n.d.). *India: Behavior*. Retrieved May 14, 2010, from http://www.cyborlink.com/besite/india.htm

29. D

Difficult to see ourselves objectively. Because most of us like to see ourselves in the best possible light, it is difficult to see ourselves objectively. In particular, it is not always easy to recognize one's undesirable traits. You must realize, however, that you have faults, but you also have the capacity to improve. To improve yourself, it is important to know your own weaknesses.

SOURCE: EI:018

SOURCE: EI LAP 9—You've Got Personality (Personality Traits in Business)

30. D

Showing initiative. Initiative is the willingness to act without having to be told to do so. Jake was not acting irresponsibly but fulfilling his responsibilities to his employer to work a full day. He also was not imitating the boss, who left early, or following the rules, since he acted on his own.

SOURCE: EI:021

SOURCE: PD LAP 7— Make the Honor Role (Acting Responsibly)

31. B

An employee's decisions and actions can negatively impact others. If Porter had immediately called the shipping department to stop the incorrect order from being shipped, then the customer would not be burdened with the task of returning the item, and the company would not need to pay extra charges to return the product. Customers' satisfaction levels tend to decrease when they receive the incorrect products, and unnecessary return charges hurt the company's bottom line. Therefore, Porter's decision to wait to take action negatively impacts both the customer and the company. Many routine problems can be resolved without involving supervisors. Porter's lapse of judgment in one situation does not mean that he does not have the ability to perform his job well. Customers react differently to problems and inconveniences; therefore, it cannot be assumed that most customers will become very angry—some of them may become slightly annoyed.

SOURCE: EI:075

SOURCE: Payne, S. (n.d.). *Accepting responsibility for your own work.* Retrieved July 21, 2010 from http://www.helium.com/items/1587239-accepting-responsibility-for-your-own-work

32. C

Over-commitment can lead to a lower quality of work. It is important for workers to assess the time involved with a project before volunteering to work on it. When workers volunteer to take on too many activities (over-commitment), they often find that they don't have enough time to complete the projects thoroughly and correctly, which affects the quality of the work. Dillon may not have the authority to delegate work to other employees. Managers often notice, appreciate, and acknowledge the employees who accept additional responsibilities and produce quality work; however, these circumstances do not ensure that the employees will be promoted. When an employee takes on too many activities, starting one project before finishing another project may not improve the quality of the employee's work.

SOURCE: EI:077

SOURCE: Wright, B. (2008, August 27). *Avoiding overcommitment: Knowing when to say no.* Retrieved July 26, 2010, from http://everyjoe.com/work/avoiding-overcommitment-knowing-when-to-say-no-386/

33. A
Increase perseverance. Self-control is the ability to direct the course of your own behavior. Self-control techniques can be used to increase such desirable traits as perseverance, or persistence, which helps individuals to reach goals by keeping them focused on their goals. It would not be desirable to eliminate feelings of anger since anger is sometimes an appropriate reaction. Changing the behavior of others is not usually possible and could not be attained through controlling oneself. Maximizing faults would be an undesirable goal since it would damage self-esteem.
SOURCE: EI:025
SOURCE: EI LAP 14—Control Yourself! (Demonstrating Self-Control)

34. D
External. External feedback is feedback that comes from any source outside yourself. Internal feedback is self-evaluation information that comes from within. Positive feedback involves praise and encourages you to continue performing in the same way. Destructive feedback serves only to hurt or discredit someone.
SOURCE: EI:003
SOURCE: EI LAP 15—Grin and Bear It (Using Feedback for Personal Growth)

35. D
Empathy. Empathy is the ability to put yourself in another person's place. Behavior is the actions of an individual. Objectivity is the ability to look at oneself as someone else would. Values are the ideas and beliefs of an individual.
SOURCE: EI:030
SOURCE: EI LAP 12—Have a Heart (Showing Empathy for Others)

36. A
Age. Age is a primary dimension of diversity. The primary dimensions are those inborn differences that cannot be changed and affect a person's entire life. They include such characteristics as age, gender, race/ethnicity, nationality, physical traits, and abilities (both mental and physical). Income, language, and religion are secondary dimensions of diversity. Secondary dimensions of diversity are those characteristics that may change at various points throughout one's lifetime.
SOURCE: EI:033
SOURCE: EI LAP 11—Getting to Know You (Cultural Sensitivity)

37. A
Persuasion. Persuasion is the effort of an individual or group of individuals to influence the attitudes or behavior of another individual or group of individuals. Employees doing research and preparing a report to recommend change is an example of using persuasion. The employees are trying to persuade the business, with the use of valid information, that changing certain policies would be beneficial. Leadership is the ability to guide or direct the actions of others in a desired manner. Management is the process of coordinating resources in order to accomplish an organization's goals. Enthusiasm is intense interest or excitement.
SOURCE: EI:012
SOURCE: QS LAP 10—Win Them Over (Persuasion)

38. B
Coach others. For many people, change is uncomfortable. Change leaders understand this and know how to encourage teamwork and keep people feeling focused, optimistic, and energetic about the change. As a coach, change leaders assist others through the change and help them to overcome the barriers that are keeping them from changing. Change leaders support and encourage others rather than enforce rules, dominate the group, or ignore objections.
SOURCE: EI:005
SOURCE: QS LAP 23—20/20 Foresight

39. B
Giving feedback. One of a coach's most important tasks is giving feedback. Coachees need to know what they did right, what they did wrong, and how they can improve. By giving feedback or evaluative information, coaches are able to help coachees improve their performance. Caring for others, accepting change, and being honest are characteristics of effective coaches rather than a coach's most important tasks.
SOURCE: EI:041
SOURCE: QS LAP 7—Bring Out the Best

40. C
Currency. Currency is the money that a country uses to buy and sell goods and services. There are several types of currency. For example, coins and paper money are types of currency because they can be used to buy products. Coins and paper money generally are used by individuals to purchase the products they need. Checks are authorized papers that allow individuals or businesses to withdraw or transfer funds from a specific bank account. Stock is units of ownership in a corporation. Stock can be purchased with currency. An endorsement is the check payee's signature, which is written on the back of a check.
SOURCE: FI:059
SOURCE: McConnell, C.R., & Brue, S.L. (2005). *Economics: Principles, problems, and policies* (16th ed.) [pp. 233-234]. Boston: McGraw-Hill/Irwin.

