Entrepreneurship and Small Business Management Exam

INSTRUCTIONS: This is a timed, comprehensive exam for the occupational area identified above. Do not open this booklet until instructed to do so by the testing monitor. You will have ______ minutes to complete all questions.

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1. A business that fails to protect its employees from unnecessary risk or health hazards on the job may be sued for  
   A. libel.  
   B. misrepresentation.  
   C. negligence.  
   D. incompetence.

2. What requirement of a legally enforceable contract requires that both of the parties who are entering into the contract are sane, sober, and of legal age?  
   A. Genuineness of assent  
   B. Consideration  
   C. Capacity  
   D. Legality of purpose

3. The owner receives all of the profits of the business and can act quickly in making business decisions when the form of business ownership is a  
   A. corporation.  
   B. partnership.  
   C. joint venture.  
   D. sole proprietorship.

4. Which of the following is the type of tax that businesses are required to collect from customers when they purchase certain goods or services:  
   A. Estate  
   B. Income  
   C. Sales  
   D. Corporate

5. Which of the following is a condition that must exist for channels to be effective:  
   A. Channel members must not share tasks.  
   B. They must have at least five members.  
   C. Channel members must have varying goals.  
   D. They must be properly managed.

6. Which of the following is a marketing function that can be performed by channel intermediaries:  
   A. Promoting products  
   B. Monitoring union activities  
   C. Training employees  
   D. Recruiting workers

7. A manufacturer of dishwashing soap has just invented a new type of soap that cleans better. The manufacturer should choose to distribute the soap through ___________ distribution.  
   A. intensive  
   B. exclusive  
   C. inclusive  
   D. selective

8. What type of information does a well-written proposal include?  
   A. Vague goals  
   B. Specific benefits  
   C. Previous trends  
   D. Contingency data
9. There are several auto repair shops in town, but Patricia's stands out. Her auto repair shop does great work, but what really sets her shop apart is the customer service. Every customer is greeted by a friendly employee, and s/he is given snacks and drinks while s/he waits for the repairs to be completed. The great customer service that people can expect from Patricia's business is considered her
   A. vision.
   B. tagline.
   C. brand promise.
   D. mission statement.

10. Financial loss from investing time and money to comply with accounting standards is an example of which strategic risk:
   A. Changing customer needs
   B. Reputation damage
   C. Regulatory and political issues
   D. Obsolescence

11. The government's mandating the use of unleaded gas in new cars is an example of
   A. protecting specific businesses.
   B. protecting the environment.
   C. stabilizing the economy.
   D. providing public goods.

12. What type of business usually experiences economies of scale due to expanded operations?
   A. Large manufacturing plant
   B. Monopoly
   C. Individual financial planner
   D. Small local retailer

13. Businesspeople who respect the unique customs and habits of their foreign customers are exhibiting
   A. communication skills.
   B. stereotypical behavior.
   C. cultural sensitivity.
   D. language differences.

14. “Yes, you'll save money instantly” is an example of a statement with
   A. threatening language.
   B. an impersonal message.
   C. persuasive words.
   D. body language.

15. Which of the following is a characteristic of a self-confident leader:
   A. S/He has the ability to share a vision.
   B. S/He is truly invested in the work team.
   C. S/He is decisive, even in uncertain circumstances.
   D. S/He demonstrates empathy.

16. Why is it important for team members to feel a sense of "ownership" and engagement in the vision?
   A. It's the only way they will become committed to it.
   B. Leaders cannot force compliance from them.
   C. They cannot be creative otherwise.
   D. They are responsible for determining the vision.

17. Which of the following statements is true regarding stakeholder expectations:
   A. Each group of stakeholders has different needs and expectations.
   B. Stakeholder expectations are always financially driven.
   C. All stakeholders want to exert authority over employees.
   D. Stakeholder expectations always come second to customer needs.
18. Julio is starting a new business, and he has formed relationships with several successful local business owners. Which of the following is the best way to leverage these relationships to help his own business succeed:
   A. Gaining inside marketing information
   B. Persistently asking those business owners to invest in his company
   C. Attending trade shows and conferences to make new connections
   D. Sharing those businesses’ content on social media

19. Hazel started her own childcare network where she connects families to available babysitters at her school. Hazel could be described as a(n)
   A. direct salesperson.
   B. franchiser.
   C. wholesaler.
   D. entrepreneur.

20. An entrepreneurial business owner must
   A. dislike business planning.
   B. be independently wealthy.
   C. desire regular 40-hour work weeks.
   D. have an adventurous spirit.

21. What is one reason that it is easier than ever for small businesses to engage in international trade?
   A. Decreasing international middle class
   B. Technological advances
   C. Language barriers
   D. Increased regulation

22. Which of the following is a global trend that might encourage an entrepreneur to consider international business opportunities:
   A. Higher allowances
   B. Lower tariffs
   C. Enforceable trade agreements
   D. Flexible currency rates

23. Mara is facilitating a group brainstorming session to generate new product ideas for the company. Which of the following attitudes is important for Mara to demonstrate?
   A. Judgmental
   B. Neutral
   C. Passive
   D. Authoritarian

24. Landon wants to start a home-based T-shirt printing business. Which of the following are the most critical equipment and supplies that Landon will need to get his business up and running?
   A. T-shirts, thread, and display cases
   B. Printing machine, display cases, and T-shirts
   C. Artwork, T-shirts, and thread
   D. T-shirts, printing machine, and artwork

25. A small-business owner might register for trademark protection for the company's
   A. computer software.
   B. invention.
   C. trade secret.
   D. logo.
26. Evan does not want the legal obligation of repaying a loan and is willing to share profits with others. Which of the following options is Evan most likely to select to fund a new venture:
   A. Private equity
   B. Collateral savings
   C. Trade credit
   D. Community bank

27. What is a primary factor that small-business owners should consider when deciding to hire additional staff members?
   A. Interview techniques
   B. Payroll expenses
   C. Training methods
   D. Product standards

28. Al is thinking about moving his company's headquarters to another city, which would be expensive but closer to the raw materials needed for manufacturing. The benefit in moving is
   A. demand.
   B. proximity.
   C. feasibility.
   D. independence.

29. All of a firm's activities and how they function in relation to one another are known as
   A. business operations.
   B. efficiency standards.
   C. communication goals.
   D. desired outputs.

30. Because the MBC Company has one location that services the eastern part of the country and another location that services the western part of the country, the company's work flow is organized by
   A. relationship.
   B. work teams.
   C. authority.
   D. territory.

31. Looking at problems from various points of view helps a small-business owner develop
   A. practical arguments.
   B. creative solutions.
   C. unnecessary conflicts.
   D. unpredictable results.

32. Ellen wants to step back from the day-to-day activities of running her company. She decides to take the company to another level by selling public stock. One way Ellen can stay involved in the company is by
   A. arranging a tactical acquisition.
   B. appointing a family member as president.
   C. serving on the board of directors.
   D. hiring her successor.

33. Which of the following categories of information are found on a balance sheet:
   A. Income, expenditures, profit
   B. Assets, liabilities, owner's equity
   C. Assets, liabilities, margin
   D. Revenues, expenses, profit
34. The balance sheet has a close relationship with the company's
   A. mortgage.
   B. income statement.
   C. fair market value.
   D. statement of financial position.

35. Which of the following phrases effectively describes a business’s income statement:
   A. Income preview
   B. Budget estimate
   C. Cash-flow report
   D. Financial picture

36. Managerial accounting differs from financial accounting because managerial accounting
   A. helps people within a business rather than outside of the organization.
   B. does not focus on planning and budgeting.
   C. is governed by federal regulation.
   D. has less impact on decision-making.

37. One reason why banks might be reluctant to lend money to a start-up business is because the business
   A. has a solid business plan.
   B. will not have collateral.
   C. has no record of repaying loans.
   D. must incorporate first.

