

Competency-Based
Competitive Events
Written Exam

Test Number 1040
Booklet Number _____

Finance Cluster Exam

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

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1. A legally binding contract comes into being
 - A. whenever someone promises to do something in exchange for something.
 - B. only if drawn up by a lawyer.
 - C. when someone promises to give something to someone else.
 - D. only when money is involved.

2. The primary purpose of environmental law is to
 - A. safeguard business structures.
 - B. encourage business development.
 - C. maintain competition in the marketplace.
 - D. protect natural resources.

3. Which of the following pieces of federal legislation requires financial institutions to develop techniques for protecting customer information:
 - A. Sherman Antitrust Act
 - B. Fair Credit Billing Act
 - C. Robinson-Patman Act
 - D. Gramm-Leach-Bliley Act

4. The government does **not** tax the money placed in an individual retirement account (IRA) until it is withdrawn for its designated use. This money is an example of
 - A. capital gains revenue.
 - B. tax-deferred income.
 - C. dual taxation on earnings.
 - D. tax-exempt funds.

5. A primary reason that financial institutions should comply with government regulations is to
 - A. ensure solvency.
 - B. control risk.
 - C. stabilize tax rates.
 - D. monitor changes.

6. To ensure compliance, virtual-auditor technology provides businesses with the ability to monitor their financial processes by conducting
 - A. just-in-time delivery activities.
 - B. real-time transaction inspections.
 - C. electronic data interchange appraisals.
 - D. continuous quality control reviews.

7. Which of the following is a source of relevant, valid written material:
 - A. Internet chat rooms
 - B. Government publications
 - C. Personal e-mails
 - D. Computer-generated memos

8. What element of voice is important in order to communicate effectively with others?
 - A. Grammar
 - B. Vocabulary
 - C. Articulation
 - D. Documentation

9. What is it important to do when giving verbal directions to make sure the audience understands?
 - A. Use gestures
 - B. Maintain eye contact
 - C. Ask questions
 - D. Explain information

10. A transmittal letter is a business letter whose purpose is to
 - A. apologize to a customer.
 - B. accompany other written material.
 - C. extend good wishes.
 - D. sell specific products.

11. An effective technique to use when writing persuasive messages to customers is to
 - A. make a prediction.
 - B. demand their attention.
 - C. appeal to their needs.
 - D. use aggressive words.

12. A characteristic of simple memorandums written by business employees is that they usually are intended to be read by a(n)
 - A. internal audience.
 - B. board of directors.
 - C. planning committee.
 - D. group of suppliers.

13. Which of the following is likely to be the result when coworkers do not communicate well with each other:
- A. Efficient work area
 - B. Shared job responsibilities
 - C. Human relations problems
 - D. Increased job understanding
14. Which of the following should business employees avoid doing when participating in staff meetings:
- A. Talking
 - B. Arguing
 - C. Agreeing
 - D. Reviewing
15. What might result if a business fails to maintain positive customer/client relations?
- A. Lowering of goals
 - B. Reduction in assets
 - C. Loss of advertisers
 - D. Decrease in sales
16. Which of the following is an example of a customer inquiry related to a business's policies:
- A. "Can you send me a catalog to my business address?"
 - B. "Does that product come in any other sizes or colors?"
 - C. "Do you have two of the Model XY8 and nine of the Model ZK7 available in stock?"
 - D. "What type of discount will my company receive if the invoice is paid within 30 days?"
17. Which of the following types of customers is easy to handle but requires a lot of the salesperson's time:
- A. Domineering/Superior
 - B. Disagreeable
 - C. Suspicious
 - D. Slow/Methodical
18. What question should finance professionals ask to provide the appropriate types and levels of service to their clients?
- A. How can I maximize my returns?
 - B. Should I follow up with the clients?
 - C. What are the client's expectations?
 - D. Are my goals realistic and attainable?
19. A business uses data mining applications to determine which members of its target market are most likely to buy a new product, which is the process of
- A. database promotion.
 - B. customer discovery.
 - C. vendor identification.
 - D. seller input.
20. A manager is willing to accept the production of fewer quantities of a product as long as her workers produce higher quality products. The manager is making a(n)
- A. trade-off.
 - B. exchange.
 - C. capital good.
 - D. distribution.
21. What helps to create possession utility?
- A. Distribution
 - B. Promotion
 - C. Production
 - D. Competition
22. If a business is not concerned about social responsibility, it is likely to
- A. become solvent.
 - B. prosper.
 - C. grow.
 - D. be a failure.
23. Unethical business practices may lower a company's stock prices because
- A. employees resign from unethical companies.
 - B. the government fines unethical companies.
 - C. investors prefer companies they perceive to be ethical.
 - D. unethical companies usually go bankrupt.
24. The private enterprise economic system is often described as a
- A. controlled system.
 - B. price-directed system.
 - C. laissez-faire system.
 - D. pure system.

