



SAMPLE EXAM

ENTREPRENEURSHIP

THE ENTREPRENEURSHIP EXAM IS USED FOR THE
FOLLOWING EVENT:

ENTREPRENEURSHIP OPERATIONS

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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Competency-Based
Competitive Events
Written Exam
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Test Number 1202
Booklet Number _____

Entrepreneurship Exam

Entrepreneurship Operations Event

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1. An employer may be liable for an employee's tort when the employee's actions occur
 - A. within the scope of his/her employment.
 - B. under emotional stress.
 - C. within normal operating hours.
 - D. without the employer's knowledge.

2. In a contract, what one party gives or receives in exchange for something else is an example of
 - A. acceptance.
 - B. agreement.
 - C. compensation.
 - D. consideration.

3. What do federal regulations concerning workplace issues require businesses to provide to qualified individuals with disabilities?
 - A. Compensation packages
 - B. Preferential treatment
 - C. Reasonable accommodations
 - D. Psychological counseling

4. Which of the following forms of business ownership has the most potential for financial power:
 - A. Sole proprietorship
 - B. General partnership
 - C. Corporation
 - D. Limited liability partnership

5. A business withholds \$156 per month from an employee's paycheck for federal taxes, \$112 per month for retirement and disability funding, and \$26 for health care. What is the total amount the business must report to the government and pay each year for that employee?
 - A. \$3,520
 - B. \$3,258
 - C. \$3,528
 - D. \$3,126

6. The most likely channel of distribution to be used by a manufacturer of machine parts is
 - A. producer to industrial distributor to user.
 - B. manufacturer to industrial user to retailer.
 - C. producer to distribution (transfer) company.
 - D. industrial warehouse to agent to user.

7. Businesses regularly meet with channel members to discuss problems and improve performance in order to develop
 - A. routine buying procedures.
 - B. cost-effective inventories.
 - C. transportation systems.
 - D. long-term partnerships.

8. Who is responsible for planning and directing activities that enhance the business's relations with its customers?
 - A. Managers
 - B. Coordinators
 - C. Sales staff
 - D. Frontline employees

9. Southwest Airlines expects its employees to reinforce the company's brand promise—high-quality customer service—at all times. Which of the following is the most significant aspect of the brand promise for all Southwest employees to remember?
- A. Profit maximization
 - B. Consistent follow-through
 - C. Ongoing promotion
 - D. Long-term planning
10. Two businesses that are involved in used-auto sales are considered to be
- A. direct competitors.
 - B. monopolies.
 - C. partnerships.
 - D. unfair competitors.
11. The primary purpose of most government regulation of consumer products is to
- A. protect consumers.
 - B. increase prices.
 - C. protect producers.
 - D. increase production.
12. Which of the following is the ultimate goal of selling ideas to others:
- A. Developing your leadership and presentation skills
 - B. Gaining enthusiasm and engagement from teammates
 - C. Receiving recognition for your idea from your team
 - D. Obtaining a promotion or a raise because of your idea
13. Pedro wants to negotiate with his supervisor to gain more responsibilities at work. Before approaching his supervisor, Pedro needs to determine the supervisor's position and
- A. standards.
 - B. skills.
 - C. interests.
 - D. procedures.
14. Team building within an organization often includes
- A. staffing.
 - B. recruiting.
 - C. training.
 - D. interviewing.
15. A CEO wants to create a company culture that values learning and cooperation. The CEO should
- A. use a functional organizational structure.
 - B. replace current employees with friends.
 - C. set high sales quotas to motivate employees.
 - D. share best practices with the staff.
16. What is necessary for goods and services to exist?
- A. Entrepreneurial discovery
 - B. Product standards
 - C. Demographic changes
 - D. Raw materials

17. Landon started a furniture manufacturing company several years ago and is considering expanding his product line to attract new customers. Landon is currently evaluating the company's existing resources to determine ways that he can apply his current capabilities to new product opportunities. What type of analysis is Landon conducting?
- A. Inside-out
 - B. External-focus
 - C. Competitive
 - D. Cultural
18. At the end of a feasibility study, owners/managers may decide to
- A. postpone the venture until a later time.
 - B. pass the results along to competitors.
 - C. run the study a second time.
 - D. switch industries.
19. When planning for her new business, Janine allocates 2% of the company's estimated annual sales to web and newspaper advertising. Janine is developing a
- A. promotional budget.
 - B. sales report.
 - C. competitive analysis.
 - D. publicity plan.
20. Costs of sales for a new manufacturing venture typically include
- A. Internet access, attorney fees, and sales lead lists.
 - B. trade show attendance, raw materials, and equipment.
 - C. trade show attendance, product inventory, and Internet access.
 - D. raw materials, equipment, and product inventory.
21. Assessing a new business venture's ability to produce and deliver goods requires evaluating
- A. legal risk.
 - B. financial risk.
 - C. operational risk.
 - D. competitors.
22. A business should seek legal protection for its intellectual property to discourage
- A. the development of licensed and artistic works.
 - B. the competition from developing new products.
 - C. individuals from filing unnecessary lawsuits.
 - D. others from using it without permission.
23. Other than money, an entrepreneur might select a private investor to finance a business venture because the investor has
- A. a proven track record for business failure.
 - B. expertise that the entrepreneur lacks.
 - C. a desire to risk personal integrity.
 - D. indecisive personality traits.
24. Which of the following is a sign that a company may need to hire more employees:
- A. Employees are happy with working conditions.
 - B. Employees are underworked.
 - C. Company revenue is below target.
 - D. The company is often unable to meet its deadlines.

25. What is the most important factor that Jillian should consider when she selects the photocopier for her new company?
- A. Unit appearance
 - B. Taxation
 - C. Usage
 - D. Business location
26. Sally wants to incorporate her company and contracts a law firm to handle the legal aspects of the process. This is an example of
- A. staffing.
 - B. exporting.
 - C. outsourcing.
 - D. designating.
27. Jason is evaluating a venture opportunity that involves acquiring a large sum of funding from a lending institution, which poses a(n) _____ risk.
- A. low professional
 - B. insignificant financial
 - C. moderate professional
 - D. high financial
28. Which of the following terms best describes the overall procedures that guide a small business's activities by standardizing the way the business functions:
- A. Credit
 - B. Operating
 - C. Safety
 - D. Hiring
29. A small-business owner who uses the brainstorming technique to find solutions to difficult situations is trying to
- A. intentionally prevent conflict.
 - B. assess long-term budgets.
 - C. plan contract negotiations.
 - D. creatively solve problems.
30. Which of the following is a personal factor that entrepreneurs should consider when developing their exit strategies, or plans to leave their businesses:
- A. Lifestyle changes
 - B. Sales forecasts
 - C. Interest rates
 - D. Industry standards
31. In which of the following situations is a business paying more for insurance than it should:
- A. Premium is \$1,000 a year for liability coverage of \$100,000.
 - B. Property is essential to the operation of the business.
 - C. Replacement cost is more than purchase price of property.
 - D. Premium is \$500 a year on property valued at \$2,000.
32. What documents will you access to determine cash receipts from customers when preparing cash flow statements?
- A. Income statement and accounts receivable
 - B. Balance sheet and accounts receivable
 - C. Income statement and accounts payable
 - D. Balance sheet and accounts payable

33. Which of the following is an example of how managerial accounting is used as a measurement of performance:
- A. Estimating the benefits and costs of different business opportunities
 - B. Evaluating whether company goals are realistic
 - C. Comparing the actual results of operations to budgeted figures
 - D. Planning how much to sell to achieve profits
34. Businesses applying for credit from financial institutions often must prove their ability to
- A. take risks.
 - B. prepare budgets.
 - C. earn profits.
 - D. sell assets.
35. Why would a business owner consider developing a relationship with a virtual bank?
- A. It might offer lower rates on loans.
 - B. It is located in the same community.
 - C. It has convenient daytime hours.
 - D. It is not controlled by regulations.
36. A risk that the owners of new businesses often encounter when obtaining credit from a financial institution is the requirement that they
- A. give personal guarantees.
 - B. pay processing fees.
 - C. open savings accounts.
 - D. accept high interest rates.
37. Lina applied for a loan at her local bank to start a new bakery, but her application was denied. She has a strong credit history, owns real estate, and has a significant amount of cash in her bank account. Based on this information, her loan was most likely denied because
- A. she did not provide strong references.
 - B. she did not network with the bank employees.
 - C. she does not have collateral.
 - D. she has not repaid her debts in a timely manner.
38. An established company has achieved a steady, positive cash flow. Which of the following types of funding is it most likely to rely on for unexpected expenses:
- A. The company's capital structure
 - B. Collateral
 - C. Venture capital
 - D. A business line of credit
39. When making an economic decision, comparing the costs of an action to the benefits received is called
- A. rational choice.
 - B. upside/downside decision-making.
 - C. cost/benefit analysis.
 - D. critical thinking.
40. What is a business's debt ratio if it has \$360,000 in total debt and \$800,000 in total assets?
- A. 40%
 - B. 43%
 - C. 45%
 - D. 46%