38. When a business has been running successfully for several years, what would be a probable next
   financial step?
   A. Purchasing a second location
   B. Acquiring start-up funds
   C. Deciding on financial goals
   D. Determining product prices

39. Marginal analysis is a cost/benefit decision process that seeks to determine
   A. the best qualities to look for in potential employees.
   B. how a manager can cut costs.
   C. the likely returns on a new investment.
   D. profit-maximizing quantity of output.

40. What sales forecasting technique creates accurate forecasts for individual products?
   A. Sales force composite
   B. Delphi
   C. Survey of buyer intentions
   D. Jury of executive opinion

41. An example of an operating expense that is included in a business's income statement is
   A. inventory.
   B. purchases.
   C. commissions.
   D. allowances.

42. Which of the following financial analysis methods is used to show the relationship of each component to
   the total within a single financial statement:
   A. Fundamental analysis
   B. Horizontal analysis
   C. Industry analysis
   D. Vertical analysis
43. What staffing activity involves seeking out and attracting qualified potential job candidates?
   A. Training
   B. Recruiting
   C. On-boarding
   D. Interviewing

44. To screen job applications and employment résumés, a business might use computer software that conducts text searches to scan for
   A. typographical errors.
   B. salary requirements.
   C. numerical ratings.
   D. key words.

45. Which of the following is a benefit of hiring the right employee for a job:
   A. Increased employee turnover
   B. Increased risk of poor job performance
   C. Decreased employee morale
   D. Decreased cost of selection

46. One of the advantages to businesses of training staff is that it tends to increase
   A. employee satisfaction.
   B. operating expense.
   C. compensation.
   D. feedback.

47. Which of the following is an example of an employee complaint that is related to a coworker:
   A. Sam complains to his production manager that the new materials are jamming the equipment.
   B. Kelly advises Joe that a flaw in the computer system is creating inefficiencies in her department.
   C. Ann tells her boss that Brad talks loudly on the phone and distracts her ability to focus on work.
   D. Mario confides in Paige that he disagrees with the wage freeze that the company has instituted.

48. XYZ Company is interested in developing, producing, and selling a new product. Before it does so, the company spends six months conducting marketing research. What are the primary advantages of this course of action?
   A. To delay the production process and increase labor costs
   B. To increase costs and determine consumer dislikes
   C. To predict trends and provide information to customers
   D. To determine customer preferences and minimize losses

49. Which of the following is essential to all marketing research:
   A. Frequency
   B. Primary data
   C. Accuracy
   D. Secondary data

50. The marketing function that helps marketers make decisions about what and to whom to sell is
   A. marketing-information management.
   B. product/service management.
   C. transportation.
   D. promotion.

51. A neighborhood grocery store has added a bakery. What element of marketing should the store use to attract customers from surrounding areas?
   A. Product
   B. Price
   C. Place
   D. Promotion
52. In order for a market to exist, consumers must have an unfulfilled desire for a product and
   A. know who makes the product.
   B. know where the product is sold.
   C. have financial resources.
   D. have a specific brand preference.

53. An important criterion to consider when identifying market segments is the __________ of the market.
   A. age
   B. size
   C. gender
   D. occupation

54. What is a potential weakness a manager might identify in a SWOT analysis?
   A. High-quality products
   B. Lack of management depth
   C. Competitors failing
   D. Low-cost foreign competition

55. As part of their marketing plans, what do businesses develop first that are intended to lead to increased
   sales and revenue?
   A. Objectives
   B. Strategies
   C. Tactics
   D. Activities

56. Which of the following is a specification that a business might establish for selecting spreadsheet
   software programs:
   A. Electronically communicate data
   B. Graphically display financial information
   C. Regularly organize customer information
   D. Digitally produce marketing data

57. How long are businesses required to keep their records?
   A. On a seasonal basis
   B. Varies greatly
   C. Indefinitely
   D. One year

58. Businesses often conduct environmental scans to determine if they should
   A. make staffing adjustments.
   B. expand into other markets.
   C. follow government regulations.
   D. improve their computer systems.

59. What is a benefit to a tour operator who makes business decisions by analyzing statistical information?
   A. Improved performance
   B. Lower demand
   C. Increased competition
   D. Lower outputs

60. Because operations managers control so much of a business’s money, they must focus on
   A. keeping costs low.
   B. hiring the best employees.
   C. creating effective advertising campaigns.
   D. generating publicity.
61. Obtaining goods that will satisfy the needs and wants of a business's customers is a function of
   A. advertising.
   B. selling.
   C. marketing.
   D. purchasing.

62. Why is it important for businesses to have efficient production?
   A. To be competitive
   B. To remain flexible
   C. To pay employees
   D. To buy resources

63. What do managers need to do to develop and maintain the level of quality that customers expect?
   A. Obtain industry information
   B. Monitor all aspects of the business
   C. Consider the type of competition
   D. Prepare an operating budget

64. Expenses such as payroll and rent that are necessary to the running of a business are called
   __________ expenses.
   A. operating
   B. fixed
   C. variable
   D. liability

65. A business negotiates a two-year lease on 2,250 square feet of space for $2.60 per square foot with an
   option on a third year at a 5% increase in rent. What will the monthly rent be if the business extends the
   lease for a third year?
   A. $6,265.50
   B. $5,976.00
   C. $5,850.00
   D. $6,142.50

66. Most company budgets are based on
   A. net profit.
   B. expenses.
   C. sales.
   D. gross profit.

67. Which of the following situations would supply chain managers encounter during the final stage of supply
   chain management:
   A. A customer returns a defective product.
   B. The company finds reliable suppliers.
   C. The business plans to deliver goods to customers.
   D. Managers develop a supply chain strategy.

68. What is Claire doing when she reviews a report that compares the purchase transactions of the
   company's four largest customers?
   A. Conducting a sales analysis
   B. Preparing a purchasing forecast
   C. Organizing an inventory report
   D. Analyzing service performance
69. Business process thinking is meant to help companies
   A. achieve goals and serve customers.
   B. hire employees and fill roles.
   C. process payroll and compensate employees.
   D. enforce safety standards.

70. When bottlenecks in business processes develop that cause a company to miss deadlines and waste resources, an effective manager would most likely choose to
   A. invest in quality control.
   B. redesign the business processes.
   C. implement an employee incentive program.
   D. speed up production.

71. One of the main external factors that may cause a firm to change its business processes is
   A. desire for growth.
   B. competition.
   C. low employee morale.
   D. high operating costs.

72. Sandra is a manager at a distribution plant. Lately, her customers have been complaining about timely deliveries. Which area of the business does Sandra need to focus on to ensure on-time delivery?
   A. The sales force
   B. Inventory control
   C. Supply chain management
   D. Production

73. Which step of the decision-making model involves identifying what you want to do?
   A. Gathering the information you need
   B. Establishing decision criteria
   C. Determining what you need to know
   D. Pinpointing your objective

74. Which of the following is a benefit of corporate governance:
   A. It encourages transparency.
   B. It decreases investor confidence.
   C. It creates a less definable brand.
   D. It maximizes corruption.

75. Members of a board of directors are
   A. required to be stockholders.
   B. elected by stockholders.
   C. a business's vendors.
   D. not able to make decisions.

76. Which of the following most likely led to a greater emphasis on governance structures in recent years:
   A. New technology in the industry
   B. Competitor saturation
   C. Stock market crash
   D. Accounting fraud

77. Performances standards should be
   A. informally discussed.
   B. subjective.
   C. measurable.
   D. extremely challenging.
78. Product pricing is affected by transportation costs, which are factors related to the marketing element of
   A. competition.
   B. promotion.
   C. place.
   D. selling.

79. Companies X, Y, and Z determine the selling price of widgets because these companies are the only ones who market widgets. This is an example of
   A. monopolistic competition.
   B. an oligopolistic market.
   C. pure competition.
   D. a true monopoly.

