

KEY

Test Number 1040

Finance Cluster Exam

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

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

Copyright © 2011 by Marketing & Business Administration Research and Curriculum Center®, Columbus, Ohio

Each individual test item contained herein is the exclusive property of MBAResearch. Items are licensed only for use as configured within this exam, in its entirety. Use of individual items for any purpose other than as specifically authorized in writing by MBAResearch is prohibited. This exam, without modification, is licensed for one-time use on a date specified by the licensee (state DECA advisor or designee), on or before MARCH 31, 2011. **Possession of this exam, without written authorization, under any other circumstances is a copyright violation.** Posting to inter- or intranet sites is specifically forbidden unless written permission is obtained prior to posting. Report violations to MBAResearch at 800.448.0398.

1. A
Whenever someone promises to do something in exchange for something. This exchange of money, things, time, ideas, etc., is what distinguishes a contract from a gift. Promising to give something to someone else is not a contract because no exchange occurs. Contracts can be binding whether or not money is involved, or whether they are drawn up by a lawyer or private individuals.
SOURCE: BL:002
SOURCE: McAdams, T., Neslund, N., & Neslund, K. (2007). *Law, business, and society* (8th ed.) [pp. 210-212]. Boston: McGraw-Hill/Irwin.
2. D
Protect natural resources. The primary purpose of environmental regulations is to protect natural resources, including the air, soil, and water. Environmental laws require businesses to control the amount and type of pollution they release into the environment and to use appropriate measures for the disposal of hazardous waste. By following environmental regulations, businesses are complying with the government's efforts to protect natural resources by keeping air, soil, and water safe for consumption. Antitrust laws prevent monopolies, which are conditions that reduce competition in the marketplace. Encouraging business development and safeguarding business structures are not the primary purpose of environmental laws.
SOURCE: BL:073
SOURCE: McAdams, T., Neslund, N., & Neslund, K. (2007). *Law, business, and society* (8th ed.) [pp. 664-666]. Boston: McGraw-Hill/Irwin.
3. D
Gramm-Leach-Bliley Act. The Gramm-Leach-Bliley Act is also known as the Financial Modernization Act of 1999. The main feature of the Act concerns the privacy of customers' financial information. To guarantee the privacy of that information, the Act also requires financial institutions to develop and maintain techniques and methods for protecting the information. The intent is to prevent private financial information from becoming public. The Fair Credit Billing Act, the Robinson-Patman Act, and the Sherman Antitrust Act are not recent and do not concern protecting customer information.
SOURCE: BL:133
SOURCE: Megginson, W.L. & Smart, S.B. (2006). *Introduction to corporate finance* (p. 466). Mason, OH: Thomson South-Western.
4. B
Tax-deferred income. Certain types of investments or funds are not taxed until the money is being used, such as money in an individual retirement account (IRA) that retirees use for living expenses. Capital gains refer to the difference between the purchase price and selling price of an investment. For example, the capital gains on a house purchased for \$250,000 and sold for \$300,000 is \$50,000. Dividends are subject to dual taxation—both the company and the shareholder pay tax on stock earnings. Tax-exemption involves money that is not taxed, such as certain types of charitable donations.
SOURCE: BL:134
SOURCE: Kapoor, J.R., Dlabay, L.R., Hughes, R.J., & Hoyt, W.B. (2005). *Business and personal finance* (p. 262). New York: Glencoe/McGraw-Hill.
5. B
Control risk. Failure to comply with regulations may result in penalties, fines, or imprisonment for employees who knowingly violate laws. Also, noncompliance may damage a financial institution's reputation, which often reduces its investors' and customers' trust in the company, and ultimately affects its bottom line in a negative way. Therefore, it is important for financial institutions to take steps to ensure that they are complying with regulations. Compliance is one way that financial institutions can control or lower their level of risk. Businesses control their risk levels by monitoring regulatory changes, such as tax-rate increases. Compliance can reduce the risk of insolvency, but cannot ensure solvency.
SOURCE: CC:003
SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (pp. 41-42). South-Western Cengage Learning.

6. B

Real-time transaction inspections. A virtual auditor is a type of compliance technology that uses multiple reasoning processes to help businesses identify errors and compliance violations. Because virtual-auditor technology continuously inspects financial transactions and processes in real time, businesses can identify and resolve problems quickly, which helps them comply with government regulations. Just-in-time is an inventory method in which goods are ordered so that they arrive when they are needed, rather than being stockpiled. An electronic data interchange (EDI) allows the exchange of purchasing and inventory information between businesses and their suppliers. Continuous quality control involves monitoring products to ensure that inputs, construction, and quality are consistent.

SOURCE: CC:004

SOURCE: Oversight Systems, Inc. (n.d.). *IT's role in financial process improvements*. Retrieved June 18, 2010, from http://www.oversightsystems.com/whitepapers/IT_4_biz_improvement_060725.pdf

7. B

Government publications. Government agencies and departments collect relevant information concerning many issues and publish the information in a written format. Therefore, government publications are a good source of relevant, valid written material that may be useful to businesses. For example, government agencies publish information about economic and employment trends that businesses use in the planning process. Internet chat rooms are sites on which individuals communicate with each other in real time and are not a source of relevant valid written material. Personal e-mails are messages to friends rather than a source of relevant, valid written material. Computer-generated memos do not necessarily contain relevant, valid written material.

SOURCE: CO:054

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2009). *Marketing essentials* (p. 613). New York: Glencoe/McGraw-Hill.

8. C

Articulation. Articulation is speaking distinctly and clearly and pronouncing words precisely. Proper articulation is important in order to communicate exactly what you are trying to say to others. To have a good speaking voice, you should use proper articulation and avoid mumbling, slurring, or mispronouncing words. Grammar is the rules of language. Vocabulary is a list or collection of words. Documentation is the use of printed materials to substantiate facts.

SOURCE: CO:147

SOURCE: Miculka, J.H. (2007). *Speaking for success* (2nd ed.) [p. 35]. Cincinnati: South-Western Educational.

9. C

Ask questions. When giving verbal directions, it is important to regularly ask questions to make sure the audience understands the directions. Asking if listeners understand a certain word or phrase will provide feedback that indicates understanding. Many times, listeners will not admit that they do not understand, and the only way to find out is to ask questions. Maintaining eye contact, using gestures, and explaining information are techniques for giving verbal directions. However, they will not indicate if the audience understands the directions.

SOURCE: CO:083

SOURCE: Hyden, J.S., Jordan, A.K., Steinauer, M.H., & Jones, M.J. (2006). *Communicating for success* (3rd ed.) [pp. 113-115]. Mason, OH: Thomson South-Western.

10. B

Accompany other written material. A transmittal letter is sent along with other documents or reports as an introduction and explanation. The purpose of a transmittal letter is to identify what is being sent so that the recipient will know what should be included and if any action needs to be taken. The other alternatives would require letters that apply to the specific situation. A letter of congratulations would extend good wishes, a letter of apology would make amends with a customer, and a sales letter would try to sell specific products.

SOURCE: CO:133

SOURCE: Lehman, C.M., & Dufrene, D.D. (2005). *Business communication* (14th ed.) [pp. 413-414]. Cincinnati, OH: South-Western College Publishing.

11. C

Appeal to their needs. The purpose of writing persuasive messages is to convince customers to do something, such as buy a product or pay an overdue bill. To encourage them to take the correct action, it is important to appeal to their needs and show them why it is a benefit to do what you want them to do. For example, if you want customers to buy a new product, explain how that product will benefit them, such as by saving money or speeding up production. Customers are more likely to respond favorably when they understand how their needs will be satisfied. It is not effective to use aggressive words or demand a customer's attention as these techniques often offend customers. Making a prediction is not as effective as stating a fact or providing logical evidence to support your message.

