The entrepreneurship exam is used for the following events:

Entrepreneurship Series ENT

Entrepreneurship Team Decision Making ETDM

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. Which of the following is a type of intangible business property that is protected by law:
   A. Acreage
   B. Inventory
   C. Trademark
   D. Equipment

2. Basic torts relating to businesses often involve disputes concerning
   A. emotional stress.
   B. assaults.
   C. defamation.
   D. contracts.

3. Which of the following is a characteristic of a business-format franchise:
   A. The name of the business is chosen by the franchisee.
   B. Products are bought directly from the supplier.
   C. It is the least popular franchise arrangement.
   D. Continuous assistance is provided by the franchisor.

4. Limited liability, indefinite length of life, ease of expansion, legal entity, and transfer of ownership are considered advantages of a
   A. sole proprietorship.
   B. partnership.
   C. trade union.
   D. corporation.

5. Channels of distribution benefit consumers by
   A. increasing profits for businesses.
   B. lowering the prices of all consumer products.
   C. raising the quality of all consumer products.
   D. making a variety of products available to them.

6. For which of the following markets would producers use a short channel of distribution:
   A. Local consumers
   B. Generation X
   C. Baby boomers
   D. Senior citizens

7. If a business considers where the consumers are and who they are before selecting a channel of distribution, the business is considering the __________ factor.
   A. human
   B. promotion
   C. market
   D. sales

8. What do business employees often need to do before they are able to write proposals?
   A. Research the problem
   B. Analyze personal biases
   C. Contact the customer
   D. Evaluate technical skills

9. Which of the following is an example of a manager developing a policy that impacts customer relations:
   A. Increasing use of security devices
   B. Extending business hours on weekends
   C. Revising bookkeeping procedures
   D. Scheduling employees' work hours
10. What should a successful brand promise be able to do?
   A. Customize the product for each customer
   B. Clarify the company's processes
   C. Communicate an appealing benefit
   D. Convey a high-quality image

11. Which of the following is one way that freedom in a private enterprise system is limited by laws:
   A. Certain occupations must be licensed.
   B. All workers must take ability tests.
   C. Specific pay scales are regulated.
   D. Employees must register with the state.

12. During the month of July, sales at Handy's Shoe Mart totaled $2,500. The cost of the shoes was $1,025. The owner paid $866 for supplies, insurance, rent, and utilities during the month. The $609 left over represents the owner's
   A. net profit.
   B. gross profit.
   C. sales income.
   D. operating expenses.

13. Non-corporations are taxed as pass-through entities, meaning that
   A. profits and losses are claimed on owners' personal tax returns.
   B. they do not have to pay payroll taxes.
   C. their income tax rates are lower than those of corporations.
   D. they pay only state and local taxes.

14. Which of the following activities is an example of preparing before attempting to sell an idea:
   A. Explaining solutions to audience needs
   B. Determining the details of your idea
   C. Overcoming objections from the audience
   D. Affirming the audience's decision to "buy"

15. Managers are more likely to be able to persuade employees to follow new procedures if the managers have
   A. organizational skills.
   B. credibility.
   C. enthusiasm.
   D. self-motivation.

16. Ali wants to negotiate with her boss to take on more job responsibilities. Before approaching her boss, Ali needs to determine her boss's position and
   A. abilities.
   B. interests.
   C. standards.
   D. procedures.

17. After writing your personal vision, what must you do to achieve it?
   A. Commit to your vision through hard work and dedication.
   B. Put your vision in a safe space and look at it again in five years.
   C. Get the highest-paying job that you can find out of high school.
   D. Spend all of your free time working on self-improvement.

18. Ryan keeps a list of his goals to remind himself of what he's working toward. Which tip for smart goal setting is Ryan following?
   A. Putting goals in writing
   B. Tying goals to a timetable
   C. Making goals specific
   D. Making goals difficult but possible
19. The future that you desire to create is known as a
   A. mission statement.
   B. goal.
   C. prediction.
   D. vision.

20. The entrepreneurial discovery process that involves finding a way to meet an existing demand by
    inventing new products from available resources is based on
    A. science.
    B. medicine.
    C. psychology.
    D. physics.

21. Dan is in the process of determining the types of computer software and telephone service that will best
    suit his new business and get it up and running. Dan is considering his business's
    A. financial constraints.
    B. technical needs.
    C. competitive advantage.
    D. staffing requirements.

22. Which of the following statements is true about business startup requirements:
    A. New business owners usually need to register for patent protection.
    B. The financial needs to start a new business depend on the nature of the venture.
    C. Purchasing a franchise is usually easy and inexpensive for startup business owners.
    D. Equipment is the least expensive requirement for a startup business.

23. Why is it important for entrepreneurs to talk with industry experts when developing new business
    concepts?
    A. The industry experts usually improve your management skills.
    B. The industry experts typically provide useful information.
    C. The industry experts commonly enhance your confidence.
    D. The industry experts frequently offer financial support.

24. If an entrepreneur obtains a commercial bank loan to finance a new venture, s/he is often required to
    A. provide collateral.
    B. close savings accounts.
    C. relinquish contracts.
    D. charge the prime-interest rate.

25. To determine their human resource needs, new business owners often find it helpful to
    A. list all the tasks involved in operating the business.
    B. ask a technical recruiter for advice.
    C. hire consultants or freelancers.
    D. allocate funds for additional payroll taxes.

26. The type of capital resources that a startup business needs to begin operating usually depends on the
    A. vendors' lead time.
    B. location.
    C. owner's preferences.
    D. industry.

27. Which of the following statements is true about new venture risk-taking:
    A. When an entrepreneur seeks a high profit, the risk is usually higher.
    B. When the entrepreneur seeks to limit risk, the reward tends to increase.
    C. An entrepreneur's financial risk is not closely related to rewards.
    D. The entrepreneur who does not care about profit is a high risk-taker.
28. Small-business owners develop and use operating procedures so that everyday tasks are performed in a(n) ________ way.
   A. innovative
   B. imprecise
   C. diverse
   D. standard

29. To develop repeat business and customer loyalty, a business owner might
   A. update equipment.
   B. increase prices.
   C. ridicule the competition.
   D. offer a new service.

30. By joining a community organization, such as the local chamber of commerce, an entrepreneur can network with others to
   A. evaluate personal skills and abilities.
   B. obtain selling experience.
   C. identify new venture opportunities.
   D. improve goods and services.

31. Determine if the following statement is true or false: When developing an exit strategy for an entrepreneurial venture, the most important consideration is finding a suitable buyer.
   A. False, there are many factors to consider, such as company valuation and personal goals.
   B. True, if the buyer is inexperienced, the business risks monetary losses and long-term failure.
   C. False, the most important factor that an entrepreneur should consider is profitability.
   D. True, the valuation of a business is dependent on the buyer's financial resources.

32. Which of the following is an example of an intangible asset:
   A. Equipment
   B. Inventory
   C. Office building
   D. Accounts receivable

33. Which of the following is a characteristic of a profit-and-loss statement:
   A. Is the same as a balance sheet
   B. Summarizes expenses and revenue from sales
   C. Shows the owner's financial position
   D. Lists assets and liabilities

34. In managerial accounting, the number of hours that a business runs its machinery during the production process is classified as a(n)
   A. production output.
   B. cost driver.
   C. unexpected expense.
   D. inflexible transaction.

35. Businesses often obtain cash to produce and sell goods by borrowing against their
   A. current liabilities.
   B. accounts receivable.
   C. operating expenses.
   D. promissory notes.

36. When determining financing needs, what factor should businesses consider that will help decide whether they can repay the debt?
   A. Liquidity
   B. Depreciation
   C. Equity
   D. Inventory
37. Which of the following is a risk a business might face if it obtains a long-term loan from a financial institution and pays off the loan before it is due:
   A. Being charged a penalty
   B. Losing interest on the account
   C. Paying a processing fee
   D. Receiving a variable rate

38. Why do lending institutions carefully evaluate how well a business meets certain criteria before making a loan?
   A. To improve relations
   B. To provide service
   C. To prevent theft
   D. To reduce risk

39. Which of the following payback periods in a cost/benefit analysis would businesses prefer if all other things were equal:
   A. 2 years
   B. 1 year
   C. 3 years
   D. 4 years

40. An example of an internal change that could affect a business's sales forecast is a change in the
   A. length of a national recession.
   B. number of competitors in the market.
   C. size of the sales force.
   D. levels of consumer spending.