80. When evaluating customers’ experiences, a company should keep in mind that customers are most often influenced by their interactions with the company's
   A. negotiation committee.
   B. suppliers.
   C. labor union.
   D. employees.

81. Having a narrow product mix allows a company to
   A. specialize in specific product lines.
   B. mass market its products.
   C. produce less efficiently.
   D. appeal to customers with a variety of needs.

82. Ways that a business’s website can provide customer-service support are by offering
   A. chat rooms, account numbers, and financial information.
   B. free delivery, email options, and credit authorizations.
   C. product/service updates, FAQs page, and an online help desk.
   D. online billing, sales reports, and toll-free telephone number.

83. When a business offers services such as an information desk, child-friendly restrooms, and a lost-and-found department, it is providing customers with __________ services.
   A. shopping
   B. convenience
   C. community
   D. impulse

84. Which of the following is one of the main functions of promotion in the advertising industry:
   A. Marketing
   B. Persuading
   C. Branding
   D. Retailing

85. Which of the following media could increase a business's sales by reaching people who are driving home from work:
   A. Email
   B. Publicity
   C. Advertising
   D. Radio
86. Mark doesn't have much money to promote his new restaurant, so he focuses on inviting a few customers in for a special dinner in hopes that they will post favorable reviews online and tell their family and friends about their great meals. Mark is using __________ marketing.
   A. broadcast  
   B. direct mail  
   C. grassroots  
   D. cause

87. Businesses often use direct advertising strategies because
   A. the promotional message reaches a larger group of people.  
   B. they can select and reach qualified prospects.  
   C. direct advertising is less expensive than other forms of promotion.  
   D. it reduces the need to include other elements in the promotional mix.

88. The Skintastic Cosmetic Company implemented a challenging sales promotion in which its independent sales consultants could earn bonuses, prizes, and vacations. This is an example of a company using __________ as a sales incentive.
   A. sweepstakes  
   B. push money  
   C. cooperative advertising  
   D. loyalty programs

89. The use of communications channels in public relations activities is an important part of
   A. advertising an image.  
   B. marketing products.  
   C. providing information.  
   D. targeting customers.

90. Francine likes the auto shop where she takes her car for an oil change because it has a comfortable waiting room with good magazines. This illustrates which important characteristic of quality service providers?
   A. Responsiveness  
   B. Reliability  
   C. Tangibles  
   D. Assurance

91. Which of the following is a true statement regarding the relationship between risk and business objectives:
   A. Risks help businesses determine objectives.  
   B. Objectives should never be modified because of risk.  
   C. Effective business objectives are not risky.  
   D. The more objectives a business has, the less risk it faces.

92. Tyrese and his team are creating a list of their company's critical enterprise-wide risks. They are compiling
   A. a risk control.  
   B. a risk assessment.  
   C. enterprise risk management.  
   D. a risk inventory.

93. Which of the following situations is most likely to result in long-term, increased sales for a business:
   A. Raising the price of its current products  
   B. Constantly providing new choices for consumers  
   C. Lowering the price of its current products  
   D. Eliminating a slow-selling product line
94. Which of the following is an example of a company objective that might be developed by top management:
   A. To improve the collection process
   B. To maintain or increase market share
   C. To maintain the billing cycle
   D. To hold weekly sales meetings

95. A business should consider the impact that changes in the environment will have on the business's marketing mix because
   A. most businesses want to be reactive.
   B. the business can change its marketing mix.
   C. the marketing mix is affected by technology.
   D. government regulations can increase costs.

96. Which component of the business plan requires considerable time and external research?
   A. Market analysis
   B. Executive summary
   C. Strategy and implementation
   D. Appendices

97. What company has the highest sales-to-receivables ratio based on the following information: Company A has sales of $250,000 and accounts receivable of $20,000; Company B has sales of $275,000 and accounts receivable of $25,000; Company C has sales of $300,000 and accounts receivable of $30,000; and Company D has sales of $290,000 and accounts receivable of $32,000.
   A. Company A
   B. Company B
   C. Company C
   D. Company D

98. Why is it important to track the performance of a business plan?
   A. To establish an operating strategy
   B. To find out if products are selling
   C. To determine its proposed mission
   D. To provide investment information

99. For successful innovation to occur, employees must be willing to __________ while developing ideas.
   A. learn
   B. teach
   C. avoid results
   D. work alone

100. If a company wants to ensure that changes are implemented in the best possible way and that those changes will lead to long-term benefits, it should use the __________ approach.
    A. change avoidance
    B. problem solving
    C. change management
    D. solution finding
1. C
Negligence. A business might be sued for negligence if it does not take reasonable precautions to protect workers from risks or health hazards on the job. The basis of negligence is that the problems could have been easily avoided if the business had made some minor adjustments. Consequently, businesses usually try to make the workplace as safe as possible in order to avoid being sued for negligence. Misrepresentation involves making unrealistic claims about products. Libel is making false statements that harm an individual’s reputation. Incompetence involves not having the skills or abilities necessary to perform satisfactorily.
SOURCE: BL:001

2. C
Capacity. Certain conditions must be met for a contract to be legally enforceable. Capacity involves having the mental and cognitive ability to make and understand the agreement and the consequences of their actions. If one party is a child or is found to be mentally challenged or impaired, the contract is invalid and unenforceable. Consideration means that the agreement must include something of value that both parties bargain for. Genuineness of assent means that all parties know what they are agreeing to. Legality of purpose means that the agreement must not violate any laws.
SOURCE: BL:002

3. D
Sole proprietorship. Other advantages of a sole proprietorship are that it is easy to start, it has certain tax advantages, and the details of the business can be kept private. In a partnership, the profits are divided among the partners who sometimes disagree as to how profits should be divided. In a corporation, the profits are divided among the stockholders. The officers of the corporation are responsible for the actual operation and management of the firm. A joint venture is an arrangement that involves two or more businesses entering into a relationship by combining complementary resources, such as technology, skills, capital, or distribution channels, for the benefit of all parties.
SOURCE: BL:003
SOURCE: LAP-BL-001—Own It Your Way (Types of Business Ownership)

4. C
Sales. Sales taxes are monies charged on sales of certain goods and services by state and/or local governments. The tax amount varies by location. After the business collects the sales tax from customers for their purchases, it pays the monies to the appropriate government agency. Income taxes are monies that the business withholds from its employees’ wages. Estate taxes are monies that are collected from a person’s estate upon his/her death. Corporations rather than customers pay corporate taxes.
SOURCE: BL:009

5. D
They must be properly managed. To be effective, channels must be properly managed. Channel members must share (not varying) common goals, and channel members must share tasks appropriately. Channels can be effective no matter how many members they have.
SOURCE: CM:001
SOURCE: LAP-CM-002—Chart Your Channels (Channel Management)
6. A
Promoting products. Channel intermediaries are persons or businesses that perform channel functions in an indirect channel of distribution. They can be responsible for such marketing functions as buying, selling, pricing, marking, storing, packaging, promoting, and financing. Recruiting workers for the business, training employees, and monitoring union activities are human resources activities, not marketing functions.
SOURCE: CM:003
SOURCE: LAP-CM-003—Channel It (Channels of Distribution)

7. A
Intensive. Producers of consumer goods, such as dishwashing soap or candy, should use intensive distribution in order to make their product as available to consumers as possible. Exclusive distribution would make this product less available to the everyday consumer, as in the case of upscale cars or clothing, and is impractical for this type of product. Inclusive distribution is not a recognized distribution strategy. Selective distribution is a balance between intensive and exclusive distribution, such as the sale of certain power tools only through one or two retailers, and like exclusive distribution, is impractical for dishwashing soap.
SOURCE: CM:010

8. B
Specific benefits. A proposal is an informational document that presents the reader with a call to action. A proposal often suggests ways to solve a problem or to obtain information by taking a specific course of action. Because the proposal developer's goal is to get his/her suggestions implemented, a well-written proposal will tell the reader how s/he will benefit by implementing the procedures or using the data that the document provides. A well-written proposal does not necessarily include vague goals, previous trends, or contingency data.
SOURCE: CO:062