SOURCE: CO:031

SOURCE: Hyden, J.S., Jordan, A.K., & Steinauer, M.H. (2007). *Communicating for success* (3rd ed.) [pp. 333-334]. Cincinnati: South-Western Educational.

12. A

Internal audience. Memorandums are a type of simple written report that business employees often prepare to provide information to others within the business. Since memorandums are usually intended to be read by an internal audience, they are less formal and shorter than traditional business letters. They often provide information about the progress of current projects or an explanation of upcoming events. Not all businesses have boards of directors or planning committees. However, these are examples of internal audiences that may, or may not, receive memorandums. A group of suppliers is an external audience.

SOURCE: CO:094

SOURCE: Lesikar, R.V., & Flatley, M.E. (2005). *Basic business communication: Skills for empowering the Internet generation* (10th ed.) [pp. 97-99]. Boston: McGraw-Hill/Irwin.

13. C

Human relations problems. Workers who lack good communication skills have trouble making themselves understood and sharing information with others. This can cause problems among employees, especially those who work closely together. Job understanding might decrease if a supervisor has poor communication skills. Shared job responsibilities and efficiency in the work area are benefits of good communication among employees.

SOURCE: CO:014

SOURCE: Kimbrell, G., & Vineyard, B.S. (2006). *Succeeding in the world of work* (pp. 277, 296). New York: Glencoe/McGraw-Hill.

14. B

Arguing. Business employees should never argue with other employees when participating in staff meetings. Arguing is not a productive activity and often causes hard feelings. Even if someone in the meeting tries to start an argument, it is not appropriate for employees to participate. The person leading the meeting should control the situation so arguments do not start or continue. When participating in staff meetings, employees usually talk and they often agree on issues and review important information.

SOURCE: CO:063

SOURCE: Lussier, R.N. (2003). *Management fundamentals: Concepts, applications, skill development* (2nd ed.) [pp. 329-330]. Mason, OH: South-Western.

15. D

Decrease in sales. Maintaining good customer/client relations is important to a business because customers who receive poor treatment may never return to the business. When customers fail to return, businesses often experience a decrease in sales. Also, customers who are poorly treated may tell their friends and others about the treatment, and these people may decide not to buy from the business, thereby adding to the decrease in sales. Failing to maintain positive customer/client relations probably would not result in a loss of advertisers, a reduction in assets, or a lowering of goals.

SOURCE: CR:003

SOURCE: Rokes, B. (2002). *Customer service: Business 2000* (p. 19) South-Western.

16. D

“What type of discount will my company receive if the invoice is paid within 30 days?” Because customers ask different types of questions, employees should be knowledgeable about many areas of the business. Sometimes, customers want information about the business's various policies or rules. Businesses develop policies that address issues related to credit, payment, discounts, returns, etc. To help customers obtain the information they desire, employees should know these policies or be able to find out about them from someone else within the company. In the example, the customer wants to know about discounts in relation to payment policies. Inquiries about colors, sizes, availability, and catalogs relate to the business's products.

SOURCE: CR:006

SOURCE: Levy, M., & Weitz, B.A. (2007). *Retailing management* (6th ed.) [pp. 135, 251-252]. Boston: McGraw-Hill/Irwin.

17. D

Slow/Methodical. These customers are insecure; therefore, they doubt their selections and require more time to make a final buying decision. You'll find that this customer type often relies on a friend or relative to help make buying decisions. Disagreeable customers are unpleasant and hard to help. Domineering/Superior customers are overly self-confident and feel that they know more than the average person. Suspicious customers question everything and want facts before being convinced that something is true.

SOURCE: CR:009

SOURCE: CR LAP 3—Making Mad Glad (Handling Difficult Customers)

18. C

What are the client's expectations? To provide the level of service that their clients desire, finance professionals need to understand and know the level of service and communication that their clients expect. To build long-term client relationships, finance professionals should participate in ongoing communication with clients, which includes following up with clients to answer questions and resolve problems. Answering questions about personal career goals and personal financial returns are not directly related to providing the appropriate levels of service to clients.

SOURCE: CR:012

SOURCE: American Bankers Association. (2005). *Today's teller: Developing basic skills* (pp. 170-171). Washington: Author.

19. B

Customer discovery. Data mining is the process of searching computer databases to look for patterns and relationships among data. Businesses use data mining processes to identify new markets and discover the customers who are most likely to purchase their products by sorting through various types of data. Then, businesses can take steps to promote their products to the prospects or customers who have the most buying potential after discovery takes place. A vendor is a supplier. Input is feedback.

SOURCE: CR:024

SOURCE: Zikmund, W.G., & Babin, B.J. (2010). *Exploring marketing research* (10th ed.) [p. 172]. Mason, OH: South-Western Cengage Learning.

20. A

Trade-off. All economic choices, including the manager's, involve trade-offs. Trade-offs involve giving up all or part of one thing in order to get something else. The trade-offs that a person or organization is willing to accept should be based on the opportunity costs involved. The manager would prefer that her workers produce higher quality products, even if that means that they can't produce as many products as they would have otherwise. The opportunity cost of the manager's decision is the lost benefits and income that additional products would have generated. Producers, consumers, and resource owners exchange money payments for the use of their goods, services, and resources. A capital good is a manufactured or constructed item that is used in production. Distribution is an economic process or activity by which income is divided among resource owners and producers.

SOURCE: EC:001

SOURCE: EC LAP 6—Are You Satisfied? (Concept of Economics)

21. B
Promotion. Promotion is a marketing function that communicates information about goods, services, images, or ideas to customers or clients. Possession utility is usefulness created when ownership of a product is transferred from the seller to the user. Businesses promote their goods and services in order to increase the demand for them. Distribution is the process of shipping, handling, and storing items on the way from the producer to the consumer. Production is the process or activity of producing goods and services. Competition is the rivalry between two or more businesses to attract scarce customer dollars.
SOURCE: EC:004
SOURCE: EC LAP 13—Use It (Economic Utility)
22. D
Be a failure. When a business is not concerned about the safety and quality of its products or about the products' users, the products often do not sell, and the business does not survive. This is the wrong attitude for the business to take, and it prevents the business from growing and prospering. The business may, instead, lose so much money that it becomes insolvent.
SOURCE: EC:070
SOURCE: EC LAP 20—Business Connections (Business and Society)
23. C
Investors prefer companies they perceive to be ethical. Unethical business practices may lower a company's stock prices because investors prefer companies they perceive to be ethical. When a company loses investors and has a negative public image, its stock prices will suffer. The government does not always fine unethical companies. Employees' leaving an unethical company will not necessarily affect its stock prices. Unethical companies *sometimes* go bankrupt, but not always.
SOURCE: EC:106
SOURCE: EC LAP 21—On the Up and Up (Business Ethics)
24. B
Price-directed. The U.S. private enterprise economy is often called a price-directed system because price determines what consumers buy, which jobs they will take, the success or failure of businesses, and the types of products that will be produced. Prices are important in making the system work correctly. The U.S. economic system is not pure or controlled. Instead, it is considered a mixed economy because there is limited government control. Laissez-faire is not a type of economic system but a management style in which employees work with very little direct supervision.
SOURCE: EC:009
SOURCE: EC LAP 15—People Power (The Private Enterprise System)
25. D
Transferring. Requiring a contractor to purchase a surety bond is an example of transferring risk—shifting the risk to someone else. If the contract is not fulfilled as expected, the surety bond is paid to the business that stands to lose. Retaining risk is keeping it. Reducing risk is preventing or controlling it. Preventing risk is taking measures to reduce the risk.
SOURCE: EC:011
SOURCE: EC LAP 3—Lose, Win, or Draw (Business Risk)
26. A
Part-time; discouraged. Part-time workers could also be counted as partially unemployed. Some work part-time through choice, while others cannot find full-time employment. Discouraged workers are often placed within the category of “not in the labor force,” though they might have been actively seeking employment for sometime. Discouraged, they often give up the search and choose to not rejoin the labor force. Seasonal unemployment is common and does not cause understatement in reports of national unemployment. Efficient workers have no effect on the reports of national unemployment.
SOURCE: EC:082
SOURCE: McConnell, C.R., & Brue, S.L. (2005). *Economics: Principles, problems, and policies* (16th ed.) [p. 136]. Boston: McGraw-Hill/Irwin.