41. Ethan is developing common-size financial statements so that he can compare financial performance across several different companies. Ethan is conducting __________ analysis.
   A. horizontal
   B. vertical
   C. ratio
   D. trend

42. Jana noticed a problem while reviewing her company's monthly income statement. She verified that the total revenue was $4,590 and the total expenses were $1,452. However, the income statement showed a net income total of $1,383. Which of the following reflects the correct net income:
   A. $3,381
   B. $5,973
   C. $3,138
   D. $1,833

43. Why do interviewers usually focus on asking questions that are related to a job applicant's performance?
   A. To understand complaints
   B. To take remedial action
   C. To determine qualifications
   D. To plan future training

44. If employees are fired because their conduct is in serious violation of company policies, they are being terminated for
   A. incompetence.
   B. performance.
   C. resigning.
   D. cause.
45. Why is it often necessary to provide employees with additional training?
   A. To increase socialization
   B. To improve performance
   C. To analyze diversity
   D. To identify sensitivity

46. When a supervisor evaluates an employee's performance, the evaluation should be based on the ________ standards.
   A. organization's
   B. supervisor's
   C. competition's
   D. employee's

47. Which of the following is one way that businesses use marketing information:
   A. To predict change
   B. To analyze data
   C. To develop surveys
   D. To conduct research

48. Which of the following is a characteristic of the data collection step in marketin ________:
   A. The least expensive step in marketing research
   B. The least tedious step in marketing research
   C. The step in which the most mistakes are made
   D. The step that is most interesting to researchers

49. Which of the following is an example of a durable good:
   A. House
   B. Haircut
   C. Gasoline
   D. Hamburger

50. Motives, perception, attitude, lifestyle, personality, and abilities are ________ factors influencing consumer behavior.
   A. political
   B. social
   C. psychological
   D. economic

51. Business goals are accomplished by means of marketing
   A. salespeople.
   B. budgets.
   C. profit.
   D. strategies.

52. Products that appeal to the majority of customers are often sold through ________ marketing efforts.
   A. segmented
   B. mass
   C. demographic
   D. psychographic

53. An important part of a market analysis involves collecting ________ information.
   A. confidential
   B. geographic
   C. employee
   D. property
54. One reason why it is important to accurately forecast sales for a marketing plan is because the forecast is the basis of other
   A. business reports.
   B. pricing strategies.
   C. operational activities.
   D. management techniques.

55. Which of the following is a strategy for linking performance measures to financial outcomes:
   A. Analyzing click-through rates
   B. Developing advertising budgets
   C. Paying for direct-mail pieces
   D. Maintaining sales receipts

56. What type of software do many businesses require be installed on computer systems as a security feature?
   A. Reality
   B. Firewall
   C. Spider
   D. Media

57. The FPD Company keeps copies of its brochures, catalogs, and flyers on file for future reference. This is an example of a company that is maintaining __________ records.
   A. inventory
   B. legal
   C. promotional
   D. asset

58. Which of the following is most likely to be a dynamic element of a business's external environment:
   A. Decrease in personnel
   B. Increase in competition
   C. Renewed emphasis on training
   D. New quality control measures

59. James needs to hire a bookkeeper for his growing business. To determine the new employee's salary, James obtained pay data from five companies in his industry that are similar in size. The research indicated the following: Company A pays $31,205; Company B pays $29,995; Company C pays $34,800; Company D pays $42,500; and Company E pays $36,500. James decided to set his bookkeeper's salary at $35,000. What measure of central tendency did James use to set his new employee's salary?
   A. Mode
   B. Mean
   C. Range
   D. Median

60. Hill Industries uses specific criteria to evaluate vendor performance, including on-time delivery rate, return rate, and number of customer complaints. These metrics are also known as
   A. consensus scales.
   B. performance indicators.
   C. economic indicators.
   D. return on capital.

61. A business converts inputs into outputs through its __________ activities.
   A. accounting
   B. management
   C. marketing
   D. production
62. What is often the role of management in the achievement of quality in a business?
   A. To assign blame
   B. To lead the effort
   C. To judge the staff
   D. To eliminate conflict

63. Which of the following is an example of a fixed operating expense:
   A. Insurance
   B. Sales commissions
   C. Advertising
   D. Travel expenses

64. What information does a business always need to have when it conducts a break-even analysis?
   A. Fixed costs and depreciation rates
   B. Variable costs and fixed costs
   C. Production time and variable costs
   D. Production time and depreciation rates

65. Which of the following should a business consider when negotiating a service or maintenance contract on a piece of equipment:
   A. Does the cost of the contract exceed the cost of possible repairs?
   B. Is training and technical assistance available?
   C. How much profit does the seller make on the contract?
   D. Does the equipment require installation?

66. Which of the following is a situation in which a business could use the budget information to make operating changes:
   A. Total revenues exceed projected costs.
   B. Estimated sales exceed actual sales.
   C. Expected profits are increasing.
   D. Accounts receivable are on target.

67. To effectively manage a supply chain, companies should
   A. introduce frequent changes to the production process.
   B. ignore underperforming suppliers and distributors.
   C. monitor the performance of all supply chain partners.
   D. launch new products through multiple suppliers.

68. An employee is comparing income statements from the past three years to evaluate changes and trends in the business's revenue. What type of business analysis is the employee conducting?
   A. Production
   B. Financial
   C. Information management
   D. Sales

69. Before assigning a new project to her employees, Joanna establishes the steps that her staff needs to take to complete the project. Joanna is utilizing
   A. human resource planning.
   B. business process thinking.
   C. agile project management.
   D. change management.

70. A manufacturing company is required by the local government to dispose of its waste in an environmentally safe way. This is an example of how process design can be affected by __________ factors.
   A. human
   B. regulatory
   C. technological
   D. natural
71. Which of the following situations describes a business process changing due to technological factors:
   A. A manufacturing company purchases a new software program to run its machines.
   B. A small general store offers more discounts to compete with a new shopping mall.
   C. A waste treatment plant changes its disposal method to align with environmental law.
   D. A family-owned restaurant opens a second location in an effort to expand its brand.

72. Which of the following is a true statement regarding the relationship between a business's supply chain management and its performance:
   A. Good supply chain management leads to unsustainable business practices.
   B. Good supply chain management leads to decreased value for the customer.
   C. Poor supply chain management can result in customer satisfaction.
   D. Poor supply chain management can result in customer dissatisfaction.

73. Chad is buying a new car. Although the first car is a great deal and a more practical choice, he just loves the look of the second car. As a result, he decides to purchase the second car. His decision is based on which of the following internal factors:
   A. Insight or intuition
   B. Experience
   C. Framing
   D. Emotion

74. Time management helps to reduce stress because it
   A. provides less time for rest and relaxation.
   B. increases feelings of pressure and tension.
   C. encourages procrastination in planning necessary activities.
   D. allows adequate time for personal and professional activities.

75. Who typically reviews and approves the guidelines for running a corporation, which are also known as corporate governance policies?
   A. The investors
   B. The shareholders
   C. The management team
   D. The board of directors

76. What is the relationship between shareholders and the board of directors?
   A. The shareholders pay dividends to the board of directors.
   B. The board of directors represents the shareholders.
   C. The shareholders make decisions for the board of directors.
   D. The board of directors holds the shareholders accountable.

77. An organization should include independent members on its board of directors because they
   A. provide an objective perspective.
   B. represent the interests of management.
   C. understand the company's inner workings.
   D. are less likely to act unethically.

78. When buyers and sellers have agreed on a value for a product, they have established the
   A. price policy.
   B. exchange price.
   C. equilibrium price.
   D. price line.

79. True or false: In determining the selling price of a good or service, most of the factors to be considered by the seller are internal to the business.
   A. True, most factors affecting price are internal to the business.
   B. False, most factors affecting price are not controlled by the firm.
   C. True, most factors affecting price are directly controlled by the business.
   D. False, most factors affecting price are directly controlled by the business.
80. A product idea is feasible if it
   A. meets sales quotas.
   B. creates a competitive advantage.
   C. costs a lot to produce.
   D. is a durable good.