9. C
Brand promise. A business's brand promise is its (spoken or unspoken) agreement with its customers that it will consistently meet their expectations. When Patricia's customers visit her business, they know they'll receive outstanding customer service every time. A brand promise should go above and beyond goods and services and focus on something other businesses don't offer. For example, the other auto repair shops in town may do repairs that are just as good, but it's Patricia's outstanding customer service that sets her apart. A tagline is a company's slogan. Taglines often change based on marketing campaigns and cultural shifts, but a company's brand promise is permanent. A vision is the future a business desires to create. Providing great customer service may be part of Patricia's vision, but that alone is not a vision. A mission statement is a brief summary of what a business owner wants to be doing. This is not the same as a brand promise.
SOURCE: CR:001
SOURCE: LAP-CR-006—Share the Promise (Identifying Brand Promise)

10. C
Regulatory and political issues. Revenues and profits are affected by what governments require. Companies often have to invest time and money to comply with tax standards, environmental regulations, employee protection laws, and many other government guidelines. Financial loss from complying with accounting standards does not result from reputation damage, changing customer needs, or obsolescence.
SOURCE: EC:011
SOURCE: LAP-EC-003—Lose, Win, or Draw (Business Risk)
11. B
Protecting the environment. Unleaded gas is less harmful to the environment than leaded gas. Specific businesses are protected through subsidies or price supports. Public goods are items used by all people regardless of whether they can pay for them. The economy is stabilized through the government's monetary and fiscal policies.
SOURCE: EC:008
SOURCE: LAP-EC-016—Regulate and Protect (Government and Business)

12. A
Large manufacturing plant. Economies of scale is the concept that increasing the scale of production will lead to a decrease in the cost of production while increasing the output. This concept is often associated with large businesses, such as a large manufacturing plant, because the size of the facility makes it possible to produce more while spending less. Large plants usually are more specialized and have more equipment, which enables them to increase production. An individual financial planner and a small local retailer tend to be labor intensive and cannot afford the expense of equipment needed to gain economies of scale. A monopoly does not need to be concerned with its economies of scale since customers have nowhere else to obtain the product.
SOURCE: EC:077

13. C
Cultural sensitivity. Culture is the customs, habits, and traditions of a particular group of people. The way that different people interact with one another is an expression of their culture. Businesspeople need to be sensitive to the fact that their foreign customers may have unique customs such as bowing when they greet rather than shaking hands. They should accept these customs and try to make their foreign customers feel comfortable. Businesspeople who behave in this manner are showing respect for other customs and habits and are exhibiting cultural sensitivity. Communication skills are abilities to express yourself clearly and simply. Stereotypical behavior involves acting in a manner that conforms to a set image. Language differences occur when people speak different languages.
SOURCE: EI:033
SOURCE: LAP-EI-011—Getting to Know You (Cultural Sensitivity)

14. C
Persuasive words. "Yes, you'll save money instantly" uses several persuasive words. It is also directed to the person you're speaking with, instead of being an impersonal message. This statement does not demonstrate body language or threatening language.
SOURCE: EI:012
SOURCE: LAP-EI-121—Win Them Over (Persuading Others)

15. C
S/He is decisive, even in uncertain circumstances. Self-confidence is a positive belief in your own talents, skills, and objectives. Self-confident leaders are decisive, even in uncertain circumstances. Being invested in the work team is a characteristic associated with responsibility. Demonstrating empathy is a characteristic associated with emotional intelligence. The ability to share a vision is a separate leadership characteristic.
SOURCE: EI:009
SOURCE: LAP-EI-016—Lead the Way (Concept of Leadership)
16. A
It's the only way they will become committed to it. It's difficult to get people excited about a vision they don't really feel a part of. But when that vision is shared by the whole team, each member can feel personally invested in its success. Leaders may be able to force cooperation or compliance for a certain amount of time, but this will only result in low employee morale and, in the long run, will do nothing to further the vision. Only when team members feel the vision "belongs" to them as much as to the rest of the team or organization will they become truly committed to it. Team members are not necessarily responsible for determining the vision, and they may be talented creatively even if they are not fully committed.

SOURCE: EI:060
SOURCE: LAP-EI-060—Vision Quest (Enlisting Others in Vision)

17. A
Each group of stakeholders has different needs and expectations. Stakeholders are people who are affected by a project's or business's success or failure. The needs and expectations of different groups of stakeholders depend on the individual perspectives of those stakeholders. Stakeholder expectations are not always financially driven. All stakeholders do not necessarily want to exert authority over employees; furthermore, employees are stakeholders. Stakeholder expectations do not always come second to customer needs; customers are stakeholders, and their expectations are considered alongside other stakeholders.

SOURCE: EI:113

18. D
Sharing those businesses' content on social media. One way to leverage business relationships is to show other businesses how your business can provide value to them. Sharing content on social media helps show the businesses that Julio is willing to promote their content to others. In exchange, those businesses will be more likely to promote Julio's content in the future. Persistently asking those business owners to invest in his company might irritate the business owners and tarnish Julio's relationships with them. Attending trade shows and conferences to make new connections is a great way to build new relationships, but not necessarily to leverage existing relationships. Gaining inside marketing information from the other businesses is not necessarily ethical and would likely damage these business relationships in the long run.

SOURCE: EI:116

19. D
Entrepreneur. An entrepreneur is anyone who creates, launches, organizes, and manages a new business and takes on the risk of that business. Hazel is an entrepreneur because she created and launched a new childcare business where she is accountable for risk. A franchiser is the owner of a business who gives the rights to operate a branch of that business to someone else in exchange for a fee and profits. A wholesaler is a merchant who sells to other businesses for resale or business use. A direct salesperson is someone who sells a product directly to customers.

SOURCE: EN:039
20. D

Have an adventurous spirit. Entrepreneurs must have an adventurous spirit because they assume a lot of risk and uncertainty, as well as experience excitement and spontaneity. Entrepreneurs do not necessarily have to be independently wealthy, though they should have enough in savings to survive at least a few years without turning a profit. Entrepreneurial business owners should not desire a regular 40-hour work week because entrepreneurs work long and irregular hours. Finally, entrepreneurial business owners need to plan ahead and account for all the resources they will need to start a new business.

SOURCE: EN:040

21. B

Technological advances. Due to the prevalence of the Internet and other technologies, it is easier for businesses of any size to engage in international trade. A rising international middle class, rather than a decreasing one, makes it easier than ever for small businesses to engage in international trade. Language barriers and increased regulation do not make it easier to engage in international trade.

SOURCE: EN:041

22. B

Lower tariffs. A business opportunity is a circumstance that presents itself to provide a good or service. Entrepreneurs often find business opportunities by monitoring trends or the direction in which society is moving. One trend that positively affects international business is the lowering of trade barriers, including tariffs, which are taxes on import and export products. International trade is becoming more affordable and profitable because businesses do not pay as much in tariffs. Extreme changes in currency rates may influence a businessperson's decision to trade internationally, but currency rates always fluctuate somewhat, which indicates that fluctuations are not a trend. Trade agreements are not enforceable when a country does not want to participate. The reference to higher allowances is too general in nature to consider it a trend.

SOURCE: EN:003

23. B

Neutral. The goal of a group brainstorming session is to generate as many ideas as possible within a set amount of time. The facilitator's role is to guide the discussion and record the group's ideas. It is important for the facilitator to remain neutral or objective when group members share their ideas. By remaining objective and not judging or criticizing ideas, the facilitator helps the group feel comfortable and more willing to provide input. Part of the facilitator's role is to keep the group on track, so the facilitator should exhibit assertive behavior rather than a passive attitude. Exhibiting an authoritarian or rigid attitude may prevent group members from sharing their ideas.

