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. What effect do some environmental laws have on businesses?
   A. Limit equipment purchases  
   B. Require more employees  
   C. Control exterior landscapes  
   D. Increase operating costs

2. Limited liability is a characteristic of what form of business ownership?
   A. Sole proprietorship  
   B. Partnership  
   C. Corporation  
   D. Joint proprietorship

3. An important purpose of full-disclosure laws and regulations is to
   A. provide information to investors so they can make informed decisions.  
   B. allow company employees to use inside information for personal gain.  
   C. require companies to disclose all information about their operations.  
   D. prevent a stock's par value from dropping below its market value.

4. Which of the following has the fiduciary responsibility to make decisions on behalf of a company's shareholders?
   A. The municipal court system  
   B. The industry's professional organization  
   C. The company's line staff  
   D. The corporation's board of directors

5. Which of the following is an estate-tax deduction:
   A. Property passing directly to the surviving spouse  
   B. Valuable art and collectibles left to children  
   C. Charitable contributions that are unqualified  
   D. Money left to friends or distant relatives

6. Last year, Mr. McKinney gave a portion of his wages to a local charity and was not required to pay taxes on the amount of his donation. This is an example of a(n)
   A. investment disbursement.  
   B. estate allocation.  
   C. tax-deferred investment.  
   D. tax deduction.

7. Michelle is a small business owner who has outdated customer information in her computer files. She has wasted a lot of time and money sending mail to customers who have moved or have received multiple copies of her mailings. What type of computer application should Michelle use to update her customer database?
   A. Tabulation analysis  
   B. Electronic data interchange  
   C. Data cleansing  
   D. Environmental scanning

8. What are potential risks to a business that fails to follow government regulations?
   A. Bankruptcy, higher sales, and lower stock values  
   B. Penalties, higher stock values, and lower credibility  
   C. Lower stock values, fines, and higher sales  
   D. Fines, penalties, and bankruptcy

9. Which of the following reasoning processes does a virtual auditor use to identify financial system transactions that are very similar to each other but are not exactly alike:
   A. Cross-source reasoning  
   B. Contextual reasoning  
   C. Temporal reasoning  
   D. Comparative reasoning

10. What type of technology do businesses use to inspect financial transactions and to ensure that they are in compliance with government regulations?
    A. Virtual auditors  
    B. Cyber mapping  
    C. Domain computing  
    D. Simulation browsers

11. What type of information is often transmitted through upward communication?
    A. Suggestions  
    B. Instructions  
    C. Evaluations  
    D. Corrections
12. Businesses use technology to build positive customer relations by
   A. calling customers at home.       C. placing pop-up advertisements on web sites.
   B. creating targeted marketing campaigns. D. sending unsolicited e-mails.

13. A positive result of handling customer complaints properly is that it will
   A. increase returns.      C. foster objections.
   B. promote goodwill.     D. increase markdowns.

14. What do finance professionals need to do to build long-term relationships with their clients?
   A. Follow-up with clients every two years
   B. Invest all clients’ money conservatively
   C. Be honest, open, and trustworthy
   D. Require clients to sign a short-term contract

15. When providing product information to clients, finance professionals should use
   A. technical terms.       C. financial acronyms.

16. Rather than studying individual customer data, First Bell Bank is interested in analyzing groups of customers. Members of a group should be similar and markedly different from other customer groups. Which of the following Customer Relationship Management (CRM) activities should be used to prepare First Bell Bank's customer data for analysis:
   A. Regression
   B. Estimation
   C. Clustering
   D. Prediction

17. When financial institutions follow government regulations pertaining to the industry, the institutions are
   A. being independent.     C. in compliance.
   B. being ethical.        D. in mediation.

18. By deciding to buy or not to buy, consumers control what goods and services will be produced and at what price through their
   A. capital investment.       C. limited wants.
   B. gross income.            D. economic votes.

19. What does utility reveal about consumers?
   A. Preferences
   B. Income
   C. Background
   D. Influences

20. The market price is the actual price that prevails in a market
   A. at the beginning of each quarter.       C. on the first of each month.
   B. at any particular moment.               D. at the beginning of the fiscal year.

21. Businesses that contribute money to local educational, cultural, and training programs are showing social responsibility to their
   A. customers.
   B. employees.
   C. communities.
   D. stockholders.

22. Which of the following demonstrates the interrelationship among primary business activities:
   A. A new product is introduced, so business advertisements must adjust in response.
   B. A business changes its goals, so its strategies and tactics change, too.
   C. One business activity changes, so the others must adjust in response.
   D. A business manager becomes vice president, so his/her department must adjust to the change.

23. A higher standard of living is achieved in a country when productivity
   A. and population increase at a similar rate.
   B. remains the same and population increases.
   C. increases at a rate faster than population.
   D. decreases and population remains the same.
24. Which of the following personal traits would be affected by your physical health:
   A. Self-confidence  
   B. Cultural background  
   C. Gender  
   D. Ethnic heritage

25. One reason why ethics is often a consideration when providing information is because of the issue of
   A. respect.  
   B. privacy.  
   C. safety.  
   D. diversity.

26. Why do many businesses develop programs and activities to help reduce employee stress?
   A. To exhibit empathy  
   B. To encourage creativity  
   C. To eliminate conflict  
   D. To maintain productivity

27. A credit plan that requires a signed contract, a down payment, and the balance to be paid over a specific period of time is called __________ credit.
   A. revolving  
   B. installment  
   C. open  
   D. regular

28. The amount of interest you earn in a typical savings account is about
   A. 11 percent.  
   B. 10 percent.  
   C. one percent.  
   D. 15 percent.

29. If you are 17 right now, what is the best age to begin investing?
   A. 27  
   B. 32  
   C. 17  
   D. 25

30. How do finance companies commonly raise capital?
   A. Investing deposits from savers  
   B. Investing funds from premium payments  
   C. Issuing notes, bonds, and other obligations  
   D. Establishing mutual funds and investment banks

31. Mortgages and government bonds are examples of
   A. debt instruments.  
   B. equity products.  
   C. unrated investments.  
   D. interest-free services.

32. Debt markets buy and sell __________, and equity markets buy and sell __________.
   A. corporate stock, certificates of deposit  
   B. government bonds, corporate stock  
   C. grain, gold  
   D. gold, government bonds

33. A primary factor that has led to the consolidation of financial firms is the desire
   A. for fewer products.  
   B. for fewer assets.  
   C. to lower costs.  
   D. to lower risks.

34. The Money for You Bank recently merged with the Keeping You Safe Insurance Company. The merger is an example of __________ in the finance industry.
   A. consolidation  
   B. convergence  
   C. tactical planning  
   D. licensing

35. Falling interest rates typically cause
   A. stock prices to increase.  
   B. stock prices to decrease.  
   C. a stock market to crash.  
   D. no change in stock prices.
36. When an emerging market suffers an economic decline, foreign investors usually
   A. help the emerging market to recover economically.
   B. use the opportunity to invest more in the emerging market.
   C. quickly withdraw their money from the emerging market.
   D. pay less for each transaction in the emerging market.

37. Which of the following has accelerated the globalization of financial markets:
   A. An expansion of protectionism practices
   B. The reduction of government regulations
   C. The movement toward fixed exchange rates
   D. A decrease in foreign access to domestic markets

38. April is a college student who wants to open a bank account for the first time. She has $500 cash to
deposit in the account initially. The bank she chooses is not near her dorm, and it's difficult for her to get
there. She has a part-time job and receives a bi-weekly paycheck that will be directly deposited into her
account. Which of the following types of accounts should she ask for at the bank:
   A. Checking
   B. Savings
   C. Money market
   D. Certificate of deposit

39. Which of the following is not a standard financial statement:
   A. Income statement
   B. Balance sheet
   C. Shareholder sheet
   D. Cash flow statement

40. What does an income statement show about a company over a period of time?
   A. Profitability
   B. Reliability
   C. Equity
   D. Liabilities

41. The numbers listed in a stock table’s 52-week high and low column tell you
   A. the best prices for the stock.
   B. if the stock price is overvalued.
   C. the range of prices for the year.
   D. the range where the stock price should be.