81. Terry, a company buyer, has the job of choosing a particular assortment of products that will meet the market's needs and the company's goals. Terry is responsible for the company's product
   A. mix.
   B. item.
   C. line.
   D. sales.

82. A business manager who wants to increase the number of items the business offers needs to decide whether the new items will be compatible with the business's
   A. level of service.
   B. patronage motives.
   C. current product mix.
   D. advertising objectives.

83. What do many businesses identify and strive to improve in order to attract customers and be competitive?
   A. Commission plans
   B. Service standards
   C. Personal characteristics
   D. Operating quotas

84. What type of promotional media is a business using when it sends out a postcard telling customers who recently purchased products that the business is adding a new line of products?
   A. Participative
   B. Sales letter
   C. Persuasive
   D. Direct mail

85. Ariel, who designs and sells a line of purses and tote bags, recently sent free totes bag to local female news anchors. Ariel's goal is to have others see the local celebrities carrying the tote bags to generate interest in her product. What form of word-of-mouth marketing is Ariel using?
   A. Product seeding
   B. Celebrity testimonial
   C. Cause marketing
   D. Social media applications

86. An advantage to using direct marketing to communicate product information is that the business can
   A. expect a majority of recipients to respond to the message.
   B. effectively appeal to a mass audience.
   C. customize the messages.
   D. save money by personalizing offers.

87. Samples, premiums, and advertising specialties are examples of __________ used in sales promotion.
   A. communications channels
   B. publicity strategies
   C. marketing activities
   D. selling techniques

88. Why do some businesses sponsor local events?
   A. To obtain publicity
   B. To create news
   C. To generate revenue
   D. To sell products
89. Which of the following are public relations activities:
   A. Writing press releases, distributing company newsletters, and sponsoring events
   B. Holding press conferences, identifying trends, and hiring new staff members
   C. Sponsoring events, developing new products, and distributing company newsletters
   D. Identifying trends, writing press releases, and hiring new staff members

90. The cost of employing product inspectors is a(n)
   A. appraisal cost.
   B. prevention cost.
   C. internal failure cost.
   D. external failure cost.

91. Because __________ measures of risk can be too general, it is also useful to perform __________
    assessment of risk.
   A. quantitative; qualitative
   B. qualitative; quantitative
   C. preventative; responsive
   D. responsive; preventative

92. Which of the following is a potential risk of implementing enterprise risk management (ERM) software:
   A. Standardization of reporting
   B. More emphasis on risk
   C. Loss of data during the transfer
   D. Less efficient use of resources

93. Salespersons should have good communication skills, but the sales presentation should not include too
    many __________ words.
   A. expressive
   B. picturesque
   C. personal
   D. technical

94. Which management function lays the groundwork for all of the other management functions?
   A. Directing
   B. Organizing
   C. Staffing
   D. Planning

95. One way that managers can promote ethical behavior on the part of everyone in the business is by
    encouraging employees to
   A. develop a code of ethics.
   B. report unethical actions.
   C. be thoughtful of others.
   D. avoid social situations.

96. The ski shop manager set an objective to increase sales by 10% over the previous year even though the
    forecast was for a mild and rainy winter. The manager's objective was
   A. reasonable.
   B. practical.
   C. unrealistic.
   D. scientific.

97. Which of the following pairs of businesses are examples of direct competitors:
   A. Ryan's Drugstore and Hally's Homemade Cards
   B. Hot n' Spicy Wings and Southern Fried Chicken House
   C. JTE Clothes Boutique and Carla's Hardware
   D. Modern Dry Cleaning and Trotterman Accounting Services
98. Which of the following is the most critical component of a business plan:
   A. Market analysis
   B. Company description
   C. Executive summary
   D. Financial plan

99. Which of the following employees would most likely be described as “innovative” by his/her supervisor:
   A. Jake, because he is always willing to adapt to changes during a project
   B. Madison, because she prefers to stick to traditional ideas and processes
   C. Elizabeth, because she gets frustrated when she needs to learn new skills
   D. Anthony, because he is usually quiet during brainstorming sessions

100. One of the goals of change management is
     A. to obtain buy-in from stakeholders.
     B. to limit the effects of a change.
     C. to keep the people involved to a minimum.
     D. to reduce the time it takes to make a change.
1. C
Trademark. A trademark is a symbol, design, or word used by a business to identify a good or service and is registered with the government to prevent its use by others. A trademark is an example of intangible business property. Federal law protects a business's intangible property from being used by competitors. A business's inventory, acreage, and equipment are types of tangible property.
SOURCE: BL:001

2. D
Contracts. Business torts are wrongful actions against a business that cause it harm in some way. Disputes concerning contracts are often the basis for businesses suing individuals or other businesses. Many businesses have contractual arrangements with employees or vendors. If these contracts are broken, the business might be harmed and seek compensation through the legal system. Basic torts relating to businesses do not involve disputes concerning assaults, defamation, or emotional stress.
SOURCE: BL:069

3. D
Continuous assistance is provided by the franchisor. A business-format franchise is a more complex and more popular type of franchise arrangement than the product trade-name franchise. It involves a close, continuous working relationship between the franchisor and the franchisee. Examples of the business-format franchise are McDonald's, Holiday Inn, and Jiffy Lube. Products and other materials usually must be purchased from the franchisor's list of approved vendors. The franchisee must operate under the trade name of the franchisor.
SOURCE: BL:003
SOURCE: LAP-BL-001—Own It Your Way (Types of Business Ownership)

4. D
Corporation. Corporations are advantageous due to the separate legal body that is created by a state charter. The charter limits individual liability, allows for permanency of existence, ease in transferring ownership, and a greater number of resources for financial growth. Both the sole proprietorship and partnership have unlimited liability, definitive life spans, difficulty in raising capital, and are not separate legal entities. A trade union is a group that represents people in similar occupational skill areas.
SOURCE: BL:006
SOURCE: LAP-BL-006—Taking Care of Business (Selecting Forms of Business Ownership)

5. D
Making a variety of products available to them. Channels of distribution benefit consumers by making a variety of products available to them. Without these channels, consumers could only buy products directly from producers, which would be impractical. Channels may lower some but not all consumer product prices. They may raise the quality of some but not all consumer products. Increased profits for businesses is not a benefit for consumers.
SOURCE: CM:001
SOURCE: LAP-CM-002—Chart Your Channels (Channel Management)

6. A
Local consumers. A short channel can be used when the potential customers are few and/or located close together. The baby boomer, senior citizen, and Generation X markets have many potential customers who are widely dispersed.
SOURCE: CM:003
SOURCE: LAP-CM-003—Channel It (Channels of Distribution)
7. C
Market. Market factors deal with where the consumers are, who they are, the information they require, and the size of their orders. Understanding the market is an important aspect of selecting the best channel of distribution. For example, it is important for businesses to know that most consumers prefer to buy products from retailers. Promotion, human, and sales are not factors that businesses consider when selecting a channel of distribution.

SOURCE: CM:010

8. A
Research the problem. Proposals are intended to answer questions or provide recommendations to solve problems. Business employees often need to research a particular situation or problem before they are able to write proposals. After employees do research and gather information, they write proposals that explain the problem and the solutions. The proposal is intended to persuade the business to follow the recommendations. Employees usually do not need to analyze personal biases, contact the customer, or evaluate technical skills before they are able to write proposals.

SOURCE: CO:062

9. B
Extending business hours on weekends. Management is responsible for developing policies, and many of these policies have an impact on customer relations. An example of a policy that usually improves customer relations is providing extended business hours on weekends. Many customers work during the week and only have free time in the evenings and on weekends. Businesses that offer extended hours on weekends are making it easy for customers to buy when it is convenient for them. Scheduling employees' work hours, using security devices, and revising bookkeeping procedures are routine business activities that managers perform on a regular basis.

SOURCE: CR:008

10. C
Communicate an appealing benefit. A brand promise is a business's agreement (spoken or unspoken) with customers that it will consistently meet their expectations and deliver on its brand characteristics and values. Before the business can deliver on its brand promise, it must have a product that offers an appealing benefit—one that persuades the target market to buy. For example, FedEx provides delivery services. The company's brand promise focuses on reliability. Therefore, FedEx promises to get its customers' packages to their destinations in a reliable manner—safely, quickly, and courteously—every time, which is an appealing benefit for most customers. A procedure is the step-by-step process that a person follows when performing a specific task. Customization involves making the product unique for each customer. Customization, a high-quality image, and the process by which the business delivers its products may be elements of a company's brand promise.