SOURCE: EN:006
24. D
T-shirts, printing machine, and artwork. The requirements (e.g., time, money, and supplies) that a person needs to start a business differ and usually depend on the nature of the business. The basic requirements for starting a home-based T-shirt printing business are T-shirts, artwork to put on the T-shirts, and a printing machine to transfer the artwork to the T-shirts. Landon does not need thread or display cases to get this type of home-based business up and running.

25. D
Logo. A trademark is legal protection granted by the government to the owner, usually a business, of a distinctive symbol, mark, name, or motto. A company's logo may include a distinctive symbol, mark, or name, or a combination of the elements. A patent legally protects an invention. A trade secret is undisclosed information that is valuable to a business (e.g., customer lists). A copyright legally protects the owner of computer software.

26. A
Private equity. When a start-up business owner obtains money in a way that s/he does not have debt, it is called private equity. This may include using personal savings, receiving money from friends and relatives, or soliciting support from private investors. Private investors generally expect a financial return on their investment. Credit and banks are debt-based ways to finance a business because these options involve repaying a loan. Collateral savings is a fictitious term.

27. B
Payroll expenses. A small-business owner considers many factors when determining if s/he should hire an employee. Payroll tends to be the largest expense for a business, so the small-business owner must determine how much or if s/he can afford to pay an employee. Payroll expenses include the employee's salary, taxes, health and disability insurance, benefits, etc. After the small-business owner decides to hire additional staff, s/he can determine the appropriate interview techniques and training methods to use. Product standards are a product management consideration rather than a staffing consideration.

28. B
Proximity. Resources are the items or people that a business uses to accomplish a goal or to make a product. Small-business owners must consider both the costs and the benefits in obtaining resources, such as hiring a new employee, contracting a transportation company, or obtaining raw materials for manufacturing. If Al moves the company's headquarters, the costs are the possibility of losing good employees and the financial burden associated with a large move. The benefit of moving is the proximity, or being closer to the raw materials the company needs to manufacture its products. The benefit of being closer is that communication might improve due to the proximity, and the company may save transportation costs since the raw materials are closer to the manufacturing equipment. Demand, feasibility, and independence are not benefits for moving the company.
29. A
Business operations. Business operations are all of the functions that keep a business running. Inventory management, financial activities, advertising, sales, human resources management, and distribution are important functions that keep a business going. For example, a business functions more efficiently when the appropriate inventory is in stock because the product is available to sell and to ship to the customers. Efficiency standards, various goals, and outputs are elements of the business operations.

SOURCE: EN:023

30. D
Territory. Work flow is the order in which information is shared, tasks are performed, and decisions are made in relation to activities that keep a business running. A business organizes its work flow in a manner that best suits the nature of the business and its goals. One way to organize work flow is to divides work-related tasks by geographic location, such as territory or region. When a business organizes groups to do specific short- or long-term projects, work flow is organized in work teams. Authority and relationship are not widely used terms that businesses use to describe work flow organization methods.

SOURCE: EN:027

31. B
Creative solutions. Creative problem solving is the process of finding solutions to issues or obstacles (problems) by generating unique ideas or approaches. To generate unique ideas or approaches, small-business owners use creative-thinking techniques, which often involve looking at problems or issues from different points of view. For example, a business might have a problem with a distribution process. The owner might look at the problem from a shipping department employee's perspective, a customer's perspective, or an intermediary's perspective to find a way to solve the problem. Business owners do not look at problems from various points of view to develop arguments, conflicts, or unpredictable results.

SOURCE: EN:029

32. C
Serving on the board of directors. By taking the company "public," Ellen is beginning the "IPO" (initial public offering) process. IPO means that the business owner is selling stock to the public and giving up control of some or all of the business; over time, the venture becomes a public corporation. By incorporating the business, the owner is selling stock to anyone who wants to buy into the company. When a business becomes a public corporation, it must follow strict government rules and regulations, including forming a board of directors to guide the corporation. Sometimes, to stay somewhat involved in the business, the business owner (entrepreneur) will serve on the board of directors. Being a board member often makes the transition or exit process smoother. The board appoints the corporation's president or successor, so Ellen does not have total control over that activity. Tactical acquisition is a fictitious term.

SOURCE: EN:036

33. B
Assets, liabilities, owner’s equity. A balance sheet is a financial statement that captures the financial condition of the business at that particular moment. The statement first lists assets, anything of value that a business owns; then liabilities, or debts, that the business owes; and finally owner’s equity, or the amount the owner has invested in the business, plus or minus profits and losses. Revenues, or income; expenses, or expenditures; and profit are components of an income statement, or profit-and-loss statement. Margin is a term that describes the difference between net sales and cost of goods sold.

SOURCE: FI:085
SOURCE: LAP-FI-085—Show Me the Money (Nature of Accounting)
34. B
Income statement. The balance sheet has a close relationship with the company's income statement. Changes to the income statement directly affect the numbers on the balance sheet. The balance sheet shows the company's mortgage as a liability, but the two are not closely related. The company's value on the balance sheet is quite different from its fair market value. Statement of financial position is another name for the balance sheet.
SOURCE: Fl:093
SOURCE: LAP-FI-010—The Right Balance (The Nature of Balance Sheets)

35. D
Financial picture. A business's income statement summarizes where the business's money came from and where it went. It is an entire financial picture that lists all revenue and expenses for a certain time period, usually one year. An income statement includes information used in budgets and cash-flow reports. It is a picture of a business's financial status, rather than a prediction of the financial future.
SOURCE: Fl:094
SOURCE: LAP-FI-004—Watch Your Bottom Line (Income Statements)

36. A
Helps people within a business rather than outside of the organization. Managerial accounting is focused on providing financial information for internal organizational use. In contrast, financial accounting information is used outside of the organization. Managerial accounting does focus on planning and budgeting. Financial accounting, rather than managerial accounting, is governed by federal regulation. Finally, managerial accounting has more impact on decision-making than financial accounting because it is used within the organization as decisions are made.
SOURCE: Fl:657

37. C
Has no record of repaying loans. Banks look at many factors to determine if a business is worthy of credit. Start-up businesses borrow money based on the entrepreneur's past record of loan repayment because the business is new and has no previous debt repayment record. If a business incorporates, other avenues of securing capital are available. If start-up businesses have sufficient collateral and a solid business plan, it is easier for them to obtain financing from a bank.
SOURCE: Fl:034

38. A
Purchasing a second location. If a business has been running successfully for several years, it may be in the expansion stage of its lifecycle. This could mean that the company would consider purchasing a second location. The company would acquire start-up funds, decide on financial goals, and determine product prices at a much earlier stage in development.
SOURCE: Fl:339

39. D
Profit-maximizing quantity of output. Marginal analysis compares marginal cost and marginal revenue to determine the amount of output that produces the greatest profits. It does not help determine how a manager can cut costs. Although it might help an investor to choose among investments, it does not determine the likely returns on a particular, new investment. And, although it might help determine the optimal number of employees, it does not determine the best qualities to look for in potential employees.
SOURCE: Fl:358
40. A
Sales force composite. There are several advantages to the sales force composite. More accurate forecasts for individual products can usually be obtained because sales personnel have first-hand knowledge about demand for certain products as a result of their constant contact with customers. It is an inexpensive method to use because it has few costs other than the time required. It also provides as much detail as the business might need because the business can forecast sales for individual products and for an overall company sales forecast. The Delphi sales-forecasting method can take a lot of time; therefore, it is expensive. The survey of buyer intentions sales forecasting method is not always accurate since customers sometimes can't make accurate predictions of their buying intentions. The jury of executive opinion sales forecasting method may be too optimistic or too conservative depending upon the executives' viewpoints. Therefore, some forecasters consider this a form of guesswork, thereby requiring the use of other forecasting methods to support it.