41. D
Sales finance companies. After a sales finance company buys borrowers' contracts from sellers, the borrowers make their payments to the sales finance company. The sales finance company retains a legal interest in the items purchased until all payments are completed. Commercial banks are full-service financial institutions that offer checking and savings accounts, secured and unsecured loans, installment credit, and bank credit cards. Savings and loan associations are financial institutions that offer savings accounts and make loans to borrowers. Many of their loans are for real estate purchases. Credit unions are financial cooperatives set up to provide savings and credit services to their members.
SOURCE: FI:002
SOURCE: FI LAP 2—Give Credit Where Credit Is Due (Credit and Its Importance)

42. A
$125.00. Her net pay is what she actually receives after withholdings for federal, state and local income taxes and government programs. Her gross pay is $150.00, which is not the amount she will receive. $275.00 could be found by adding the gross pay to the net pay, but this number is meaningless. $25.00 could be found by subtracting her net pay from her gross pay, and would be the amount of her withholdings.
SOURCE: FI:068
SOURCE: Lazarony, L. (n.d.) *Understanding your pay stub*. Retrieved June 29, 2010, from http://www.credit.com/credit_information/money_management/Understanding-your-Pay-Stub.jsp

43. A
Verify credentials. When selecting a financial-services provider, it is important to make sure that the provider is qualified. One way to do this is to verify the provider's credentials. In many areas, financial-services providers must pass an exam or obtain a license. These credentials verify that the provider has the necessary training and background to give financial advice, help develop financial plans, and make investments. Although it is usually necessary to make an appointment to meet with a financial-services provider, that is not an important step to take when selecting the provider. Individuals organize their records before meeting with a financial-services provider. Planning an investment takes place after selecting a qualified provider.
SOURCE: FI:076
SOURCE: Kapoor, J.R., Dlabay, L.R., Hughes, R.J., & Hoyt, W.B. (2005). *Business and personal finance* (pp. 260-261). New York: Glencoe/McGraw-Hill.

44. A
Risk. Insurance is a contractual agreement in which one company (insurer) will pay for specified losses incurred by the other company (insured) in return for installment payments (premiums). Businesses buy insurance to manage risk which is the possibility of loss or failure. Insurance protects the business from many types of risk such as property damage. For example, if a business facility is vandalized, insurance will pay for the repairs. Coverage is the amount an insurance company will pay for a loss. Injury and damage are types of risk for which businesses can buy insurance.
SOURCE: FI:081
SOURCE: Kapoor, J.R., Dlabay, L.R., Hughes, R.J., & Hoyt, W.B. (2005). *Business and personal finance* (p. 411). New York: Glencoe/McGraw-Hill.

45. C
To hire additional staff. Managers use accounting information in making effective financial decisions involved in carrying out such management functions as staffing. For example, managers responsible for staffing may decide not to hire additional staff if the accounting information they receive shows the business's profits have decreased. However, positive accounting information might help managers decide to hire additional staff because profits have increased. Businesses do not use the information provided by the accounting department to prepare work orders, monitor procedures, or organize inventory.
SOURCE: FI:085
SOURCE: FI LAP 5—Show Me the Money (Nature of Accounting)

46. A
Adequate inventories. Inventory costs are the monies spent for goods intended for resale. A company that buys products for resale must take into consideration the flow of cash needed to purchase an adequate level of inventory. Without the funds available to purchase an adequate supply of inventory, a business would be unable to meet the needs of customers and earn a profit. Businesses that actually produce the goods must take into consideration the flow of cash needed to purchase raw materials, manufacturing tools, and production supplies.
SOURCE: FI:091
SOURCE: FI LAP 6—Count the Cash (Cash Flow)

47. A
By comparing the income statement's net profit figures for those two years. For income statements to be useful, businesses must be able to compare their income statements over time or across companies. In that way, they can determine whether a business's profitability is increasing or decreasing. Comparing operating expenses across the two years does not provide a complete picture to determine profitability. This information lets businesses determine where they might be having trouble with certain expenses. Assets minus liabilities should equal the owner's equity. This information is found on the balance sheet and does not provide profitability information. Hopefully, owner's equity will remain positive. If not, the business has more liabilities than assets. However, a person is not able to determine profitability from this information.
SOURCE: FI:094
SOURCE: FI LAP 4—Watch Your Bottom Line (Income Statements)

48. A
Compliance. Compliance is an HR management activity that ensures a company is following all applicable laws and regulations. Staffing is an HR management activity that ensures a company has appropriate employees available and ready to work. Compensation and benefits is an HR management activity that ensures a company's employees are paid. Employee relations is an HR management activity that ensures a company's employees have positive working relationships.
SOURCE: HR:410
SOURCE: HR LAP 35—People Pusher (Nature of Human Resources Management)