27. D
Importing. The buying of goods and services from other nations is known as importing. Producing is the process of growing, providing, or manufacturing goods and services. Distributing is the process of shipping, handling, and storing items on the way from the producer to the consumer. Exporting is the selling of goods and services to individuals, businesses, or governments in other countries.
SOURCE: EC:016
SOURCE: EC LAP 4—Beyond US (International Trade)
28. A
Individuality is overlooked. A stereotype is a set image or assumption about a person or thing. Stereotyping tends to classify certain people in groups (e.g., gender, race, age) that possess certain characteristics. These characteristics are often based on unproven, false, or distorted beliefs and information. Stereotyping does not consider the individual's unique skills, beliefs, and attitudes. Stereotyping tends to foster biased attitudes in the workplace and can lead to an "us versus them" attitude, which creates a negative, less productive work environment. To cultivate a positive work environment, employees must recognize their differences and embrace diversity. By embracing diversity, self-directed work teams tend to function more efficiently. Although withholding certain information from employees can lower the level of trust in the workplace, it does not relate to stereotyping.
SOURCE: EI:017
SOURCE: Kimbrell, G., & Vineyard, B.S. (2006). *Succeeding in the world of work* (pp. 269-270). New York: Glencoe/McGraw-Hill.
29. A
Learn all they can about the company. Learning about the company on your own initiative demonstrates your sincere interest in the business. This might include, but is not limited to, learning about the company's future plans. Taking part in community activities is a personal choice, not initiative. Making sure they receive appropriate benefits is part of the employment process.
SOURCE: EI:024
SOURCE: EI LAP 2—Hustle! (Taking Initiative at Work)
30. A
A coworker "borrowing" money from the petty cash fund. Some situations at work are unethical even though they are not serious. An example is a coworker "borrowing" money from the petty cash fund. If the coworker does not replace the money, the coworker is stealing from the business. This is a situation than an ethical employee should report to management. It is not unethical for coworkers to call friends during the lunch break, explain company discounts to customers, or pay the business to ship a personal package.
SOURCE: EI:004
SOURCE: EI LAP 4—Work Right (Ethical Work Habits)
31. D
"I'm sure everything will work out fine." The phrase, "I'm sure everything will work out fine," is an example of optimism. An optimist is a person with a positive attitude, who looks on the bright side. An optimist would be likely to think that everything will work out fine, even if faced with temporary problems or obstacles. The other phrases are negative. They are examples of pessimism.
SOURCE: EI:019
SOURCE: EI LAP 3—Opt for Optimism (Positive Attitude)
32. B
Harmonious. Empathy is the ability to put oneself in another person's place. It is a trait that helps you to interact with other people. People with empathy are sensitive, understanding, have a good imagination, and keep an open mind. As a result, they are usually able to develop harmonious relationships with others. Empathy does not create competitive or erratic relationships, or ensure that relationships will be continuous.
SOURCE: EI:030
SOURCE: EI LAP 12—Have a Heart (Empathy)

33. B

You have the right to choose the way you respond to your circumstances. Don't excuse yourself by blaming your passive or aggressive behavior on your circumstances. No matter what your circumstances, you have the right to choose the way in which you respond to those circumstances. Take full responsibility for your behavior, and resolve to change it when it is inappropriate. Passive behavior is never a good response to aggression as it usually encourages the aggressive person to continue.

SOURCE: EI:008

SOURCE: EI LAP 18—Assert Yourself (Assertiveness)

34. A

Establish ground rules. A consensus is a decision-making outcome that requires the substantial agreement of each group member—every member must agree to the same decision or outcome. Consensus building is the process of coming to a consensus. During the consensus-building process, frustration can occur among group members. Therefore, it is important to set ground rules, or consistent expectations for each group member's behavior, to keep tension from escalating. In consensus building, every group member has an equal level of power, so there are no leaders. Voting is a decision-making method in which votes are counted for or against an alternative, and whichever alternative has the greatest number of "yes" votes, wins. With consensus, no member wins because each member must agree with the decision. Consensus-building activities might include setting a time limit, but that is an issue that the group members discuss when they are establishing ground rules.

SOURCE: EI:011

SOURCE: QS LAP 17—All Aboard!

35. C

Being an example. Taking responsibility for your team's success or failure as it works toward the vision is being an example and a sure sign of solid leadership. This responsibility does not necessarily relate to working relationships, demonstrating enthusiasm, or being a good listener.

SOURCE: EI:060

SOURCE: EI LAP 13—Vision Quest (Enlisting Others in Vision)

36. C

Political relationships. Individuals who develop effective political relationships within an organization usually are able to obtain power because others respect them and believe in them. Individuals who have power often have the ability to influence others to do what they want them to do. Individuals who work well with others, make friends within the organization, and project competence are building relationships that will give them power. Individuals will not necessarily be able to obtain power within an organization by developing occupational skills, positive attitudes, or operational goals. However, this might help them to perform better on the job.

SOURCE: EI:034

SOURCE: Lussier, R.N. (2003). *Management fundamentals: Concepts, applications, skill development* (2nd ed.) [pp. 274-277]. Mason, OH: South-Western.

37. A

Medium of exchange. A medium of exchange is something of value that can be used to obtain goods and services. The most common form is money. Money is what individuals, businesses, and governments use to buy what they need and pay expenses. Money is the thing of value. It is not a system of cash, a method of investment, or a process of accounting.

SOURCE: FI:060

SOURCE: McConnell, C.R., & Brue, S.L. (2005). *Economics: Principles, problems, and policies* (16th ed.) [pp. 232-233]. Boston: McGraw-Hill/Irwin.