41. An item that costs the wholesaler \$228 has a selling price of \$298. If operating expenses are \$25, what is the gross profit?
- A. \$70
 - B. \$65
 - C. \$80
 - D. \$105
42. Why is it important to ask job applicants about their training and previous job responsibilities during the interview process?
- A. To determine qualifications
 - B. To review recommendations
 - C. To analyze personality types
 - D. To establish specifications
43. Which of the following evaluation tests is usually the most effective in determining the motivation level of prospective employees:
- A. Polygraph
 - B. Work sample
 - C. Personality and interest
 - D. Aptitude and intelligence
44. What do managers do to make sure the work of the business is done effectively and on time?
- A. Supervise staff
 - B. Delegate authority
 - C. Maintain power
 - D. Obtain knowledge
45. What should a business manager do to effectively handle an employee's complaint?
- A. Explain business procedures
 - B. Listen to the complaint
 - C. Consider several solutions
 - D. Send the employee to counseling
46. Do businesses ever have more than one objective for their marketing-research projects?
- A. Yes, businesses generally combine several marketing-research objectives.
 - B. Yes, businesses sometimes have more than one marketing-research objective.
 - C. No, businesses set one objective for each marketing-research project.
 - D. No, businesses do not have specific marketing-research objectives.
47. If market research yields different results each time it is conducted, the research is not
- A. valid.
 - B. reliable.
 - C. objective.
 - D. systematic.
48. Which of the following is an example of a touchpoint:
- A. A company provides new employees with customer-service training.
 - B. A customer watches a company's television commercial.
 - C. Company management analyzes customer buying behavior.
 - D. A company researches customer relationship management software.
49. Which of the following is a factor that might make it necessary for a business to change its marketing strategy:
- A. Competition is limited.
 - B. Consumers are satisfied.
 - C. Technology is advancing.
 - D. Economy remains stable.

50. Age, ethnicity, and income are all factors when developing a target segment based on
- demographics.
 - geography.
 - behavior.
 - psychographics.
51. When a business conducts a market analysis and identifies territories, determines the possible buyers in the territories, and estimates the buyers' purchases, it is evaluating the
- competitors' market share.
 - segment's psychographics.
 - potential media exposure.
 - area's market potential.
52. A business has a 30% share of an \$845,500 market. What should it forecast in sales for next year's marketing plan if it expects to obtain an additional 5% of the market?
- \$236,740
 - \$253,650
 - \$270,560
 - \$295,925
53. When translating performance measures for marketing activities into financial outcomes, which outcome usually is of most importance to management?
- Interest rate
 - Net profit
 - Tax level
 - Unit price
54. Which of the following software is required for a computer system to be able to access Web data:
- Browser
 - Modem
 - Filter
 - Video
55. By monitoring a variety of sales records on a continuous basis, a business can often develop
- selling policies.
 - training manuals.
 - distribution lists.
 - customer profiles.
56. A primary reason for a business to interpret statistical findings is to
- increase production.
 - promote creativity.
 - aid decision-making.
 - influence buyers.
57. To ensure that stakeholders are satisfied with the quality of project deliverables, project managers must
- delegate most decision-making.
 - collaborate with labor unions.
 - monitor the project team's work efforts.
 - conduct a market analysis.
58. Businesses establish efficient operating systems in order to achieve quality and
- supervise staff.
 - monitor production.
 - expedite workflow.
 - reduce maintenance.

59. Payroll, rent, utilities, and supplies are all classified as _____ expenses.
- contractual
 - variable
 - fixed
 - operating
60. Conducting a break-even analysis often helps a business
- determine market share.
 - understand the level of demand.
 - establish a selling price.
 - monitor the competition.
61. If a two-year service contract costs \$2,900 and can be renewed for the same price and a four-year service contract costs \$4,150, how much will a business save by purchasing the four-year contract rather than renewing the two-year contract?
- \$1,250
 - \$1,450
 - \$1,650
 - \$1,950
62. Which of the following provides the most economical way for a new business to obtain office space if it has limited cash flow:
- Make a \$50,000 down payment on a 30-year mortgage
 - Pay a \$2,000 security deposit to lease a facility
 - Negotiate a 9.5% interest rate to purchase a building
 - Obtain a 10% discount by paying a year's rent in advance
63. A budget can be used by a business as a(n)
- statement of net worth.
 - planning and controlling tool.
 - record of actual expenses.
 - analysis of income versus expenses.
64. Which of the following supply chain situations is most likely to reduce the cost of a company's products:
- Material quality is reduced when using one supplier.
 - More supply interruption occurs when using one supplier.
 - Multiple suppliers increase the buyer's negotiation power.
 - Multiple suppliers make less effort to meet material specifications.
65. A production manager compares March's output goals with the actual outputs that were created for the month. What type of business analysis is the production manager conducting?
- Market
 - Variance
 - Breakeven
 - Cash flow
66. When a company uses process thinking to design a process, it should make sure that the process has
- an unlimited scope.
 - a deadline.
 - multiple process owners.
 - a goal.
67. A business process design should seek to achieve simplicity because complex designs
- require documentation.
 - must be validated.
 - result in more errors.
 - cannot be automated.

68. The customer service representatives of an auto loan company handle several different types of requests including payments, loan financing, and other general requests. The company determines that the requests are very time consuming when employees aren't familiar with a procedure. The company implements a business process change that requires agents to specialize in particular procedures to increase their efficiency. Which of the following caused this business process change to be made:
- Productivity
 - Quality
 - Customer experience
 - Risk management
69. A candy shop decides to source most of its candy from one supplier to decrease shipping and transportation costs. How can this supply chain decision negatively impact the shop?
- It reduces the number of suppliers that need to be managed.
 - It increases the cost of the shop's candy products.
 - It exposes the shop to the risk of product unavailability.
 - It reduces the amount of advertising that is needed.
70. A company with a small budget has lots of sensitive customer data on file. If it wants to keep this information safe, what should it do?
- Focus on prevention by training all employees to protect data
 - Hire a team of cybersecurity experts
 - Save money by only teaching one department to protect data
 - Wait until a breach occurs to develop a protection plan
71. Which of the following steps in the decision-making process involves determining the consequences of taking different actions:
- Stating the problem
 - Identifying resources
 - Collecting data
 - Evaluating information
72. Rahul, the CEO of a large corporation, needs to make sure his management team complies with the new governance practices. What is the best way for Rahul to ensure the management team knows how to comply?
- Verbally define roles and responsibilities
 - Select a new board of directors
 - Define roles and responsibilities in writing
 - Evaluate performance of the board of directors
73. Which of the following is an internal factor that impacts corporate governance structures:
- Independent audits
 - Regulation
 - Segregation of duties
 - Industry association guidelines
74. TRISM Co. sets an organizational goal to gain 100 new clients. To do so, each sales rep must contact five prospects per week. This is an example of
- designing an organizational structure.
 - aligning personal goals with company goals.
 - establishing performance standards.
 - generating new product ideas.

75. Business A spends less on advertising than Business B. Both businesses sell the same products, but Business B charges higher prices than Business A. Which of the following factors has affected the prices of the business:
- Place
 - Supply
 - Product
 - Promotion
76. What pricing objective would be most effective for a new business that wants to establish a market share, be competitive, and create a specific image?
- Return on sales percentage
 - Sales-oriented pricing
 - Profit-oriented pricing
 - Return on investment percentage
77. One reason why the target market of a business affects its pricing is because consumers in each target market
- expect a large product mix.
 - judge the value of products differently.
 - prefer products in the growth stage.
 - monitor the industry standard.
78. Which of the following questions do businesses ask when they evaluate the feasibility of a product idea:
- Does this product satisfy the company's needs?
 - How can we come up with innovative ideas for more products?
 - Do we have access to the resources to make this product?
 - Will vendors buy or use the product if it is available?
79. A product mix with product lines that are closely related in terms of the products' end use, methods of distribution and production, target market(s), and/or price range would be described as having
- consistency.
 - depth.
 - width.
 - class.
80. What do businesses often provide to customers in order to develop and maintain a competitive advantage over other businesses?
- Discount coupons
 - Free services
 - Free samples
 - Instant rebates
81. You should base your USP on reliable research into your company's target market's
- needs and wants.
 - religion and work experience.
 - race and education.
 - age and gender.
82. Repeated exposure to the largest, most diverse population of people is a benefit of _____ advertising.
- newspaper
 - out-of-home
 - directory
 - radio