SOURCE: FI:096

41. C
Commissions. Commission is a percentage of the total sale amount paid to the individual who makes the sale. Many businesses pay a commission to salespeople, which is part of their salary. Salaries and wages are operating expenses that are listed in a business's income statement. Purchases and value of inventory are included in the cost of merchandise sold category of an income statement. Allowances are deductions that are indicated in the revenue category of an income statement.

SOURCE: FI:102

42. D
Vertical analysis. Vertical analysis is often used to show the relationship of each component to the total within a single financial statement. Horizontal analysis is a comparison of the same items on a company's financial statements for two or more periods. Businesses often compare their financial results with industry standards or averages to determine how well they are actually performing. Fundamental analysis involves studying all aspects of a company in an effort to understand its intrinsic value.

SOURCE: FI:334

43. B
Recruiting. The part of staffing that involves seeking out and attracting qualified potential job candidates is called recruiting. HR managers have many different methods for recruitment, and they will choose the ones that are most appropriate to their industry and the position(s) available. Training is an HR management activity that ensures employees are knowledgeable and productive. On-boarding is an HR management activity that gets a new employee started on the job. Interviewing comes after recruiting—recruiting produces potential candidates to interview.

SOURCE: HR:410
SOURCE: LAP-HR-035—People Pusher (Nature of Human Resources Management)
44. D
Key words. Many large businesses must handle several hundred applications and résumés. To save time and money, these businesses screen applicants for open positions by using computer software that scans the application or résumé and searches for key words that the business selects when establishing job criteria. For example, if a business needs to fill a position that requires certain computer software knowledge, the business might select the name of the software as a key word. Then, human resources personnel review the documents that contain the key words and examine them in more detail. A text search might include salary requirements, numerical ratings, and typographical errors, but businesses do not always request this type of information, which may be difficult to capture accurately.
SOURCE: HR:354

45. D
Decreased cost of selection. Careful selection of employees can save money through reduced costs associated with hiring and training and through increased levels of productivity. Other benefits of good employee selection are reduced risk of poor employee morale, reduced risk of poor job performance, reduced employee turnover, and time savings.
SOURCE: HR:356

46. A
Employee satisfaction. An advantage of training staff is that it tends to increase employee satisfaction. Employees who have the training to do their jobs correctly usually perform well on the job and are satisfied with their situation. If employees do not have the necessary training, they may become discouraged and unmotivated. Dissatisfied employees often are not productive because it is difficult for them to work effectively. Training may increase operating expenses which is a disadvantage of training. Training does not necessarily increase compensation or feedback.
SOURCE: HR:392

47. C
Ann tells her boss that Brad talks loudly on the phone and distracts her ability to focus on work. Employees complain about a variety of different things in the workplace. Sometimes, a coworker's habits are an issue with employees. In many situations, these problems can be resolved quickly and easily. In this situation, Ann works in close proximity to a loud talker, which is distracting her, so Ann has a valid complaint about a coworker. Ann or her boss can simply ask Brad to lower his voice. Inefficiencies with a computer system and problems with machinery are complaints about the business's processes or operations. Mario's complaint is about the company's salary policies.
SOURCE: HR:366

48. D
To determine customer preferences and minimize losses. Businesses obtain marketing information in order to develop a product that customers want and need. By doing research, companies obtain marketing information that helps them to minimize the losses that may occur from introducing a product that customers do not want. Businesses do not conduct marketing research to increase costs, although they may identify consumer dislikes. The goal is not to delay production or increase labor costs. Marketing research may identify trends, but it is not intended to provide information to customers.
SOURCE: IM:012
SOURCE: LAP-IM-012—Data Do It! (Need for Marketing Data)
49. C
Accuracy. Accuracy is absolutely essential in gathering, recording, and analyzing marketing-research data if the data are to be of value to the business. Inaccurate data can cause the business to make incorrect or unwise decisions. The frequency with which research is conducted would depend upon the needs of the business. Primary data are facts collected specifically for the problem or project at hand. Secondary data are facts that have been collected for purposes other than the project at hand. A marketing-research project may require either or both kinds of data.

SOURCE: IM:010
SOURCE: LAP-IM-010—Seek and Find (Marketing Research)

50. A
Marketing-information management. This function involves gathering, accessing, synthesizing, evaluating, and disseminating information for use in making business decisions. Promotion is a marketing function that communicates information about goods, services, images, and/or ideas to achieve a desired outcome. Product/Service management involves obtaining, developing, maintaining, and improving a product or service mix in response to market opportunities. Transportation is the physical movement of products from one location to another or the method by which they are moved.

SOURCE: MK:002
SOURCE: LAP-MK-001—Work the Big Seven (Marketing Functions)

51. D
Promotion. The promotion element of marketing refers to the various types of strategies that marketers use to communicate information about goods, services, images, and/or ideas to achieve a desired outcome. Product refers to what goods, services, or ideas will be offered to customers. Price involves determining and adjusting prices to maximize return and meet customers’ perceptions of value. Place, or distribution, involves moving, storing, locating, and/or transferring ownership of goods and services.

SOURCE: MP:001
SOURCE: LAP-MP-002—Pick the Mix (Nature of Marketing Strategies)

52. C
Have financial resources. A market is a customer or a potential customer who has an unfulfilled desire and is financially able and willing to satisfy that desire. Consumers’ brand preferences are not a factor. Knowing who makes the product or where it is sold are not necessary to the existence of a market.

SOURCE: MP:003
SOURCE: LAP-MP-003—Have We Met? (Market Identification)

53. B
Size. When identifying market segments, it is necessary to consider various criteria. An important criterion is the size of the market because there must be a sufficient number of people in the market for it to provide a good profit potential. Today, many small markets are increasing in size and attracting the attention of businesses because there is a lot of potential for growth. An example is ethnic market segments that are becoming significant. Age, gender, and occupation are demographic characteristics of a market rather than criteria for identifying market segments.

SOURCE: MP:004

54. B
Lack of management depth. A SWOT analysis identifies possible strengths, weaknesses, opportunities, and threats. A lack of management depth is a potential weakness that a manager might identify. High-quality products are examples of a potential strength. Competitors failing is an example of potential opportunity. Low-cost foreign competition is an example of a potential threat.

SOURCE: MP:010
SOURCE: LAP-MP-004—Analyze This! (SWOT Analysis)
55. A
Objectives. Objectives are goals the business wants the marketing plan to reach. The objectives in a marketing plan are intended to lead to increased sales and revenue. When preparing its marketing plan, a business first develops specific objectives to follow that should be clear and measurable and that should be achieved in a certain amount of time. For example, a business will be able to monitor its expanded advertising program in order to determine if sales and revenue are increasing by the desired amount. If sales and revenue do not increase by 10% in one year, the business will be able to revise its marketing plan and establish new objectives. A business develops objectives before it develops strategies, tactics, and activities which are intended to achieve the objectives.


56. B
Graphically display financial information. Businesses establish specifications for selecting spreadsheet software in order to obtain the type of programs that will meet their needs. This is important because not all spreadsheet software programs have the same capabilities, such as graphically displaying financial information. Some businesses may need only simple graphics in the form of graphs or charts, while others need sophisticated graphics that will display financial information in a variety of visual formats. Communications software is used to electronically communicate data. Database software is used to regularly organize customer information. Word processing and graphic design programs are used to produce marketing data.


57. B
Varies greatly. The length of time that businesses use and store their records can vary greatly. Some businesses will use certain records indefinitely, while other businesses might maintain information on a seasonal basis or for only one year. The law often determines how long certain records must be maintained.


58. B
Expand into other markets. An environmental scan is a study of the external forces that influence a business's success. An environmental scan examines the business's competitors; social issues and trends; and government, political, and economic factors. An environmental scan provides information that helps the business make decisions, such as whether it should expand into other markets. Staffing adjustments and computer improvements are internal factors that a business considers when it wants to enhance its productivity. A business should always follow government regulations.