42. Which of the following is a true statement about ticker symbols:
   A. They uniquely identify a company.
   B. They tell you what kind of stock it is.
   C. They are made up of the first three letters of a company’s name.
   D. They are only given to companies on the New York Stock Exchange.

43. Which of the following is an example of a lending investment:
   A. Stocks
   B. Homes
   C. Antiques
   D. Bonds

44. Bennett has just finished college and has moved into her own apartment that is located on a bus line.
    She’ll be able to take the bus to her new job that she’s scheduled to start in a month. In fact, she’ll need
to rely on bus transportation until she saves money to buy a car. What insurance coverage should she
have?
   A. Renter’s insurance and temporary short-term health insurance
   B. Health and life insurance
   C. Renter’s insurance and COBRA
   D. Auto insurance and temporary short-term health insurance

45. A labor strike against a major employer is an example of a(n) __________ risk.
   A. human
   B. natural
   C. economic
   D. internal
46. What type of financial records do businesses need to maintain in order to keep track of their transactions?
   A. Tax identification  C. Payroll information  
   B. Accounts receivable  D. Operating procedure

47. Which of the following is the basic calculation used to analyze an income statement:
   A. Assets minus liabilities  C. Income minus expenses  
   B. Revenue plus sales  D. Sales plus operating costs

48. Which of the following is a common financial-information management problem:
   A. Multiple financial data sources and systems within an organization  
   B. Overreliance on a master source and system for financial data  
   C. Strict organizational data governance policies and processes  
   D. Insufficient financial information due to compliance regulations

49. A primary responsibility of financial-information management is to
   A. report financial transactions.  C. develop new products.  
   B. negotiate contracts with vendors.  D. implement sales policies.

50. Which of the following is an example of a businessperson exhibiting unethical behavior in relation to a business's financial information:
   A. An unauthorized employee reviews a client's financial information.  
   B. An auditor verifies the accuracy of a corporation's financial statements.  
   C. A banker requests financial information from a business to process a loan.  
   D. A manager examines the business's financial records to develop a budget.

51. Which of the following is a technological tool that businesses use to archive their financial records:
   A. Electronic data interchange  C. Digital microfilm scanner  
   B. Direct-response software  D. Web-development programs

52. Why has online technology's use increased in financial-information management?
   A. Recognition that the security of transactions is no longer an issue  
   B. Removal of electronic information exchange procedures  
   C. Passage of laws that recognize electronic documents as legally binding  
   D. Protection of customers' right to privacy

53. The primary reason that businesses use data mining techniques to obtain various types of financial information is to
   A. manage their working capital effectively.  
   B. develop their financial goals.  
   C. identify relationships and patterns among data.  
   D. analyze the accuracy of their accounting records.

54. Alyssa is starting a small business out of her home. When she accesses a business “how-to” web site, Alyssa finds software downloads and printable worksheets that will help her plan and manage her business's income and expenses. The software and worksheets are types of
   A. statistical information.  C. budgeting tools.  
   B. legal data.  D. organizational charts.

55. What is a benefit of managing budgeting data efficiently through budgeting applications?
   A. Decreases auditors' ability to trace the numbers used in budgets  
   B. Increases amount of time that needs to be spent on value-added activities  
   C. Decreases the need for having an audit trail  
   D. Increases management's confidence in budgets
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56. Businesses often use computer-spreadsheet software for “what-if” financial planning by plugging in different numerical data into formulas, which provide possible
   A. distribution methods.  
   B. production strategies.  
   C. financial outcomes.  
   D. accounting standards.

57. In which of the following situations would a firm use cost-analysis applications:
   A. To predict sales volume for a certain period of time  
   B. To determine the number of delinquent accounts  
   C. To assess income changes over a certain period of time  
   D. To evaluate the amount of money associated with inventory storage

58. To obtain specific financial information from a complex database, the user has to set
   A. queries.  
   B. symbols.  
   C. tabs.  
   D. panels.

59. Because the Keller Company is a public corporation, it must provide its shareholders with accurate financial information in a(n)
   A. accounting portfolio.  
   B. informal monthly contract.  
   C. complex memorandum.  
   D. annual report.

60. To ensure compliance with government regulations, an independent auditor is required to verify the accuracy of a public corporation's
   A. financial reports.  
   B. selling policies.  
   C. diversification efforts.  
   D. accounting philosophies.

61. Which of the following is a financial report that financial institutions often review to decide if they will approve applicants' requests for business loans:
   A. Payment voucher  
   B. Corporation charter  
   C. Petty-cash summary  
   D. Cash-flow statement

62. The accounting system used to report a business's financial position that is intended for internal users is the __________ accounting system.
   A. financial  
   B. management  
   C. computerized  
   D. manual

63. In relation to recording business transactions, a primary difference between the cost and accrual accounting systems is
   A. complexity.  
   B. scope.  
   C. frequency.  
   D. timing.

64. Which of the following is essential to the identification of trends in financial data for a horizontal analysis:
   A. Data in a Statement of Cash Flows  
   B. Data from the most recent financial report  
   C. Data in financial reports from multiple time periods  
   D. Data from a zero-based budget

65. By analyzing a customer's financial information, a finance professional should be able to
   A. protect the security of the customer's financial information.  
   B. declare Chapter 11 bankruptcy for the customer.  
   C. develop a financial strategy to help the customer.  
   D. determine the customer's newest target market.

66. Before approving a loan application, a bank is likely to analyze the applicant's
   A. debt ratio.  
   B. inflation rate.  
   C. brand preferences.  
   D. performance goals.
67. Which of the following is an example of a businessperson making a business decision by analyzing financial data:
   A. William asks the staff accountant to prepare the company’s profit-and-loss statement for next Tuesday's executive board meeting.
   B. After reviewing sales forecasts and income statements, Angela determines that the company has enough money to hire a new employee.
   C. Timothy obtains a copy of the business’s credit rating report from a credit bureau.
   D. So she can prepare the company's tax return, Kate obtains the necessary financial documents and forms.

68. A financial analysis indicates that a small business’s customer base and its profitability have steadily increased over the past six months. What decision is the business most likely to make with this information?
   A. Obtain a loan for equipment repairs  C. Liquidate major assets
   B. Hire an additional salesperson  D. Monitor industry trends

69. One of the procedures for orienting new employees often involves
   A. providing specialized training.  C. developing a compensation package.
   B. reviewing previous education.  D. scheduling a periodic review.

70. Overall, what does marketing allow us to do?
   A. Limit our spending  C. Live our daily lives
   B. Stop buying online  D. Feel better about shopping

71. Which of the following is a benefit that businesses receive from using the Internet:
   A. Easier use of satellite radio  C. Faster connections with suppliers
   B. Improved methods of manufacturing  D. The ability to call employees on the road

72. An advantage to a business that uses intranet capabilities is that it allows employees to share the business’s information with
   A. customers.  C. each other.
   B. competitors.  D. former employees.

73. Ingrid is able to access information from her desktop publishing software, word-processing software, and spreadsheet software at the same time on her personal computer. This is an example of an operating system with __________ capabilities.
   A. multiprocessing  C. multitasking
   B. multi-user  D. multithreading

74. Melanie is putting a copy of each valuable business record in a building far away from her company. She is practicing which part of disaster planning?
   A. Establish a system for record keeping  C. Keep potential lawsuits in mind
   B. Store information off site  D. Computerize valuable business information

75. Which of the following is a type of business record that a firm can use to track its customers’ buying habits:
   A. Forecast  C. Marketing budget
   B. Invoice  D. Annual report

76. A main reason that environmental scanning is important is so that businesses can be aware of
   A. foreign markets.  C. competitors’ internal environments.

77. Which of the following helps the operations function to control costs and increase productivity:
   A. Hiring of employees  C. Type of management
   B. Use of technology  D. Supply of money
78. Which of the following is one way that workplace accidents are costly to employees:
   A. Lost income  
   B. Lost production  
   C. Lost sales  
   D. Lost profits

79. Who is usually responsible for planning a project?
   A. Project coordinator  
   B. Project scheduler  
   C. Project assistant  
   D. Project manager

80. Do businesses such as banks and dry cleaners engage in production?
   A. No, the services provided by these businesses are intangible.  
   B. Yes, these businesses produce a line of tangible products.  
   C. Yes, the services provided by these businesses are their products.  
   D. No, these businesses do not engage in production.