83. Alexandria has been using Look-So-Good cosmetics for several years and would not consider changing brands. In fact, Alexandria likes the cosmetics so much that she has become an advocate for the cosmetic company. She tells everyone about the features and benefits of Look-So-Good products, and encourages them to try the cosmetics. What type of word-of-mouth marketing is Alexandria using?
- A. Organic marketing
 - B. Mobile marketing
 - C. Shill marketing
 - D. Virtual marketing
84. Postcards, catalogs, and sales letters are forms of
- A. mass communication.
 - B. publicity.
 - C. direct mail.
 - D. public relations.
85. Which of the following is a type of sales promotion that provides customers with immediate rewards:
- A. Price-off deals
 - B. Mail-in rebates
 - C. Loyalty programs
 - D. Product displays
86. What interactive communication channel do businesses use to share company information with their various publics?
- A. Press releases
 - B. Blogs
 - C. Newsletters
 - D. Video releases
87. Which of the following situations is an example of a public relations activity:
- A. Jana prepares a press release about her firm's new licensing agreement with a large company.
 - B. Evan coordinates an upcoming sales promotion with the company's purchasing manager.
 - C. Colleen telephones a prospective customer to try to schedule a product demonstration.
 - D. Eli reviews a report to determine which clients have overdue payments due on their accounts.
88. One of the most important characteristics of a quality good is
- A. reliability.
 - B. tangibles.
 - C. empathy.
 - D. responsiveness.
89. Why does a company need to have clearly stated business objectives to accurately identify risk?
- A. Clearly stated business objectives can effectively eliminate all identified business risks.
 - B. Clearly stated business objectives determine whether the company will achieve the desired amount of profit.
 - C. Developing clearly stated business objectives is the main activity of designing an overall risk management strategy.
 - D. Having clearly stated business objectives makes it easier to identify the actual importance of specific risks.
90. A company that processes electronic financial payments has discovered that some of its employees with drug problems have stolen customers' banking information to commit fraud. What type of business risk created this negative situation?
- A. Human risk
 - B. Technology risk
 - C. Strategy risk
 - D. Financial risk

91. Which of the following is an example of an external factor that has increased interest in enterprise risk management (ERM):
- A. Increased regulatory scrutiny
 - B. Decreased transparency
 - C. Increased efficiency
 - D. Decreased volume of information
92. When faced with an ethical dilemma, a manager should consider the impact that her/his actions and decisions will have on
- A. pay raises, employees, and society.
 - B. pay raises, bonuses, and the company's profits.
 - C. employees, society, and the company's profits.
 - D. suppliers, employees, and society.
93. In what way can an existing business benefit from writing a business plan?
- A. Determine how to distribute profits
 - B. Begin operations
 - C. Identify managers' roles
 - D. Acquire funding for a new idea
94. Managers use the broad objectives they develop for a business as the basis for setting
- A. benefit levels.
 - B. performance targets.
 - C. salary ranges.
 - D. recruitment quotas.
95. Which of the following is a promotion-related question that a business might ask in order to adjust its marketing mix in response to environmental changes:
- A. What laws affect our advertising?
 - B. To whom should we offer discounts?
 - C. Is our product aimed at a specific market?
 - D. Which channels of distribution will we use?
96. Which of the following technologies do many businesses use to monitor key performance indicators:
- A. Dashboards
 - B. Firewalls
 - C. Extranets
 - D. Terabytes
97. An investor is looking at a business plan but really only wants to look at the financial forecasts. Where should s/he turn to find where the financial plan is located?
- A. Table of contents
 - B. Appendices
 - C. Executive summary
 - D. Market analysis
98. If a business sells 550,000 widgets and has 220,000 widgets in inventory, how does its inventory turnover rate compare to the industry average of four?
- A. 1.5 more
 - B. 2.5 more
 - C. 1.5 less
 - D. 2.5 less

99. Which of the following statements accurately describes the relationship among innovation, learning, and change:
- A. New learning triggers innovation, leading to internal and external changes.
 - B. Innovation triggers internal and external changes, leading to new learning.
 - C. Internal and external changes trigger new learning, leading to innovation.
 - D. Internal and external changes trigger innovation, leading to new learning.
100. Company executives decided to add a new product line to the company's mix. The company would benefit from
- A. adjusting its budget.
 - B. hiring new employees.
 - C. change management.
 - D. ethics training.



KEY

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1. A

Within the scope of his/her employment. Under the doctrine of *respondeat superior*, an employer may be held responsible for an employee's tort if the employee's wrongful or harmful actions are related to his/her job. For example, if an employee causes an accident while driving the company's truck to deliver an order, the company can be held liable for damages and injuries resulting from the accident. Although the employer may not know about the accident at the time that it occurred, the employer is likely to be held liable for the accident because the employee was acting on the employer's behalf. Wrongful actions related to work may occur during or after normal working hours. Although the employee's wrongful actions may be related to his/her emotional stress, the employer can still be held liable for the tort as long as the action is related to the employee's job responsibilities.

SOURCE: BL:069

SOURCE: Legal Information Institute. (2017, October 16). *Respondeat superior*. Retrieved November 21, 2018, from https://www.law.cornell.edu/wex/respondeat_superior

2. D

Consideration. In a contract, consideration is what one party gives or receives in exchange for something else. In order for a contract to be legally binding, something of value must be exchanged. For example, one party might sell a product to another party and receive monetary payment. Both the product and the monetary payment have value. What one party gives or receives in exchange for something else is not an example of agreement, compensation, or acceptance.

SOURCE: BL:002

SOURCE: Stim, R. (2015, April 23). *Consideration: Every contract needs it*. Retrieved November 21, 2018, from <http://www.nolo.com/legal-encyclopedia/consideration-every-contract-needs-33361.html>

3. C

Reasonable accommodations. Reasonable accommodations involve providing some type of assistance to qualified employees who have limitations in order for them to do their jobs. Federal regulations require businesses to provide reasonable accommodations so that qualified employees with disabilities have the opportunity to obtain or keep their jobs. Providing reasonable accommodations does not mean changing the way that a company does business, but it does involve making reasonable concessions such as a simple modification of equipment. Federal regulations do not require businesses to provide preferential treatment or psychological counseling to qualified individuals with disabilities. Businesses provide compensation packages to all employees based on the type of work they do, their qualifications, their education, their seniority, etc.

SOURCE: BL:008

SOURCE: Repa, B.K. (2015, August 14). *Your right to a reasonable accommodation under the Americans with Disabilities Act (ADA)*. Retrieved November 21, 2018, from <https://www.nolo.com/legal-encyclopedia/free-books/employee-rights-book/chapter7-8.html>

4. C

Corporation. Because a public corporation has the ability to sell millions of shares of stock to anyone who can afford to purchase it, the corporate structure has the most financial power. In addition, financial institutions tend to lend higher amounts of money to corporations because the lenders view them as a lower risk than other forms of business ownership. Sole proprietorships, general partnerships, and limited liability partnerships do not generally have the financial resources that are available to corporations.

SOURCE: BL:006

SOURCE: LAP-BL-006—Taking Care of Business (Selecting Forms of Business Ownership)

5. C
\$3,528. Businesses are required by law to withhold certain taxes from employees' paychecks. Businesses must report to the federal government the amount that was withheld and pay that amount to the government. For example, all businesses are required to report the amount withheld for federal income tax, retirement and disability funding, and health care. To calculate the amount that a business must report and pay, multiply the monthly deductions by 12 ($\$156 \times 12 = \$1,872$; $\$112 \times 12 = \$1,344$; $\$26 \times 12 = \312). Then, add the totals to determine the amount that the business must report and pay ($\$1,872 + \$1,344 + \$312 = \$3,528$).
SOURCE: BL:010
SOURCE: Dlabay, L.R., Burrow, J.L., & Kleindl, B.A. (2012). *Principles of business* (8th ed.) [p. 406]. Mason, OH: South-Western Cengage Learning.
6. A
Producer to industrial distributor to user. Industrial distributors function in much the same way as wholesalers for consumer goods. They buy large quantities of goods and raw materials from producers and sell small quantities to industrial users. Chemicals and machine parts often move through this channel.
SOURCE: CM:003
SOURCE: LAP-CM-003—Channel It (Channels of Distribution)
7. D
Long-term partnerships. Most businesses want to develop long-term partnerships with channel members because it is more cost effective to maintain a relationship with an existing member than to locate new channel members. To accomplish this, businesses often meet regularly with channel members to discuss problems and evaluate performance. This gives both the business and the channel members an opportunity to discuss problems and decide on a mutually satisfactory solution. By working together, the business and the channel members can improve performance and develop a long-term partnership. Businesses and channel members do not meet regularly to develop transportation systems, cost-effective inventories, or routine buying procedures.
SOURCE: CM:011
SOURCE: Logic Bay. (2015, November 17). *How to build stronger relationships with your current channel partners*. Retrieved November 21, 2018, from <https://www.logicbay.com/blog/how-to-build-stronger-relationships-with-your-current-channel-partners>
8. A
Managers. Managers carry out management functions, which are activities that relate to planning, organizing, staffing, directing, and controlling various aspects of the business. Managers are responsible for directing employees to carry out activities that are designed to enhance customer relations. Managers direct the activities of coordinators, sales staff, and frontline employees.
SOURCE: CR:008
SOURCE: Team Support. (n.d.). *The impact of senior level management on customer service*. Retrieved November 29, 2018, from <https://www.teamsupport.com/blog/sr-management-impact-customer-service>
9. B
Consistent follow-through. A brand promise is a company's agreement, spoken or unspoken, with customers that it will meet their expectations and deliver on its brand characteristics and values. A company must follow through by performing certain actions in consistent ways to fulfill that promise. Both long- and short-term planning can help the company develop strategies to carry out the brand promise; however, unless the strategies are carried out consistently, the planning efforts are useless. Ongoing promotion helps maintain brand awareness, but it does not fulfill the company's commitment to the customer through product quality, service, etc. The company's profits involve setting internal goals rather than carrying out promises made to customers.
SOURCE: CR:001
SOURCE: LAP-CR-006—Share the Promise (Identifying Brand Promise)