25. Requiring a contractor to purchase a surety bond is an example of handling business risk by _____ the risk.
- A. preventing
 - B. retaining
 - C. reducing
 - D. transferring
26. There are two kinds of workers that cause reports of national unemployment to be understated. They are _____ and _____ workers.
- A. part-time; discouraged
 - B. seasonal; part-time
 - C. discouraged; efficient
 - D. efficient; seasonal
27. A business that buys goods and services from a company in another nation is performing which of the following activities:
- A. Distributing
 - B. Producing
 - C. Exporting
 - D. Importing
28. How does stereotyping cultivate a negative work environment?
- A. Individuality is overlooked.
 - B. Work teams are self-directed.
 - C. Differences are ignored.
 - D. Information is withheld.
29. One way all employees can demonstrate initiative is to
- A. learn all they can about the company.
 - B. find out the company's future plans.
 - C. take part in community activities.
 - D. make sure they receive appropriate benefits.
30. Which of the following is an example of a situation that an ethical employee might report to management:
- A. A coworker "borrowing" money from the petty cash fund
 - B. A coworker calling a friend during a lunch break
 - C. A coworker explaining company discounts to a customer
 - D. A coworker paying the business to ship a personal package
31. Which of the following statements is an example of optimism:
- A. "Nothing good ever happens to me."
 - B. "I hate my job!"
 - C. "I don't know why I even bother trying."
 - D. "I'm sure everything will work out fine."
32. One of the benefits of having empathy is the development of relationships that are positive and
- A. continuous.
 - B. harmonious.
 - C. erratic.
 - D. competitive.
33. Which of the following is a belief you should have about your own behavior if you want to be assertive:
- A. Circumstances determine the way you should behave.
 - B. You have the right to choose the way you respond to your circumstances.
 - C. You have the right to be aggressive in some circumstances.
 - D. Passive behavior is a good response to aggression.
34. Before engaging in consensus-building activities, it's a good idea for the group to first
- A. establish ground rules.
 - B. take a vote.
 - C. appoint a leader.
 - D. set a time limit.
35. Taking responsibility for your team's success or failure in achieving the vision is part of a team leader's
- A. being enthusiastic.
 - B. establishing good working relationships.
 - C. being an example.
 - D. being a good listener.
36. Individuals often are able to obtain power within an organization by developing
- A. positive attitudes.
 - B. occupational skills.
 - C. political relationships.
 - D. operational goals.

37. Which of the following is one of the functions of money:
- A. Medium of exchange
 - B. System of cash
 - C. Method of investment
 - D. Process of accounting
38. Which of the following types of credit requires a down payment:
- A. Revolving credit
 - B. Open-account credit
 - C. Credit card
 - D. Installment credit
39. Kevin bought a refrigerator at a home-improvement store. When it was delivered to his home, he discovered that there were faulty parts. Which of the following should he do first:
- A. Seek an arbiter
 - B. Contact the home-improvement store's headquarters
 - C. Return to the place of purchase
 - D. Take legal action
40. Why do businesses make investments?
- A. To monitor deposits
 - B. To purchase stocks
 - C. To balance cash
 - D. To increase wealth
41. For which of the following items would you save (rather than invest):
- A. Spring break
 - B. Retirement
 - C. Future children's college
 - D. House
42. Which of the following is an important type of financial record that individuals should maintain in order to manage their finances:
- A. Insurance policy
 - B. Cashier's check
 - C. Product warranty
 - D. Travel report
43. Which of the following is the most likely action that the government takes when a person misses the deadline for filing his/her income tax return:
- A. Penalty
 - B. Refund
 - C. Extension
 - D. Allowance
44. Which of the following is an example of a non-deposit financial institution:
- A. Mortgage company
 - B. Credit union
 - C. Commercial bank
 - D. Mutual savings bank
45. A certificate of deposit is a short-term debt security that is sold through _____ markets.
- A. modified
 - B. capital
 - C. commodities
 - D. money
46. A primary advantage to consumers of convergence and consolidation in the finance industry is
- A. guaranteed earnings.
 - B. easier decision making.
 - C. one-stop shopping.
 - D. liquid capital.
47. Which of the following is most likely to have a **negative** effect on financial markets:
- A. Unemployment rates stabilize steadily.
 - B. Interest rates fluctuate daily.
 - C. Business expansion slows quickly.
 - D. Consumer spending increases consistently.
48. One factor that has stimulated financial globalization is
- A. more foreign regulation.
 - B. more domestic competition.
 - C. domestic investment preferences.
 - D. a movement toward fixed exchange rates.