38. D
Installment credit. Installment credit is a type of credit account set up to handle one total amount of credit which is to be paid off in regular installments. The credit user makes a down payment and signs an agreement to pay monthly installments, including interest, until the total is paid. Revolving credit limits the total amount of money that may be owed and charges interest on outstanding balances. A credit card is an identification card that permits the credit account holder to charge purchases to the credit account. Open-account credit allows credit users to buy at any time during a set period, usually 30 days.
SOURCE: FI:002
SOURCE: FI LAP 2—Give Credit Where Credit Is Due (Credit and Its Importance)
39. C
Return to the place of purchase. Most merchants are eager to work with customers to resolve disputes about sales. This is also the remedy that consumes the least amount of time. If the dispute is not resolved, his next step should be to contact company headquarters and speak to someone there. If the dispute is still not resolved, then he should seek a third party to arbitrate the situation. If all of these steps fail, he should take legal action against the home-improvement store.
SOURCE: FI:063
SOURCE: Kapoor, J.R., Dlabay, L.R., Hughes, R.J., & Hoyt, W.B. (2005). *Business and personal finance* (pp. 107-109). New York: Glencoe/McGraw-Hill.
40. D
To increase wealth. Many businesses have cash remaining after all of the expenses have been paid. As a result, they often invest these funds to increase the wealth of the business. For example, a business that invests \$5,000 in a stock that appreciates 8% in value in a year, then has an asset worth \$5,400. As the business continues to invest, its wealth continues to increase. Purchasing stock is a type of investment. Businesses do not make investments to balance cash or monitor deposits.
SOURCE: FI:270
SOURCE: Gitman, L.J., & Madura, J. (2001). *Introduction to finance* (pp. 493-495). Boston: Addison Wesley.
41. A
Spring break. You would save money for spring break, rather than invest for it. Saving is important for reaching short-term financial goals, such as vacations. Investing is for reaching long-term financial goals, such as retirement, your children's college education, and home ownership.
SOURCE: FI:270
SOURCE: QS LAP 30—Supersize Your Money
42. A
Insurance policy. Individuals maintain a variety of financial records, and one of these is an insurance policy. In many cases, individuals have several types of insurance policies, such as automobile, homeowner's, health, life, etc. These policies pay claims that have cash value. For example, if an individual's home is damaged due to a tornado, a homeowner's policy will pay for repairs, which saves money for the homeowner. It is important for individuals to keep a record of these policies so they will know what is covered and for how much. Cashier's checks, product warranties, and travel reports are not financial records that individuals should maintain.
SOURCE: FI:069
SOURCE: Kapoor, J.R., Dlabay, L.R., Hughes, R.J., & Hoyt, W.B. (2005). *Business and personal finance* (pp. 411-413). New York: Glencoe/McGraw-Hill.
43. A
Penalty. A penalty is a punishment. The government depends on income tax to support public programs. When people do not provide income tax information when it is needed, the government often imposes a penalty, usually a fine or fee. Ongoing failure to report income can result in imprisonment. The government does not offer a refund or allowance for missing an important deadline. However, a person can file for an extension to avoid being penalized for missing a filing deadline.
SOURCE: FI:074
SOURCE: Kapoor, J.R., Dlabay, L.R., & Hughes, R. J. (2005). *Personal finance* (pp. 390-391, 393). Woodland Hills, CA: Glencoe/McGraw-Hill.

44. A
Mortgage company. A primary function of a non-deposit financial institution is to lend money to qualified customers. For example, mortgage companies arrange loans for individuals to purchase homes and for businesses to purchase office buildings, production facilities, or warehouses. Deposit-taking financial institutions accept funds from customers (depositors) and pay interest on the accepted funds. Credit unions, commercial banks, savings and loan associations (banks), and mutual savings banks are types of deposit-taking financial institutions.
SOURCE: FI:336
SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (pp. 18-19). South-Western Cengage Learning.
45. D
Money. A financial market is an organized effort or exchange that facilitates the buying and selling of financial assets. Money markets facilitate the buying and selling of short-term, low-risk financial products, such as treasury bills and certificates of deposit. Capital markets buy and sell long-term securities such as corporate and municipal bonds. Commodities markets are involved with the buying and selling of various resources such as agricultural goods and mined goods, which are often used to make other products. Modified is not a type of financial market.
SOURCE: FI:337
SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (p. 7). South-Western Cengage Learning.
46. C
One-stop shopping. Convergence is the merging of financial providers from different financial sectors, and consolidation is the merging of financial providers within the same institutional category. An advantage to consumers of the convergence and consolidation in the finance industry is the creation of "one-stop" shopping, which reduces the need to go to different financial providers for different financial products. Convergence and consolidation do not always make decision making easier for consumers, nor does it guarantee earnings on their investments. Convergence and consolidation usually provide more liquid capital for the financial institutions rather than for consumers.
SOURCE: FI:573
SOURCE: MBAResearch and Curriculum Center. (2009). *Introduction to finance course guide* (pp. 5-106, 5-107). Columbus, Ohio: Author.
47. C
Business expansion slows quickly. Slower business expansion is one factor that indicates an economic recession. When business productivity slows, there is less work for laborers. When there is less work for laborers, businesses tend to lay off employees, causing unemployment rates to rise. Unemployment leads to less consumer spending because the displaced workers do not have income available to buy goods and services, including financial products. Fluctuating interest rates do not always indicate problems with financial markets because slight daily fluctuations are normal. Increased consumer spending usually indicates that the economy is rebounding, that people are working, and that people have more money to invest in the financial markets.
SOURCE: FI:574
SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (p. 220). South-Western Cengage Learning.
48. B
More domestic competition. Globalization is the rapid and unimpeded flow of capital, labor, and ideas across national borders, which includes the integration of financial markets, especially capital markets. Due to increased domestic competition, financial companies have been seeking new markets in foreign countries. Other factors that have encouraged financial globalization include reduced regulation and a movement from fixed exchange rates to floating exchange rates.
SOURCE: FI:575
SOURCE: MBAResearch and Curriculum Center. (2009). *Introduction to finance course guide* (pp. 5-156-5-158). Columbus, OH: Author.

49. B

Online brokerage firm. Online brokerage firms provide clients with securities information via the Internet. Generally, online brokerage firms offer fewer services than full-service brokerage firms, so clients assume more responsibility for managing their own investments. A stockbroker is a licensed person who has the authority and expertise to buy and sell securities on behalf of a client. Stockbrokers often charge high fees or earn high commissions. Certified insurance agents and risk management officers do not always possess securities expertise or have reliable information about securities.

SOURCE: FI:274

SOURCE: Kapoor, J.R., Dlabay, L.R., Hughes, R.J., & Hoyt, W.B. (2005). *Business and personal finance* (pp. 294-295). New York: Glencoe/McGraw-Hill.

50. A

Lowest paid price in 52 weeks. A securities or stock table is a format used to list stock quotes in newspapers and on web sites. The table helps people monitor the performance of a company's stock. To analyze the volatility of stock, an investor or potential investor can compare the highest price paid with the lowest price paid within a 52-week period. If a stock's price rises or falls sharply, it is said to be volatile, which means investors can earn or lose a great deal of money by owning the stock. Rate of return is the reward or benefit received in return for an investment, recorded as a percentage of the investment. Price-earning ratio (PE) is the financial ratio that shows how much investors are willing to pay for each dollar of earnings. A dividend is a portion of a company's profits, paid to shareholders, usually on a quarterly basis. The rate of return, price-earnings ratio, and estimated dividends would not give investors enough information to analyze the stock's volatility.

SOURCE: FI:275

SOURCE: QS LAP 037—Table Talk (Reading Stock Tables)

51. C

Increase the amount of their deductible. By increasing the amount of their deductible, people accept more risk, thereby reducing the carrier's risk. This results in reduced monthly premiums for individuals. However, if the person uses healthcare services, s/he would have more out-of-pocket expenses than with a lower deductible. Making quarterly payments will not impact the cost of insurance coverage. Increasing the amount of liability coverage would increase a person's insurance costs; however, liability coverage is not an aspect of health insurance coverage. Enrolling in the carrier's disability coverage would increase a person's monthly costs.

SOURCE: FI:081

SOURCE: Kapoor, J.R., Dlabay, L.R., & Hughes, R.J. (2009). *Personal finance* (9th ed.) [pp. 350-351]. New York: McGraw-Hill Irwin.

52. D

Bonding. Bonding means that the employer buys insurance coverage to protect the business against possible employee theft. Should the bonded employee lose or steal anything of value, the insurance company will reimburse the business for the loss. The employee is covered, in insurance terms, by the bond. The business may also monitor or restrict the employee's activities on the job, but those terms do not refer to bonding.