10. A
Direct competitors. Direct competitors are businesses that offer similar types of goods or services. They compete with each other for customers, but this is not necessarily unfair. Monopolies occur when one business controls the products being offered, and there is no substitute product readily available. Partnerships occur when two or more people own one business.
SOURCE: EC:012
SOURCE: LAP-EC-008—Ready, Set, Compete! (Competition)
11. A
Protect consumers. Government has passed many laws for the sole purpose of protecting consumers from unsafe products. As new products grow in sophistication and complexity, the need for government regulation increases. Consumers need information about product contents, procedures for use and care, and any additional information that can protect their welfare. Such government action is not intended to increase prices or production. In some cases, producers are also protected when they are prevented from marketing inferior or unsafe products, but that is a side effect rather than a primary purpose of consumer-product laws.
SOURCE: EC:008
SOURCE: LAP-EC-016—Regulate and Protect (Government and Business)
12. B
Gaining enthusiasm and engagement from teammates. The ultimate goal of idea selling is to gain the enthusiasm and engagement of your teammates. Obtaining a promotion or a raise, receiving recognition, and developing your leadership skills are potential benefits of successfully selling an idea—but none is the ultimate goal of idea selling.
SOURCE: EI:108
SOURCE: LAP-EI-108—Do They Buy It? ("Selling" Ideas to Others)
13. C
Interests. To have a successful negotiation, it's important for Pedro to focus on interests. Interests are the things that each party wants or needs. For Pedro to gain more responsibilities, he needs to consider his supervisor's interests as well as his own. Skill is the ability to perform a task through knowledge, training, and practice. When negotiating, one person may not necessarily know the other person's skills. Standards are specifications or statements that are used as a basis for comparing or judging goods or services. A procedure is 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)
14. C
Training. Team building within an organization often includes training because all members of the team may not have the same knowledge or skills. If the team is expected to address a certain problem or issue, it may be necessary to provide training so all members will understand. To be effective, the team must be able to work on the same level, which often means some basic training will be necessary. Team building within an organization usually does not include recruiting, staffing, or interviewing.
SOURCE: EI:044
SOURCE: Morrison, K. (2014, October 8). *Encourage team building with training sessions*. Retrieved November 26, 2018, from <https://www.getadministrate.com/blog/encourage-team-building-with-training-sessions/>

15. D

Share best practices with the staff. Sharing best practices means maintaining and disseminating the actions and strategies that have been most successful for an organization. It helps organizations grow, and it encourages employees to value learning and cooperate with one another to achieve results. Replacing current employees with friends, setting high sales quotas, and using a functional organizational structure would not necessarily help the CEO create a company culture that values learning and cooperation.

SOURCE: EI:115

SOURCE: Memari, E. (2018, May 18). *9 benefits of sharing best practices in an organization*. Retrieved November 23, 2018, from <https://elearningindustry.com/sharing-best-practices-organization-9-benefits>

16. A

Entrepreneurial discovery. A good or service begins with an idea. Entrepreneurial discovery is a process used to generate an idea and bring it to fruition. The entrepreneurial discovery process involves detecting and matching product and market opportunities with one another in a manner that satisfies the market and the business. Product standards are the criteria for determining a product's ability to meet specified guidelines or requirements. Raw materials are items in their natural state or condition. Demographic changes are often factors that spark ideas and lead to entrepreneurial discovery.

SOURCE: EN:001

SOURCE: Manev, I. (2012, January 6). *Discovering the entrepreneurial opportunity*. Retrieved November 26, 2018, from <http://bangordailynews.com/2012/01/06/business/deans-of-business/discovering-the-entrepreneurial-opportunity/>

17. A

Inside-out. An inside-out analysis involves looking at internal abilities and resources to identify venture and product opportunities. A new entrepreneur may first look at his/her personal abilities and resources to determine what type of business might be best for him/her. Landon may have started a furniture business because he was a good carpenter. Today, Landon's business is larger and has more resources, so he may determine that he has the capabilities within his business to add interior decorating or design services. Another approach to determining venture and product opportunities is by conducting an outside-in analysis. In this situation, the entrepreneur looks at external factors, such as unmet market needs, to identify opportunities. Competition and culture are other external considerations that entrepreneurs consider when identifying venture and product opportunities.

SOURCE: EN:004

SOURCE: Lagerstedt, E. (2014, August 15). *Business strategy: Are you inside-out or outside-in?* Retrieved November 26, 2018, from <https://knowledge.insead.edu/blog/insead-blog/business-strategy-are-you-inside-out-or-outside-in-3515>

18. A

Postpone the venture until a later time. At the end of a feasibility study, owners/managers may decide to proceed with the venture, scrap the idea, or possibly postpone it until a later or more advantageous time. Feasibility studies are time-consuming and expensive—a business would not want to share the information with competitors. There should be no need to run the study a second time (if it's been conducted correctly) or to switch industries.

SOURCE: EN:038

SOURCE: LAP-EN-038—Explore the Possibilities (Conducting Feasibility Studies)

19. A
Promotional budget. Promotion is important to new venture owners because they need to let the target audience know that the business has goods and services available for purchase. A promotional budget is the amount of money a business plans to spend on promoting its goods and services during a certain time. Businesses consider historical data and estimated sales to determine how much to spend on promotion. A sales report provides information about a firm's sales volume. A competitive analysis is an evaluation of a competitor's activities. Publicity is any nonpersonal presentation of ideas, goods, or services that is not paid for by the company or individual that benefits or is harmed by it.
SOURCE: EN:008
SOURCE: Mintz, L. (2015, March 11). *How to determine the perfect marketing budget for your company*. Retrieved November 26, 2018, from <https://www.entrepreneur.com/article/243790>
20. D
Raw materials, equipment, and product inventory. Costs of sales for a new manufacturing venture typically include raw materials, equipment, product inventory, warehousing, shipping, and packaging. Trade show attendance and sales lead lists fall in the sales and marketing costs category. Attorney fees are a professional expense. Internet access is a technology cost.
SOURCE: EN:009
SOURCE: Murray, J. (2018, April 18). *Cost of goods sold (cost of sales)*. Retrieved November 26, 2018, from <https://www.thebalancesmb.com/cost-of-goods-sold-398161>
21. C
Operational risk. Assessing a business's ability to produce and deliver goods is an evaluation of its operations and any risks associated with operating the business. Financial risk is an evaluation of a business's ability to create income and manage costs. Legal risk is an evaluation of any potential legal problems a new business might encounter. Evaluating competitors does not help assess a business's ability to produce or deliver goods.
SOURCE: EN:010
SOURCE: Startups.ie. (2016, September 8). *How to assess the risks of a new business*. Retrieved November 26, 2018, from <http://www.startups.ie/how-to-assess-the-risks-of-a-new-business/>
22. D
Others from using it without permission. Intangible business assets resulting from thinking processes are called intellectual property. Inventions, written and artistic works, logos, brand names, and trade characters are examples of intellectual property. The business can discourage others from using the intellectual property without its permission by obtaining legal protection from the government. Depending on the type of intellectual property the business seeks to protect, the government can issue a copyright, patent, or trademark. If other businesses or individuals use the legally protected materials without the business's permission, the business has a better chance of winning a lawsuit, if it chooses to sue the unauthorized user. Legal protection for intellectual property does not discourage the competition from developing new products, individuals from filing unnecessary lawsuits, or the development of licensed and artistic works.
SOURCE: EN:013
SOURCE: UpCounsel. (2018). *Intellectual property protection*. Retrieved November 26, 2018, from <https://www.upcounsel.com/intellectual-property-protection>

23. B

Expertise that the entrepreneur lacks. A private investor (angel investor) is a person with personal wealth who looks for opportunities to provide money for business startups. Often, a private investor is a successful entrepreneur who invests money in the businesses in which s/he has expertise. This is beneficial to a new entrepreneur who may not have experience in the industry because the investor can provide information that may increase the startup's chance for success. The entrepreneur would probably not seek advice from a person who has failed more than s/he has succeeded in the business world. Most honest people do not go out of their way to risk their integrity. If the investor is indecisive, s/he may change his/her mind about a course of action, such as financing the entrepreneur's startup.