49. Because Mia wants to be in charge of her investment portfolio and does not want to pay high commissions to a representative, she should consider obtaining securities information from a(n)
- A. licensed stockbroker.
 - B. online brokerage firm.
 - C. certified insurance agent.
 - D. risk management officer.
50. A potential investor can assess a stock's volatility by comparing the highest paid price in the past 52 weeks with the
- A. lowest paid price in 52 weeks.
 - B. rate of return.
 - C. price-earnings ratio.
 - D. estimated dividends.
51. What action can individuals take to reduce the cost of their health insurance coverage?
- A. Increase the amount of their liability coverage
 - B. Make quarterly payments to the carrier
 - C. Increase the amount of their deductible
 - D. Enroll in the carrier's disability coverage
52. A business protects itself from loss by taking out an insurance policy on an employee who handles expensive products. This loss-prevention technique is called
- A. monitoring.
 - B. covering.
 - C. restricting.
 - D. bonding.
53. The reason why a business prepares a balance sheet is to determine its
- A. future sales goal.
 - B. average cash flow.
 - C. estimated annual income.
 - D. current financial situation.
54. Effective financial-information management involves implementing processes that help companies
- A. make appropriate business decisions.
 - B. track their ongoing projects.
 - C. interpret government regulations.
 - D. revise economic indicators.
55. A business has the social responsibility to protect its customers' confidential financial information. One way for the business to do this is by
- A. changing Internet service providers periodically.
 - B. storing the information on multiple online databases.
 - C. reducing the use of data encryption techniques.
 - D. monitoring its security measures continuously.
56. An internal database that contains relevant internal financial data in a central location supports a business's ability to
- A. install security measures.
 - B. monitor competitors.
 - C. share information.
 - D. develop contracts.
57. A business that has the ability to generate different types of financial reports from a single computer program is using _____ software applications.
- A. spreadsheet
 - B. cost-based
 - C. integrated
 - D. simulated
58. After defining the research question, a financial business establishes a set of rules for placing the data in certain segments or groupings during the data-mining process. What data-mining approach is the financial business using?
- A. Rule induction
 - B. Decision tree
 - C. Neural networking
 - D. Fuzzy logic
59. If you were using a computer spreadsheet to track your small-business's budget, which of the following should you categorize as investment income:
- A. Dividends
 - B. Cash sales
 - C. Credit sales
 - D. Interest on debt