SOURCE: FI:084

SOURCE: BA LAP 2—Risk Management

53. D

Current financial situation. A balance sheet is a financial statement that captures the financial condition of the business at that particular moment. It indicates what the business owns, what it owes, and its worth as of a certain date. By preparing a balance sheet, a business can determine if it has sufficient assets to cover its liabilities and still have money remaining, or if its liabilities are more than its assets. A business does not prepare a balance sheet to determine its average cash flow, estimated annual income, or future sales goal.

SOURCE: FI:093

SOURCE: Kapoor, J.R., Dlabay, L.R., Hughes, R.J., & Hoyt, W.B. (2005). *Business and personal finance* (pp. 592-594). New York: Glencoe/McGraw-Hill.

54. A
Make appropriate business decisions. Businesses track a variety of accounting and financial data. The data are presented as information to businesspeople to evaluate and to make business decisions. To make sound business decisions, the financial data must be accurate, current, and relevant. Making a decision based on incorrect or outdated data could be very costly to a business. Businesses use project-management software to track projects. Businesses implement effective financial-information management processes to be in compliance with government regulations. Businesses evaluate, rather than revise, economic indicators.
SOURCE: FM:002
SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (pp. 341-342). South-Western Cengage Learning.
55. D
Monitoring its security measures continuously. Ethical businesses realize the importance of protecting their customers' confidential financial information. To ensure data confidentiality, businesses must continuously monitor the security of their information systems. If security problems occur, businesses might need to upgrade their computer firewalls, change passwords or encryption methods, or limit employees' access to certain types of information. Storing information on multiple online databases and changing Internet service providers are not actions that improve the security of confidential financial information. Reducing the use of encryption techniques may increase the risk of unauthorized access to confidential financial information.
SOURCE: FM:003
SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (pp. 355-359). Mason, OH: South-Western Cengage Learning.
56. C
Share information. Financial information must be available to the people who need it, when they need it. Often, several employees need to be able to access the financial data at the same time. Businesses that organize and store their financial data in central databases and provide the ability for multiple, qualified users to access the data are supporting an environment of information sharing and collaboration. The primary purpose for storing and retrieving internal financial data is to monitor and evaluate internal business activities rather than monitor competitors' activities. Measures to secure the database reduce the risk of unauthorized access to the business's financial data. Businesses can often develop contracts without financial data that are retrieved from a database.
SOURCE: FM:011
SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (p. 343). South-Western Cengage Learning.
57. C
Integrated. Integrated software applications consist of two or more related computer programs that work together to record data or perform specific business tasks or functions. Accounting tasks involve keeping and interpreting financial records, such as monitoring accounts receivable and payable, processing payroll, and tracking cash-flow. Each of these accounting activities requires different types of reports, and by using integrated software, a business can retrieve raw data from a central location and transform them into meaningful information using related software functions. Spreadsheet applications may be one function that is included in integrated software packages. Cost-based refers to a budgeting or pricing strategy. Simulation software applications are programs designed to reflect real situations and are often used in training environments.
SOURCE: FM:011
SOURCE: Visma. (2010). *Software for finance, logistics, payroll, and accounts*. Retrieved July 6, 2010, from <http://www.visma.com/Software/What-we-offer/>

58. B

Decision tree. Data mining is the process of searching computer databases to look for patterns and relationships among information. To begin the data-mining process, the business must first define the research question. Then, the business must identify the types of data available and how they are stored in the database. After identifying this information, the business decides which approach to use to mine the data. A decision tree is an approach in which the data are categorized or segmented into meaningful, related groups based on certain characteristics that are defined by the set of rules (criteria) that the business establishes. Using the tree analogy, the trunk represents all of the data, each branch contains certain characteristics, and each leaf contains subcategories of related branch characteristics. The rule induction approach involves the use of "if...then..." rules or scenarios to mine or obtain data. The neural networking approach uses computer applications that mimic the ways in which the human brain processes data, which often involve sequencing data patterns. The fuzzy logic approach uses broad or vague concepts to set rules, such as "high" or "low."

SOURCE: FM:012

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

59. A

Dividends. A budget is an estimate of income and expense for a specific period of time. Income is the money received by a business from outside sources. Businesses generate income from product sales (cash and credit), interest earned, and investments. Dividends are income earned on stock investments. Interest on debt (e.g., a bank loan) is a business expense.

SOURCE: FM:013

SOURCE: Peavler, R. (2009). *Business budget worksheet*. Retrieved July 7, 2010, from http://bizfinance.about.com/od/businessbudgeting/a/budget_wksheet.htm

60. A

Asset utilization. Businesses use computer-software applications to calculate various types of financial ratios. Businesses use many types of financial ratios to evaluate different aspects of their processes, including their profitability, performance, and efficiency. Asset-utilization ratios help businesses determine if they are using their assets, inventory, and cash in the most effective ways. If the asset-utilization analysis indicates low efficiency, then businesses can take steps to isolate and fix the problems. Financial analysts use market-value ratios to evaluate stocks and liquidity ratios to evaluate a business's ability to pay its short-term debts. Financial analysts use profitability ratios to evaluate the overall financial success of the business.

SOURCE: FM:014

SOURCE: Hillstrom, L. (n.d.). *Financial ratios*. Retrieved July 6, 2010, from <http://www.referenceforbusiness.com/management/Ex-Gov/Financial-Ratios.html>

61. D

Expense analysis. Ongoing technological advancements help businesses efficiently retrieve needed financial information in the desired format via complex computer systems. An expense analysis is a financial-information tool that allows a business to track the money that flows out of its various departments. For example, a business may obtain a listing of travel expenses for employees (e.g., salespeople) during a certain timeframe. The business may use the expense analysis to determine if the department is operating within budget, and where, how, and by whom the money is being spent. An accounts-receivable analysis provides information about money owed to the business by its customers. A revenue analysis provides information about money flowing into the business from a variety of sources, including accounts-receivable. A billing analysis provides financial information related to the business's billing (invoicing) processes.

SOURCE: FM:014

SOURCE: MicroStrategy. (2010). *Financial analysis*. Retrieved July 6, 2010, from <http://www.microstrategy.com/financial-analysis/>

62. D

Structured Query Language (SQL). Computer programmers use various languages to develop computer programs. The language is the foundation of the particular program—it "tells" the computer what to do in relation to the computer user's keystrokes. Structured Query Language (SQL) is the foundation for developing relational databases. A relational database contains tables of separate, yet related, files or data organized in a computer system. The SQL allows computer users to access and manipulate these tables to obtain the desired information quickly and efficiently. Individuals and businesses use HyperText Markup Language (HTML) to develop and maintain web site applications. Synchronized Multimedia Integration Language (SMIL) is used to develop multimedia applications. Rich Text Format (RTF) is a text (document) file application developed by Microsoft.

SOURCE: FM:015

SOURCE: Gilfillian, I. (2002, June 24). *Introduction to relational databases*. Retrieved July 19, 2010, from <http://www.databasejournal.com/sqlc/article.php/1469521/Introduction-to-Relational-Databases.htm>

63. B

Internal audit committees. The government requires corporations to provide investors and independent auditors with certain types of financial information. Corporations that do not provide accurate and timely financial information in the appropriate format run the risk of being fined by the government. Some corporations have internal audit committees to review and verify the accuracy and integrity of their financial reports before they are distributed to the appropriate audiences. Mediation teams and grievance boards work to resolve interpersonal conflicts among employees or groups of employees. Performance evaluation groups assess an employee's or project team's work performance.