SOURCE: LAP-NF-015—Get the 4-1-1 (Conducting an Environmental Scan)

59. A
Improved performance. Statistics are information presented in numerical form. Businesses analyze and interpret statistics to make various business decisions. By analyzing statistical information, a tour operator might determine ways in which to improve sales, productivity (higher outputs), or overall performance in order to compete more effectively in the marketplace. Lower demand, increased competition, and lower outputs do not benefit tour operators.

60. A
Keeping costs low. Because operations managers control so much of a business's money, they must focus on keeping costs low. Operations managers are not responsible for hiring employees, creating advertising campaigns, or generating publicity.
SOURCE: OP:189

61. D
Purchasing. Purchasing is a business function which involves the planning and procedures necessary to obtain goods and services for use in the business or for resale. Personal selling is planned, personalized communication designed to influence purchase behavior and to ensure satisfaction. Advertising is any paid form of nonpersonal presentation of goods, services, or ideas. Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relations in ways that benefit the organization and its stakeholders.
SOURCE: OP:015
SOURCE: LAP-OP-002—Buy Right (Purchasing)

62. A
To be competitive. Businesses must have efficient production in order to be competitive. Efficient production turns out the maximum number of products at the lowest cost. If the business's costs of production are higher than its competitors' costs, the business will have to set its prices higher than competitors' prices. This is likely to reduce sales. Businesses do not have efficient production in order to buy resources or pay employees, although efficient production generates the profit that makes it possible for businesses to buy additional resources and pay employees. A business's production may or may not be flexible depending on the type of business.
SOURCE: OP:017
SOURCE: LAP-OP-017—Can You Make It? (Nature of Production)

63. B
Monitor all aspects of the business. It is important for a business's management team to monitor all aspects of the business so it can maintain or exceed the quality level that its customers expect. Monitoring business activities will enable managers to identify and correct potential problems before they have a negative impact on the level of quality. If quality decreases, the business may lose customers to its competitors. Obtaining industry information, considering the type of competition, and preparing an operating budget will not help a business to develop and maintain the level of quality that customers expect.
SOURCE: OP:020

64. A
Operating. Operating expenses include variable and fixed expenses. Variable expenses may be different from month to month, e.g., payroll and supplies. These are directly affected by production or sales. Fixed expenses, on the other hand, remain the same for an extended period of time, e.g., mortgage or rent. A liability is a debt owed either short-term (due in the current fiscal year) or long-term.
SOURCE: OP:024
65. D
$6,142.50. Businesses often negotiate leases for a certain amount of square feet and for a certain number of years with an option to renew. To calculate the monthly rent for the third year, first determine the current monthly rent by multiplying square footage by the rate (2,250 x $2.60 = $5,850). Then, multiply that amount by the 5% increase ($5,850 x 5% or .05 = $292.50). Add the amount of the increase to the current rent to determine the monthly rent for the third year ($5,850.00 + $292.50 = $6,142.50).

SOURCE: OP:028

66. C
Sales. Once the company has predicted its ability to generate sales, individual budgets are then prepared for other activities such as advertising, merchandising, purchasing, administration, and labor. The business needs to estimate sales before it can budget for expenses. Net profit is the money remaining after operating expenses are subtracted from gross profit, which is the money left after the costs of goods expense is subtracted from total income.

SOURCE: OP:030

67. A
A customer returns a defective product. In the final stage of supply chain management, customers may return defective products. Finding reliable suppliers, planning to deliver goods to customers, and developing a supply chain strategy would all occur during earlier stages of supply chain management.

SOURCE: OP:303

68. A
Conducting a sales analysis. Businesses collect information to analyze all of their business functions. Sales are typically a business’s primary source of income. Businesses review many aspects of sales to analyze and compare product movement, customer activity, salesperson performance, etc. Claire is not preparing a purchasing forecast, organizing an inventory report, or analyzing service performance.

SOURCE: OP:327

69. A
Achieve goals and serve customers. Business process thinking is meant to help a company work more efficiently and achieve goals. It is also customer-focused. The main goal of business process thinking is not to hire employees and fill roles, process payroll and compensate employees, or enforce safety standards.

SOURCE: OP:474

70. B
Redesign the business processes. When bottlenecks in business processes develop, an effective manager would most likely redesign the business processes to eliminate the bottlenecks. Investing in quality control, implementing an employee incentive program, and/or speeding up production would not eliminate the bottlenecks.

SOURCE: OP:475
71. B
Competition. Competition is one of the main external factors that may cause a firm to change its businesses processes. Although desire for growth, low employee morale, and high operating costs are reasons to change business processes, these are all internal factors.
SOURCE: OP:476

72. C
Supply chain management. Supply chain management is a career area in which employees supervise the complete process of getting products into the marketplace—a career field in which employees are responsible for the flow of goods from the manufacturer to the end user. Inventory control is the tracking of the amount, the kind, and the value of inventory that a business has on hand. The sales force sells the products and services but is not necessarily responsible for delivery. Production is the process of creating goods and services, but is not responsible for delivery.
SOURCE: OP:477

73. D
Pinpointing your objective. When you identify what you want to do, you are pinpointing your objective. This is the first step of the decision-making model. Establishing decision criteria involves determining what will make or break the decision for you. Determining what you need to know and gathering the information you need both come after pinpointing your objective. To figure out what you need to know and then to find that information, you first need to identify exactly what it is that you want to do.
SOURCE: PD:017
SOURCE: LAP-PD-010—Weigh Your Options (Decision Making in Business)

74. A
It encourages transparency. Corporate governance creates a more transparent business environment, which can increase investor confidence, create a defined brand, and minimize corruption.
SOURCE: PD:213

75. B
Elected by stockholders. A board of directors is elected by stockholders. Board members may be stockholders, but they are not required to be. Vendors are not board members. The board of directors makes many decisions for the business.
SOURCE: PD:214

76. D
Accounting fraud. Governance structures help balance the interests of a company's stakeholders and would most likely be impacted by internal happenings such as accounting fraud. Competitor saturation, a stock market crash, and new technology in the industry are all examples of external factors that most likely would not affect a company's governance structure.
SOURCE: PD:302
77. C
Measurable. When an organization is developing performance standards, it should ensure that those standards are measurable so that they can actually be used to evaluate performance. Performance standards should be objective rather than subjective. They also should be clearly stated in writing rather than informally discussed. Finally, performance standards should be realistic rather than extremely challenging.

SOURCE: PD:256

78. C
Place. Place is the marketing element focusing on considerations in getting a selected product in the right place at the right time. An aspect of the place element is transportation. When pricing its product, a business must cover all of the costs associated with the item, including transporting it to the desired location (place). If transportation costs increase, the business may need to increase its product's price because it will cost more to get it to the customer. Transportation costs are not factors related to promotion, competition, or selling.

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

79. B
An oligopolistic market. This is a market in which there are relatively few sellers, and industry leaders usually determine prices. In a monopoly, there is only one seller or provider of a good or service, and no substitutes are readily available. In a monopolistic competitive market, there are many buyers and sellers and a range of prices, rather than a single market price. In pure competition, there are a great many buyers and sellers of nearly identical products, and marketers have very little control over pricing.

SOURCE: PI:002
SOURCE: LAP-PI-003—Make Cents (Factors Affecting Selling Prices)

80. D
Employees. The way that customers experience purchase transactions affects how they view the company. Good experiences often bring the customers back, while unpleasant experiences can prompt customers to purchase from the company's competitors. The ways that employees interact with customers have a major impact on the customers' experiences and their perceptions of the company. Helpful, courteous, and knowledgeable employees foster good customer experiences. Employees who are indifferent, rude, and lacking in knowledge often have a negative effect on the customers’ experiences. Customers do not usually interact with the company's suppliers, labor union, or negotiation committee.

SOURCE: PM:138

81. A
Specialize in specific product lines. A narrow product mix consists of a limited number of product lines. This means the company cannot meet a wide variety of consumer needs, but it does enable the company to specialize, to produce efficiently, to relate the products to the target market, and to concentrate on marketing the product lines.