49. A
Riding a bicycle. Tacit knowledge is knowledge consisting of personal opinions, experiences, expertise, or understanding that is not easily articulated, stored, or quantified. Riding a bicycle is an example of tacit knowledge. This is because the person does not know how to ride the bike until s/he actually performs the action. Explicit knowledge is knowledge or information consisting of words, numbers, codes, processes, and formulas that are easily stored, shared, and quantified (measured). Statistics, facts, and inventions are examples of explicit knowledge.
SOURCE: KM:001
SOURCE: The OR Society. (2003). *Explicit and tactic knowledge.* Retrieved July 26, 2010, from http://www.orsoc.org.uk/about/topic/projects/kmwebfiles/explicit_and_tacit.htm

50. B
Wiki. Tacit knowledge is personal opinions, experiences, expertise, or understanding that is not easily articulated, stored, or quantified. Tacit knowledge is an employee's personal "know-how" that affects the ways in which s/he does his/her job. Businesses often struggle to capture their employees' tacit knowledge, which can be helpful in achieving or exceeding the businesses' goals. Some businesses are using Wikis to facilitate the sharing of information among employees in remote locations. A Wiki application is a Web-based networking tool that allows individuals or groups to store and share their expertise, resources, and ideas. Codification is the process of assigning a means of measurement to something. Businesses use spreadsheets to calculate and summarize numerical data. An Intranet is a business's internal computer network.
SOURCE: KM:003
SOURCE: Toolbox for IT. (1998-2010). *Knowledge capture*. Retrieved July 27, 2010, from http://it.toolbox.com/wiki/index.php/Knowledge_capture

51. B
MED Pharmaceutical Company. Intellectual property is intangible business assets that result from thinking processes. Employees are often responsible for developing intellectual property for their employers. Most employees who work in this capacity sign an agreement when they are hired that gives their employer ownership of any intellectual assets that the employee develops for the organization. Therefore, when the MED Pharmaceutical Company applies for a patent for the drug, the company possesses ownership rights to the drug even though Keith Carson and his team developed it.
SOURCE: KM:004
SOURCE: Blackburn, J., & Klayman, E. (2005). *The legal environment of business* (7th ed.) [p. 280]. Boston: Pearson Custom Publishing.

52. A
Channeling discussion. Tacit knowledge is knowledge consisting of personal opinions, experiences, expertise, or understanding that is not easily articulated, stored, or quantified. Employees' tacit knowledge is important to a business because this type of knowledge is often instrumental in helping the business succeed and achieve its organizational goals. Businesses use different techniques to capture their employees' tacit knowledge. A channel discussion involves gathering a group of people together to talk about the ways in which they perform their work, the challenges that they encounter, and the actions they take to overcome their challenges. By sharing this type of information, other group members may learn new techniques to use to perform their jobs. When an individual (Sophia) take notes, the information can be synthesized, evaluated, and used to implement positive changes throughout the entire organization. Parliamentary procedure is the standard set of rules used to officiate and document a formal meeting. Repetitious feedback and critical interaction are not techniques used to capture tacit knowledge.
SOURCE: KM:005
SOURCE: CRM. (2003, August 25). *How do you capture tacit knowledge?* Retrieved July 27, 2010, from http://www.destinationcrm.com/Articles/Older-Articles/Experts-on-Call/How-Do-You-Capture-Tacit-Knowledge-44713.aspx

53. A
Advertising. Keeping promises to customers involves both personal interactions and advertising. Companies must make good on their promises, no matter what method they use to make them to their customers. These promises don't usually come from newspaper articles, coworker interactions, or future products.
SOURCE: MK:015
SOURCE: MK LAP 2—Act Now (Employee Actions and Company Goals)

54. C
A disaster. Managing information for business continuity is important in case of a disaster. A disaster might be manmade, such as a building fire, or it might be an act of nature, such as a tornado or a flood. No matter what, though, companies must ensure that business can still run smoothly and that employees can still access the information they need. High employee turnover, low sales volume, and a drop in stock price are not occurrences that would disrupt information management.
SOURCE: NF:110
SOURCE: NF LAP 3—In the Know (Nature of Information Management)

55. B
Hardware. These are the physical components of a computer system that are necessary for the system to function. They include the central processing unit, hard drive, modem, monitor, keyboard, etc. Monitors, keyboards, and hard drives are not examples of computer networks, language, or standards.
SOURCE: NF:084
SOURCE: Simpson, A. (n.d.). *What is hardware?* Retrieved July 29, 2010, from http://www.coolnerds.com/Newbies/Hardware/hardware.htm

56. C
Word processing. Most word-processing software programs are designed to be used to create text documents, although some have limited graphic capabilities. Businesses use word-processing software programs to write letters, memos, reports, business plans, and sales contracts. There are many different word-processing software programs available that enable businesses to create, edit, and store important text documents. Presentation software programs are used to develop visual presentations. Web-page editors are software applications that businesses use to create web pages. Communications software programs allow computers to communicate with other computers.
SOURCE: NF:007
SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2002). *Marketing essentials* (3rd ed.) [pp. 162-167]. Woodland Hills, CA: Glencoe/McGraw-Hill.

57. B
To graph data. Spreadsheet software enables businesses to perform accounting and other mathematical functions. A user can enter numerical information in rows and columns, and the software will perform various calculations or analyses. Another standard capability of spreadsheet software is to convert this data into graph form. Complicated accounting information is often easier to understand when it is presented visually in the form of graphs or charts. Presentation software is used to create slides. Word-processing software is used to prepare text. Database software is used to manage files.
SOURCE: NF:010
SOURCE: Longenecker, J.G., Moore, C.W., & Petty, J.W. (2000). *Small business management: An entrepreneurial emphasis* (11th ed.) [pp. 461-463]. Cincinnati: South-Western College.

