



# Competency Based Competitive Events Written Exam Sample

## Buying and Merchandising



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1. The wrongful interference with the right of a business to operate is the basis of business

- A. tort law.
- B. liability.
- C. fraud.
- D. compliance.

2. The primary goal of using electronic data interchange (EDI) systems is to help retail merchandisers to

- A. summarize customer data.
- B. process orders efficiently.
- C. obtain competitors' pricing.
- D. import foreign goods.

3. When applying the law of diminishing returns, businesses know that there is a point at which production

- A. reaches its maximum level.
- B. is too expensive to continue.
- C. equals the amount of revenue.
- D. passes that of the competition.

4. If a merchandising business has a net profit of \$225,000 and its net sales are \$975,000, what is its profitability ratio?

- A. 20%
- B. 23%
- C. 22%
- D. 21%

5. Marketing research objectives are intended to explain the research

- A. priority.
- B. process.
- C. policy.
- D. problem.

6. One reason why it is important to accurately forecast sales for a marketing plan is because the forecast is the basis of other

- A. operational activities.
- B. pricing strategies.
- C. business reports.
- D. management techniques.

7. Conducting a break-even analysis often helps a retailer to

- A. monitor the competition.
- B. understand the level of demand.
- C. determine market share.
- D. establish a selling price.

8. Because the target market of a discount home-improvement chain is extremely price conscious, which of the following pricing strategies would be the best option for the chain to select:

- A. Prestige
- B. Skimming
- C. Odd
- D. Markup

9. Which of the following is the type of branding that differentiates an organization from its competitors:

- A. Universal
- B. Product
- C. Loyalty
- D. Corporate

10. Participating in trade shows to communicate with target audiences often is an important part of a merchandising business's

- A. promotional program.
- B. advertising campaign.
- C. direct sales effort.
- D. sponsorship strategy.

### 1. A

Tort law. The concept of wrongful action is the basis of all torts. Tort law that applies to business involves the wrongful interference with the right of a business to operate. Therefore, business torts are wrongful actions against a business that cause it harm in some way. An example might be unfair competition. The wrongful interference with the right of a business to operate is not the basis of business liability, fraud, or compliance.

SOURCE: BL:069

SOURCE: Miller, R.L., & Jentz, G.A. (2005). *Fundamentals of business law* (6th ed.) [pp. 82-83]. Mason, OH: Thomson/South-Western.

### 2. B

Process orders efficiently. An electronic data interchange (EDI) is a computer network that allows channel members to exchange information. Large retail merchandisers often use EDI systems to track sales and order merchandise from their vendors. EDI systems help process orders quickly and efficiently, which reduces the risk of stock-outs and backordered merchandise. The primary use of an EDI system is not to summarize customer data, obtain competitors' pricing, or import foreign goods.

SOURCE: DS:084

SOURCE: Berman, B., & Evans, J.R. (2004). *Retail management: A strategic approach* (9th ed.) [pp. 194-196]. Upper Saddle River, NJ: Prentice Hall.

### 3. A

Reaches its maximum level. The law of diminishing returns states that, at some point, adding more resources does not proportionately increase productivity. For example, adding more employees when there is limited space and equipment will eventually have a negative effect on production because overcrowding will occur, and no one will be able to work efficiently. Businesses apply this law when deciding whether to hire more employees or purchase more materials and equipment. All of the resources need to be compatible for production to reach its maximum level. Once maximum production occurs, adding more resources will begin to diminish the rate of productivity. The law of diminishing returns does not determine at which point production is too expensive to continue, equals the amount of revenue, or passes that of the competition.

SOURCE: EC:023

SOURCE: McConnell, C.R., & Brue, S.L. (2005). *Economics: Principles, problems, and policies*

(16th ed.) [pp. 395-397]. Boston: McGraw-Hill/Irwin.

4. B

23%. Merchandising businesses often calculate profitability based on the relationship between net profit and net sales in order to determine if they are earning an acceptable return on their investment. One formula for calculating the profitability ratio is net profit divided by net sales ( $\$225,000 \div \$975,000 = .23$  or 23%). Businesses track this ratio from year to year in order to determine if profits are increasing or decreasing in proportion to sales. If sales increase but the profitability ratio decreases, the business knows that it is spending too much on the sales effort and may need to reduce costs or increase prices.

SOURCE: FI:097

SOURCE: Cunningham, B.M., Nikolai, L.A., & Bazley, J.D. (2000). *Accounting: Information for business decisions* (pp. 180-181). Orlando, FL: Harcourt.

5. D

Problem. The purpose of research usually is to solve a problem. Businesses create research objectives, the goals the research wants to achieve, in order to explain the research problem. For example, if the problem is service, a business would create several objectives related to service. One objective might be to determine customer satisfaction with a specific service. Marketing research objectives are not intended to explain the research process, policy, or priority.

SOURCE: IM:284

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2006). *Marketing essentials* (p. 612). New York: Glencoe/McGraw-Hill.

7. D

Establish a selling price. A break-even analysis is a financial analysis whose purpose is to identify the level of sales needed to reach the break-even point at various prices. When conducting a break -even analysis, a retailer can experiment with different prices to determine the selling price to establish in order to reach the break-even point after a certain level of sales. Conducting a break-even analysis does not help a retailer to understand the level of demand, determine market share, or monitor the competition.

SOURCE: OP:192

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2006). *Marketing essentials* (p. 533). New York: Glencoe/McGraw-Hill.

#### 8. C

Odd. Odd pricing is a psychological pricing strategy in which a retailer sets selling prices below even-dollar amounts to suggest a bargain. A discount home-improvement chain is likely to use the odd pricing strategy because its target market is very price-conscious. Price skimming is a pricing strategy that involves setting prices higher than those of the competition. The prestige pricing strategy involves putting an artificially high price on goods or services to suggest high quality and status. Markup is the difference between the cost of a product and its selling price.

SOURCE: PI:046

SOURCE: Dunne, P., Lusch, R., & Griffith, D. (2002). *Retailing* (4th ed.) [pp. 380-381]. Mason, OH: South-Western.

#### 9. D

Corporate. A corporate brand is all of the combined impressions, images, or experiences associated with a company or parent entity. Disney is an example of a corporate brand. The Disney theme parks and resorts, Touchstone films, ABC and ESPN television networks, and consumer products, including the Baby Einstein products, are areas within the Disney corporate brand. Product brands are the combined impressions, images, and experiences associated with a particular good, service, or product line. Loyalty and universal are not types of brands.

SOURCE: PM:206

SOURCE: Dhruv, G., & Levy, M. (2008). *Marketing* (p. 284). New York: McGraw-Hill/Irwin.

#### 10. A

Promotional program. A promotional program is a framework for the promotional activities of a merchandising business. Participating in trade shows is a promotional activity because it involves a business displaying and/or demonstrating its products to build sales leads and interest. The goal is to communicate information to the target audience to encourage those consumers to buy. Trade shows are an effective promotional tool because the consumers who attend are the most likely prospects for a business's goods and services. An advertising campaign is a series of advertisements planned around a central theme. Direct sales involve calling on customers. A sponsorship is a partnership in which a company pays a fee to affiliate itself with a team, league, or event.

SOURCE: PR:254

SOURCE: Semenik, R.J. (2002). *Promotion and integrated marketing communications* (p. 404). Mason, OH: South-Western.