81. Which of the following is an example of continuous improvement?
   A. Giving managers full responsibility for product quality  
   B. Minimizing defect levels to 3.4 per million units produced  
   C. Selecting the best possible supplier  
   D. Following an annual self-assessment and improvement process

82. Which of the following is an advantage to a business of a good maintenance program:
   A. Fixed costs are increased.  
   B. Customers are more likely to be satisfied.  
   C. Maintenance costs can be added to profits.  
   D. Emergency repairs will be needed more often.

83. Which of the following aspects of personal appearance would likely have the least harmful effect in the workplace:
   A. Excessively baggy clothes  
   B. Body piercings  
   C. Visible tattoos  
   D. Tailored clothing

84. Planning activities in advance, setting priorities, and avoiding nonproductive diversions are important aspects of
   A. accountability.  
   B. natural ability.  
   C. productivity.  
   D. time management.

85. As you develop self-understanding, the things you learn about yourself will help you to understand others. A positive result of this would be that you are able to
   A. do what others want you to do.  
   B. get what you want from others.  
   C. get along well with others.  
   D. help others to become mature.

86. Employees who have supervisory responsibilities for part or all of the business work in
   A. business information technology.  
   B. corporate/general management.  
   C. securities and investments.  
   D. merchandising.

87. What is one of the main reasons for sending an interview follow-up letter?
   A. To submit personal information  
   B. To explain your qualifications  
   C. To show your continued interest  
   D. To ask supplemental questions

88. Which of the following statements about working in the financial-services industry is false:
   A. Financial services professionals can be found in all kinds of companies, from large corporations to sole proprietorships.  
   B. Someone who works in financial services is limited to working at an investment firm, a bank, or an insurance company.  
   C. Financial services professionals can expect to earn higher-than-average salaries.  
   D. The financial-services industry includes real estate brokers, fund managers, and auditors.
89. As an employee of a financial-services firm, Elise helps her clients reduce their debt, build their wealth, and save for their retirement. Which certification is Elise mostly likely to need to perform her job:
   A. Certified Loan Officer (CLO)  
   B. Certified Tax Specialist (CTS)  
   C. Certified Financial Planner (CFP)  
   D. Chartered Market Technician (CMT)

90. Which of the following is a certification sought by individuals who evaluate companies and industries and make buy, sell, and hold recommendations for certain securities:
   A. Chartered Financial Consultant (ChFC)  
   B. Certified Financial Planner (CFP)  
   C. Chartered Financial Analyst (CFA)  
   D. Certified Stock Broker (CSB)

91. Troy is a finance manager for a small firm in town. Last night, he attended a cookout at his neighbor's house, and met Melissa, who is the owner of a large financial-planning company. Troy and Melissa exchanged business cards, and they set up an appointment for the following week to discuss business opportunities. In what type of situation did Troy and Melissa form a professional business relationship?
   A. Corporate environment  
   B. Formal event  
   C. Educational setting  
   D. Social networking

92. Which of the following is an example of a businessperson using networking techniques to develop professional financial relationships:
   A. A financial planner calls a long-term client to set up an appointment to discuss the client's financial accounts.  
   B. A bank teller processes a customer's check-deposit request and gives the customer a receipt.  
   C. An insurance agent gives his business card to several small-business owners at a chamber-of-commerce meeting.  
   D. A finance manager asks employees if they have anything they would like to discuss during the departmental meeting.

93. One way for a company to manage its risk in relation to its employees' workplace behavior is by
   A. allowing employees to view all company records.  
   B. providing employees with the flexibility to change company policies.  
   C. encouraging employees to report workplace misconduct.  
   D. permitting employees to use company resources for personal use.

94. How do ethics relate to risk management?
   A. Risk management is all about the ethical treatment of customers.  
   B. The best form of risk management is adherence to business ethics.  
   C. Risk management is insurance for lapses in business ethics.  
   D. The best form of business ethics is risk management.

95. To reduce the risk of loss due to fire or power outages, a financial business should protect its computer data by
   A. using encryption techniques.  
   B. conducting backup procedures.  
   C. implementing an authorization process.  
   D. monitoring data-transmission rates.

96. When businesses continuously monitor the laws and implement changes to remain in compliance, they are
   A. demonstrating negligence.  
   B. controlling their risks.  
   C. interpreting contracts.  
   D. increasing their liabilities.

97. Which of the following statements is true regarding risk retention groups:
   A. The insurance policy holders are also the company's stockholders.  
   B. A risk retention group may insure companies from many different industries.  
   C. Group members control risk by retaining equity and transferring liability to external sources.  
   D. Risk retention groups tend to pay higher licensing fees than traditional insurance companies.
98. Which of the following situations is an example of a business controlling its internal risks:
   A. A law firm allows its malpractice insurance to lapse.
   B. A service business hires illegal immigrants and pays them low wages.
   C. A manufacturer inspects and maintains its equipment on a regular basis.
   D. A retailer sells a particular line of goods below cost.

99. Why is the choice of a risk measure for internal and external risk of great practical importance?
   A. It determines the maximum number of clients that can be served effectively by a financial institution.
   B. It determines the minimum reserve requirements in financial trading.
   C. It identifies the types of risks that the financial institution will encounter.
   D. It designates the audience that will receive the resulting financial reports.

100. The management function of business is usually responsible for
   A. preparing ads.       C. setting policy.
   B. serving customers.  D. stocking shelves.
1. D
Increase operating costs. Environmental laws are intended to conserve and protect the natural environment. Many of these laws have an impact on the way businesses operate by requiring them to decrease pollution or control waste. As a result, businesses often need to spend money to comply with the rules and regulations, which leads to an increase in operating costs. For example, a business might need to purchase pollution-control devices. Environmental laws do not require businesses to hire more employees or develop exterior landscapes. The laws do not limit equipment purchases. In fact, businesses may need to buy more equipment to comply with the laws.

SOURCE: BL:073

2. C
Corporation. Stockholders in corporations have limited liability; that is, their losses are limited to the amount of money that they have invested in the business. Partnerships and sole proprietorships have unlimited liability, meaning that the business owners are personally liable for debts incurred by the business. Joint proprietorship is not a form of business ownership.

SOURCE: BL:003
SOURCE: BL LAP 1—Own It Your Way (Types of Business Ownership)

3. A
Provide information to investors so they can make informed decisions. Full-disclosure laws and regulations require companies to disclose—publicize—any information that could affect the value of the firms' stocks. Investors need this information so they can make informed buy, hold, or sell decisions about investments. Full-disclosure laws also prevent company employees and other insiders from using privileged information for their personal gain. Full-disclosure laws do not require companies to disclose every bit of information about their operations—some undisclosed trade secrets are permitted. Full-disclosure laws and regulations are not designed to impact par values of stock.

SOURCE: BL:133

4. D
The corporation's board of directors. The board of directors consists of individuals who are appointed or elected to make decisions on behalf of the company's owners—the shareholders. Professional organizations, the company's line staff, and the municipal court systems do not make decisions for a corporation on behalf of the shareholders.

SOURCE: BL:133

5. A
Property passing directly to the surviving spouse. An estate tax is a tax on the fair-market value of assets that are transferred to another person upon the owner's death. In some situations, beneficiaries can obtain estate-tax deductions. The marital deduction is a deduction that applies when the deceased individual's property passes directly to the surviving spouse. Estate-tax deductions apply to some qualified charitable contributions. Valuable art, collectibles, and money that are left to children, relatives, and friends are not tax deductible under estate-tax code.