SOURCE: CR:001
11. A  
Certain occupations must be licensed. Even though there are many economic freedoms in a private enterprise system, there are certain limits. Economic freedom is limited by laws that have been created to protect everyone. Workers in certain occupations must be licensed to safeguard public health and safety. Pay scales are not regulated but vary greatly depending on the occupation, area of the country, and current economic conditions. The law does not require all workers to take tests, although some businesses require applicants to take and pass ability tests before they are hired. Employees are not required to register with the state.  
SOURCE: EC:009  
SOURCE: LAP-EC-015—People Power (The Private Enterprise System)

12. A  
Net profit. Net profit is the amount of money left over after operating expenses are subtracted from gross profit. Sales income is the total received from the sale of goods or services. Gross profit is the money left over after cost of merchandise is subtracted from sales income. Operating expenses are the daily costs of running a business.  
SOURCE: EC:010  
SOURCE: LAP-EC-002—Risk Rewarded (Factors Affecting Profit)

13. A  
Profits and losses are claimed on owners' personal tax returns. Non-corporations are taxed as pass-through entities, meaning that profits and losses are claimed on owners' personal tax returns. Non-corporations are still subject to federal taxes as well as state and local taxes. Business income-tax rates are based on how much profit a business makes, not whether it is a corporation or not. Non-corporations pay payroll taxes on employees, just as corporations do.  
SOURCE: EC:072  
SOURCE: LAP-EC-027—Pay Your Share (Business Taxes)

14. B  
Determining the details of your idea. Before you can "sell" your idea to others, you need to solidify the details and specifications of your proposal so that you can fully explain your idea to your audience. Explaining solutions to audience needs, overcoming objections, and affirming the audience's decision to "buy into" your idea are all steps in the selling process that come after doing advance preparation.  
SOURCE: EI:108  
SOURCE: LAP-EI-108—Do They Buy It? ("Selling" Ideas to Others)

15. B  
Credibility. Credibility is believability. If employees believe what managers are saying, they are more likely to be persuaded to do what the managers want them to do. Managers develop credibility by always being truthful with employees. As a result, employees often like and trust managers who are credible and, therefore, are willing to follow their instructions. Having organizational skills, enthusiasm, or self-motivation does not necessarily mean that managers will be able to persuade employees.  
SOURCE: EI:012  
SOURCE: LAP-EI-121—Win Them Over (Persuading Others)

16. B  
Interests. The key to successful negotiation is to focus on interests. Interests are the things that you and the other party want or need. You must consider the other party's interests as well as your own. Ability is a skill someone uses to perform a task through knowledge, training, and practice. When negotiating, one party may not necessarily know the other party's skills. Standards are specifications or statements that are used as a basis for comparing or judging goods or services. Procedure refers to the step-by-step process someone follows when performing a specific task.  
SOURCE: EI:062  
SOURCE: LAP-EI-062—Make It a Win-Win (Negotiation in Business)
17. A
Commit to your vision through hard work and dedication. Your personal vision will not become a reality unless you work hard to achieve your goals. Putting your vision in a safe place and looking at it again in five years will not help you achieve your vision. Instead, you should place your vision in a place where you will see it often. Getting the highest-paying job you can find out of high school may help you save money, but it will not necessarily help you achieve your vision. You should be strategic when deciding what career path to pursue, making sure that it aligns with your vision. You do not need to spend all of your free time on self-improvement—you can still have hobbies and spend time doing things that you enjoy while pursuing your personal vision.
SOURCE: EI:063
SOURCE: LAP-EI-064—Picture This! (Determining Personal Vision)

18. A
Putting goals in writing. By keeping a list, Ryan has put his goals in writing. This makes them seem more solid and real, giving Ryan greater motivation to work toward them. Ryan is not necessarily tying his goals to a timetable, making his goals specific, or making his goals difficult but possible.
SOURCE: EI:027
SOURCE: LAP-EI-027—High Hopes (Developing an Achievement Orientation)

19. D
Vision. Vision is the future you desire to create. A goal is an objective or want that you plan to fulfill. A prediction is a forecast made about the future. A mission statement is a brief summary of what a business owner wants a business to be doing.
SOURCE: EI:060
SOURCE: LAP-EI-060—Vision Quest (Enlisting Others in Vision)

20. A
Science. Entrepreneurial discovery is the process of detecting and matching product and market opportunities with one another in a manner that satisfies the market and the business. Sometimes there is a market with a demand for something that is not available, and the business invents a product to satisfy the demand. For example, a scientist uses existing physical elements to develop a new vaccine to prevent a certain disease for which there is no treatment. Because the vaccine is new, the scientist (inventor) is observing and applying knowledge in a specific way, or using a scientific process. Medicine, psychology, and physics are scientific disciplines, or areas of scientific study.
SOURCE: EN:002

21. B
Technical needs. Entrepreneurs and startup business owners must consider many factors before they open their ventures. They must consider their financial and staffing needs, as well as their technical needs. Their technical needs might include telephone, fax, Internet, computers, software programs, and automated equipment needs. Each business's needs vary, so the technical needs of each business varies, too. The competitive advantage is the edge achieved by businesses that offer something better than their competitors.
SOURCE: EN:007
22. B
The financial needs to start a new business depend on the nature of the venture. The requirements (e.g.,
time, money) that a person needs to start a business differ and usually depend on the nature of the
business. For example, a person who starts a home-based consulting business does not require as much
money for the startup as a restaurant franchisee does. The franchisee needs to lease space or build a
facility, purchase kitchen equipment, obtain supplies, hire employees, and pay franchise fees, which can
be very expensive. A patent is legal protection that provides an owner the sole rights to an invention or
process for a specific time period. Business owners do not always invent goods or processes, so not all
of them need to obtain patent protection.
SOURCE: EN:009
scratch. Retrieved September 17, 2018, from https://www.sba.gov/blogs/how-estimate-cost-
starting-business-scratch

23. B
The industry experts typically provide useful information. Industry experts have in-depth knowledge about
a specific field. Experts often know about the trends, processes, new products, and new technology that
affect the industry. These experts often provide entrepreneurs with useful information as they develop the
ideas for their new ventures. Talking with industry experts doesn't always improve your management
skills or enhance your confidence. Industry experts might know where you can obtain financial support,
but they do not always offer it themselves.
SOURCE: EN:012

24. A
Provide collateral. There are many ways for entrepreneurs to obtain financing for new business ventures.
One way is to obtain a loan from a commercial bank. The loan process generally involves completing a
loan application and submitting a business plan to the financial institution. In most situations, a bank will
require the loan applicant to put up collateral in order to obtain the loan. Collateral is anything of value
(e.g., car, home) belonging to the borrower that is pledged to the lender to guarantee that the loan will be
repaid. For example, if a business fails, and the borrower cannot afford to pay back the bank loan, the
bank can take the borrower's belongings (collateral) as payment for the outstanding loan. Banks do not
require loan applicants to close their savings accounts, relinquish contracts, or charge interest.
SOURCE: EN:015
Retrieved September 17, 2018, from https://www.forbes.com/sites/allanhall/2012/10/20/5-
means-of-funding-a-small-business-how-to-get-your-piece-of-the-pie/#621492421cf2

25. A
List all the tasks involved in operating the business. Often, it helps business owners to write down every
task that the business must perform in order to operate. After listing all tasks, the owners can categorize
tasks by function (e.g., sales, bookkeeping) and determine in which areas they need the help or expertise
of others. In most situations, asking a technical recruiter for advice, hiring consultants or freelancers, and
allocating fund for payroll taxes do not help business owners determine their human resource needs.
SOURCE: EN:017
from https://www.cliffsnotes.com/study-guides/principles-of-management/staffing-and-
human-resource-management/determining-human-resource-needs
26. D
Industry. Capital resources are assets, or things of value, that a firm uses on an ongoing basis to meet its objectives. The capital resources that a business needs to get up and running depends on the type of products that the business sells. For example, a snow-ski resort needs ski-lift equipment, while a landscape business needs mowing equipment, mulch, and shrubs to efficiently operate. Location, owner's preferences, and suppliers' lead time are not always primary considerations when selecting capital resources.
SOURCE: EN:019