SOURCE: EN:016

SOURCE: Intrepid Private Capital Group. (2014, October 13). *The pros and cons of angel investors*. Retrieved November 26, 2018, from <https://www.intrepidexecutivegroup.com/blog/the-pros-and-cons-of-angel-investors/>

24. D

The company is often unable to meet its deadlines. If a company is having difficulty completing work on time, or if it has had to extend deadlines frequently, then it likely needs to hire more employees. Overworked employees are a sign that a company should hire more employees; underworked employees may mean that a company is overstaffed. If company revenue is below target, a company may not be able to afford new employees. Employees often complain about working conditions when they are overworked and more employees are needed. If employees are happy, then it is less likely that the company needs to increase staff.

SOURCE: EN:018

SOURCE: Collier, L. (2015, August 17). *When should you hire more employees?* Retrieved November 29, 2018, from <http://www.officedepot.com/cm/article/when-should-you-hire-more-employees>

25. C

Usage. A capital resource is an asset, or something of value that a firm uses on an ongoing basis to meet its objectives. When Jillian selects the photocopier (the capital resource) for the business, she must determine how it will be used. For example, if she is using it to print high-quality graphics, she might need a photocopier that prints in color. Or, if there are several people in the workplace that will be using it a lot, she may want a heavy-duty, reliable photocopier that has collating options. Taxation, unit appearance, and business location are not usually primary factors when selecting a photocopier.

SOURCE: EN:019

SOURCE: Kabbage. (2017, May 27). *7 things to consider before buying equipment for your small business*. Retrieved November 26, 2018, from <https://www.kabbage.com/blog/7-things-to-consider-before-buying-equipment-for-your-small-business/>

26. C

Outsourcing. Outsourcing is acquiring assistance from outside organizations or consultants to obtain goods and services to perform primary business activities. Forming a corporation is complex, so it is important to make sure that the appropriate legal forms are correct. If the business does not complete the legal activities correctly, the government may fine the corporation. A knowledgeable attorney ensures that the business follows the proper procedures and legal forms are accurate. Exporting, staffing, and designating do not describe the process of contracting a law firm to handle a legal issue.

SOURCE: EN:022

SOURCE: Jackson, N.M. (2017, February 14). *Build a better business with outsourcing*. Retrieved November 26, 2018, from <https://www.entrepreneur.com/article/204652>

27. D

High financial. Risk is the chance of failure or loss. There are many types of risks that business owners face including social, career (professional), psychic, and financial risks. The amount of risk that a business owner takes varies, but financial risk is the type of risk that is the easiest to measure. Because Jason is borrowing a large sum of money that he must repay, he is taking a high financial risk. There is not enough information about Jason to determine the amount of professional risk he is taking.

SOURCE: EN:024

SOURCE: Zwilling, M. (2012, March 25). *Ten high risk drivers every entrepreneur faces*. Retrieved November 26, 2018, from <https://www.businessinsider.com/ten-high-risk-drivers-every-entrepreneur-faces-2012-4>

28. B

Operating. Operating procedures are the step-by-step processes that employees follow when they perform specific work-related tasks. By developing and implementing operating procedures, managers or owners do not need to spend time answering routine questions and making routine decisions. Operating procedures provide employees with guidelines for performing their work, which can increase productivity and efficiency. Credit, safety, and hiring are types of operating procedures.

SOURCE: EN:026

SOURCE: Rush, M. (2016, October 26). *Standard operating procedures for a business*. Retrieved November 26, 2018, from <http://smallbusiness.chron.com/standard-operating-procedures-business-3228.html>

29. D

Creatively solve problems. Creative problem solving is the process of finding solutions to issues or obstacles (problems) by generating unique ideas or approaches. Budgets, contract negotiations, and conflict are issues that might require a business owner to use creative problem solving.

SOURCE: EN:029

SOURCE: Mind Tools Content Team. (2018, October 24). *Brainstorming*. Retrieved November 26, 2018, from <https://www.mindtools.com/brainstm.html>

30. A

Lifestyle changes. Entrepreneurs often leave their startup ventures after they feel that they have reached their goals for the venture or are ready to start another business. It's important to plan exit strategies, so that the venture can continue to grow after the entrepreneur leaves, if that is what the entrepreneur wants. Part of the planning process is anticipating lifestyle changes. For example, an entrepreneur may retire, and find that s/he would rather be working instead of golfing or boating all day—this is a lifestyle change. By anticipating lifestyle changes, the entrepreneur will be better prepared to accept or adapt to the changes when s/he exits the business. Sales forecasts, interest rates, and industry standards are examples of external factors rather than personal factors that entrepreneurs consider when developing exit strategies.

SOURCE: EN:037

SOURCE: Business Filings. (2012, May 26). *Consider internal and external factors when timing sale of business*. Retrieved November 26, 2018, from <https://www.bizfilings.com/toolkit/research-topics/running-your-business/exit-strategies/consider-internal-and-external-factors-when-timing-sale-of-business>

31. D

Premium is \$500 a year on property valued at \$2,000. When businesses obtain insurance coverage, they try to find insurance that best meets their needs at a reasonable price. In order to do this, businesses need to consider the value of the property they are insuring. If property has a low value, it may be more economical to pay to replace it than to pay high yearly premiums. For example, paying \$500 a year to insure property that is worth \$2,000 is a waste of money because only a few years of premiums would pay for a replacement. Most businesses insure property that is essential to the operation of the business and property that increases in value, because replacement is often expensive. A yearly premium of \$1,000 for liability coverage of \$100,000 is inexpensive.

SOURCE: FI:082

SOURCE: Business Filings. (2012, May 24). *How much property and liability insurance is enough for your business?* Retrieved November 26, 2018, from <https://www.bizfilings.com/toolkit/research-topics/office-hr/how-much-property-and-liability-insurance-is-enough-for-your-business>

32. A

Income statement and accounts receivable. To determine cash receipts from customers, you will need to identify the net sales amount on the income statement, add in the beginning balance in accounts receivable, and subtract the ending balance in accounts receivable. The balance sheet shows a business's assets, liabilities, and owner's equity. Accounts payable would be used to determine cash payments.

SOURCE: FI:092

SOURCE: Doran, Y. (n.d.). *How to prepare a cash flow statement*. Retrieved November 29, 2018, from http://www.ehow.com/how_4452440_prepare-cash-flow-statement.html

33. C

Comparing the actual results of operations to budgeted figures. Managerial accounting helps managers plan, make decisions, evaluate goals, and measure performance. Managerial accounting allows managers to measure business performance by comparing the actual results of operations to budgeted figures. Evaluating company goals and estimating the benefits and costs of business opportunities are decision-making activities. Planning how much to sell to achieve profits is a planning activity.

SOURCE: FI:657

SOURCE: Accounting Explained. (2011-2013). *Managerial accounting*. Retrieved November 20, 2018, from <http://accountingexplained.com/managerial/introduction/>

34. C

Earn profits. Businesses applying for credit from financial institutions must be able to prove that they will earn sufficient profit to continue operating and make the loan payments. Businesses usually must submit detailed information outlining financial information, sales potential, long-range objectives, assets, and liabilities when applying for credit. The business's potential for earning profits and repaying the loan are main considerations of financial institutions when granting credit. Businesses do not need to prove their ability to prepare budgets, sell assets, or take risks.

SOURCE: FI:023

SOURCE: Harbour, S. (2017, June 15). *What do lenders think about profitability?* Retrieved November 29, 2018, from <https://www.fundera.com/blog/why-certain-small-business-lenders-will-only-work-with-profitable-businesses>

35. A

It might offer lower rates on loans. Virtual banks operate by way of the Internet rather than in physical locations. As a result, they often have lower operating expenses because they do not need to pay for a facility or hire as many employees. Consequently, they may be able to pass on the savings in the form of offering lower rates for their services, such as loans, which is an advantage to a business. Virtual banks are available at all times, rather than just during the day, because they operate by way of the Internet. The bank may or may not be located in the same community; however, the banking services are available only online. A virtual bank is regulated the same as other banks.