58. A
Home page. Most business web sites are designed using a hierarchical system. The home page is at the top of the hierarchy—it is the starting point from which all other pages on the web site are connected and accessed. Therefore, it is important that the new page be linked to the home page so web surfers can navigate to the new page using their personal computers. Pop-up ads are promotional messages that appear in a separate browser window. The new page does not need to be linked to a pop-up ad. A business may or may not include an online catalog on its web site. If the new page is related to the online catalog, it should be linked to the catalog, which should be linked to the home page in the navigation scheme.
SOURCE: NF:042
SOURCE: Miles, J.E., & Dolce, C. (2006). *E-Commerce* (p. 193). New York: Glencoe/McGraw-Hill.

59. C
Cost assignment and tracking. There are many project-management software programs available with a variety of capabilities to accommodate different types of projects. A business that is working on a complex project may want to use a cost assignment and tracking function program, which calculates and tracks accounting information. The cost assignment and tracking function is beneficial when the project consists of several hundred activities and resources. The resource scheduling and leveling function efficiently facilitates the scheduling of materials, equipment, and personnel. The leveling function, which relates to the resource scheduling function, helps project managers manage workloads, process bottlenecks, etc. Task delegation can be documented and tracked in a variety of ways, including Gantt charts. Programs that contain scheduling and operations capabilities may or may not include accounting applications.
SOURCE: NF:130
SOURCE: Campbell, G.M., & Baker, S. (2007). *The complete idiot's guide to project management* (4th ed.) [p. 374]. New York: Penguin Group.

60. B
To handle returns. Businesses, such as retailers, keep a financial record of each sales transaction and give a copy of the record, a receipt, to the customer. When a customer returns an item, a business uses the information in the financial record to issue the customer a refund or a credit. The return transaction also becomes a part of the business's financial records. Businesses do not keep records of sales transactions in order to cancel orders. Rebates are a return of part of the price a customer pays for a good or service. They are usually offered by the product's manufacturer rather than by retailers. Expenses are monies the business spends, whereas sales transactions usually result in income.
SOURCE: NF:001
SOURCE: NF LAP 1—Record It (Business Records)

61. B
Political. The purpose of an environmental scan is to determine what conditions are affecting the business environment. The environmental scan helps the business to determine what, if any, changes it needs to make, so it remains competitive in the marketplace. Political considerations are important because government changes, such as a civil war or the presidential elections, could indicate the possibility of other changes that might affect a specific country's business environment, including economic, cultural, and technical changes.
SOURCE: NF:015
SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2006). *Marketing essentials* (pp. 84-86). New York: Glencoe/McGraw-Hill.

62. B
Protect employees from injury and illness. The purpose of health and safety regulations is to ensure that businesses take steps to prevent employees from injury and illness while on the job. The government might require businesses to ensure that employees handle hazardous chemicals in specific ways. Or, the government might require that certain types of businesses provide employees with special clothing or protective gear when they are working with dangerous equipment. Businesses that do not comply with health and safety regulations risk the employees' well-being, and could face government fines and/or civil lawsuits if employees become ill or are seriously injured while at work. Discrimination laws ensure that businesses treat applicants and employees fairly. Human resources and labor laws ensure that employees are paid fairly and have access to certain benefits (e.g., health insurance). Breaching a business's information system is a crime against the business rather than a health and safety issue.
SOURCE: OP:004
SOURCE: Bovée, C.L., Thill, J.V., & Mescon, M.H. (2007). *Excellence in business* (3rd ed.) [p. 86]. Upper Saddle River, NJ: Pearson Prentice Hall.

63. B
Bodily injuries are decreased. A safe workplace reduces the possibility of additional financial expense and bodily injury. Because employees miss fewer workdays, productivity is increased. Insurance claims are increased when a workplace is considered risky because of a high rate of worker accidents or injuries.
SOURCE: OP:007
SOURCE: SCORE. (2002, April). *Risk management*. Retrieved July 29, 2010, from http://www.ct-clic.com/Newsletters/customer-files/riskmanagement.pdf

64. C
Reprioritizing her workload. Prioritizing involves ranking things in the order of their relative importance. Employees evaluate many factors when prioritizing their work, including due dates and the time that it will take to complete a task. Sometimes, situations occur that require employees to reprioritize their work activities. There is not enough information provided to know if Jeanette marked her new priorities on a calendar. Jeanette is not organizing her workspace, and she is implementing work goals, rather than personal goals.
SOURCE: OP:228
SOURCE: McFarland, A. (2006, June 14). *How to prioritize your work*. Retrieved June 23, 2010, from http://ezinearticles.com/?How-to-Prioritize-Your-Work&id=219970

65. B
Interdependent. A work team consists of individuals who possess different skills to accomplish a common goal. When two people rely on each other to accomplish a task or goal, they are interdependent. Their jobs may involve innovative processes and require some adaptability, but because Joshua cannot complete his work until he receives something from Kendra, their jobs are interdependent. If Kendra and Joshua were working on tasks that did not require others' input, they would be performing their jobs in an autonomous manner.
SOURCE: OP:230
SOURCE: Campbell, G.M., & Baker, S. (2007). *The complete idiot's guide to project management* (4th ed.) [pp. 110,112]. New York: Penguin Group.