SOURCE: FM:004

SOURCE: The Institute of Financial Auditors. (2010). *Why should an organization have an internal audit committee?* Retrieved July 8, 2010, from <http://www.theiia.org/theiia/about-the-profession/internal-audit-faqs/?i=1085>

64. B

Take steps to obtain or save cash to cover her expenses. Sometimes, businesses experience temporary or short-term cash-flow problems. This can happen when the anticipated inflow of cash falls short and expenses remain the same or when cash flow remains the same and expenses increase. And, if this situation happens, the business needs to determine how to handle it. The business may choose to take out a short-term loan, ask vendors for payment extensions, or postpone certain purchases. If the cash-flow problem is relatively small and short-term, it is unlikely that Kendra would need to cut staff. Analyzing the depreciation rates of assets and calculating cash dividends will not resolve Kendra's short-term cash-flow problems. Insufficient information is provided to determine if Kendra's company is a corporation, which is owned by stockholders.

SOURCE: FM:005

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

65. B

Accrual. The accrual accounting system records transactions at the time they occur even if no money changes hands at the time, such as a purchase made with credit. Most businesses use this method because it more accurately reflects the business's overall financial position. The cash accounting method records income and expenditures at the time the money changes hands; this can result in income and expenses not appearing in the same time period. Managerial accounting provides financial information internally to managers, which helps them make appropriate business decisions. Perpetual is a type of inventory system that updates inventory information on a continuous basis as transactions occur.

SOURCE: FM:006

SOURCE: Business Owners Toolkit. (1995-2010). *Cash vs. accrual accounting*. Retrieved July 20, 2010, from http://www.toolkit.com/small_business_guide/sbg.aspx?nid=P06_1340

66. A

Sales transactions. A trend is the direction in which something is moving. By continuously monitoring internal financial information, a business can identify trends, such as changes in the business's sales. One way that a business can monitor sales transactions is by analyzing invoices and sales receipts (e.g., credit card, cash). By comparing sales-transaction dollar amounts over a period of time, the business can determine if sales are increasing, decreasing, or remaining the same. If sales are decreasing, then demand for the products are decreasing. After the business determines that sales are decreasing, it needs to determine why, so it can take corrective action. Accounts-payable records, expense reports, and promotional budgets do not provide the type of financial information that would indicate a decrease in demand for the business's products.

SOURCE: FM:008

SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (p. 83). South-Western Cengage Learning.

67. A

Credit score. Credit scores are ratings that credit bureaus assign to an individual or business's credit history. Those who have consistently paid their credit cards, mortgages, loans, and other bills on time are more likely to have higher credit scores. Those who do not pay their bills on time or default on loans are likely to have low credit scores and may be refused loans or business credit. A financial institution is also likely to consider an applicant's liquid assets, debt ratio, current income, and employment status rather than his/her employment skills, or personal goals. Financial institutions evaluate loan applicants by considering their own lending policies.

SOURCE: FM:009

SOURCE: Vohwinkle, J. (2010). *The importance of your credit score*. Retrieved July 7, 2010, from <http://financialplan.about.com/od/creditdebtmanagement/a/importantcredit.htm>

68. A

Qualified loan cosigner. Businesses and financial institutions consider many factors before extending credit or providing a loan to prospective customers. These factors include the customer's credit history and credit score, liquid assets, debt ratio, current income, and employment status. Because Francesca does not have much credit history to evaluate, the dealership is more likely to ask Francesca to get a cosigner for the loan. The cosigner agrees to cover the debt if Francesca defaults on the loan. Often, guardians, parents, or grandparents will agree to cosign for loans. Cosigners must meet certain criteria to qualify as a cosigner. Lenders can obtain credit reports from credit bureaus—the loan applicant does not need to provide the report. Francesca does not control when her employer increases her pay, so this option is not a consideration. Lenders do not request letters of intent from prospective customers.

SOURCE: FM:009

SOURCE: eHow.com. (1999-2010). *How to get a personal loan with a cosigner*. Retrieved July 7, 2010, from http://www.ehow.com/how_2076665_get-personal-loan-cosigner.html

69. D

Comparing its data for six consecutive months. By comparing and contrasting two or more sets of financial data, the company can determine if there are differences and patterns among the data. Detecting these differences and patterns can indicate trends, such as customer defections, lower profits, or higher sales. By studying variances, the company can act on the identified trends by seeking new markets, cutting costs, adding, enhancing, or eliminating certain financial products, etc. Reviewing financial objectives and budgets is one set of data needed to analyze certain variances. The company needs to compare this data with actual sales and profits. To detect changes and take appropriate action, these types of comparisons should be made on a regular basis. Because businesses analyze different variances, they obtain reports from the purchasing and inventory control departments when they want to analyze purchasing activities and product sales. The situation does not provide enough information to determine what type of variances the company wants to analyze. Companies often analyze variances and consider the implications of the variances to forecast sales.

SOURCE: FM:010

SOURCE: Microsoft. (2010). *Conducting variance analysis*. Retrieved July 19, 2010, from <http://office.microsoft.com/en-us/excel/HA011545141033.aspx>

70. A
Orientation. Orientation is job preparation or induction training in which new employees are acquainted with their surroundings, receive general information about the company and its policies, and are given specific information about their jobs. Activities that take place during orientation include conducting a tour of the building and introducing the new employee to his/her coworkers. An evaluation is analysis of something, such as an employee's job performance. Screening occurs during the job application process. Administration describes a wide range of business activities and functions including information and communication management, data collection and processing, and project management.
SOURCE: HR:360
SOURCE: Mathis, R.L., & Jackson, J.H. (2003). *Human resource management* (10th ed.) [pp. 286-287]. Cincinnati: Thomson/South-Western.
71. B
To control expenses. By selecting the most appropriate methods of distribution, marketers are able to control expenses, thereby improving a business's chances of making a profit. An effective distribution system also keeps marketers from tying up capital unnecessarily in inventory. Distribution systems enable marketers to have adequate supplies of goods in the right place at the right time. Purchasing supplies is an operations activity that relates to the business function. Selling benefits is part of the selling function of marketing. Regulating prices is part of the pricing function of marketing.
SOURCE: MK:002
SOURCE: MK LAP 1—Work the Big Six (Marketing Functions)
72. B
Making unauthorized copies of software. Copyright is the legal protection of books and other artistic works granted by government and giving their creators sole rights to them for a certain period of years. Software is considered a creative work that is covered by copyright laws. If a business makes unauthorized copies of software that belongs to another organization that is also copyrighted, the business is violating the law. Businesses are not violating copyright laws if they obtain lists of customers, read about a patented invention, or review sales contracts.
SOURCE: NF:076
SOURCE: Miller, R.L., & Jentz, G.A. (2005). *Fundamentals of business law* (6th ed.) [pp. 112-113]. Mason, OH: Thomson/South-Western.
73. A
Hyperlink. Many pages on the World Wide Web are connected by hyperlinks. A business's home page may include hyperlinks that users can click on to jump to other pages on the business's web site. Some businesses include hyperlinks from their web sites to other related sites. For example, a business searching government agencies might be able to jump from the FBI's site to the CIA's site by clicking on the hyperlink for that agency. An attachment is an electronic file attached to an e-mail message. Software are programs that instruct computers to perform specific operations. A password enables a user to gain access to certain sites.
SOURCE: NF:006
SOURCE: Bovée, C.L., & Thill, J.V. (2008). *Business communication today* (9th ed.) [pp. 164, 405]. Upper Saddle River, NJ: Pearson Prentice Hall.
74. C
Word processing. Word-processing software programs are used to create documents that are primarily text but may contain some graphics. Database and spreadsheet programs are used to organize and analyze different types of data. Presentation software programs are used to develop visual presentations.
SOURCE: NF:007
SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2009). *Marketing essentials* (p. 199). Woodland Hills, CA: Glencoe/McGraw-Hill.