SOURCE: FI:039

SOURCE: Beers, B. (2018, June 26). *The pros and cons of internet banks*. Retrieved November 26, 2018, from <https://www.investopedia.com/articles/pf/11/benefits-and-drawbacks-of-internet-banks.asp>

36. A

Give personal guarantees. Often the owners of new businesses are required to personally guarantee any loans or credit arrangements. This means that the owners agree to be personally responsible for the amount of the loan or credit. In the event that the business is unable to repay the loan, the owners must pay. The risk to the owners is that their personal assets will be taken to cover any losses if the business fails or encounters any difficulty in repaying the loan. Paying the processing fees is a routine part of obtaining business credit. New business owners can negotiate the interest rates and do not necessarily need to pay high rates. New business owners usually are not required to open savings accounts in order to obtain credit.

SOURCE: FI:041

SOURCE: Pritchard, J. (2018, November 7). *Personal guarantees help you get approved*. Retrieved November 26, 2018, from <https://www.thebalance.com/personal-guarantee-basics-315207>

37. A

She did not provide strong references. One of the most important aspects of a loan application is the applicant's character. This includes having a good reputation and strong references to vouch for your ability to pay back your loans. Lina has a strong credit history and significant cash flow, so there is no indication that she has weak capital or that she has not repaid her debts in a timely manner. Finally, networking with bank employees is not necessarily an important aspect of a loan application.

SOURCE: FI:034

SOURCE: Carabelli, C. (2017, November 11). *What do banks look at for loans?* Retrieved November 23, 2018, from <https://smallbusiness.chron.com/banks-look-loans-42003.html>

38. D

A business line of credit. An established company with a positive cash flow is most likely to rely on a business line of credit for any unexpected expenses. Many businesses maintain a business line of credit as a flexible funding tool to pay for unanticipated business expenses. A company with a positive cash flow has little need to use collateral or venture capital for funding. Collateral refers to property that a borrower offers to a lender to secure a loan. Venture capital refers to financing that investors provide to startup companies and small businesses that have long-term growth potential. Capital structure refers to a company's mix of financing, usually a combination of debt and equity.

SOURCE: FI:339

SOURCE: Vitez, O. (2017, September 26). *What are the purposes of business finance?* Retrieved November 20, 2018, from <https://bizfluent.com/list-6787756-purposes-business-finance-.html>

39. C

Cost/Benefit analysis. Cost/Benefit analysis is a systematic decision-making process that compares the costs of an action to the benefits received. A cost/benefit analysis helps businesspeople make rational, well-informed choices. Upside/Downside decision-making and critical thinking are not methods of economic decision-making.

SOURCE: FI:357

SOURCE: LAP-FI-011—Running the Numbers (Cost-Benefit Analysis)

40. C
45%. Debt ratio determines the percentage of debt in relationship to assets. To calculate debt ratio, divide total debt by total assets ($\$360,000 / \$800,000 = .45$ or 45%). Therefore, the amount of the business's debt is equal to 45% of its total assets.
SOURCE: FI:097
SOURCE: Investopedia. (2018, March 27). *Debt ratio*. Retrieved November 26, 2018, from <https://www.investopedia.com/terms/d/debratio.asp>
41. A
\$70. Gross profit is the difference between the cost of an item and its selling price. To determine the gross profit, subtract the cost from the selling price ($\$298 - \$228 = \$70$). Operating expenses are subtracted from gross profit to calculate net profit.
SOURCE: FI:102
SOURCE: Entrepreneur. (2016, February 24). *How to calculate gross profit*. Retrieved November 29, 2018, from <https://www.entrepreneur.com/article/226158>
42. A
To determine qualifications. One of the purposes of the interview process is to determine if job applicants have the qualifications to perform the specific job. To determine this, it is important to ask job applicants about their training and previous job responsibilities. This information will indicate their work experience and education background. Businesses often contact references to verify recommendations. Businesses do not ask job applicants about their training and previous job responsibilities to analyze personality types or to establish specifications.
SOURCE: HR:355
SOURCE: Job-Interview-Site.com. (2009-2018). *Job interview selection criteria for interviewers*. Retrieved November 26, 2018, from <https://www.job-interview-site.com/how-to-interview-a-candidate-selection-criteria-interviewer-tips.html>
43. C
Personality and interest. These tests are used to measure an applicant's motivation and preferences in particular areas. Work samples determine an applicant's skill level. Polygraph tests determine an applicant's truthfulness. Aptitude and intelligence tests are designed to measure a person's natural ability to acquire competence in a particular discipline.
SOURCE: HR:356
SOURCE: Meinert, D. (2015, June 1). *What do personality tests really reveal?* Retrieved November 26, 2018, from <https://www.shrm.org/hr-today/news/hr-magazine/pages/0615-personality-tests.aspx>
44. A
Supervise staff. Managers are responsible for accomplishing a business's goals which involves making sure work is done effectively and on time. To make sure the work is done, managers supervise staff. This involves overseeing and directing the activities of employees so they will complete the work. Managers delegate authority to others to have time to focus on management responsibilities such as supervising staff. Although managers may delegate authority, they maintain power which enables them to supervise staff. To make sure the work is done, managers share knowledge with employees.
SOURCE: HR:393
SOURCE: Kokemuller, N. (2016, October 26). *About workplace supervision*. Retrieved November 26, 2018, from <https://smallbusiness.chron.com/workplace-supervision-42926.html>

45. C
Consider several solutions. There usually are several ways to solve problems and effectively handle an employee's complaint. Frequently, employees who voice complaints have determined what they consider to be the best solution to the problem. Managers should consider those solutions and encourage employees to participate in developing additional solutions. Managers and employees working together to analyze various solutions will help them to select one that best meets the needs of all the parties involved. Managers need to do more than listen to the complaint; they need to take action to resolve the problem. Explaining business procedures or sending the employee to counseling are not ways of effectively handling an employee's complaint.
SOURCE: HR:366
SOURCE: Management Study Guide. (n.d.). *Employee grievance - Effective ways of handling grievance*. Retrieved November 26, 2018, from <https://www.managementstudyguide.com/employee-grievance.htm>
46. B
Yes, businesses sometimes have more than one marketing-research objective. Businesses may have one or more than one objective for their research, e.g., exploring a situation and testing solutions. They do not usually combine several objectives as this is not likely to be cost-effective or efficient.
SOURCE: IM:010
SOURCE: LAP-IM-010—Seek and Find (Marketing Research)
47. B
Reliable. Reliable research brings about the same results when repeated or conducted by different researchers. Valid research measures what the researchers intended to measure. Objective research is free from bias. Systematic research follows a step-by-step process of gathering, recording, and analyzing information. Research can be valid, objective, and systematic without being reliable.
SOURCE: IM:010
SOURCE: LAP-IM-010—Seek and Find (Marketing Research)
48. B
A customer watches a company's television commercial. A touchpoint is any opportunity a company has to connect with its customers and potential customers. Touchpoints include a customer watching a company's television commercial, a customer browsing a company's website, a customer interacting with a salesperson or other company employee, a customer receiving a bill in the mail, etc. A company providing new employees with customer-service training, a company's management analyzing customer buying behavior, and a company researching customer-relationship management software are all situations that indirectly impact customers. However, none are situations in which a company is interacting or connecting directly with its customers and potential customers.
SOURCE: MK:019
SOURCE: LAP-MK-003—Just Do It...Right (Company Actions and Results)
49. C
Technology is advancing. Marketers must be aware that situations can change and be prepared to make changes in marketing strategies when they are needed. Many factors can necessitate a change in marketing strategy, such as advancements in technology. The development of new products or new ways of doing business might make it necessary for a company to change its marketing strategy in order to be successful. If the economy is stable, consumers are satisfied; and if competition is limited, businesses might successfully use the same marketing strategies for many years.
SOURCE: MP:001
SOURCE: LAP-MP-002—Pick the Mix (Nature of Marketing Strategies)

50. A

Demographics. Age, ethnicity, and income are all factors of the science of demographics, which studies the various aspects of a group's background to determine similarities in decision-making of individuals within groups. Sometimes, geographical areas are used to segment populations. This type of targeting can emphasize attachment to a particular geographic location as the defining feature of a group.

Behavioral segmentation sorts consumers based on their attitudes toward or use of a product or service.

Psychographics is used to segment markets on the basis of beliefs, values, attitudes, lifestyles, etc.