66. A
Track deadlines. Meeting deadlines is an important part of successfully completing a project. Project managers need to track deadlines because one part of a project often needs to be completed before another part can begin. For example, a location must be selected before an event can take place. If the deadlines are not met, the project cannot proceed. Project managers do not necessarily need to ask questions, reward employees, or develop options because one part of a project needs to be completed before another part can begin.
SOURCE: OP:002
SOURCE: QS LAP 18—Make It Happen

67. B
Update the project plan. During the execution phase of the project, project team members carry out project tasks. During that time, the project manager is highly involved in controlling activities, such as monitoring the work effort. While monitoring the work effort, the project manager may detect problems. Sometimes, processes, tasks, and budgets need to be changed or corrected. Therefore, the project manager may need to update the project plan, when changes occur. The project manager develops the project charter during the initiation phase; establishes project milestones during planning phase; and if necessary, forms a steering committee during the project-definition phase
SOURCE: OP:340
SOURCE: Campbell, G.M., & Baker, S. (2007). *The complete idiot's guide to project management* (4th ed.) [pp. 41, 66, 277]. New York: Penguin Group.

68. A
Automatic reorder system. When businesses use an automatic reorder system, an order for additional supplies is placed when the inventory decreases to an established level. This makes it possible for a business to effectively maintain an inventory of supplies at the right level. The business does not tie up funds by purchasing too many supplies, or risk running out of supplies. Surveillance devices are used to control theft. An emergency response plan is designed to handle emergency situations. Stock handling methods involve the way a business receives and processes orders.
SOURCE: OP:031
SOURCE: Clark, B., Sobel, J., & Basteri, C.G. (2006). *Marketing dynamics* (p. 360). Tinley Park, IL: Goodheart-Willcox.

69. C
To identify the most capable suppliers. During the process of evaluating vendor performance, businesses are able to weed out those vendors that do not perform as promised. As a result, they are able to narrow their vendor list to include only those suppliers that are the most capable. The benefit is that businesses will know which vendors are most likely to perform well, even though this might mean buying from only a few suppliers. Businesses establish product specifications before contacting vendors. Businesses do not evaluate vendor performance to negotiate future discounts or to organize the receiving areas.
SOURCE: OP:162
SOURCE: Van Weele, A.J. (2002). *Purchasing and supply chain management: Analysis, planning and practice* (3rd ed.) [p. 69]. London: Thomson Learning.

70. C
Ongoing cooperation. When a business is continuously willing to work with other businesses (e.g., vendors) to achieve their mutual goals, it is exhibiting ongoing cooperation. Ongoing cooperation involves a willingness to negotiate fairly and to communicate (interact) openly and honestly on a continuous basis. These actions help build a trusting and favorable relationship. In most situations, a company does not need to fully disclose all of its business information to its vendors—only relevant information.
SOURCE: OP:241
SOURCE: Krajewski, L.J., Ritzman, L.P., & Malhotra, M.K. (2007). *Operations management: Processes and value chains* (8th ed.) [pp. 389-391]. Upper Saddle River, NJ: Pearson Education.

71. C
Shipping requirements. A regular or stock purchase order should include all of the necessary information for processing the request, which includes the appropriate quantities and prices of the desired goods. The purchase order should provide the shipping location at the desired time for delivery. In some situations, the buyer may also include the desired shipment method on the purchase order. For example, a business that orders a standard part to repair a piece of equipment may want the part shipped by air to ensure that it receives the part quickly. If the business does not indicate that it needs the item quickly, the vendor may ship it by rail or truck, which would take longer to deliver. Unless the order is a drop shipment, the vendor does not need to know the location of the buyer's customer. The invoice is processed by the vendor rather than the buyer; therefore, the buyer would not provide an invoice date. A regular or stock purchase order does not include usage rates.
SOURCE: OP:250
SOURCE: Cash, R.P., Thomas, C., Wingate, J.W., & Friedlander, J.S. (2006). *Management of retail buying* (p. 208). Hoboken, NJ: John Wiley & Sons.

72. D
Computers, sweaters, and bath towels. Finished-goods inventory contain products that are ready to be marketed. Computers, sweaters, bath towels, automobiles, bottled water, boots, and shampoo are examples of finished goods. Coal, ore, and minerals are examples of raw materials that are used to make a variety of items.
SOURCE: OP:336
SOURCE: Inman, R. (2009). *Inventory types*. Retrieved July 22, 2010, from http://www.enotes.com/management-encyclopedia/inventory-types

73. B
Concede on minor points before major points. Planning for concessions is an important aspect of an effective negotiation strategy. A concession is something that one party gives up during a negotiation. In many situations, one party will give up something that it wants and use it (the concession) as leverage to get something else that it wants later during the negotiation process. An effective negotiator wants to give up (concede) something minor or unimportant early, make it seem more valuable than it really is. If the negotiator gives up a major point early in the negotiation, then s/he will lose her/his power base and leverage. If the negotiator does not plan to provide some concessions, then the negotiation session may end in a stalemate, and agreement may not be reached.
SOURCE: OP:337
SOURCE: Monczka, R.M., Handfield, R.B., Giunipero, L.C., & Patterson, J.L. (2009). *Purchasing and supply chain management* (4th ed.) [pp. 477-478]. South-Western Cengage Learning.