75. D
Manage all aspects of the operation. Integrated software application packages allow businesses to manage all aspects of the operation, including planning sales, marketing, etc. For example, businesses can monitor the manufacturing process to track the level of inventory to know when products will be available to ship to customers and then generate invoices. Word processing software is used to develop research reports. Spreadsheet programs are used to prepare routine budgets. These programs, as well as programs that enable businesses to search the Internet, may be combined in an integrated software application package.
SOURCE: NF:088
SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2009). *Marketing essentials* (p. 206). New York: Glencoe/McGraw-Hill.
76. C
Some CDs/DVDs last only a decade. If Juanita plans to access her business records 30 years from now, she should store her information in a medium that will last that long. Unfortunately, some CDs/DVDs last only 10 years. It may be true that some CDs/DVDs are unreadable or are not secure from hackers or theft. But, these drawbacks are not as significant as the fact that the medium needs to last—even if it *is* readable and secure. CDs/DVDs are not usually expensive.
SOURCE: NF:001
SOURCE: NF LAP 1—Record It (Business Records)
77. A
Population trend. Migration is a population trend that indicates the movement of people throughout the country as well as into and out of the country. Migration trends are important to businesses because businesses need to know where their customers are located. For example, many people are leaving colder climates and migrating to what is considered the Sunbelt. This movement affects businesses because the types of products they sell and the way they sell them will change. Also, the increased migration of ethnic groups into the country creates a need for new goods and services that meet the needs of a multicultural population. The migration of people from one location to another is not a geography issue, a transportation route, or a social lifestyle.
SOURCE: NF:013
SOURCE: Kotler, P., & Armstrong, G. (2008). *Principles of marketing* (12th ed.) [pp. 74-75]. Upper Saddle River, NJ: Prentice-Hall.
78. D
You must focus only on relevant information. When conducting an environmental scan, you must focus only on relevant information. Information overload is all too easy to suffer in a modern world where knowledge is constantly available at the tips of our fingers. Scanning activities don't need to be formal—valuable information can be gathered through casual conversations with customers, vendors, etc. Information gathered from television can be useful, too. Surveys are a great tool for gathering information for an environmental scan.
SOURCE: NF:015
SOURCE: NF LAP 2—Get the 411 (Environmental Scanning)
79. D
Intangible. The difference between service providers' and manufacturers' operations activities is that service providers produce intangible outputs, rather than the tangible goods that manufacturers create. The outputs may or may not be expensive, useful, or valuable.
SOURCE: OP:189
SOURCE: OP LAP 3—Smooth Operations (Nature of Operations)

80. A
To correct dangerous situations. It is important to report noncompliance with business health and safety regulations in order to force businesses to correct dangerous situations. Certain governmental agencies have developed health and safety regulations that businesses are expected to follow in order to provide employees with a safe work environment. If businesses or employees do not comply with these regulations, they should be reported so the necessary action can be taken to solve the problem and make the workplace safe for employees. The goal is to correct dangerous situations; however, businesses may be fined if they continue to ignore the regulations. During the process of investigating a report of noncompliance, it may be necessary to interview all employees and obtain confidential records.
SOURCE: OP:005
SOURCE: Clark, B., Sobel, J., & Basteri, C.G. (2006). *Marketing dynamics* (pp. 406-409). Tinley Park, IL: Goodheart-Willcox.
81. D
Wearing inappropriate clothing. Not wearing safety goggles, hearing protectors, or a coverall can expose a worker to the risk of injury. Lacking job knowledge, having poor personal habits, and using unsafe equipment are other ways of risking safety in the workplace.
SOURCE: OP:007
SOURCE: Ludden, L.V. (2003). *Job savvy: How to be a success at work* (3rd ed.) [pp. 49-50]. Indianapolis: JIST Publishing.
82. C
To make sure the project's quality doesn't suffer. It's important to think ahead about how you will monitor your project so that you will know how you will keep the quality level, the schedule, and the budget intact. You will not be practicing any monitoring during the planning stage. Monitoring occurs during project management. And, project management is also the time when you carry out the project. Picking the right helpers is beneficial, but it is not why you need to think ahead about monitoring your project.
SOURCE: OP:001
SOURCE: QS LAP 28—From Here to Done
83. D
Extension. A purchase order is the form that a business fills out to order goods and services. It is considered a contract between the buyer and seller. As a contract, the purchase order contains information, such as the buyer, seller, shipping address, types and quantities of items needed, prices, etc. The extension indicates the total cost of each quantity of products the buyer is purchasing. The extension amount is determined by multiplying the quantity purchased by the price per unit. For example, if a purchase order indicates that a buyer wants 12 of product X, which costs \$18 each, then the extension price for Product X is \$216. The product code is the vendor's identification number for the item. The subtotal is the total cost of the order before taxes.
SOURCE: OP:016
SOURCE: Cash, R.P., Thomas, C., Wingate, J.W., & Friedlander, J.S. (2006). *Management of retail buying* (pp. 210-211). Hoboken, NJ: John Wiley & Sons.
84. C
Reducing complaints. Treating customers in a professional manner often helps to control business expenses. When employees serve customers efficiently, the customers are not likely to have complaints. Since handling complaints is an expense to the business, this effort saves money. Serving customers efficiently may increase volume rather than decrease it. Improved morale may result from serving customers efficiently, but it will not control expenses. Hopefully, efficient service will reduce returns; however, its impact cannot be specified.
SOURCE: OP:025
SOURCE: Odgers, P. (2004). *The world of customer service* (pp. 10, 57). Mason, OH: South-Western.

85. C
To keep employees occupied. Finding chores in order to keep employees busy is not a valid reason for assigning housekeeping responsibilities. Customers are attracted to well-organized, clean businesses. Housekeeping duties, therefore, help to support sales.
SOURCE: OP:032
SOURCE: Berman, B., & Evans, J.R. (2004). *Retail management: A strategic approach* (9th ed.) [pp. 318-320]. Upper Saddle River, NJ: Prentice Hall.
86. A
Hygiene. In any given day, the habits and practices you do to take care of yourself and your body are called hygiene. Hygienic practices such as brushing your teeth after meals and showering daily are important to your overall personal appearance. Although relaxation and meditation may be activities that promote health, they do not describe the overall habits of taking care of your body. Likewise, education is not a habit or practice of good health.
SOURCE: PD:002
SOURCE: PD LAP 5—Brand ME! (Personal Appearance)
87. D
Ensuring you accomplish all your goals. Goal setting helps you to stay on target, to know what resources you need, and to measure your progress along the way. However, setting goals does not ensure that you will accomplish them in the end—you must continue working hard to make sure that happens.
SOURCE: PD:018
SOURCE: PD LAP 16—Go for the Goal (Goal Setting)
88. D
You feel strongly about an option. Emotion plays a significant role in the decision you make if you feel strongly about an option—because emotions are about your feelings. But a gut feeling is attributed to your insight or intuition. Being comfortable with risk and committed to a result are internal factors that affect your decision—but they are not directly tied to emotion's significant role in the decision-making process.
SOURCE: PD:017
SOURCE: PD LAP 10—Weigh Your Options (Decision Making in Business)
89. A
Take ability assessment tests. Ability assessment tests help individuals to identify their skills and their capacity to perform certain tasks. These tests will help them to decide what type of career would be of interest to them based on their skills. For example, a person with good communication skills might be interested in a career in sales or marketing. People cannot identify tentative career interests by finding out which majors are popular or by locating high-income occupations. Counselors may be able to suggest specific occupations based on the results of an ability assessment test.
SOURCE: PD:023
SOURCE: Kimbrell, G., & Vineyard, B.S. (2006). *Succeeding in the world of work* (p. 40). New York: Glencoe/McGraw-Hill.
90. C
Draw a line through the blank or mark it NA. It is important for job applicants to let prospective employers know that they have read the entire application. The job applicant who encounters a question that s/he cannot answer should draw a line through the blank to indicate that s/he read the question. If the question does not apply to the applicant, NA (not applicable) can be written in the blank. Such questions can be discussed with the interviewer after the application is complete, but the applicant should know how to fill out the application without having to ask anyone. Creating an answer is deceptive, and leaving the space blank might give the impression that the question had been overlooked.
SOURCE: PD:027
SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2002). *Marketing essentials* (3rd ed.) [pp. 715-718]. Woodland Hills, CA: Glencoe/McGraw-Hill.