SOURCE: MP:004

SOURCE: Marketing Segmentation Study Guide. (2012-2018). *Choice of consumer segmentation bases*. Retrieved November 26, 2018, from <http://www.segmentationstudyguide.com/segmentation-bases/choice-of-segmentation-bases/>

51. D

Area's market potential. A market analysis is a study of a particular market segment. The purpose of the market analysis is to determine the level at which the market segment is willing and able to buy the business's products. One aspect of the market analysis addresses the area market potential, which is the number of potential customers and the potential sales volume for a specific area, territory, or location.

Psychographics are lifestyle and personality considerations of a market segment. Competitors are the business's rivals. Media exposure refers to the amount of contact the business makes with the target market through the media (e.g., television, radio). Psychographics, competitors, and media exposure are other important considerations when evaluating the overall market potential of a market segment.

SOURCE: MP:009

SOURCE: Arbuckle, D. (2017, September 26). *What is "market potential value?"* Retrieved November 26, 2018, from <https://bizfluent.com/info-8040881-market-potential-value.html>

52. D

\$295,925. Businesses often forecast sales in dollar amounts. In this example, the business currently has a 30% share of the market but expects to obtain an additional 5% next year. Therefore, next year's market share is expected to be 35% of an \$845,500 market. To calculate that amount, multiply the dollar value of the market by the market share ($\$845,500 \times 35\%$ or $.35 = \$295,925$).

SOURCE: MP:014

SOURCE: Garner, S. (2013, January 19). *The market share method for forecasting sales*. Retrieved November 26, 2018, from <http://canadianentrepreneurtraining.com/the-market-share-method-for-forecasting-sales/>

53. B

Net profit. The financial outcomes of marketing activities are of importance to the management of the business. Since it costs money to implement marketing activities, management wants to know if the results are worth the cost involved. An important outcome is net profit, which is the money left after the cost-of-goods expense and the operating expense are each subtracted from the total income. If marketing expenses significantly reduce net profit rather than help increase net profit, management might reevaluate the performance of the marketing activities. Interest rate, tax level, and unit price are not the most important financial outcomes.

SOURCE: MP:021

SOURCE: Heneghan, D. (2012, January 18). *Key financial outcomes and return on investment ROI*. Retrieved November 26, 2018, from http://customerthink.com/key_financial_outcomes_and_return_on_investment/

54. A

Browser. A browser is a type of software application that allows a user to access Web data. This is an important type of software for businesses that want to access the Web or create their own web pages. There are several browsers available, but the most popular is Google Chrome. A modem is an internal or external computer communications device that is used to transmit information over a particular medium, such as telephone lines or television cables. Filters are computer programs that block out unwanted information. Video software is not required for a computer system to be able to access Web data.

SOURCE: NF:012

SOURCE: Orgera, S. (2018, August 22). *What is a web browser?* Retrieved November 26, 2018, from <https://www.lifewire.com/what-is-a-browser-446234>

55. D

Customer profiles. Businesses keep their sales records, either manually or on a computer. Sales records provide a lot of information about the business's customers. For example, the business keeps records of its customers' invoices. The invoice provides a lot of information—the customer's address, telephone, a contact name, etc. It also lists the products that the customer orders. By monitoring the types of products that the customer orders, a business can develop a customer profile for the customer, which includes the customer's preferences, purchasing cycles, etc. A comprehensive customer profile can help both the business and its customers to make appropriate purchasing decisions, and can help the business build long-term customer relationships. Monitoring sales records would not help the business develop training manuals, distribution lists, or selling policies.

SOURCE: NF:014

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2012). *Marketing essentials* (p. 20). Columbus, OH: Glencoe/McGraw-Hill.

56. C

Aid decision-making. Statistics are information presented in numerical form. For the statistics to be useful, businesses must analyze and interpret them. Businesses often base business decisions on statistical information. For example, a business may obtain statistical information that indicates a product is not selling well. Based on the statistical information, the business may decide to phase out or stop making the product. Or, if statistical information indicates that the demand for the product exceeds the available supply of the product, the business may decide to increase production. Businesses use promotional activities to influence people to buy their products. Although analyzing statistical information might spark an employee's creativity (e.g., for problem-solving purposes), it is not a primary reason for interpreting it.

SOURCE: NF:093

SOURCE: Bianca, A. (2016, October 26). *The advantage of statistics in business*. Retrieved November 26, 2018, from <http://smallbusiness.chron.com/advantages-statistics-business-18698.html>

57. C

Monitor the project team's work efforts. An important aspect of project management is monitoring the work effort. This means that project managers are responsible for making sure that team members are performing their jobs correctly and efficiently in order to meet quality standards. If team members are not performing their jobs correctly or efficiently, project managers need to provide them with feedback that will help them improve. When team members perform well, project deliverables are more likely to satisfy stakeholders. Not all team members belong to labor unions. Usually, project managers do not collaborate with labor union leaders because the business appoints or hires a negotiator to work with labor unions. Project managers may delegate some decision-making, which usually depends on the scope and depth of the team member's job. The business's marketing function is responsible for conducting a market analysis.

SOURCE: OP:020

SOURCE: Project Management Institute (2013). *A guide to the project management body of knowledge: PMBOK guide* (5th ed.) [pp. 248-254]. Newtown Square, PA: Project Management Institute.

58. C

Expedite workflow. Businesses need operating systems in order to function. Some systems are simple while others are complex, depending on the type and size of the business. However, the goal is for the operating systems to be efficient in order to achieve quality and expedite workflow. The more efficiently and accurately a business operates, the more likely it is to be able to achieve quality. Businesses do not establish efficient operating systems to monitor production, supervise staff, or reduce maintenance.

SOURCE: OP:022

SOURCE: Colan, L. (2015, July 1). *How to successfully build a business operating system for your company*. Retrieved November 26, 2018, from <https://www.inc.com/lee-colan/building-your-business-operating-system.html>

59. D

Operating. These expenses are the costs incurred in running a business. Operating expenses can be further classified as either fixed or variable. Fixed expenses are set costs for an established period of time, such as rent and utilities. Variable expenses are costs that vary as the sales volume varies. Examples of variable costs are payroll and supplies. Contractual is a distractor.

SOURCE: OP:024

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2012). *Marketing essentials* (pp. 854-855). Columbus, OH: Glencoe/McGraw-Hill.

60. C

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

SOURCE: OP:192

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2012). *Marketing essentials* (p. 592). Columbus, OH: Glencoe/McGraw-Hill.

61. C

\$1,650. Long-term service contracts are usually less expensive than short-term contracts. However, before purchasing a long-term contract, a business should make sure that it intends to keep the equipment for that length of time. In this example, a two-year contract costs \$2,900 as compared to a four-year contract that costs \$4,150. However, if the business renews the shorter contract, it will spend more money than if it bought the long-term contract originally. To determine the savings of buying the long-term contract, calculate the price of two short-term contracts ($\$2,900 \times 2 = \$5,800$). Then, subtract the cost of one long-term contract from this amount to determine the savings ($\$5,800 - \$4,150 = \$1,650$).

SOURCE: OP:027

SOURCE: Rocket Lawyer. (2018). *Service contracts*. Retrieved November 26, 2018, from <https://www.rocketlawyer.com/service-contracts.rl>

62. B

Pay a \$2,000 security deposit to lease a facility. Many new businesses have limited amounts of cash available to cover the costs of purchasing property, which usually include a down payment, closing costs, taxes, etc. On the other hand, the initial cash expense for leasing is often limited to a security deposit and the first rent payment. When cash is limited, it is usually more economical for new businesses to pay a \$2,000 security deposit to lease rather than buy a facility because it saves them money. If businesses have sufficient cash, it is more economical in the long run to negotiate a 9.5% interest rate and make a \$50,000 down payment to buy rather than lease. Paying a year's rent in advance is not economical for a business that has limited cash flow.

SOURCE: OP:028

SOURCE: Wheless, J. (2018, October 9). *Buying vs. leasing a commercial property (pros & cons)*. Retrieved November 29, 2018, from <https://aquilacommercial.com/learning-center/buying-vs-leasing-a-commercial-property-pros-cons/>

63. B

Planning and controlling tool. Budgets provide projections of income and expenses for a given time period. The budget provides guidelines for a business in planning its operation and controlling its expenses by showing the funds available. An income statement helps the business compare income expenses for a fiscal period. A balance sheet shows a business's assets, liabilities, and net worth. A cash flow statement contains a record of actual expenses.