74. B
Creating. Production is the creation of goods and services from economic resources. The product must be created, or produced, before it can be priced, sold, or distributed. Pricing involves determining and adjusting prices to maximize return and meet customers' perceptions of value. Distributing is moving, storing, locating, and/or transferring ownership of goods and services. Selling involves determining client needs and wants and responding through planned, personalized communications intended to influence purchase decisions and enhance future business opportunities.
SOURCE: OP:017
SOURCE: OP LAP 4—Can You Make It? (Nature of Production)

75. B
Operating. These expenses are the costs incurred in running a business. Operating expenses can be further classified as either fixed or variable. Fixed expenses are set costs for an established period of time, such as rent and utilities. Variable expenses are costs that vary as the sales volume varies. Examples of variable costs are payroll and supplies. Contractual is a distractor.
SOURCE: OP:024
SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2002). *Marketing essentials* (3rd ed.) [pp. 668-669]. Woodland Hills, CA: Glencoe/McGraw-Hill.

76. D
Validate an action. Business analysis is the process of investigating and evaluating a business issue, problem, process, or approach. Conducting an analysis helps the company determine if it is accomplishing goals or if it needs to take corrective action, so it can accomplish its goals. Companies analyze many types of situations. In the situation provided, the company had implemented a new process and wanted to verify that the process was generating favorable results. The purpose of the business analysis was not to formulate a plan or to solve a problem. Organizational waste may be reduced as a result of the new process, which may or may not be a consideration used to validate the success of he new process.
SOURCE: OP:327
SOURCE: Bovée, C.L., & Thill, J.V. (2008). *Business communication today* (9th ed.) [p. 407]. Upper Saddle River, NJ: Pearson Prentice Hall.

77. B
Personal image. The style and appearance of clothing should be used to maximize personal image, and be appropriate for the nature of your work. The goal is to wear proper attire that reflects your position and who you are. This will help you to have a good self-concept, or view of yourself. Clothing should not maximize your weaknesses. Your personal habits are not a factor.
SOURCE: PD:002
SOURCE: PD LAP 5—Brand ME! (Personal Appearance)

78. C
Achieve success in life. Success has been defined as reaching the goals you have set for yourself. By establishing well-defined goals, you can greatly increase the chances of achieving success in life. Before you can set appropriate goals, you must identify your wants and then be willing to take action to satisfy those wants. Setting goals does not decrease personal needs or necessarily involve getting help from others.
SOURCE: PD:018
SOURCE: PD LAP 16—Go for the Goal (Goal Setting)

79. D
Select an appropriate career. Self-understanding is comprehending one's personal abilities, interests, values, attitudes, and personality traits, and recognizing their effects on one's behavior. Since selecting a career involves determining how much satisfaction can be obtained in an occupation and comparing that information to individual needs, self-understanding is a major advantage in making this important decision. It is a trait that effectively controls one's own behavior, not the lives of others. Success is not ensured through self-understanding, but it may be assisted. Self-understanding helps to identify unmet needs which could lead to satisfying them.
SOURCE: PD:013
SOURCE: Kimbrell, G., & Vineyard, B.S. (2006). *Succeeding in the world of work* (pp. 258-260). New York: Glencoe/McGraw-Hill.

80. D
Communication skills. Communication skills are at the core of most business activities. Creativity, math skills, and computer/technology skills are all important business skills, but the heart of business is communicating with a variety of groups to make a business profitable.
SOURCE: PD:025
SOURCE: PD LAP 15—Go For It! (Careers in Business)

81. A
Your work experiences that relate to the job opening. The letter of application is intended to provide information about the job applicant so that the reader understands how the applicant is qualified for a specific job opening. It should stress the applicant's strengths so that the reader knows the person's qualifications and feels positively about them. Negative subjects, such as frequent job changes, should be avoided. References should be cited in the resume. Only relevant information should be presented in the letter of application. The ages of the applicant's children are not considered relevant for most job openings.
SOURCE: PD:030
SOURCE: Kimbrell, G., & Vineyard, B.S. (2006). *Succeeding in the world of work* (pp. 125-126). New York: Glencoe/McGraw-Hill.

82. C
Chamber of Commerce. The Chamber of Commerce is a trade association which unites individuals from different areas of business at the local level. The American Marketing Association is a national organization that fosters research in marketing and sponsors seminars, conferences, and student marketing clubs. The Small Business Administration is a government agency created to assist small businesses. The Service Corps of Retired Executives is operated through the Small Business Administration by volunteers or retired executives who act as consultants for small businesses.
SOURCE: PD:036
SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2009). *Marketing essentials* (pp. 789-790). Woodland Hills, CA: Glencoe/McGraw-Hill.

83. B
Organizational cohesiveness. The rules of conduct are the company's policies, procedures, and expectations for its employees' behavior in the workplace. When employees are consistently held to the same basic expectations, and they follow the company's rules, the company's overall cultural environment is stable, and employees tend to be more willing to cooperate with one another. If some employees are allowed to get away with inappropriate behavior (e.g., consistent tardiness) and others are reprimanded for the same behavior, conflict is more likely to occur. Laissez-faire managers assume little or no leadership responsibility, and allow subordinates to determine their own work behavior and productivity level. Depending on the situation, inflexible attitudes are likely to cause conflict.
SOURCE: PD:251
SOURCE: Glenn, S. (1999-2010). *The importance of the code of conduct.* Retrieved July 21, 2010, from http://www.ehow.com/about_6559640_importance-code-conduct.html

84. B
Bob Murray, Human Resources Director. Many companies structure their work functions by department. Within each department, there are several employees performing different but related tasks. The chain of command defines the level of authority and the specific individual who supervises particular employees. As chief benefits administrator, Angela reports directly to the human resources director, Bob Murray. Bob reports to Cynthia Ambrogi, Vice President of Human Resources. Cynthia most likely reports to the company's CEO. Because Angela is the chief benefits administrator, she may have employees reporting to her, including Wilma Mitchell, the company's benefits assistant. As senior recruiter, Rich Armstrong has different responsibilities than Angela, but both Rich and Angela are likely to have the same level of authority in their respective areas. Like Angela, Rich reports to Bob Murray.
SOURCE: PD:252
SOURCE: Daft, R.L., & Marcic, D. (2009). *Understanding management: Instructor's edition* (6th ed.) [p. 249]. Mason, OH: South-Western Cengage Learning.