27. A
When an entrepreneur seeks a high profit, the risk is usually higher. Risk is the chance of failure or loss. There are many types of risks that business owners face including social, career, psychic, and financial risks. The amount of risk a business owner takes varies, but financial risk is the risk that is the easiest to measure. The more money that a person invests in a business (equity or debt finance options), the more financial risk the person is taking because s/he has more money to lose. Risk-taking is often related to potential rewards. Entrepreneurs care about their profits to varying degrees.
SOURCE: EN:024

28. D
Standard. Operating procedures are the step-by-step processes that employees follow when performing specific work-related tasks. By developing and implementing operating procedures, the small-business owner reduces the amount of time that s/he spends answering questions and making decisions about routine, day-to-day activities. This reduction occurs because the employees have guidelines or a standard way to complete tasks. Conducting activities in a standard way often increases employee productivity and efficiency. Everyday tasks do not always need to be performed in imprecise, diverse, or innovative ways.
SOURCE: EN:026

29. D
Offer a new service. Because a business cannot survive if it does not earn a profit, and profits are generated from product sales, business owners often look for ways to improve or develop goods and services to keep the customers coming back. Increasing prices and ridiculing the competition are not activities that would increase repeat business and customer loyalty. Updating equipment does not necessarily facilitate repeat business and customer loyalty.
SOURCE: EN:028
30. C
Identify new venture opportunities. An opportunity is a circumstance that presents itself as a favorable means to meet an objective. Entrepreneurs look for opportunities to start businesses and if the opportunities are feasible, they act upon them. There are many ways to look for business opportunities such as watching trends, attending trade shows, and talking with friends, customers, and business associates. Entrepreneurs might join community organizations or trade associations to network with others with the goal of identifying new venture opportunities. Entrepreneurs do not join community organizations to obtain selling experiences, evaluate personal skills and abilities, or improve goods and services.

SOURCE: EN:031

31. A
False, there are many factors to consider, such as company valuation and personal goals. Entrepreneurs often leave their ventures after they achieve their objectives for their businesses. Entrepreneurs consider many factors, such as how much the business is worth, and personal considerations, such as retiring or starting another venture. There are several ways for an entrepreneur to exit a business, which include selling the business, taking his/her share of the profits and letting partners or others run the business, and closing the business. Thus, exiting a business is often complex and has many factors and options to consider, other than finding a suitable buyer.

SOURCE: EN:037

32. D
Accounts receivable. Accounts receivable are money that is owed to a business. They are an asset to the business, but they do not have a physical presence. Inventory, buildings, and equipment are all tangible assets—they have a physical presence.

SOURCE: FI:093
SOURCE: LAP-FI-010—The Right Balance (The Nature of Balance Sheets)

33. B
Summarizes expenses and revenue from sales. A profit-and-loss statement is a business's financial picture that lists all revenue and expenses for a certain time period. A profit-and-loss statement is not the same as a balance sheet. Characteristics of a balance sheet include listing assets and liabilities and showing the owner's financial position.

SOURCE: FI:094
SOURCE: LAP-FI-004—Watch Your Bottom Line (Income Statements)

34. B
Cost driver. A factor that causes a change in the cost of an activity is called a cost driver. Changes such as the amount of labor used, the number of machines used, the power used to run the machinery, and the number of hours that the machinery is operated are cost drivers. Increases in these activities increase the costs of making outputs (products), while decreases in these activities decrease the costs of making the outputs. Cost drivers are not unexpected expenses or inflexible transactions.

SOURCE: FI:657
35. B
Accounts receivable. Accounts receivable are all the monies owed to a business by its customers. Businesses in need of cash to continue producing and selling goods often use their accounts receivable as collateral when borrowing from financial institutions. In effect, the businesses are turning over the proceeds from their receivables to the lenders in exchange for immediate cash to continue operating. A promissory note is a legal form signed by a borrower promising to repay a loan. Liabilities are debts that the business owes. Operating expenses are all of the expenditures necessary to keep the business running.
SOURCE: FI:023

36. A
Liquidity. Liquidity refers to a business's current assets, such as income or savings, that can be used to pay expenses. Assets that are in the form of cash or tangibles that can be sold easily to generate cash add to a company's liquidity. When determining financing needs, businesses usually consider their liquidity to decide if they have sufficient funds available to repay the debt. For example, if a business was barely covering expenses and had no liquid assets, it probably would decide not to borrow money because it would be difficult to make payments on the loan. Depreciation is a reduction in value of goods occurring over a period of time. Equity is the value of the business after all expenses and debts have been subtracted. Inventory is all the stock a business has on hand.
SOURCE: FI:043

37. A
Being charged a penalty. When businesses obtain long-term loans, they agree to pay a certain amount of interest to the lending institution over a period of years. If a business pays off the loan before it is due, the financial institution does not get the interest it expected to receive. In such cases, the financial institution may charge the business a penalty for prepaying the loan. This penalty may be sizeable depending on the amount of the loan. A financial institution, rather than a business, loses interest on the account. A business might negotiate a variable rate for a long-term loan and pay a processing fee to originate the loan.
SOURCE: FI:041

38. D
To reduce risk. There is a risk involved in making loans because a business may default and be unable to repay the bank. To reduce the risk, lending institutions use certain criteria to evaluate if the business is creditworthy. For example, a bank would run a credit check to find out if the business pays its bills on time. Also, a bank would review the business's financial records to determine if it earned sufficient income to pay expenses and also repay the loan. By carefully evaluating how well a business meets certain criteria, a bank is able to reduce the risk involved in making a loan. Lending institutions do not evaluate businesses to provide service, prevent theft, or improve relations.
SOURCE: FI:034

39. B
1 year. Businesses prefer a short payback period. This is the point at which a decision begins to pay for itself. In other words, the payback period is the time it takes for the benefits of a change to repay its costs. Another term for payback period is break-even point.
SOURCE: FI:357
SOURCE: LAP-FI-011—Running the Numbers (Cost-Benefit Analysis)
40. C  
Size of the sales force. An internal change is one that occurs within the business and is under the business's control. Increasing or decreasing the number of people on the sales force is an internal change that will affect the sales forecast. For example, decreasing the size of the sales force may cause sales to fall because the remaining staff may not be able to handle as many sales. Changes in the number of competitors in the market, the length of a national recession, and the levels of consumer spending are external changes.  
SOURCE: FI:096  

41. B  
Vertical. Three common types of financial statement analysis are vertical analysis, horizontal analysis, and ratio analysis. When conducting vertical analysis, an individual calculates each individual item on a financial statement as a percentage of the total. After doing so, the analyst can develop common-size financial statements that allow him/her to compare performance across several years for a single company or across several different companies. Horizontal analysis, which is sometimes known as trend analysis, involves analyzing dollar amounts on financial statements for a single company across several years. Horizontal analysis does not involve the development of common-size financial statements. Ratio analysis involves the calculation of ratios based on a company's financial data. It allows analysts to compare numbers within a financial statement and determine the relationships among numbers on different financial statements. It can also be used to compare the performance of multiple companies.  
SOURCE: FI:334  

42. C  
$3,138. A business's income statement, or profit-and-loss statement, is a financial summary that shows how much money the business has made or has lost over a specific period of time. A typical income statement includes revenue, operating expenses, and net income (profit). To determine the net income, subtract the total expenses from the total revenue ($4,590 - $1,442 = $3,138). It is important to verify the income statement's accuracy because businesses use the information to make important decisions about the business. If the information is incorrect (e.g., transposed numbers) and errors are not corrected, the business may make unwise decisions on the basis of faulty information.  
SOURCE: FI:335  

43. C  
To determine qualifications. The purpose of an interview is to determine if the applicant meets the qualifications to perform the job. Therefore, the interview questions should relate directly to the job in terms of the applicant's education, skills, training, and work history. Businesses often take remedial action with current employees who are not performing well on the job. Applicants usually do not complain during job interviews. Interviewers usually do not plan future training while asking questions during a job interview.  
SOURCE: HR:355  