SOURCE: PM:003
SOURCE: LAP-PM-003—Mix and Match (The Nature of the Product Mix)
82. C
Product/Service updates, FAQs page, and an online help desk. Providing around-the-clock access to information needed by customers to free up the sales staff on the floor to sell is a productive way that a business's website can provide customer service. Customers seeking post-sales support can be encouraged to access the website to locate answers, product information, etc. The alternatives are not ways that a business's website provides customer-service support.

SOURCE: PM:036

83. B
Convenience. Customers appreciate businesses that provide services that meet their needs and are convenient. All types of businesses offer information desks, child-friendly restrooms, and a lost-and-found department. Shopping services might include gift wrapping, personal shoppers, and valet parking. Impulse is an unrelated term. Community services are activities undertaken by the store for the benefit of the community.

SOURCE: PM:013
SOURCE: LAP-PM-001—Customer Service Supersized (The Role of Customer Service in Positioning/Image)

84. B
Persuading. Promotion refers to the various types of communications used to inform, persuade, or remind customers of products. In the advertising industry, one of the main functions of promotion is persuading customers to buy products, change their opinions or beliefs, or participate in activities or events. Therefore, advertisements usually include headlines, photographs, and copy that are intended to be persuasive and encourage people to do what the ad suggests. For example, an ad containing a photo of a happy child playing with a particular toy might persuade parents to buy that toy for their children.

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. Branding involves developing a business's distinctive logo, design, or identity. Retailing involves buying consumer goods or services and selling them to the ultimate consumer.

SOURCE: PR:001
SOURCE: LAP-PR-002—Razzle Dazzle (Nature of Promotion)

85. D
Radio. As a type of advertising, radio can target customers at various times of the day such as when people are driving to or from work listening to their radios. Publicity 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. Email should not be checked (e.g., on smartphones) while driving. This is not only dangerous—it is illegal in many jurisdictions.

SOURCE: PR:007
SOURCE: LAP-PR-003—Ad-quipping Your Business (Types of Advertising Media)

86. C
Grassroots. Grassroots marketing involves relying on a group of customers to spread a company's marketing message. Cause marketing occurs when a company partners with a nonprofit or charity in a way that benefits both organizations. Mark is not using direct mail or broadcast marketing.

SOURCE: PR:247
87. B
They can select and reach qualified prospects. By possessing the means to qualify potential customers, businesses can reduce waste in terms of sending promotional messages to uninterested parties. As a result, the businesses can focus their efforts on developing a customer base that is most likely to buy. Direct advertising is not necessarily less expensive than other forms of promotion. Direct advertising messages generally reach a select target audience that varies in size. Promotional mix refers to the combination of communication channels that a business uses to send its messages to consumers. Use of direct advertising strategies does not necessarily mean businesses do not need to use other promotional methods to reach customers.

SOURCE: PR:089

88. B
Push money. To increase market visibility, manufacturers often use incentive programs to motivate their independent sales consultants or distributors. These incentives, which are often called push money, may include cash bonuses, prizes, gift cards, or vacations. Typically, independent sales consultants must reach a certain level of sales to obtain push money. Sweepstakes involve games of chance in which customers win prizes. Manufacturers develop cooperative advertising programs to provide channel members with financial assistance to offset product advertising expenses. The purpose of loyalty or frequency programs is to build long-term customer relationships by offering incentives that encourage repeat sales. For example, a pizza chain might give customers a free pizza after they buy six pizzas of similar value.

SOURCE: PR:249

89. C
Providing information. A communications channel is a path or means used to provide information to others. The various public relations activities are ways of providing information to others. For example, press conferences and press releases are ways of providing information to the media in the hopes that the media will publish or broadcast the information so it is available to the general public. However, there is no guarantee that the media will publish or broadcast the information. As a result, businesses use other techniques to market products, advertise an image, and target customers.

SOURCE: PR:250

90. C
Tangibles. A comfortable waiting room with good magazines is an example of a service provider having quality tangibles—a characteristic that customers are looking for. Reliability means that the service is consistently well-performed. Responsiveness means that the service provider provides the service willingly and promptly. Assurance means that the customer finds the service provider to be knowledgeable and trustworthy.

SOURCE: QM:001
SOURCE: LAP-QM-001—Keep It Quality (Nature of Quality Management)

91. A
Risks help businesses determine objectives. When businesses are determining their objectives, they must consider risks related to these objectives and ensure that these risks are manageable. Objectives should be modified because of risk. If a new risk threatens a business objective, it should be changed to accommodate that risk. Business objectives almost always have at least some risk associated with them. Finally, the number of objectives is not necessarily related to the amount of risk.

SOURCE: RM:044
92. D
A risk inventory. A risk inventory is a listing of an organization's entire critical enterprise-wide risks. A risk assessment is a tool used in risk management. Enterprise risk management allows a company to plan, organize, lead, and control the risk in every level of an organization. A risk control is a tactic to mitigate a perceived risk.
SOURCE: RM:062

93. B
Constantly providing new choices for consumers. There is much competition between businesses, which leads to increased competition to produce better products. Businesses need to develop new or improved products in order to make more sales than their competitors. A company that raises or lowers the prices of existing products may make temporary sales gains, but only a company that provides choices based on the needs of its consumers will enjoy a long-term sales increase. Elimination of a slow-selling product line may not increase sales for a business.
SOURCE: SE:017
SOURCE: LAP-SE-117—Sell Away (The Nature and Scope of Selling)

94. B
To maintain or increase market share. This is an overall objective for the entire company that would be set by top management. Deciding to hold weekly sales meetings, do a better job of collecting past-due bills, or to keep the billing up-to-date are specific objectives that might be set by department managers.
SOURCE: SM:008

95. B
The business can change its marketing mix. While the business cannot control the external factors in the environment that affect the business, the business can change its marketing mix (price, place, product, promotion) to reflect any shifts in the environment. That is why most businesses prefer to be proactive by planning ways to cope with expected changes. Government regulations can increase the costs of doing business, and the marketing mix may be affected by technology, but those are not reasons the business should consider the impact of changes on the marketing mix.
SOURCE: SM:011

96. A
Market analysis. The market analysis requires considerable time and external research. The executive summary, strategy and implementation section, and appendices may require some time to put together, but they do not necessarily require external research.
SOURCE: SM:013
SOURCE: LAP-SM-013—Plan for Success (Creating a Business Plan)
97. A

Company A. Businesses often compare their sales-to-receivables ratios with industry standards in order to determine if they are collecting cash as quickly as others. If businesses find that they have low sales-to-receivables ratios, they might make adjustments to their collection procedures in order to receive payment in a more timely manner. To calculate Company A's sales-to-receivables ratio, divide sales by accounts receivable ($250,000 ÷ $20,000 = 12.5). This figure indicates that receivables turn over more than 12 times a year which means there is a shorter time between making the sale and collecting the cash.

Source: SM:005

98. B

To find out if products are selling. A business plan is a proposal of how a business intends to operate to achieve its objective. It is important to track the performance of a business plan to determine if the objective of the business is being met. A main objective for most businesses is to sell products. By tracking the performance of the strategies outlined in the business plan, a business is able to find out if the strategies it is using to sell are effective. If the business is not satisfied with the level of sales, it might develop different strategies. Developing a business plan involves establishing an operating strategy and determining the proposed mission of the company. Businesses often use a business plan to provide investment information to potential investors.

Source: SM:006

99. A

Learn. For successful innovation to occur, employees must be willing to learn while developing ideas. The development process involves learning and accepting change. Employees do not necessarily have to teach while developing ideas. They should review their results and learn from them, not avoid them. Innovation does not necessarily occur when employees work alone; it may happen when employees are working together.

Source: SM:094

100. C

Change management. The change management approach ensures that changes are implemented in the best possible way and that those changes will lead to long-term benefits. Change management is not referred to as problem solving, change avoidance, or solution finding.

Source: SM:095