SOURCE: BL:134
6. D
Tax deduction. The government does not require individuals and businesses to pay tax on income under certain circumstances, such as charitable contributions. Estate allocation involves dividing or designating a person's assets among his/her beneficiaries. Tax-deferred investments are financial products that are taxed at the time of disbursement.
SOURCE: BL:134

7. C
Data cleansing. Data-cleansing applications help to identify and remove duplicate records, expired data, and incomplete data fields. Data-cleansing helps the business maintain a database of useful, relevant, and accurate data, which facilitates sound business decision making. Businesses use electronic data interchange computer systems to transmit sales and ordering information to suppliers. Tabulation involves the summarizing or tallying the responses obtained from research. Environmental scanning involves collecting information about the environment surrounding the business.
SOURCE: CR:024

8. D
Fines, penalties, and bankruptcy. When a business does not follow or comply with government regulations, it may experience negative consequences. The government might issue penalties or high fines for noncompliance. Noncompliance may result in a poor public image that lowers the business's credibility with the public. Customers may stop buying from the business and start buying products from the business's competitors, resulting in lower sales. Lower sales negatively affect the business's financial health and may cause the business to file for bankruptcy. If the business is a corporation, noncompliance issues may negatively affect its stock values.
SOURCE: CC:003

9. D
Comparative reasoning. A virtual auditor, which is a type of compliance technology, uses multiple reasoning processes to continuously review financial transactions and processes to identify errors and/or compliance violations. Comparative reasoning is used to identify financial system transactions that are very similar to each other but not exactly alike. For example, after identifying two close matches, comparative reasoning is used to determine if one transaction was entered multiple times or if the two entries in the system are for two separate transactions. Contextual reasoning is used to consider each financial transaction's circumstances and how it compares to historical patterns in the system. Temporal reasoning involves considering the timing of a financial transaction. Cross-source reasoning is used to compare financial transactions and processes in multiple financial systems.
SOURCE: CC:004
10. A
Virtual auditors. A virtual auditor is a type of compliance technology that uses multiple reasoning processes to help businesses identify errors that affect their compliance with government regulations. Using this technology provides a business with the ability to fix problems quickly and reduce risks associated with noncompliance. Businesses do not use cyber mapping, domain computing, or simulation browsers to inspect financial transactions and to ensure that they are in compliance with government regulations.

SOURCE: CC:004

11. A
Suggestions. Upward communication involves sending a message to someone at a higher level in the business. Many businesses encourage upward communication by making it possible for employees to send suggestions and comments to management. Employees who have suggestions on how to improve quality or make positive changes are given an opportunity to transmit that information upward to managers. Instructions, evaluations, and corrections are usually transmitted from a higher level down to employees at a lower level.

SOURCE: CO:014

12. B
Creating targeted marketing campaigns. Businesses use technology to build positive customer relations by identifying valuable customers and creating targeted marketing campaigns to reach them. Calling customers at home, placing pop-up ads online, and sending “junk” e-mails will create negative customer relations instead of positive ones.

SOURCE: CR:003
SOURCE: CR LAP 1—Accentuate the Positive (Nature of Customer Relations)

13. B
Promote goodwill. Goodwill is a positive feeling a person has toward a business. Properly settling complaints will promote goodwill, which may increase sales for the business. Increased returns and increased markdowns are negative outcomes of handling complaints improperly. Handling complaints properly does not affect objections—customers' reasons for not buying.

SOURCE: CR:010

14. C
Be honest, open, and trustworthy. While it is important for finance professionals to help their clients manage their finances and grow their wealth, it is also important that they earn their clients' trust. Finance professionals earn their clients' trust by behaving ethically and being honest and open. By doing so, finance professionals are more likely to build long-term relationships with their clients. Finance professionals must help clients set financial goals with which the clients are comfortable—some clients can or want to make risky investments, while others take a more conservative approach. Earning trust and helping clients meet their financial goals also involve ongoing, consistent, and frequent communication with their clients. Requiring clients to sign a short-term contract will not always help finance professionals build long-term relationships with their clients.

SOURCE: CR:012
15. B
Simple explanations. When providing product information to clients, finance professionals should keep
the clients' point-of-view in mind. Clients may not be familiar with finance industry jargon, technical terms,
or acronyms. Therefore, finance professionals should use simple, clear language that clients understand.
While standard responses are sometimes helpful to finance professionals, it is usually better to keep
individual clients in mind when providing product information since different clients are likely to have
different knowledge bases.
SOURCE: CR:012
American Bankers Association.

16. C
Clustering. Clustering involves dividing customers in a database into groups based on their similarities
and differences. Estimation is used to determine a value for an unknown variable such as a sales
forecast. Regression involves using existing values to forecast what continual values will be. Prediction
uses historical data to build a model to forecast future customer behavior.
SOURCE: CR:024

17. C
In compliance. There are various government regulations pertaining to the finance industry that financial
institutions are required to follow. When financial institutions follow the regulations, they are in
compliance with the laws and regulations. Many of these laws affect how financial information is reported,
and how the privacy of personal financial information is protected. When financial institutions follow
government regulations, they are abiding by the law rather than being ethical. Being ethical is voluntary
whereas being in compliance is required by law. The financial institutions are not in mediation or being
independent.
SOURCE: CC:003
Complying with the safeguards rule. Retrieved November 14, 2011, from
http://business.ftc.gov/documents/bus54-financial-institutions-and-customer-information-
complying-safeguards-rule

18. D
Economic votes. Consumers vote for products and prices by purchasing and against products and prices
by not purchasing. Their purchases are made from their discretionary income, the part of their gross
income that they can decide to spend or save. Capital investment is the funds used to start and to
maintain a business. Wants are wishes or longing for things that are lacking, and they are unlimited.
SOURCE: EC:002
SOURCE: EC LAP 10—Get the Goods on Goods and Services (Goods and Services)

19. A
Preferences. Though a consumer's income and background may affect his/her purchase decisions, the
consumer's preferences are what utility reveals. Utility does not show what influences a consumer—or
what a consumer influences.
SOURCE: EC:004
SOURCE: EC LAP 13—Use It (Economic Utility)

20. B
At any particular moment. The market price is the actual price that prevails in a market at any particular
moment and may change whenever the seller desires to change it. The market price could change as
frequently or infrequently as necessary and is not based on the price prevailing on a specific day or time
of the year.
SOURCE: EC:006
SOURCE: EC LAP 12—When More Is Less (Functions of Price)
21. C
Communities. Social responsibility is the duty of business to contribute to the well-being of society. Many of the decisions that business owners make affect not only the business but the community in which the business exists. One way that businesses demonstrate social responsibility to their communities is by contributing money to local educational, cultural, and training programs. Businesses use other methods to demonstrate social responsibility toward their employees, customers, and stockholders.
SOURCE: EC:070
SOURCE: EC LAP 20—Business Connections (Business and Society)

22. C
One business activity changes, so the others must adjust in response. Since the primary business activities are interrelated, when one business activity changes, the others must adjust in response. Changes in the products introduced, changes in specific employee roles, and changes in business strategies/tactics do not represent the interrelationship of business activities overall. They represent smaller changes that take place within specific business activities.
SOURCE: EC:071
SOURCE: EC LAP 19—Strictly Business (Business Activities)

23. C
Increases at a rate faster than population. A higher standard of living is the direct result of higher productivity. A decrease in productivity will lead to a lower standard of living. An increase in population, when combined with a similar increase in productivity, could actually lead to a lower standard of living. Similarly, when productivity remains the same while population increases, a lower standard of living will probably result.
SOURCE: EC:013
SOURCE: EC LAP 18—Make the Most of It (Productivity)

24. A
Self-confidence. Physical health can affect your self-confidence. Most personal traits are interdependent, and changes in one may affect another. Physical health can affect an individual's self-confidence, self-esteem, attitude, creativity, assertiveness, etc. Gender refers to whether an individual is male or female, a factor that is not affected by physical health. Ethnic heritage is the cultural background handed down to individuals by the ethnic group, or culture, into which they were born.
SOURCE: EI:018
SOURCE: EI LAP 9—You've Got Personality (Personality Traits in Business)

25. B
Privacy. Many types of information are private or confidential. As a result, ethics is a consideration when providing information because it would be unethical to pass on private or confidential information about an individual without that person's knowledge or consent. This also applies to providing information about a company or organization that might be private or confidential. Respect, safety, and diversity are not ethical considerations when providing information.
SOURCE: EI:038
26. D
To maintain productivity. Stress is a mental, physical, or emotional feeling of pressure or tension. Excessive stress can have a negative effect on employees, such as reducing productivity. When employees feel stress, they may not work efficiently. Also, stress may cause employees to miss work because of stress-related illnesses. To maintain productivity, many businesses develop activities and programs that help employees reduce stress. For example, some businesses provide recreational activities such as exercise programs during the work day. Some businesses provide quiet areas for employees to relax or listen to music. The intention is to reduce stress so employees will remain healthy and productive. Businesses do not develop programs and activities to help reduce employee stress to encourage creativity, eliminate conflict, or exhibit empathy.