44. D  
Cause. Termination for cause occurs when an employee's conduct seriously violates company policies or jeopardizes the company or other employees. A termination for performance is used when an employee consistently exhibits poor performance compared to established performance criteria, or is incompetent. A resignation is a voluntary act by an employee.  
SOURCE: HR:358  
45. B
To improve performance. Businesses often provide additional training based on changing needs in the workplace. As technology and job responsibilities change, it is necessary to train employees to perform new tasks or tasks that have been revised. By providing training, businesses are helping employees learn new skills and improve their performance. Socialization is part of the orientation process. Businesses do not provide additional training to analyze diversity or identify sensitivity.
SOURCE: HR:392

46. A
Organization's. Each organization, or business, develops standards for evaluating an employee's performance. When supervisors evaluate employees, they should rate them according to established standards. An employee is more likely to resent a negative evaluation if it is based on the supervisor's standards. Evaluations are not based on the standards set by employees or competitors.
SOURCE: HR:368

47. A
To predict change. Businesses need a wide variety of information in order to make decisions about how the business will market its goods or services. Businesses gather marketing information about their customers, the competition, the economy, and sales trends in order to predict what may occur in the future. The use of marketing information allows businesses to prepare for change and adapt in order to remain successful. Businesses often develop surveys and conduct research to obtain the marketing data they need to analyze in order to predict change.
SOURCE: IM:012

48. C
The step in which the most mistakes are made. The reason that the most mistakes are made in this step is that data collection can be a tedious chore. When researchers become bored, they may record data inaccurately. It is also the most expensive and least interesting step.
SOURCE: IM:010
SOURCE: LAP-IM-010—Seek and Find (Marketing Research)

49. A
House. A durable good is an item that is intended to last a relatively long time. Most houses would be considered durable goods. Haircuts, gasoline, and hamburger are eventually used up and are, therefore, classified as nondurable goods.
SOURCE: MK:001
SOURCE: LAP-MK-004—Have It Your Way! (Nature of Marketing)

50. C
Psychological. Consumer behavior encompasses individuals' actions that determine what they buy and sell. Psychological, social, and personal factors all influence consumer behavior. Psychological factors include an individual's motives, perception, attitude, lifestyle, personality, abilities, and knowledge. Consumer behavior is also impacted by social factors such as opinion leaders, a person's family, reference groups, social class, and culture. Personal factors impacting consumer behavior are specific to a particular person and include demographic characteristics such as gender, age, ethnicity, etc. While political and economic factors may influence consumer behavior in some instances, motives, perception, attitude, lifestyle, personality, and abilities are not political or economic factors.
SOURCE: MK:014
SOURCE: LAP-MK-006—Cause and Effect (Buying Behavior)
51. D  
Strategies. Marketing strategies are game plans for getting the job done. Budgets and salespeople are factors in a strategy, and profit is a goal of most strategies.  
SOURCE: MP:001  
SOURCE: LAP-MP-002—Pick the Mix (Nature of Marketing Strategies)

52. B  
Mass. Mass marketing is designing products and directing marketing activities in order to appeal to the whole market. One marketing plan can thus be used to appeal to many types of customers. Demographic characteristics, such as age, income, or occupation, and psychographic characteristics, such as lifestyles and personalities, are used to define or differentiate between segments of a market.  
SOURCE: MP:003  
SOURCE: LAP-MP-003—Have We Met? (Market Identification)

53. B  
Geographic. When analyzing the market, it is important for businesses to collect several types of geographic information. First, a business considers the geographic location of customers and potential customers. Businesses need to know where their customers are. Also, a business considers the geographic location of the business. Businesses need to know if they are located in an area that has market potential or if there are too many competitors in that area. A market analysis does not involve collecting confidential, employee, or property information.  
SOURCE: MP:009  

54. C  
Operational activities. The sales forecast, the prediction of future sales over a specific period of time, is the basis for many other operational activities. The forecast affects decisions about production, distribution, purchasing, promotion, etc. Therefore, the sales forecast needs to be as accurate as possible so the business correctly plans the other operational activities. For example, if the forecast is too high, a business might produce substantially more product than it will be able to sell. A sales forecast is not the basis of pricing strategies, business reports, or management techniques.  
SOURCE: MP:014  

55. A  
Analyzing click-through rates. Businesses develop performance measures to evaluate the effectiveness of marketing activities. Businesses also need to compare the performance measures to financial outcomes to determine if the activity was worth the cost. The click-through rate for online advertising is a performance measure. By analyzing the click-through rate, businesses can link performance to financial outcomes. For example, if 200,000 people viewed a site and 8,000 of them clicked on a banner ad, the click-through rate is 4%. If the goal was to achieve a click-through rate of 2%, the activity outperformed expectations that might lead to an increase in sales, which is the financial outcome the business desires. Developing advertising budgets and paying for direct-mail pieces are promotional activities. Maintaining sales receipts is a bookkeeping activity.  
SOURCE: MP:020  
56. B
Firewall. Firewall software is intended to prevent unauthorized access to a computer network. Many businesses require firewall software to be installed on their computer systems because their systems are networked, and hackers could destroy or steal valuable data. Firewall software is a security feature that helps protect a business's computer network. Businesses do not install reality, spider, or media software as a security feature.
SOURCE: NF:012

57. C
Promotional. Promotional records are documents containing information about the various types of communication that businesses use to inform, persuade, or remind customers of their products, images, or ideas. Businesses often keep copies of their promotional materials in case they need to refer to them in the future for some reason (e.g., to answer customer inquiries). Contracts, permits, and leases are examples of records that businesses keep for regulatory and legal purposes. Inventory records contain information about the types and quantities of materials or products the business has available or on order. Asset records contain information about the things that a business owns, such as the equipment and furniture it uses to operate.
SOURCE: NF:001
SOURCE: LAP-NF-001—Record It (Business Records)

58. B
Increase in competition. A business's external environment is always changing and dynamic. Elements of the external environment that are likely to impact business decision-making are competition, demographics, society and culture, the economy, the government, and technology. Personnel, training, and quality control measures all represent internal elements of the business's environment.
SOURCE: NF:015
SOURCE: LAP-NF-015—Get the 4-1-1 (Conducting an Environmental Scan)

59. B
Mean. The mean is a measure of central tendency. Mean is a mathematical average, which involves adding together the raw data and dividing the sum by the number of individual data. In the example, James added together all of the salaries of the companies that he researched ($31,205 + $29,995 + $34,800 + $42,500 + $36,500 = $175,000). Then, Jack divided the sum by the number of individual salaries in the set of data ($175,000 / 5 = $35,000). The mode of a set of numbers is the value that appears most often in the set. The range is the difference between the largest and the smallest number in the data set. The median is the exact middle of a data set. In the example, $34,800 is the median of the data set.
SOURCE: NF:093

60. B
Performance indicators. A performance indicator is a measure of the success of a certain activity or entity. Businesses often set performance indicators for their own success, as well as the success and effectiveness of their suppliers. Performance indicators commonly used to evaluate vendor performance and effectiveness include on-time delivery rate, return rate, and number of customer complaints. If a vendor does not meet or exceed a particular indicator, the business is apt to discuss the measure with the vendor and develop a plan of corrective action. A consensus scale is a measure of each group member's feelings toward a proposed decision or solution. Economic indicators are statistical measures used to assess the health and direction of the economy. Return on capital is a measure of how well a business generates cash flow in relation to the capital it has already invested into itself.
SOURCE: OP:162
61. D
Production. Production is the process or activity of producing goods and services. For example, a company uses raw materials, equipment, employees, and a building to produce radios for purchase by other businesses for use or for resale. Management is the process of coordinating resources in order to accomplish an organization's goals. Accounting is the process of keeping financial records. Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives.
SOURCE: OP:017
SOURCE: LAP-OP-017—Can You Make It? (Nature of Production)

62. B
To lead the effort. Management sets the tone for quality in a business and leads the effort. If managers do their best to achieve quality and set an example for employees, the employees usually follow. Managers lead by setting clear goals, by making sure employees understand the goals, by giving employees the information and tools they need, and by being supportive. They also lead by behaving the way they expect employees to behave. The role of management in the achievement of quality in a business is not to assign blame or judge the staff. Management should direct and guide. It is not possible to eliminate conflict, although management often can control conflict.
SOURCE: OP:020