91. D

Networking. Networking involves communicating with all of the people an individual knows who might be able to help with career opportunities. Research indicates that more people get jobs and advance in their careers through networking than through any other way of finding employment. Individuals who network regularly often are able to obtain the positions they want and move up the career ladder. Counseling is an oral communication method in which a supervisor and an employee discuss the employee's problem, and the supervisor tries to motivate the employee to find a solution. Interviewing involves meeting with a prospective employer in the anticipation of being offered a position. Mentoring involves an experienced worker acting as a guide to new employees.

SOURCE: PD:037

SOURCE: Wallace, H.R., & Masters, L.A. (2006). *Personal development for life & work* (9th ed.) [p. 419]. Mason, OH: South-Western Cengage Learning.

92. B

Pass a licensing exam. According to the U.S. Department of Labor, beginning securities sales agents, commonly called brokers, are required to pass a licensing exam to sell securities. They are not required to work with a mentor. They are required to register with the Securities and Exchange Commission only when they do a certain high volume of business. Typically, they do not settle for below-average salaries in exchange for short work weeks. The opposite is true—they can earn high salaries but often have to accommodate their clients' schedules by working nights and weekends.

SOURCE: PD:152

SOURCE: QS LAP 51—Careers in the Money

93. C

They are created and owned by members. Credit unions differ from commercial banks in that they are created and owned by their members. Membership is based on a common link among members, such as employment at the same company or residence in the same county. Credit unions usually offer lower fees and interest rates than commercial banks.

SOURCE: PD:152

SOURCE: QS LAP 51—Careers in the Money

94. D

Certified Public Accountant (CPA). The advantages of obtaining certification or licensure include more employment options, faster career advancement and promotion opportunities, and higher pay. Accounting is the process of keeping and interpreting financial records. Accountants are individuals who carry out this process. To perform certain accounting activities, many jurisdictions require accountants to obtain a certification. To become a CPA, an individual must take and pass a four-part exam. In most situations, continuing education classes are required to maintain the certification. Certified Information Systems Auditor (CISA) is a licensure relating to the security of information technology and computer systems. Finance professionals who specialize in annuities obtain the Certified Annuity Specialist (CAS) certification. Actuaries analyze different types of risk and obtain Actuarial Science Certification (ASC). Actuaries often work for insurance companies.

SOURCE: PD:082

SOURCE: AccountingCoach, LLC. (2004-2010). *CPA requirements*. Retrieved July 19, 2010, from <http://www.accountingcoach.com/careers/cpa-requirements.html>

95. A

Conducting finance seminars. Holding seminars or workshops for individuals or small business owners provides financial planners with new business contacts and opportunities to network. Networking can help financial planners further their professional goals because they often obtain advice from other professionals, as well as gain referrals and clients. Providing money to charities, taking online classes, and reviewing educational requirements are activities that do not always involve contact with others; therefore, networking opportunities are less likely to occur.

SOURCE: PD:153

SOURCE: Financial-seminar.net. (2008). *Financial planning seminar*. Retrieved July 19, 2010, from <http://www.financial-seminar.net/financial-planning-seminar.html>

96. C

The employees' personal ethics may differ from the business's ethics. Ethics are the basic principles that govern your behavior. Because people differ, their personal ethics often differ. Employees often view ethics differently when they encounter "gray" situations, or situations in which there is not a clear right or wrong action or answer. Therefore, it is important for a business to clearly communicate its code of ethics to its employees, so they understand how they are to behave in business situations. By communicating the business's code of ethics in the workplace, the business is controlling or reducing its risk of potential legal problems (e.g., lawsuits) and financial losses, which may occur when employees do not know the business's ethical expectations and rules. Businesses often document ethical issues and expectations in their employee handbooks. Ethics are a stable pattern of behavior exhibited over time. Therefore, businesses do not frequently change their ethics. Governments do not require all businesses to offer ethics training programs.

SOURCE: RM:041

SOURCE: Clark, B., Sobel, J., & Basteri, C.G. (2006). *Marketing dynamics* (pp. 69-72). Tinley Park, IL: Goodheart-Willcox.

97. B

Firewalls. Risk management is a business activity that involves the planning, controlling, preventing, and procedures to limit business losses. Businesses use technology to minimize security risks. One way that businesses control security risks is by installing firewalls on their computer networks. Firewalls are computer programs designed to prevent computer hackers from obtaining confidential financial data. A frame allows a computer user the ability to view more than one web page at a time in a single browser. Meta tags are HTML codes that display information about web pages. A site map is a flowchart that puts information on the Web in a logical format so that Internet users can find what they are looking for.

SOURCE: RM:042

SOURCE: Miles, J.E., & Dolce, C. (2006). *E-Commerce* (pp. 122-124). New York: Glencoe/McGraw-Hill.

98. D

Financial losses in relation to lawsuits. Risk management is a business activity that involves the planning, controlling, preventing, and procedures to limit business losses. An important aspect of risk management involves complying with laws. If a business does not comply with laws, then it may face a lawsuit. If the business loses the lawsuit, it may be required to pay money to the plaintiff. For example, if an employee is severely injured on the job, s/he might decide to file a lawsuit against the business for negligent behavior. If the court finds that the business acted negligently because it didn't follow safety regulations, then the business may be required to pay the employee, which is costly to the business. Acquiring insurance that offers lower premiums saves the business money and is not always related to business regulations. Customer-satisfaction levels are not always related to the business's compliance issues. Businesses that develop and implement effective reporting methods can minimize their risk in relation to compliance.

SOURCE: RM:043

SOURCE: Bovée, C.L., Thill, J. V., & Mescon, M.H. (2007). *Excellence in business* (3rd ed.) [pp. 524-526, A-13]. Upper Saddle River, NJ: Pearson Prentice Hall.

99. D

Facility delays equipment repairs. When equipment is not working properly, it is more likely to break. When equipment breaks, it is more likely to cause employee injuries and production delays, which are costly to the business. When managers monitor their employees, they are ensuring that the employees are doing their jobs correctly, which reduces the risk of mistakes, accidents, theft, etc. A competitor's market-share gain and a change in the inflation rate are external factors that affect the business.

SOURCE: RM:058

SOURCE: International Federation of Accountants. (2007, August). *Internal control from a risk-based perspective*. Retrieved July 19, 2010, from http://www.ifac.org/members/Downloads/Internal_Control_from_a_Risk-based_Perspective_August_2007.pdf

100. A

Use security cameras to monitor business activities. Security cameras tend to discourage robbery because potential robbers can see the cameras, know that they are being watched, and realize that they can be identified. Because security cameras discourage robbery, there is less risk of physical harm to employees and customers and financial losses for the business. To control risk of internal theft, financial institutions should limit their employees' access to secured areas, such as a bank vault. Most financial institutions require, rather than suggest, that customers use computer passwords to access their account information. To quickly detect mistakes, employees verify and balance their cash drawers every day.

SOURCE: RM:058

SOURCE: American Bankers Association. (2005). *Today's teller: Developing basic skills* (p. 150). Washington: Author.