SOURCE: EI:028

27. B
Installment. Customers must usually pay a finance charge, or interest, for the privilege of using this kind of credit. Revolving credit plans do not require down payments. Regular, or open, 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)

28. C
One percent. The amount of interest you earn in a typical savings account is about one percent. Making 10, 11, or 15 percent would only be possible through investing.

SOURCE: FI:270
SOURCE: QS LAP 30—Supersize Your Money

29. C
17. If you are 17 now, the best age to begin investing is 17! The sooner you begin to take advantage of the compounding growth of the stock market, the better. Compounding is your best friend, because right now, time is on your side. As a teenager, you have more years ahead of you to invest than your grandparents, your parents, and even your older siblings. Waiting until you’re 25, 27, or 32 could cost you hundreds of thousands of dollars.

SOURCE: FI:270
SOURCE: QS LAP 30—Supersize Your Money

30. C
Issuing notes, bonds, and other obligations. Finance companies, also known as credit companies, are a type of financial institution. Finance companies raise capital by issuing notes, bonds, and other obligations. They use this capital to provide loans to businesses and consumers. Insurance companies raise capital by investing funds from premiums and offering loans to clients. Deposit-taking institutions accept funds from savers and use those funds to offer loans to borrowers. Investment institutions, not finance companies, establish mutual funds and investment banks.

SOURCE: FI:336
31. A
Debt instruments. Debt instruments are assets that generate income, usually by charging interest, for the asset provider. For example, a mortgage is a financial product (asset) provided by a financial institution (asset provider or lender) to a home or business owner. The borrower pays back the mortgage or loan with interest. Charging and collecting interest is the way that the financial institution makes money by providing the loan. Government bonds are debt instruments because the organizations or individuals who purchase the bonds (asset providers) earn interest (income) on the bond from the bond issuer (government). An equity instrument involves acquiring ownership of an asset, such as stock. Mortgages and government bonds are not examples of unrated investments or interest-free services.
SOURCE: FI:337

32. B
Government bonds, corporate stock. Investors buy debt securities, such as government bonds and certificates of deposit, through debt markets. The issuers of debt securities pay investors at a certain time (maturity date) and at a specific interest rate. All levels of government sell debt securities to fund various projects and initiatives. Equity markets trade financial instruments such as corporate stock through exchanges or over-the-counter markets. The stock does not have a maturity date, and can be bought or sold at anytime for a gain or loss. Grain and gold are sold through commodities markets.
SOURCE: FI:337

33. C
To lower costs. Consolidation is the merging of financial providers within the same institutional category. For example, consolidation occurs when two banks merge to form one bank. By consolidating, the financial firms can achieve economies of scale, which result in reduced redundancy and lower costs. Consolidation can increase the assets (liquid capital) for all of the financial firms involved. Consolidation can also provide consumers with a wider range of financial products. Consolidation may or may not lower business risk.
SOURCE: FI:573

34. B
Convergence. Convergence occurs when financial providers from different financial sectors (e.g., banking services and insurance) merge. Consolidation takes place when financial providers within the same institutional category merge. For example, if two banks were to merge, they would be consolidating their companies. Tactical planning is short-range planning (one year) of specific actions the business will take. Two businesses should look much further ahead than just one year before making the decision to merge. Licensing is a business structure that requires the authorization or permission from an owner of another entity to use trademarked, copyrighted, or patented material for a specific activity, during a specific time period, for the profit of both parties. Businesses that enter into licensing agreements do not merge.
SOURCE: FI:573
35. A
Stock prices to increase. Falling interest rates typically cause stock prices to increase. When interest rates fall, it becomes less expensive for companies to acquire funds needed to finance projects and operations. Because their borrowing costs decrease, the companies’ earnings often increase. As a result of higher earnings, the companies’ stock prices increase as well. Falling interest rates usually cause a positive change in stock prices, not a decrease in stock prices. A stock market crash is a sudden, dramatic decline in stock prices.
SOURCE: FI:574

36. C
Quickly withdraw their money from the emerging market. When an emerging market suffers an economic decline, market prices are likely to decline as well. Rather than investing more in the emerging market at the lowered prices and helping the emerging market to recover, foreign investors are typically self-interested. Therefore, they are likely to withdraw their money from the emerging market and invest the funds in more stable markets elsewhere in the world. The loss of foreign investors’ funds often wreaks even more havoc on the emerging market. An economic decline is not likely to reduce transaction costs in the emerging market.
SOURCE: FI:575

37. B
The reduction of government regulations. Liberalization and deregulation have enabled capital to flow more freely across national borders. Reducing the limits (e.g., quotas, tariffs) on foreigners’ access to domestic markets encourages international investment and trade. Globalization has encouraged the movement toward floating exchange rates. Protectionism refers to government policies that are designed to protect domestic industries and businesses against foreign competition.
SOURCE: FI:575

38. A
Checking. April’s paycheck is going to be directly deposited into her account. Two options that April will have for accessing that money will be either to go to the bank to withdraw needed money or to leave the money in the bank and draw upon the money by writing checks. Since it is difficult for April to get to the bank, opening a checking account is a good idea. To withdraw cash from a savings account, April would have to go to the bank, which is difficult. April does not have enough cash to open a money market account. Her bi-weekly paycheck could not be directly deposited into a certificate of deposit.
SOURCE: FI:076

39. C
Shareholder sheet. There is no such thing as a shareholder sheet. The balance sheet, income statement, and cash flow statement are three standard financial statements that are found in annual reports.
SOURCE: FI:274
SOURCE: QS LAP 36—The Source Is With You

40. A
Profitability. The income statement shows a company's profitability over a period of time. Reliability, equity, and liabilities are not part of the income statement.
SOURCE: FI:274
SOURCE: QS LAP 36—The Source Is With You
41. C
The range of prices for the year. The numbers in a stock table's 52-week high and low column tell you the range of the prices for the year. But, the numbers simply give the range for the year. Alone they do not tell an investor if the stock is overvalued, what the best price for the stock is, or where the range should be.
SOURCE: FI:275
SOURCE: QS LAP 37—Table Talk

42. A
They uniquely identify a company. Ticker symbols are simply a type of shorthand for company names that uniquely identify them, but they do not tell investors anything else about the company, such as what kind of stock the symbol represents. Sometimes the ticker symbols correspond to a company name, but not always. And as such, they would typically not be made up of a company's first three letters. All stock markets use ticker symbols, not just the New York Stock Exchange.
SOURCE: FI:275
SOURCE: QS LAP 37—Table Talk

43. D
Bonds. A lending investment is one in which a lender allows a borrower to use his/her money during a period of time for a specified fee or rate of interest. A bond is a type of lending investment in which individuals lend money to a government, municipality, or corporation to earn a set rate of interest for a specified time period. Homes, antiques, and stocks are ownership investments.
SOURCE: FI:077

44. A
Renter's insurance and temporary short-term health insurance. Although Bennett has not started her new job, she should obtain renter's insurance to protect her belongings in the apartment. Since she hasn't started her job yet, she should get temporary health insurance that would provide coverage from 1-12 months. Health insurance will probably be provided by Bennett's employer once she starts working. Auto insurance is not needed since she will be using bus transportation. COBRA is short-term group coverage that individuals can obtain when they're between jobs. They're, in effect, continuing their coverage with their previous employer. No information was provided as to whether Bennett had prior employment.
SOURCE: FI:081

45. C
Economic. Economic risks are risks caused by changes in the market that force a lowering of prices, a change of product, or failure of businesses. Business conditions, such as a labor strike, can create economic risks for businesses. Labor strikes affect other businesses since many of their customers will be out of work and unable to buy goods and services. The other businesses affected by a labor strike may experience decreases in sales and profit, or even be forced to close. Human risks are chances of loss caused by human weakness and unpredictability. Natural risks are chances of loss which result from natural phenomena. Internal is not a type of risk.
SOURCE: FI:084
SOURCE: FI LAP 8—Prepare for the Worst; Expect the Best (Nature of Risk Management)
46. B
Accounts receivable. Accounts receivable are the monies owed to a business by its customers. Businesses maintain financial records that include an exact listing of each transaction that occurs in the business. The records include expenses, money received, and any money owed which is referred to as accounts receivable. Businesses need to know how much money will be coming in over a period of time in order to keep track of current financial status. Tax identification, payroll information, and operating procedures are not types of financial records that businesses need to maintain in order to keep track of their transactions.
SOURCE: FI:085
SOURCE: FI LAP 5—Show Me the Money (Nature of Accounting)