63. A
Insurance. Insurance is a fixed operating cost—it does not increase or decrease with changes in production. Sales commissions, advertising, and travel expenses are all variable—they fluctuate with changes in production.
SOURCE: OP:024
SOURCE: LAP-OP-009—Watch Your (Over) Head (Overhead/Operating Costs)

64. B
Variable costs and fixed costs. A break-even analysis is a financial assessment that a business uses to identify the level of sales it needs to reach the break-even point at various prices. To conduct a break-even analysis, the business must know the fixed costs and variable costs it will encounter to get the good or service to the end user. Production time might be included as a cost in certain types of businesses (e.g., tax preparation, manufacturing). Depreciation rate is the level at which the value of something (e.g., equipment) reduces over time.
SOURCE: OP:192

65. A
Does the cost of the contract exceed the cost of possible repairs? The business should estimate the costs of the most expensive, possible repairs and calculate if these expenses would be more or less than the cost of the service or maintenance contract. If the cost of the repair would be less than the cost of the contract, it may be wise to forgo the contract. The business would consider the need for installation and the availability of training and technical assistance when purchasing equipment. A business does not consider how much profit the seller will make on the contract.
SOURCE: OP:027
66. B
Estimated sales exceed actual sales. Budgets are only useful if a business compares the budget estimates with actual operating conditions. Businesses use the budget information to make decisions about how the business will operate and to make changes when necessary. A business knows that it must make operating changes if it compares the level of sales estimated in the budget with actual sales figures and finds that actual sales are not keeping up with the estimates. This information indicates that the business might not make the expected profit or even have a loss if changes are not made. A business probably would not make operating changes if the budget information indicates that total revenues exceed projected costs, expected profits are increasing, and accounts receivable are on target.

SOURCE: OP:030

67. C
Monitor the performance of all supply chain partners. To ensure the efficient production and distribution of products, companies should monitor the performance of all supply chain partners on a consistent basis. Companies should not ignore underperforming vendors—they should work with them to resolve the problem(s) or else replace them. Companies must be careful when introducing new innovations or changes to the production process. Introducing change too quickly can overwhelm the supply chain, resulting in failure to meet production quotas. Companies should stick with a single supplier when launching a new product in order to avoid overcomplicating the process.

SOURCE: OP:303

68. B
Financial. Business analysis is the process of investigating and evaluating a business issue, problem, process, or approach. Analysis helps a business determine if it is achieving its goals or if it needs to take corrective action, so it can achieve its goals. Financial analysis involves evaluating the business's financial health. Because the business needs to make a reasonable profit so it can thrive in marketplace, it is important to continuously analyze the business's financial status. The operations business function involves the day-to-day activities that the business performs—activities that are required for continued business functioning such as producing goods and services. Information management is the process of coordinating the resources pertaining to business knowledge, facts, or data. Sales is a marketing activity that involves responding to consumer needs and wants through planned, personalized communications intended to influence purchase decisions and ensure satisfaction.

SOURCE: OP:327

69. B
Business process thinking. Business process thinking is a method of thinking that emphasizes the importance of processes in business. Managers who use business process thinking would most likely establish the necessary steps to complete a project before assigning the project to staff. Human resource planning, agile project management, and change management are also important business practices, but they are not described in this example.

SOURCE: OP:474
70. B
Regulatory. Because the manufacturing company is required by local government to dispose of its waste safely, the company must design its waste disposal process to abide by the regulations. This is an example of regulatory factors affecting business process design. Human factors affecting process design include stress, employee morale, and fatigue. Technological factors that can affect process design include the cost of any equipment or hardware that is necessary for the process. The term “natural factors” is not usually used to describe factors affecting process design.
SOURCE: OP:475

71. A
A manufacturing company purchases a new software program to run its machines. Technology can cause a business to change its processes, such as when a new technology becomes available or an old technology becomes obsolete. A small general store offering discounts to compete with a new shopping mall is an example of how competition can cause business processes to change. A waste treatment plant changing its disposal method to align with environmental law is an example of how regulations and governmental factors can cause business processes to change. A family-owned restaurant opening a second location in an effort to expand its brand is an example of how the desire for growth can cause business processes to change.
SOURCE: OP:476

72. D
Poor supply chain management can result in customer dissatisfaction. Poor supply chain management would likely lead to many problems for all members of a supply chain, such as order fulfillment delays and product quality issues. These issues would most likely result in customer dissatisfaction, not customer satisfaction. Good supply chain management would lead to increased value for customers, since product issues would be less likely. Good supply chain management is likely to result in sustainable business practices, not unsustainable business practices.
SOURCE: OP:477

73. D
Emotion. Chad feels strongly about the second car, so his decision-making is influenced by his emotion. Chad isn't influenced by experience because he hasn't encountered this particular option before. Framing is an external factor that refers to the way an option is presented. Chad isn't being influenced by insight or intuition because he doesn't have a gut feeling that the second car is better. In fact, he knows that the first car is a much better buy, but he decides to go with the second car anyway.
SOURCE: PD:017
SOURCE: LAP-PD-017—Weigh Your Options (Decision-Making)

74. D
Allows adequate time for personal and professional activities. The use of time-management techniques forces us to take care of important activities immediately, which relieves pressure and tension. It allows more time for rest and relaxation. This will ultimately reduce stress.
SOURCE: PD:019
SOURCE: LAP-PD-001—About Time (Time Management)
75. D
The board of directors. A corporation's board of directors is responsible for approving and reviewing the corporate governance policies of the business. These corporate governance policies specify the guidelines and rules by which a corporation is directed and run. Although shareholders, the management team, and the investors are affected by these rules, it is the job of the board to approve and review them.

SOURCE: PD:213

76. B
The board of directors represents the shareholders. A company's board of directors represents the interests of the shareholders through the board's management of the company. The shareholders often have a role in electing the board members. The shareholders do not pay dividends to the board of directors. The shareholders also do not make decisions for the board members; rather, board members make decisions on behalf of the shareholders. The board of directors does not hold the shareholders accountable; rather, the shareholders hold the board of directors accountable.

SOURCE: PD:214

77. A
Provide an objective perspective. An organization's board of directors should include both inside and independent members. Inside members are high-level executives, shareholders, or stakeholders in the organization. Independent members are not involved with the organization. They provide an objective view, keep the board transparent, and help balance out the power of the board. They do not represent the interests of management. They also do not necessarily understand the company's inner workings, at least not as well as inside members. Independent members are not necessarily any less likely to act unethically than inside members.

SOURCE: PD:302

78. B
Exchange price. The exchange price is the amount of money that the buyer is willing to pay and the seller is willing to accept for a good or service. When a good or service is sold, the buyers and sellers have agreed on a value for the product, which is the exchange rate. For example, if a business offers a product for $50 and customers agree to pay that amount, the exchange rate is $50. Price policy is a guideline regulating the range of prices for goods and services that businesses offer to customers. Equilibrium price is the point at which the quantity of a good that buyers want to buy is equal to the quantity that sellers are willing to sell at a certain price. Price lining is the practice of selling goods/services at a limited number of predetermined price points, or levels.

SOURCE: PI:001
SOURCE: LAP-PI-002—The Price Is Right (Nature of Pricing)

79. B
False, most factors affecting price are not controlled by the firm. Most of the factors to be considered in setting prices are external to the business. These factors are not controlled by the firm and include such factors as supply and demand, economic conditions, competition, and channel members.

SOURCE: PI:002
SOURCE: LAP-PI-003—Make Cents (Factors Affecting Selling Price)
80. B

Creates a competitive advantage. Product research and development is an expensive process for a business. Before a business invests time, personnel, and money to take an idea and turn it into a product, it must determine if the product is feasible, or reasonable, to make and market successfully. The idea is feasible if it translates into a product that creates a competitive advantage for the business. A competitive advantage is the edge achieved by a business that offers something better than its competitors. A business bases its sales quotas on existing information rather than product ideas. Costs are a consideration when determining product idea feasibility; however, high production costs often make product ideas impractical. Because services are often feasible product ideas, the ideas do not need to be durable goods.

SOURCE: PM:129

81. A

Mix. A product mix is the particular assortment of products that a business offers in order to meet its market's needs and its company's goals. Terry's job is to choose items for that mix. While Terry is not directly responsible for sales, he is responsible for buying products the company can sell. A product item is each individual good, service, or idea that a business offers for sale. A product line is a group of related product items.