60. XRT Corporation uses a computer-software application to measure how efficiently its management is using accounts receivable, inventory, and capital goods to generate sales. What type of financial ratio is the software calculating?
- A. Asset utilization
 - B. Market value
 - C. Liquidity
 - D. Profitability
61. What computer application should a business use, when it wants to determine the amount of money that flows out of each of its departments?
- A. Billing analysis
 - B. Accounts-receivable analysis
 - C. Revenue analysis
 - D. Expense analysis
62. What is the foundation of relational databases?
- A. Rich Text Format Language (RTF)
 - B. HyperText Markup Language (HTML)
 - C. Synchronized Multimedia Integration Language (SMIL)
 - D. Structured Query Language (SQL)
63. To reduce risks associated with inaccurate financial reporting, many corporations have implemented
- A. peer mediation teams.
 - B. internal audit committees.
 - C. grievance boards.
 - D. performance evaluation groups.
64. Kendra is reviewing her company's cash flow statement to determine if she will have enough money coming into the business to cover her expenses next month. If she determines that she will experience a temporary cash inflow shortage, she will need to
- A. analyze the depreciation rates of major business assets.
 - B. take steps to obtain or save cash to cover her expenses.
 - C. prepare the business's employees for staffing cuts.
 - D. calculate the cash dividends owed to stockholders.
65. Which of the following accounting systems provides businesses with a better picture of their net profits for each accounting period by matching income earned in a period against the expenses of the period:
- A. Cash
 - B. Accrual
 - C. Managerial
 - D. Perpetual
66. What type of financial information would indicate to a business that the demand for its products has been steadily decreasing?
- A. Sales transactions
 - B. Accounts-payable records
 - C. Expense reports
 - D. Promotional budgets
67. When determining if it will approve a customer's loan application, a financial institution evaluates the customer's
- A. credit score.
 - B. employment skills.
 - C. personal goals.
 - D. lending policies.
68. Capital City Auto Dealership is analyzing Francesca Martino's loan application for a new car. As a recent college graduate, Francesca has a steady job and earns a good income. She is currently living with her parents, has little debt, and maintains reasonable balances on her three credit cards. Because Francesca has never borrowed a large sum of money, the dealership is more likely to approve the loan if Francesca gets a(n)
- A. qualified loan cosigner.
 - B. incremental pay increase.
 - C. reputable credit report.
 - D. letter of intent.

69. To identify internal business trends, the MNY Financial Services Company can analyze financial variances by
- A. predicting long-term sales for its various products.
 - B. reviewing long-term financial objectives at irregular intervals.
 - C. obtaining reports from purchasing and inventory control.
 - D. comparing its data for six consecutive months.
70. Touring the building, introducing coworkers, and providing information about workplace policies are activities conducted during the new employee _____ process.
- A. orientation
 - B. evaluation
 - C. screening
 - D. administration
71. Why is it important for marketers to have efficient distribution systems?
- A. To purchase supplies
 - B. To control expenses
 - C. To sell benefits
 - D. To regulate prices
72. Which of the following is an example of a business violating copyright laws in the process of using another organization's information:
- A. Obtaining lists of customers
 - B. Making unauthorized copies of software
 - C. Reading about a patented invention
 - D. Reviewing sales contracts
73. A business is able to search the World Wide Web and jump from one page that is connected to another page by clicking on the
- A. hyperlink.
 - B. attachment.
 - C. software.
 - D. password.
74. Which of the following types of software programs would an employee use to prepare a form letter informing the company's clients of a change in product pricing:
- A. Presentation
 - B. Spreadsheet
 - C. Word processing
 - D. Database
75. A benefit of using an integrated software application package is that it allows businesses to
- A. prepare routine budgets.
 - B. develop research reports.
 - C. search the Internet for information.
 - D. manage all aspects of the operation.
76. Since Juanita wants to access her business records in 30 years, she needs to know this drawback to storing information on CD/DVD:
- A. Some CDs/DVDs are not secure.
 - B. Some CDs/DVDs are unreadable.
 - C. Some CDs/DVDs last only a decade.
 - D. Some CDs/DVDs are expensive to buy.
77. The migration of people from one location to another that affects the types of products that businesses sell is an example of a
- A. population trend.
 - B. geography issue.
 - C. transportation route.
 - D. social lifestyle.
78. Which of the following is a true statement about carrying out scanning activities:
- A. You should avoid using surveys.
 - B. All information should be obtained in a formal manner.
 - C. Information obtained from television is unreliable.
 - D. You must focus only on relevant information.
79. The difference between service providers' and manufacturers' operations activities is that service providers produce _____ outputs.
- A. valuable
 - B. expensive
 - C. useful
 - D. intangible