85. D
The business's purpose. Organizational goals are the overall objectives that a business wants to achieve. Effective organizational goals should align with and reflect the business's purpose—why the business exists in the first place. A business considers many factors related to its customers, its employees, and its industry's standards (rather than needs) when defining its mission or purpose.
SOURCE: PD:254
SOURCE: Center for Awareness, Service, and Action. (n.d.). *Setting organizational goals*. Retrieved July 23, 2010, from http://www.sandiego.edu/csl/casa/pdf_folder/skill_building/org_development/setting.pdf

86. B
Adequate training. Employees carry out the work so the business can achieve its organizational goals. To achieve the business's organizational goals, the business's employees must know how to perform their jobs. Because each business functions differently, it is important for a business to provide its employees with training. When employees are well-trained, and they understand what is expected of them, they have the knowledge to perform their work efficiently. Not all jobs require employees to possess comprehensive analytical skills or to obtain detailed reports. Because businesses have finite resources (i.e., staff, parts, equipment, money), they provide necessary, rather than unlimited, resources for employees to perform their work.
SOURCE: PD:255
SOURCE: McNamera, C. (n.d.). *Training analysis: Identifying training goals.* Retrieved July 23, 2010, from http://managementhelp.org/trng_dev/analyze/analyze.htm

87. C

Scope. The statement of work (SOW) is a document that outlines the terms, commitments, and conditions of the project. It includes information about the project's activities, timelines, and deliverables. The scope statement is a component of the SOW that clearly defines the things that the project will do, as well as the things it won't do. The scope statement clarifies the boundaries of the project. The outcomes, risks, and constraints are issues discussed in other components of the SOW.

SOURCE: PJ:005

SOURCE: Campbell, G.M., & Baker, S. (2007). *The complete idiot's guide to project management* (4th ed.) [pp. 74-77]. New York: Penguin Group.

88. D

Streamline the workload. Work breakdown structure (WBS) is the process of dividing project tasks into meaningful components. Developing the WBS facilitates the project manager's ability to identify all of the necessary tasks to complete the project. The WBS helps the project manager effectively schedule, assign, streamline, and monitor complex project activities, so the project runs as smoothly as possible. Setting goals, identifying project deliverables, and evaluating the quality of resources are activities performed during the project initiation phase. Evaluating the quality of the resources may be performed during the close-out phase of the project, as well.

SOURCE: PJ:006

SOURCE: Campbell, G.M., & Baker, S. (2007). *The complete idiot's guide to project management* (4th ed.) [pp. 102-103]. New York: Penguin Group.

89. C

Rewarding. An important aspect of managing a project team is motivating the team members. Project managers can motivate team members by showing appreciation for their efforts and by rewarding them for reaching certain goals. A reward might include a nice meal, time off, or a financial bonus. Coaching is enabling others to reach their true potential by helping them to overcome the barriers that are keeping them from doing so. Assessing is a controlling activity. Organizing is the management function of setting up the way the business's work will be done.

SOURCE: PJ:007

SOURCE: Business Performance. (2003-2010). *Project team management.* Retrieved July 27, 2010, from http://www.businessperform.com/project-management/project_team_management.html

90. C

How can we improve? During the closing phase of the project, the project team develops the "lessons-learned" document, which summarizes the project's successes and failures. The document also includes suggestions for improvement for similar projects in the future, such as process changes or additional staff support. To include the suggestions for improvement, the project team needs to answer the question, “How can we improve?” Questions regarding needed equipment, stakeholders, and risks are addressed during the initiation phase of the project.

SOURCE: PJ:008

SOURCE: Campbell, G.M., & Baker, S. (2007). *The complete idiot's guide to project management* (4th ed.) [pp. 334-337]. New York: Penguin Group.

91. B
Initiate a product recall. Quality management is the coordination of resources to ensure the degree of excellence of a process, good, or service. A product recall is the removal from the marketplace of a product that is defective or hazardous to consumers. Defective baby cribs can seriously injure or kill babies. Therefore, the manufacturer needs to immediately notify the public that the crib is hazardous, so owners know to stop using the crib. Notification is generally communicated to the public by letters, the media, signs in stores, on the company's web site, etc. The manufacturer should cease production and stop shipping the crib until the problem has been fixed. Style refers to the product's appearance, and is not a primary concern when dealing with a defective item. Offering refunds and shipping a fixed or different type of crib are secondary actions that the manufacturer can take after recalling the defective crib.
SOURCE: QM:001
SOURCE: Marsh, Inc. (n.d.). *Do you know the impact a product recall can have on your company?* Retrieved July 23, 2010, from http://www.marshriskconsulting.com/st/PSEV_C_361_SC_291086_NR_302.htm

