



FINANCE CLUSTER CORE SAMPLE EXAM QUESTIONS

The Finance Cluster Core Sample Exam will assist in preparing participants in the following events:

1. Accounting Applications Series Event
2. Business Finance Series Event
3. Financial Services Team Decision Making Event

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

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1. Walt purchased stock based on false information from an online message board. The scammers who posted the information had purchased the stock and hyped it up on the Internet to encourage unsuspecting investors to buy it and drive up its price. After the price went up, the scammers sold off their stock. The price of the stock then fell, leaving Walt with worthless stock. Walt was the victim of
 - A. a pyramid scheme.
 - B. pump and dump.
 - C. affinity fraud.
 - D. phishing.
2. Which of the following quality management approaches is often used in the finance industry to sustain regulatory compliance:
 - A. Just-in-Time
 - B. Six Sigma
 - C. Reassurance
 - D. Crisis management
3. An accounts-receivable employee monitors delinquent accounts by placing them into three folders—30 days past due, 60 days past due, and 90 days past due. How has the employee organized the information?
 - A. Name
 - B. Invoice number
 - C. Location
 - D. Time
4. Which of the following scenarios best illustrates a finance professional's commitment to customer service:
 - A. Ann strives to solve customer problems promptly and accurately.
 - B. Patricia wears a business suit every day, including casual Fridays.
 - C. Jake takes a cell phone call while meeting with a customer.
 - D. Gennifer uses technical jargon when speaking with customers.
5. Which of the following is an example of a subsidy:
 - A. Financial grant
 - B. Tax increase
 - C. Processing fee
 - D. Legal sanction
6. Which of the following is an example of violating a coworker's privacy in the workplace:
 - A. Ruby saw that her coworkers were having a serious discussion, so she walked away.
 - B. Joe needed a pen, so he opened Ali's desk drawer to look for one while she was away.
 - C. Thomas changed the wording on Carrie's report with her approval.
 - D. Paige sent a personal e-mail from her work computer to her friend Alan.
7. Alexander's savings account earns 1.50% in interest. Using the Rule of 72, how many years would it take for Alexander's savings to double?
 - A. 108 years
 - B. 15 years
 - C. 36 years
 - D. 48 years
8. What type of financial statement includes an accounting of the shareholders' equity for a company?
 - A. Balance sheet
 - B. Income statement
 - C. Cash flow statement
 - D. Annual report
9. Which of the following can be used to identify the unethical manipulation of records in a financial-information management system:
 - A. Long-term liabilities
 - B. What-if planning
 - C. Audit trails
 - D. Direct checks
10. Vanessa, who is opening a new fitness center, is concerned about the risks that she, her employees, and her customers could encounter while at her facility. As a result, Vanessa has developed a list of guidelines for her staff to follow: gather a medical history from each customer, provide every customer with instructions for using the exercise equipment, and maintain CPR certification. By instituting these policies, Vanessa hopes to avoid _____ lawsuits.
 - A. private nuisance
 - B. negligence
 - C. breach-of-contract
 - D. discrimination

KEY

1. B

Pump and dump. Pump and dump is an investment scam that takes place mostly online. Scammers buy a small stock and then hype it up to other investors, causing its price to rise. When the price is high, the scammers sell their stock, leaving the victims to deal with the rapid price decline afterwards. A pyramid scheme is an illegal form of multi-level marketing in which emphasis is placed on collecting initial fees from as many people as possible. Affinity fraud is an investment scam in which the scammer claims to be a member of the group s/he is targeting. Affinity fraud often takes the form of a Ponzi or pyramid scheme. Phishing is an online identity-theft scam that fools its victims into believing they are submitting sensitive, personal information (such as credit card numbers or bank passwords) to a legitimate web site.

SOURCE: BL:133

SOURCE: QS LAP 50—Play By the Rules

2. B

Six Sigma. Aspects of the Six Sigma approach to quality management are applied in the finance industry to sustain regulatory compliance. Specifically, Six Sigma's closed-loop control principles (define-measure-analyze-improve-control) are often incorporated in compliance processes and procedures. Just-in-Time, reinsurance, and crisis management are not quality management approaches.

SOURCE: CC:003

SOURCE: Oversight Systems, Inc. (2008, August 14). *Turn SOX compliance into cash: Link Sarbanes-Oxley requirements to business improvement*. Retrieved January 17, 2011, from http://viewer.bitpipe.com/viewer/printDocument.do?accessId=9320939&pagesToPrint=1,2,3,4,5,6,7&gotoPage=1&pageNum=1&method=record&resourceId=1218734668_712

3. D

Time. The system used or the way information is organized often depends on the type of information or task at hand. In the example, the employee must track delinquent accounts. Because some accounts are more overdue than other accounts the employee may use time as a method of organizing the information. Each interval may require the employee to take a different action, such as mailing a late notice to accounts that are 30 days past due, calling accounts that are 60 days past due, and turning accounts over to collection agencies that are 90 days past due. Each action is based on a certain time frame. The example does not indicate if the invoice numbers, locations, or names are organized in a specific manner.