80. Why is it important to report noncompliance with business health and safety regulations?
- A. To correct dangerous situations
 - B. To make the business pay fines
 - C. To interview all employees
 - D. To obtain confidential records
81. Blair does not wear safety goggles, hearing protectors, or a coverall in her job as a woodworking shop supervisor. Blair is risking safety in the workplace by
- A. having poor personal habits.
 - B. lacking job knowledge.
 - C. using unsafe equipment.
 - D. wearing inappropriate clothing.
82. Why is it important to think ahead about how you will monitor your project?
- A. To practice monitoring the project
 - B. To pick the right helpers
 - C. To make sure the project's quality doesn't suffer
 - D. To carry out the project
83. Which component on a purchase order indicates the total price for all quantities of a single item:
- A. Product code
 - B. Subtotal
 - C. Unit price
 - D. Extension
84. Employees who serve customers efficiently help to control expenses by
- A. improving morale.
 - B. increasing returns.
 - C. reducing complaints.
 - D. decreasing volume.
85. Which of the following is not a reason that employees should perform housekeeping duties:
- A. To support sales
 - B. To attract customers
 - C. To keep employees occupied
 - D. To give the business a well-organized appearance
86. Which of the following terms refers to the habits and practices you regularly perform to take care of your body:
- A. Hygiene
 - B. Education
 - C. Relaxation
 - D. Meditation
87. Which of the following is **not** a benefit of goal setting:
- A. Providing a way to measure your progress
 - B. Keeping you on target
 - C. Helping you know what resources you need
 - D. Ensuring you accomplish all your goals
88. Emotion plays a significant role in the decision you make if
- A. you're committed to a result.
 - B. you're comfortable with risk.
 - C. you have a gut feeling about an option.
 - D. you feel strongly about an option.
89. Which of the following is one way for a person to identify a tentative career interest:
- A. Take ability assessment tests
 - B. Ask guidance counselors for suggestions
 - C. Find out which majors are popular
 - D. Locate high-income occupations
90. What should a job applicant do when there is a question on a job application that does not apply to him/her?
- A. Ask the interviewer what to do
 - B. Create an acceptable answer
 - C. Draw a line through the blank or mark it NA
 - D. Leave the space blank
91. Which of the following is usually the most effective way of developing career opportunities:
- A. Counseling
 - B. Interviewing
 - C. Mentoring
 - D. Networking

92. Beginning securities sales agents, or brokers, are required to
- A. work with a mentor.
 - B. pass a licensing exam.
 - C. register with the Securities and Exchange Commission.
 - D. settle for below-average salaries in exchange for short work weeks.
93. How do credit unions differ from commercial banks?
- A. They offer higher fees.
 - B. They offer higher interest rates.
 - C. They are created and owned by members.
 - D. There are no requirements for membership.
94. Cecilia's primary job responsibilities involve keeping and interpreting financial records. Which of the following is the certification that Cecilia is mostly likely to need to perform her work:
- A. Certified Annuity Specialist (CAS)
 - B. Certified Information Systems Auditor (CISA)
 - C. Actuarial Science Certification (ASC)
 - D. Certified Public Accountant (CPA)
95. One way for a financial planner to build professional business relationships is by
- A. conducting finance seminars.
 - B. funding charitable events.
 - C. taking online classes.
 - D. reviewing educational requirements.
96. To control the business's level of risk, management needs to clearly communicate the business's code of ethics to employees because
- A. businesses usually do not address ethical issues in their employee handbooks.
 - B. the government requires all businesses to provide in-depth ethics training programs.
 - C. the employees' personal ethics may differ from the business's ethics.
 - D. business policies tend to change in terms of what is considered ethical behavior.
97. Which of the following is a form of technology used to manage business risk in relation to online security:
- A. Frames
 - B. Firewalls
 - C. Meta tags
 - D. Site maps
98. Which of the following is a risk associated with management's failure to follow business regulations:
- A. Effective reporting methods
 - B. Lower insurance premiums
 - C. Expected customer-satisfaction levels
 - D. Financial losses in relation to lawsuits
99. Which of the following situations is a potential internal risk to a business:
- A. Inflation rate changes over time.
 - B. A competitor gains market share.
 - C. Management monitors employees.
 - D. Facility delays equipment repairs.
100. To control risks associated with robbery, financial institutions often
- A. use security cameras to monitor business activities.
 - B. provide each employee with a key to access secured areas.
 - C. suggest that customers use computer passwords to access their accounts.
 - D. require managers to balance the cash drawers once a week.