SOURCE: PM:003
SOURCE: LAP-PM-003—Mix & Match (The Nature of the Product Mix)

82. C

Current product mix. The product mix is the particular assortment of products that a business offers in order to meet its market's needs and its company goals. Most businesses have an image that appeals to their target market and add items to the product mix that are consistent with the types of products they currently handle. Patronage motives are emotional or rational buying motives that cause people to choose one business over another. Level of service is the number of services that a company offers its customers and the speed at which those services are performed. Advertising objectives are the specific purposes or goals of individual advertisements or advertising campaigns.

SOURCE: PM:006

83. B

Service standards. Service standards are specifications for the quality of service that a business intends to provide. Many businesses identify standards for service and continually work to improve them in order to attract customers and be competitive. By having high service standards, businesses are often able to set themselves apart from competitors. Businesses do not identify and strive to improve commission plans, personal characteristics, and operating quotas in order to attract customers and be competitive. However, favorable commission plans might attract quality employees.

SOURCE: PM:273

84. D

Direct mail. Direct mail is a promotional medium that comes to consumers' homes and businesses. Businesses that use direct mail often send it to current customers who are likely to buy more products. Persuasive direct mail encourages immediate action such as mail orders or inquiries. A sales letter is a type of printed direct mail, as is a postcard. Participative is not a type of direct mail.

SOURCE: PR:007
SOURCE: LAP-PR-003—Ad-Quipping Your Business (Types of Advertising Media)
85. A
Product seeding. Product seeding involves "planting" or placing the product in the hands of specific influencers. The goal is to have the influencers be seen using or wearing the product, which will in turn generate interest in and desire for the product. A testimonial is a statement by an identified user of a product proclaiming the benefits received from the use of the product. Cause marketing occurs when a business supports a cause that affects society such as protecting the environment or raising awareness of a disease. Social media involve the use of websites and applications for social networking.

SOURCE: PR:247

86. C
Customize the messages. Direct marketing is a form of promotion that directly communicates with members of the target market. Two channels that businesses commonly use to communicate directly with customers are email and traditional postal mail. Both of these direct-marketing methods provide the business with the ability to customize the message or offer to appeal to the message recipient. For example, an online business might have a customer's personal product preferences stored in its database. When a customer's favorite products go on sale, the business can send email messages to the customer to let him/her know about the promotion. This form of direct marketing is a way to connect and build long-term relationships with customers. Customized messages do not appeal to a mass audience. A business cannot assume that the majority of message recipients will respond to a direct-marketing message. In some, but not all situations, a business may save money by using one form of direct marketing over other forms of promotion.

SOURCE: PR:089

87. A
Communications channels. A communications channel is a path or means used to provide information to others. In sales promotion, businesses use several means to provide information to customers or potential customers. These include giving away samples so customers can have firsthand experience with the product; giving away premiums which are free gifts that remind customers of the business; and giving away advertising specialties, such as key chains that include the name and phone number of the business. The reason for using these communications channels is to encourage customers to buy. Samples, premium, and advertising specialties are not examples of publicity strategies, marketing activities, or selling techniques used in sales promotion.

SOURCE: PR:249

88. A
To obtain publicity. By sponsoring an event, businesses are using the event as a communications channel to provide information to others. The goal of sponsoring an event is to obtain publicity which is any nonpersonal presentation of ideas, goods, or services that is not paid for by the company or individual that benefits from or is harmed by it. In many cases, the media report the event and include information about the sponsors. As a result, the businesses obtain publicity. Businesses that sponsor local events are not creating news. Businesses do not sponsor local events to generate revenue or to sell products. However, by obtaining publicity, they might attract more customers which will result in selling more products and generating more revenue.

SOURCE: PR:250
89. A
Writing press releases, distributing company newsletters, and sponsoring events. Public relations are a function of business that is designed to establish good relations between the business and the public. The business can foster goodwill with its various publics—its customers, its investors, its employees, the community—using a variety of tools and activities. Some public relations tools and activities include writing press releases, distributing company newsletters, sponsoring events, and holding press conferences. Identifying trends is a marketing-research activity. Hiring new staff members is a human resources activity. Product development is a product/service management activity.
SOURCE: PR:252

90. A
Appraisal cost. The cost of employing product inspectors is an appraisal cost. Appraisal costs are the costs associated with catching defective products as quickly as possible (quality control). Internal failure costs are the costs associated with defective products before they make it to the customer. External failure costs are the costs associated with defective products that have reached the customer. Prevention costs are the costs associated with making sure defective products don’t get made in the first place (quality assurance).
SOURCE: QM:001
SOURCE: LAP-QM-001—Keep It Quality (Nature of Quality Management)

91. B
Qualitative; quantitative. Qualitative analysis of risks measures the probability of a risk occurring. Quantitative risk analysis is more precise and assigns numbers to risk based on data reported. Qualitative risk analysis is more general, whereas quantitative risk assessment helps go more in depth and offer a more valid way to make decisions. Risk assessments are generally not categorized as preventative or responsive.
SOURCE: RM:059

92. C
Loss of data during the transfer. When a company switches to an ERM software system, there is the potential for data to be lost during the transfer/conversion process. However, the increased emphasis on risk and standardization of reporting are benefits of implementing ERM software rather than potential risks. ERM software generally increases efficiency of resource use rather than decreasing it.
SOURCE: RM:062

93. D
Technical. In some cases, using a certain number of technical terms is necessary to the sale of the product. However, their use should be limited as they may be unfamiliar to customers. A sales vocabulary should be clear, but expressive, creating pictures through carefully chosen words. Personal words make the customer feel as though s/he is a part of the presentation.
SOURCE: SE:017
SOURCE: LAP-SE-117—Sell Away (The Nature and Scope of Selling)

94. D
Planning. The planning function is the management function that lays the groundwork for all of the other management functions. Organizing, staffing, directing, and controlling decisions are based on the plans the business has established.
SOURCE: SM:001
SOURCE: LAP-SM-003—Manage This! (Concept of Management)
95. B
Report unethical actions. Managers can promote ethical behavior in the business by encouraging employees to report unethical actions. If employees know that unethical behavior will not be tolerated and that such behavior will be punished, they are more likely to behave in an ethical way. By reporting unethical behavior, employees are helping managers enforce ethics in the business. The managers, rather than the employees, are responsible for developing a code of ethics for the business. Managers do not promote ethical behavior in the business by encouraging employees to be thoughtful of others or to avoid social situations.

SOURCE: SM:002

96. C
Unrealistic. Setting goals and objectives help a company move forward, but the goals must be realistic. Companies that set unrealistic goals are less likely to achieve those goals. If they plan for the unrealistic goals, acquire additional inventory, and hire more staff, they may encounter failure. Practical, reasonable, and scientific are characteristics of realistic goals and objectives.

SOURCE: SM:008

97. B
Hot n’ Spicy Wings and Southern Fried Chicken House. Direct competition is competition which occurs among businesses that offer similar goods or services. Hot n’ Spicy Wings and Southern Fried Chicken House are direct competitors for consumers’ food purchases. All of the other alternatives are businesses that are in indirect competition with each other because they offer dissimilar goods or services.

SOURCE: SM:011

98. C
Executive summary. The executive summary is the most critical component of a business plan. It is the heart of your business plan and the first thing that readers will see. Most readers will use the executive summary to determine whether or not it’s worth reading any further. While the company description, market analysis, and financial plan are all important, the executive summary is the most critical component of the plan.

SOURCE: SM:013
SOURCE: LAP-SM-013—Plan for Success (Creating a Business Plan)

99. A
Jake, because he is always willing to adapt to changes during a project. To innovate new ideas and processes, employees must be willing to adapt to unforeseen circumstances. This flexibility is essential to successfully innovate. Sticking to traditional ideas and processes, getting frustrated with learning new skills, and staying quiet during brainstorming sessions are all indications that these employees are not likely to be called innovative by their supervisors.

SOURCE: SM:094
100. A
To obtain buy-in from stakeholders. Changes are more successful when stakeholders are supportive of them. Change management helps obtain this buy-in from stakeholders by keeping them informed and involved. Limiting the effects of a change, keeping the people involved to a minimum, and reducing the time it takes to make a change are not necessarily goals of change management.

SOURCE:  SM:095