47. C
Income minus expenses. The basic calculation used to analyze an income statement is "income minus expenses." All the money a business earns minus all of its expenses gives an exact picture of how well the company is doing financially. If the outcome is positive, the business has a profit. If the outcome is negative, the business has a loss. Revenue, sales, and assets are included in a business's income. Liabilities and operating costs are included in a business's expenses.
SOURCE: FI:094
SOURCE: FI LAP 4—Watch Your Bottom Line (Income Statements)

48. A
Multiple financial data sources and systems within an organization. One of the most common problems faced by financial-information management is multiple financial data sources and systems within an organization. Because of the different, sometimes incompatible data sources and systems, it is often difficult for managers to get a single view of their companies' financials. Therefore, organizational overreliance on a master source and system for financial data is not typically a financial-information management problem. Few companies have a single master source of data nor a single system for recording and reporting the data. Rather than strict organizational data governance policies and processes, most companies suffer from inadequate data governance. Due to increased compliance regulations, most companies have much more financial information than ever before.
SOURCE: FM:002

49. A
Report financial transactions. Financial-information management is the ongoing process of gathering, maintaining, and storing financial data. Businesses use financial data to develop reports that aid the business decision-making process and meet compliance requirements. An important aspect of financial information management is maintaining data about financial transactions such as accounts receivable (e.g., customer sales transactions) and accounts payable (monetary outflows). The business's buyers negotiate contracts with vendors. Buyers may or may not use financial information as leverage during the negotiation process with vendors. The product/service management function of the business focuses on new product development. The selling function of the business implements sales policies.
SOURCE: FM:002

50. A
An unauthorized employee reviews a client's financial information. Businesses have an ethical duty to protect their clients' financial information. Businesses must develop and implement procedures that reduce the risk of theft or unauthorized access to confidential financial information by internal and external sources. Verifying the accuracy of financial statements, requesting financial information to process a loan, and examining financial records to develop a budget are necessary and ethical practices.
SOURCE: FM:003
51. C
Digital microfilm scanner. Businesses must keep a variety of financial information for a certain length of time, often for several years. Many businesses have saved their archived financial information on microfilm. Microfilm is a type of film that stores photographed images and text in a condensed format for easy storage. A digital microfilm scanner can take existing microfilm, which is older technology, and convert it into a digital format. The advantage to switching microfilm records to a digital format is that businesses can easily view the data on computers and share information quickly through the Internet. Direct-response software is a computer program that helps businesses automate their direct-marketing efforts. Electronic data interchange (EDI) is a network of computers that allows businesses to share information. Businesses use web-development programs to develop and maintain web sites.
SOURCE: FM:011

52. C
Passage of laws that recognize electronic documents as legally binding. As businesses have become more comfortable with the use of electronic information, their willingness to accept electronic documents as legally binding contracts has also increased. This has been buoyed by the passage of laws recognizing electronic documents and signatures as legally binding. Electronic information exchange procedures have not been removed. These procedures provide a way for people to exchange information electronically. Security remains an issue for online financial-information management. Although the customers' right to privacy is an issue, it has not contributed to the increased use of online technology in financial-information management.
SOURCE: FM:011

53. C
Identify relationships and patterns among data. Data mining is the process of searching computer databases to look for patterns and relationships among information. Businesses use the information they obtain from data mining to make business decisions, such as determining which customers may qualify for credit. Businesses do not use data mining techniques to develop financial goals, manage their working capital, or analyze the accuracy of their accounting records.
SOURCE: FM:012

54. C
Budgeting tools. A budget is an estimate of income and expense for a specific timeframe. A budget is an important financial tool that helps the business manage its money. Many web sites provide budgeting tools such as software downloads or free printable worksheets. Legal data, statistical information, and organizational charts are not tools that help small-business owners plan and manage their income and expenses.
SOURCE: FM:013
55. D
Increases management's confidence in budgets. The efficient management of budget data benefits businesses in a variety of ways, including error detection and control, decreasing the time needed for completing the accounting cycle, and increasing management's confidence, not only in budgets, but also in financial statements and performance scorecards, etc. Since use of efficient budgeting applications decreases the amount of time required to complete the accounting cycle, financial professionals have time to spend on value-added activities, such as decision-making and presentation of information, rather than having to spend more time on them. An audit trail and increased ability to trace the numbers used in budgets are natural outgrowths of the use of budgeting applications.

SOURCE: FM:013

56. C
Financial outcomes. Computer spreadsheet software has the ability to calculate formulas and organize numerical data. When a business inputs different values or sets of numerical data in a spreadsheet, the spreadsheet software calculates the values or sets of data, which provides different outcomes based on the values or sets of data that were used. By reviewing the various outcomes, the business can determine the best course of action to take under particular circumstances; the “what ifs” of specific situations. Production strategies are the activities used to produce goods and services. Distribution methods are the strategies that a business uses to make sure that products are delivered to the right people at the right place at the right time. Accounting standards are the degrees to which accounting practices (financial recordkeeping) meet certain criteria.

SOURCE: FM:014

57. D
To evaluate the amount of money associated with inventory storage. To maintain profitability, a firm must evaluate its costs in relation to its various business functions, which include purchasing, marketing, human resources, operations, etc. Businesses often analyze the various costs associated with carrying products. For example, a temperature-sensitive product may require special warehousing accommodations, which increases the costs associated with storing the product. Businesses use accounts-receivable applications to determine the number of delinquent accounts. Income reports summarize income changes. Businesses use budgeting applications to estimate sales volume.

SOURCE: FM:014

58. A
Queries. Businesses store their financial information in databases. Businesses can retrieve, manipulate, and analyze different types of financial information. To obtain specific information from a computer system, the business must input the type of data and parameters for the data it wants. This process is setting the queries. The query is the mechanism used to obtain the desired information from the database. Symbols might be used to set the query, but not always. Tabs are tools used to indent words and phrases in a word-processing program. Businesses do not set panels to obtain financial data from databases.

SOURCE: FM:015
59. D
Annual report. Governments require businesses to provide certain types of financial information to regulatory agencies and shareholders. Public corporations, which are owned by shareholders, are required to provide information about their financial standings and performance levels in an annual report. Public corporations do not provide their shareholders with financial information in an informal monthly contract, complex memorandum, or accounting portfolio.
SOURCE: FM:004

60. A
Financial reports. The government requires public corporations to have an independent auditor (i.e., CPA) review its financial reports. The reason for the audit is to ensure that the corporation is providing accurate and trustworthy information to its stockholders and potential investors. Independent auditors do not verify the accuracy of a public corporation's selling policies, diversification efforts, or accounting philosophies.
SOURCE: FM:004

61. D
Cash-flow statement. A cash-flow statement is a financial report that contains estimates as to when, where, and how much money will flow into and out of a business in a given timeframe. Lending institutions want to look at loan applicants' cash-flow statements to determine if they have enough money to operate. If an applicant seems to have problems paying bills due to continuous cash shortages, a lending institution may believe it is too risky to process the loan because the applicant may not be able to pay back the loan. A corporation charter is a permit granted by the government to a business that allows the business to operate as a corporation. A petty-cash summary documents a business's small cash transactions. A payment voucher is a receipt.
SOURCE: FM:005

62. B
Management. Businesses often prepare financial reports that are intended for internal use, or use by the management of the business. These reports are used to make day-to-day operating decisions. The management accounting system reports financial information that helps businesses to decide if they have funds to hire more employees and increase production, or if they need to reduce costs and improve the rate of collections. The financial accounting system is used to report a business's financial position to external users. Computerized and manual are ways of recording the accounting information.
SOURCE: FM:006

63. D
Timing. The cash accounting system involves recording transactions when the business receives or spends money. Businesses that use the accrual accounting system record their transactions at the time they occur—regardless of when money is exchanged. Scope, frequency, and complexity are not primary differences between the cost and accrual accounting systems.
SOURCE: FM:006
64. C
Data in financial reports from multiple time periods. Trends indicate the direction that something is headed. They depict patterns. Horizontal analysis requires the comparison of data over a period of time. You cannot look at a single financial report and spot trends for a horizontal analysis.