92. A
CMMI helps a business improve quality by linking specific activities with organizational goals. Capability Maturity Model Integration (CMMI) is a software program designed to help businesses continuously improve their processes, outputs, and performance levels. By implementing CMMI, the business can integrate and guide different types of quality improvements throughout various levels of the organization. A business can use CMMI to improve quality in relation to product development, product acquisition, or service management and delivery processes for specific projects, by company division, or throughout the entire organization by linking specific activities with organizational goals. CMMI provides an organization with flexibility to focus on the aspects of the business that need to be improved. CMMI focuses on integrating functions for quality improvement rather than dividing them.
SOURCE: QM:002
SOURCE: Carnegie Mellon Software Engineering Institute. (2010). *CMMI: Overview*. Retrieved July 27, 2010, from http://www.sei.cmu.edu/cmmi/

93. D
Establish benchmarks. Continuous improvement is the ongoing practice of looking for ways to increase the levels of excellence in relation to a process, good, or service. To determine if a business is improving the quality of its various products and processes, it needs to establish benchmarks—ways to provide a basis for comparison or evaluation of various components. If a business determines that benchmarks are not being achieved, then it may need to change processes or take corrective action. Change might include soliciting new customers or implementing new policies, depending on the situation being evaluated.
SOURCE: QM:003
SOURCE: Excelleration, Inc. (n.d.). *Quality improvement.* Retrieved July 26, 2010, from http://www.leadingexcellence.com/qualityimprovement.html

94. D
Implement an ethics program. Because employees represent the business, their unethical behavior can negatively affect the business's reputation. If a business develops a poor reputation or public image, customers may take their business elsewhere. To reduce the risk of a tarnished reputation, the business should implement an ethics program. An ethics program might include ongoing ethics training, which provides continuous guidance for the employees as to what constitutes ethical behavior on the job. The business should discourage fraudulent behavior, offer credit to customers who meet the business's credit criteria, and maintain optimal inventory levels so that the products are available when customers need them; these actions promote a positive public image for the company.
SOURCE: RM:041
SOURCE: Head, G. (2005, February). *Why link risk management and ethics?* Retrieved July 29, 2010, from http://www.irmi.com/expert/articles/2005/head02.aspx

95. C
Contingency plans. A contingency plan is an alternative course of action. A contingency plan states specific guidelines that a business uses when responding to undesirable circumstances. Businesses often use computer software programs to obtain numerical data about their levels of risk in different areas of the business. They use this information to make business decisions and to help them develop alternative action plans when circumstances occur that increase or decrease risk at a given time. Content theories are theories of motivation that focus on internal needs, drives, and incentives that cause people to behave in a certain manner. An endorsement is approval by a reputable external source. Governments develop monetary and fiscal regulations. Risk management software programs do not help businesses develop content theories, endorsement records, and fiscal policies.
SOURCE: RM:042
SOURCE: McIntosh, J. (2007, November 14). *Plan for crisis at work: Risk assessment and contingency planning in business.* Retrieved July 29, 2010, from http://strategic-business-planning.suite101.com/article.cfm/plan_for_crisis_at_work

96. A
Taking shortcuts to complete a bridge construction project on time. While shortcuts might save time and money, they might increase the business's risk. If less durable materials are used, processes are skipped, or undertrained workers make mistakes, the bridge may not be safe. If the bridge collapses as a result of shortcuts taken, the construction company may be held liable for damages. Smokestack emissions pose environmental risks, which may result in health-related issues. Changes to increase security reduce the business's risk. Exaggerating the capabilities of a commercial vacuum cleaner are risks related to advertising and/or sales.
SOURCE: RM:043
SOURCE: Martin, L. (2005, August 1). *Business ethics as risk management.* Retrieved July 29, 2010, from http://www.allbusiness.com/finance/insurance-risk-management/577644-1.html

97. A
Organizing. Organizing is the management function of setting up the way the business's work will be done. A primary organizing activity is establishing levels of authority. Staffing is the management function of finding workers for the company. Controlling is the management function that monitors the work effort. Evaluating is a controlling activity.
SOURCE: SM:064
SOURCE: Management Study Guide. (1998-2009). *Importance of organizing function*. Retrieved July 26, 2010, from http://www.managementstudyguide.com/organizing_importance.htm

98. D
Compensating employees. Staffing is the management function of finding workers for the business. Recruiting, selecting, hiring, and compensating qualified employees are primary staffing activities. The organizing function of management involves setting up the way the business's work will be done. Delegation is an organizing activity. Monitoring performance and establishing standards are controlling activities. Controlling is the management function that monitors the work effort.
SOURCE: SM:065
SOURCE: Erven, B. (n.d.). *The five functions of management.* Retrieved July 22, 2010, from http://extension.osu.edu/~mgtexcel/Function.html

99. A
Directing. Directing is the management function of providing guidance to workers and work projects. Directing activities include motivating, leading, and disciplining workers. When a manager encourages an employee to do something, the manager is performing a directing activity. Organizing is the management function of setting up the way the business's work will be done. Recruiting is a staffing activity. Staffing is the management function of finding workers for the business.
SOURCE: SM:066
SOURCE: Management Study Guide. (1998-2009). *Directing function of management.* Retrieved July 22, 2010, from http://www.managementstudyguide.com/directing_function.htm

100. B
Set performance standards. The control process consists of the following four steps, performed in this order: 1) Set performance standards which are realistic and acceptable to everyone involved; 2) Measure actual performance using performance appraisals, observations, and/or status reports; 3) Compare actual performance to established standards to determine how closely they align; and 4) Take corrective action if actual performance deviates significantly from the established performance standards.
SOURCE: SM:004
SOURCE: DuBrin, A.J. (2003). *Essentials of management* (6th ed.) [pp. 413-417]. Mason, OH: Thomson/South-Western.