SOURCE: CO:086

SOURCE: Bradley, S. (2010, March 15). *How to organize information and improve your design*. Retrieved January 10, 2011, from <http://www.vanseodesign.com/web-design/organizing-information/>

4. A

Ann strives to solve customer problems promptly and accurately. To meet or exceed customer expectations, finance professionals should respond promptly to customer needs, requests, and problems. While wearing a business suit every day can help to demonstrate a finance professional's commitment to her/his job, doing so doesn't necessarily demonstrate the person's commitment to customer service. Finance professionals should not take cell phone calls while meeting with customers, nor should they use technical jargon. Instead, they should speak in simple terms that customers will understand.

SOURCE: CR:012

SOURCE: Buzzell, D., & Spasovski, S. (2004). *Principles of banking* (8th ed.) [pp. 151-154]. Washington: American Bankers Association.

5. A
Financial grant. A subsidy is financial aid provided by the government. Governments offer different types of subsidies to individuals and businesses, including grants. Grants are financial aid that the individual or business does not need to repay to the government. For example, a private business or institution that develops medical processes or products may apply for a grant from the government to help finance the research and development costs. If the business or institution meets the government's requirements, the government may provide the grant. Taxes, processing fees, and legal sanctions (e.g., fines) are methods that governments use to acquire funds.
SOURCE: EC:008
SOURCE: EC LAP 16—Regulate and Protect (Government and Business)
6. B
Joe needed a pen, so he opened Ali's desk drawer to look for one while she was away. Employees should not go through their coworkers' desks, files, correspondence, or personal belongings in the workplace. To do so is a violation of privacy. When employees respect the privacy of others in the workplace, they are more likely to gain the trust and respect of their coworkers and managers. Walking away from a serious discussion and changing a document with the writer's approval are not violations of privacy. Sending a personal e-mail from work is not an invasion of privacy, but it is wasting company resources because it is not business-related.
SOURCE: EI:029
SOURCE: Kimbrell, G., & Vineyard, B.S. (2006). *Succeeding in the world of work* (p. 267). New York: Glencoe/McGraw-Hill.
7. D
48 years. The Rule of 72 can be used to determine how long it will take to double money that is saved or invested. To calculate how long it will take to double the money, divide 72 by the interest rate ($72 / 1.50 = 48$). It will take 48 years for Alexander's savings to double.
SOURCE: FI:270
SOURCE: QS LAP 30—Supersize Your Money
8. A
Balance sheet. The balance sheet gives a summary of a company's financial health at a specific point in time. It contains two major sections: a listing of the company's assets and a listing of its liabilities. The liabilities section also indicates the shareholders' equity, which is the value of all the outstanding stock owned by shareholders. Shareholders' equity is determined by subtracting the liabilities from the assets. The income statement, also known as the profit-and-loss statement, shows a company's profitability over a specific period of time. The cash flow statement tracks the money that comes into and flows out of a company. An annual report is not a type of financial statement. But, it does contain financial statements, along with a good deal of other information about the company.
SOURCE: FI:274
SOURCE: QS LAP 36—The Source Is With You (Finding and Evaluating Securities Information)
9. C
Audit trails. Although unethical individuals might erase certain accounts or transactions from their financial-information management system, a record of their erasures would appear in system audit trails. What-if planning involves identifying and considering options for financial decision-making by applying different assumptions to financial data within spreadsheet software. Long-term liabilities are debts that will take longer than a year to pay. A direct check is a method of checking goods in which the goods received are checked directly against the purchase order or the invoice.
SOURCE: FM:003
SOURCE: de Jager, P. (2002, September/October). *Ethics: Good, evil, and moral duty*. Retrieved February 18, 2011, from http://findarticles.com/p/articles/mi_qa3937/is_200209/ai_n9143308/?tag=content;col1

10. B

Negligence. A customer may file a negligence lawsuit against a business if s/he feels that the business has failed to protect her/him from harm or wrongdoing. To minimize their chances of being sued for negligence, risk managers and business owners develop specific policies and procedures to protect customers from being injured and to avoid being blamed for customer injuries, if they occur. An individual may file a private nuisance lawsuit if s/he has been unable to live peacefully at home as a result of a neighbor's barking dog, teenagers having a loud party nearby, etc. If someone fails to fulfill his/her contract (e.g., does not complete promised work, does not pay for services rendered, etc.), the individual or company who entered into that contract with the violator might file a breach-of-contract against him/her. People file discrimination lawsuits when they feel that they were treated unfairly because of their race, religion, gender, or other characteristic.

SOURCE: RM:043

SOURCE: Dorfman, M.S. (2008). *Introduction to risk management and insurance* (9th ed.) [pp. 34-35]. Upper Saddle River, NJ: Prentice Hall.