SOURCE: FM:008

65. C
Develop a financial strategy to help the customer. Whether the finance professional works internally or externally, or works with individuals or businesses, s/he should be able to analyze the customer's financial information to recommend an appropriate financial strategy for the “customer.” Business management would declare a company in bankruptcy based on information provided by the finance professional. Just having a customer's financial information requires finance professionals to protect its privacy—analysis is not required. The customer's marketing department would determine its newest target market, while the finance professional will measure the target market's profitability.

SOURCE: FM:009

66. A
Debt ratio. To reduce the risk of nonpayment or default on a loan, a bank reviews the loan applicant's debt ratio before approving the loan. The debt ratio indicates the applicant's current level of debt in relation to his/her current assets (e.g., income, home). If the applicant has a high level of outstanding debt and few liquid assets, the applicant is more likely to default on the loan. In this situation, the applicant would most likely be denied the loan. The bank may consider the economy's inflation rate in relation to the applicant's debt ratio when evaluating the loan application. The bank is not likely to consider the applicant's brand preferences or performance goals.

SOURCE: FM:009

67. B
After reviewing sales forecasts and income statements, Angela determines that the company has enough money to hire a new employee. A business analyzes financial data for many reasons. One reason is to make decisions that affect the welfare of the business. For example, if a businessperson decides that s/he can afford to hire a new employee after reviewing sales forecasts and income statements, the businessperson has made a decision based on his/her findings in the financial reports. Asking an accountant to prepare a profit-and-loss statement, obtaining a credit rating report, and obtaining documents to prepare a tax return are not actions that involve decision making.

SOURCE: FM:010

68. B
Hire an additional salesperson. Businesses analyze financial information for many reasons, one of which is to guide their decision making. If the financial reports indicate that the business is acquiring more customers and earning more profits, the business may want to hire an additional salesperson to maintain the business's standard of service. A business is more likely to obtain a loan or liquidate assets when its sales and revenue decrease. Businesses should continuously monitor industry trends to remain competitive in the marketplace—regardless of their financial situations.

SOURCE: FM:010
69. A
Providing specialized training. Employees often are hired to perform specific jobs that are unique to individual companies. Therefore, providing specialized training is often part of orienting new employees. Although the new employees have the qualifications to do the job, the business may want the job done in a specific way that requires training. Businesses review previous education and develop a compensation package before hiring new employees. Periodic reviews are scheduled after employees have been on the job for a certain length of time.

SOURCE: HR:360

70. C
Live our daily lives. Overall, marketing allows us to live our daily lives since marketing is involved in almost everything we do. Limiting our spending and not buying online anymore are negative responses that may or may not have anything to do with marketing. Feeling better about shopping could be a positive side effect of marketing.

SOURCE: MK:001
SOURCE: MK LAP 4—Have It Your Way! (Nature of Marketing)

71. C
Faster connections with suppliers. The Internet gives businesses faster and easier ways to communicate with both customers and suppliers—through e-mail, chat, video conferencing, etc. It does not necessarily provide improved methods of manufacturing. Use of satellite radio is the result of satellite technology, not the Internet. The ability to call employees on the road is the result of cell phone technology.

SOURCE: NF:003
SOURCE: NF LAP 4—TECH-tastic (Technology's Impact on Business)

72. C
Each other. An intranet is an internal network of computers within an organization that allows employees to access and share information. Intranet systems benefit businesses because employees can view, transmit, and share information across departments, divisions, or branches. For example, an intranet may allow sales staff, purchasing staff, and warehouse staff to view the inventory status of the business's products simultaneously. This is important because each department works with the business's products in different ways. The intranet system allows each department to monitor the business's inventory levels to perform the work. The intranet provides employees access to the same information at any given time, and helps the business run efficiently. Intranet systems often contain confidential information and are not shared with competitors, customers, and former employees.

SOURCE: NF:083

73. C
Multitasking. The computer's operating system consists of the components needed to run all of the computer applications and programs. When the operating system allows the user to open and use more than one software program at a time, it has multitasking abilities. An operating system that allows more than one user to access a particular program at one time has multi-user capabilities. An operating system that allows several central processing units (computers) to access a single program has multiprocessing capabilities. Multithreading capabilities allow different components of one computer program to run at the same time.

SOURCE: NF:085
74. B
Store information off site. By putting copies of records in a building far away from her company, Melanie is storing information off site—a part of disaster planning. Melanie has likely established a system already, since she has records to preserve. She may or may not choose to computerize her valuable business information. The records stored off site may or may not be used in a lawsuit in the future. Off-site storage is typically used to avoid hazards, such as fires and floods.
SOURCE: NF:001
SOURCE: NF LAP 1—Record It (Business Records)

75. B
Invoice. An invoice is the formal, printed record of a sale that includes all necessary information of a sales transaction. The information includes the buyer, the seller, items purchased, amounts, prices, delivery date, credit, discount terms, etc. Businesses can review their invoices to determine their customers' buying habits because the invoices record the buyers' (customers') names and the items that the customers have purchased. By reviewing invoices, the business can determine which products are popular and which are not selling. A forecast is an estimation of something. A marketing budget is an estimation of the business's marketing income and expenses for a specific timeframe. An annual report is a summary of the business's financial status.
SOURCE: NF:002

76. D
Potential threats. A main reason that environmental scanning is important is so that businesses can be aware of potential threats and opportunities. These are all too easy to miss if a business isn't aware of its surroundings. An environmental scan might include information on new products or foreign markets, but these are not the main reasons for conducting it. Most information about a competitor's internal environment would not be available to a competing business.
SOURCE: NF:015
SOURCE: NF LAP 2—Get the 411 (Environmental Scanning)

77. B
Use of technology. Operations are the day-to-day activities required for continued business functioning. Advances in technology make it possible for businesses to use computers to control various aspects of the operations function. For example, specialized computer programs can design the layout of the production facility, while other programs can monitor inventory levels and automatically place orders. This technology reduces the number of employees needed to perform these tasks, which controls costs. Other computer programs organize and schedule production activities, which decrease costs and increase productivity. Hiring employees may increase costs and will not necessarily increase productivity. The type of management and the supply of money do not help the operations function to control costs and increase productivity.
SOURCE: OP:191

78. A
Lost income. Workplace accidents are costly to both employees and employers. Some of the ways that accidents are costly to employees include missing work and losing income. Lost production, lost sales, and lost profits are some of the ways that accidents are costly to employers.
SOURCE: OP:009
79. D
Project manager. The person responsible for planning a project is usually the same person who is responsible for carrying it out: the project manager. Under the project manager, project assistants, coordinators, and schedulers may work on parts of the planning or information related to the planning. But they are not responsible for planning the entire project.
SOURCE: OP:001
SOURCE: QS LAP 28—From Here to Done

80. C
Yes, the services provided by these businesses are their products. Businesses are engaged in production, whether they produce goods or services. Even though services are intangible items that cannot be detected through the senses, services are products that can be sold to customers. Businesses that provide services must have a system for producing those services.
SOURCE: OP:017
SOURCE: OP LAP 4—Can You Make It? (Nature of Production)

81. D
Following an annual self-assessment and improvement process. Continuous improvement involves always moving forward to make improvements. An annual process guides an organization to steadily improve. While minimizing defects is important to quality, setting a minimum level does not mean continuous improvement, especially when that minimum is met. Likewise, selecting the best supplier is not a continuous process. Giving managers responsibility does not necessarily mean they will work to continually improve.
SOURCE: OP:163

82. B
Customers are more likely to be satisfied. The business will operate with fewer inconveniences and problems that will hurt good customer service. Maintenance costs are part of operating expenses and are not added to profits. Emergency repairs will be needed less often. Fixed costs, which are not affected by changes in sales volume, are likely to decrease as fewer repairs or replacements will be needed.
SOURCE: OP:032

83. D
Tailored clothing. Extremes in clothing and in appearance have grown in recent years—everything from wild and clashing colors, loose and baggy clothing, to multiple body piercings and visible tattoos. Such extremes generally send negative messages that are harmful to your personal appearance and success in the workplace. Tailored clothing is not likely to be harmful to you or your image in the workplace, although less expensive, nontailored clothing is also appropriate.
SOURCE: PD:002
SOURCE: PD LAP 5—Brand ME! (Personal Appearance)

84. D
Time management. Time management is the process of controlling events in order to accomplish priorities. Effective time management helps employees become more productive no matter what their level of natural ability. Productivity is the amount of output from a set amount of resources. Accountability is the process of answering to a superior for the quality of work performed.
SOURCE: PD:019
SOURCE: OP LAP 1—About Time (Time Management in Business)
85. C
Get along well with others. Understanding yourself helps you to understand others, which usually helps you get along well with them. When you understand why people think or act in a certain way, you can react in an appropriate fashion. Getting what you want from others or doing what they want you to do would be negative outcomes of self-understanding. Self-understanding can help you to become a mature individual, but it doesn't mean you can help others to do the same thing.

86. B
Corporate/general management. Employees who have supervisory responsibility for part or all of the business work in corporate/general management. Careers in corporate/general management focus on planning, organizing, directing, and evaluating part or all of a business organization through the allocation and use of financial, human, and material resources. These employees do not work in business information technology, securities and investments, or merchandising. Business information technology employees help to align business and IT goals. The securities and investments industry consists of brokerage firms, investment banks, and stock exchanges, all of which support the flow of funds from investors to companies and institutions. Merchandising careers involve marketing activities that are focused on efficient and effective product planning, selection, and buying for resale.
SOURCE: PD:025
SOURCE: PD LAP 15—Go For It! (Careers in Business)

87. C
To show your continued interest. After every employment interview, you should send the interviewer a follow-up letter. The purpose of this letter is to thank interviewers for their time and to show that you are truly interested in obtaining the job. The follow-up letter serves as a reminder to interviewers and helps to keep your name in front of them. Your qualifications should be explained during the interview but may be highlighted in a follow-up letter. Applicants usually submit personal information with their résumé before an interview. The primary purpose of an interview follow-up letter is not to ask additional questions.
SOURCE: PD:029

88. B
Someone who works in financial services is limited to working at an investment firm, a bank, or an insurance company. The financial-services industry includes a wide range of career possibilities across many kinds of companies, not simply investment firms, banks, and insurance companies. People who work in financial services can expect to earn higher-than-average salaries. They include real estate brokers, fund managers, and auditors.
SOURCE: PD:152
SOURCE: QS LAP 51—Careers in the Money

89. C
Certified Financial Planner (CFP). Many jurisdictions require finance professionals to obtain certification or licensure to perform their jobs. Because Elise performs duties that involve financial planning, she is most likely to have certification as a Certified Financial Planner (CFP), which is a well-known certification program in the financial industry. Tax specialists obtain a CTS certification. Loan officers obtain a CLO certification. Businesspeople who work as technical investment analysts obtain a CMT certification.
SOURCE: PD:082
90. **C**

Chartered Financial Analyst (CFA). This professional designation is sought by financial analysts and is sponsored by the CFA Institute. Every candidate for the certification is required to complete three levels of study and exams. Certified Stock Broker is a fictitious designation. Certified Financial Planner and Chartered Financial Consultant are designations sought by financial planners and financial consultants.

**SOURCE:** PD:082

**SOURCE:** QS LAP 51—Careers in the Money

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91. **D**

Social networking. Networking involves connecting with others who might help them accomplish their personal career and professional goals. By networking with others working in the same profession, finance professionals often learn about employment and continuing education opportunities as well as gain leads for prospective clients. Professional networking can occur under a variety of circumstances, while at work, during a professional association meeting, or in a social situation, such as the cookout that Tony attended. Tony and Melissa did not meet at a formal event, in an educational setting, or in a corporate environment.

**SOURCE:** PD:153


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92. **C**

An insurance agent gives his business card to several small-business owners at a chamber-of-commerce meeting. Networking is connecting with people who might help you accomplish your personal career and professional goals. Finance professionals often learn about employment opportunities and obtain client referrals through networking activities. Professional networking can take place under a variety of circumstances, such as attending a chamber-of-commerce meeting. A bank teller processing a customer’s transaction; a financial planner calling a client; and a manager asking for input for a meeting agenda are job tasks rather than networking activities.

**SOURCE:** PD:153


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93. **C**

Encouraging employees to report workplace misconduct. When employees exhibit unethical behavior, it places employers at risk. Risk might include financial losses related to theft, embezzlement, government fines, and lawsuits. To lower risk, businesses should implement procedures that encourage employees to report workplace misconduct. By providing a way to report misconduct to management, the business can take corrective action to prevent further unethical behavior. Businesses develop policies to maintain a fair environment. If employees can change policies at anytime, the risk of unethical activity increases. Some records, such as personnel files and customer financial data, are confidential, and should not be available for all employees to view. Using company resources (e.g., expensive equipment) can increase risk because untrained employees may break or misuse the equipment.

**SOURCE:** RM:041

94. B
The best form of risk management is adherence to business ethics. Every breach of business ethics represents a potential risk for businesses. The best thing businesses can do to overcome most risks is to do the right thing—practice business ethics. Risk management includes the ethical treatment of customers as well as a variety of other factors. Insurance is one way to overcome business risks; however, risk management is much more than insurance.

SOURCE: RM:041

95. B
Conducting backup procedures. Backup procedures involve duplicating computer entries, records, and transactions on a regular basis and storing the duplicate files in a different location. By having backup files, the business can retrieve information that might be lost due to a computer crash, a power outage, or fire. Encryption is the process of transforming information into a secret code so that only the recipient can read it. An authorization process is a way to limit the access to certain information. Using encryption techniques, implementing an authorization process, and monitoring data-transmission rates are not ways in which a business can protect its computer data from loss due to fire or power outages.

SOURCE: RM:042

96. B
Controlling their risks. 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 be sued or fined, which could result in substantial financial losses. A failure to comply with laws may also affect the business's credibility with its customers. If customers feel that the business behaves in a legally negligent manner, they may believe that the business is untrustworthy and may decide not to buy from the business. A business that effectively controls its risks is more likely to reduce its liabilities than increase them. A contract is a legal agreement between two or more businesses stating that one party is to do something in return for something provided by the other party.

SOURCE: RM:043

97. A
The insurance policy holders are also the company's stockholders. A risk retention group is a type of insurance company that is owned by its members-its stockholders. As the owner of the insurance company, a risk retention group retains and controls its liability rather than transferring its risks to another entity. Risk retention groups are typically formed by similar businesses and industries and pay lower licensing fees than traditional insurance companies.

SOURCE: RM:043
98. C
A manufacturer inspects and maintains its equipment on a regular basis. Risk is the possibility of loss. Some business equipment is dangerous to operate, and can cause serious injury to workers if it is not periodically checked to ensure that it is working properly. If a worker is injured by faulty equipment, the business may experience financial losses, particularly if an injured worker files a lawsuit. Because risk affects a business's financial well-being, the business must take steps to minimize risk. One way for a business to control internal risk is by inspecting and maintaining its production equipment. Hiring illegal immigrants, allowing malpractice insurance to lapse, and selling a particular line of goods below cost are activities that increase a business's financial risk.
SOURCE: RM:058

99. B
It determines the minimum reserve requirements in financial trading. Different measures can result in a lower or higher minimum reserve requirement which results in a lower or higher profit for the financial institution. Although it does not designate the audience that will receive the resulting financial reports, some financial measures should be used for internal purposes while other measures are more appropriate for external audiences. The number of clients to serve and the types of risks to be encountered are not aspects of selecting a risk measure.
SOURCE: RM:058

100. C
Setting policy. Most businesses have established policies and set standards by which the business is governed. Setting policy is a function of management, which is the process of planning, organizing, directing, and controlling activities in order to achieve goals or objectives. Serving customers, stocking shelves, and preparing ads are different kinds of work carried out by a company's employees under the direction of management.
SOURCE: SM:001
SOURCE: SM LAP 3—Manage This! (Nature of Management)