SOURCE: OP:030

SOURCE: Tatum, M., & Harris, B. (2018, November 8). *What is budget control?* Retrieved November 26, 2018, from <https://www.wisegeek.com/what-is-budget-control.htm>

64. C

Multiple suppliers increase the buyer's negotiation power. When a buyer uses multiple suppliers, s/he gains more negotiation power to obtain lower supply prices, thereby reducing the cost of a company's products. In addition to the cost of supplies purchased, the labor and time required to produce products also impact product cost. When materials are delayed, unavailable, of poor quality and/or fail to meet material specifications, production rates are reduced and product cost is increased. Relying on one supplier can result in supply interruptions, which can cause a loss in production time and an increase in production costs. When multiple suppliers are used, specific material requirements are less likely to be met, which can increase production time and product cost.

SOURCE: OP:303

SOURCE: Research Gate. (n.d.). *Advantages and disadvantages of multiple and single sourcing strategy*. Retrieved November 20, 2018, from https://www.researchgate.net/figure/Advantages-and-disadvantages-of-multiple-and-single-sourcing-strategy_tbl1_240167996

65. B

Variance. A variance is the difference between two variables or factors. The production manager is evaluating the difference between the desired outputs and the actual outputs created. A market analysis assesses factors in the marketplace. A break-even analysis evaluates the level of sales at which revenues equal the total costs. A cash-flow analysis summarizes how money flows into and out of the business.

SOURCE: OP:327

SOURCE: Business Analysis Toolkit. (2008-2018). *Variance business analysis*. Retrieved November 26, 2018, from <https://www.measurebusiness.com/variance-business-analysis.htm>

66. D

A goal. Businesses use process thinking to define and develop a system to accomplish a specific goal or task. Every process should have a goal, and its outputs should be measured against that goal. Each individual process should also support the overall goals of an organization. A process doesn't have a specific deadline since it is a technique used to achieve goals and meet deadlines. Each business process should have a single owner who is responsible for the output and functionality of the process. A business process should have a clearly defined, limited scope.

SOURCE: OP:474

SOURCE: Cunningham, W. (2010). *Process thinking*. Retrieved November 26, 2018, from <http://wcunning.com/DMM/Concepts/Process.html>

67. C

Result in more errors. The design of a process should be as simple as possible to avoid unnecessary steps which can cause more errors to occur. Each step in the process should be validated and documented regardless of its simplicity or complexity. Automation should be avoided unless it results in a more efficient process. While it's unadvisable and difficult to automate a complex process, it is not impossible.

SOURCE: OP:475

SOURCE: Wallace, O. (2015, December 11). *The nine principles of process design*. Retrieved November 20, 2018, from <https://www.heflo.com/blog/bpm/business-process-design-principles/>

68. A

Productivity. The company is concerned with the time required to handle customer requests, so the change is made to improve productivity. In the situation described there is no indication that quality of service or customer experience is impacted by the employee's unfamiliarity with procedures. There's no indication that the situation requires the management of risk.

SOURCE: OP:476

SOURCE: Spacey, J. (2018 January 16). *9 examples of business process improvement*. Retrieved November 20, 2018, from <https://simplicable.com/new/business-process-improvement>

69. C

It exposes the shop to the risk of product unavailability. One of the risks of sourcing a large amount of product from one supplier is that products may sometimes be unavailable. When a company sources a large amount of product from one supplier, it typically acquires the product for less. A reduction in advertising is generally determined by a company's business goals and is not typically impacted by changes to suppliers. Reducing the number of suppliers that need to be managed will have a positive impact since business costs are reduced.

SOURCE: OP:477

SOURCE: Research Gate. (n.d.). *Advantages and disadvantages of multiple and single sourcing strategy*. Retrieved November 20, 2018, from https://www.researchgate.net/figure/Advantages-and-disadvantages-of-multiple-and-single-sourcing-strategy_tbl1_240167996

70. A

Focus on prevention by training all employees to protect data. Keeping data safe and protected requires a company-wide focus on security. This means training all employees to use practices that protect customer and company data. This sort of training should be conducted before a breach ever occurs. Hiring a team of cybersecurity experts would be unrealistic for a company with a small budget. The company should not teach only one department to protect data as a cost-saving measure. If a breach occurs because some employees were not trained, the company will end up spending a lot more money in the long run.

SOURCE: OP:472

SOURCE: Motta, F. (2015, March 16). *Strategies to help your business thwart cyber attacks, protect systems and secure digital assets*. Retrieved November 26, 2018, from <http://www.risbj.com/strategies-to-help-your-business-thwart-cyber-attacks-protect-systems-and-secure-digital-assets/>

71. D

Evaluating information. Individuals should evaluate the information they have gathered and identify the pros and cons of taking different actions. They should look at the consequences of all possible decisions and review what might happen based on the information they have obtained. Stating the problem, collecting data, and identifying resources for action are not part of identifying the consequences of taking these different actions.

SOURCE: PD:017

SOURCE: LAP-PD-017—Weigh Your Options (Decision-Making)

72. C

Define roles and responsibilities in writing. To make sure the management team and all other stakeholders know how to comply with governance practices, each stakeholder should be given clear roles and responsibilities in writing—not just verbally. Selecting a new board of directors or evaluating the performance of the board will not ensure the management team complies with governance practices.

SOURCE: PD:214

SOURCE: McInnes Cooper (2014, September 16). *The top 5 corporate governance best practices that benefit every company*. Retrieved November 26, 2018, from <http://www.mcinnescooper.com/publications/legal-update-the-top-5-corporate-governance-best-practices-that-benefit-every-company/>

73. C
Segregation of duties. Segregation of duties is a concept that refers to more than one person completing a task. Segregating duties helps companies avoid errors and misconduct that could be committed by one individual. Companies that institute segregation of duties are strengthening their corporate governance structures. Regulation, independent audits, and industry association guidelines are all external factors that affect corporate governance structures.
SOURCE: PD:302
SOURCE: Davoren, J. (2017, November 21). *Three types of corporate governance mechanisms*. Retrieved November 23, 2018, from <https://smallbusiness.chron.com/three-types-corporate-governance-mechanisms-66711.html>
74. C
Establishing performance standards. Performance standards are mechanisms used to track, monitor, and measure success. When employees have performance standards that are aligned with organizational goals, it is much more likely that the company will accomplish those goals. Contacting five prospects per week is a performance standard that is in line with TRISM Co.'s organizational goals. This is not an example of aligning personal goals with company goals, designing an organizational structure, or generating new product ideas.
SOURCE: PD:256
SOURCE: Gallo, A. (2011, February 20). *Making sure your employees succeed*. Retrieved November 23, 2018, from <https://hbr.org/2011/02/making-sure-your-employees-suc>
75. D
Promotion. Business B is spending more on its advertising and is passing the costs on to the customer through higher prices. Place involves getting products in the right place at the right time. Product decisions involve deciding what goods, services, or ideas to produce or to sell in order to satisfy customers' needs and wants. Supply is the quantity of a good or service that sellers are able and willing to offer for sale at a specified price in a given time period.
SOURCE: PI:001
SOURCE: LAP-PI-002—The Price Is Right (Nature of Pricing)
76. B
Sales-oriented pricing. Sales-oriented pricing objectives can be used to create a company image, be more competitive, and influence market share. These objectives are intended to increase a business's total amount of income from sales. Profit-oriented price objectives focus on creating profits for the business. Return on investment and return on sales are aspects of profit-oriented pricing objectives and focus on creating profits for the business.
SOURCE: PI:002
SOURCE: LAP-PI-003—Make Cents (Factors Affecting Selling Price)
77. B
Judge the value of products differently. The target market of a business affects its pricing because, even in the same market, not all customers see price from the same point of view. Some customers see low price as an indicator of low quality, while others see low price as a bargain. Or, some customers see high price as an indicator of high quality, while others see it as a poor value for the price. Therefore, businesses need to determine what price range will be accepted in their markets. Consumers in each target market do not necessarily expect a large product mix, prefer products in the growth stage, or monitor the industry standard.
SOURCE: PI:002
SOURCE: LAP-PI-003—Make Cents (Factors Affecting Selling Price)

78. C

Do we have access to the resources to make this product? 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 it has the resources to make the product. If the product requires more resources than the company has access to, it may be impossible to make and market the product. The question about coming up with more product ideas is part of the idea generation process. Questions about needs' satisfaction and willingness to buy the product should relate to the customers rather than the business or its vendors.

SOURCE: PM:129

SOURCE: Business Queensland. (2018, July 12). *Feasibility analysis*. Retrieved November 21, 2018, from <https://www.business.qld.gov.au/starting-business/planning/idea/feasibility>

79. A

Consistency. If the products in a company's product lines are closely related on any one of these factors, the product mix is said to be consistent. Depth refers to the number of products and the assortment of sizes, colors, and models in the product line. Width refers to the number of product lines carried by a company. Product class is one of the ways in which a business can set up its product lines.

SOURCE: PM:003

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

80. B

Free services. Many companies provide free services to customers as a routine part of doing business. One reason for providing free services, such as delivery, is to develop and maintain a competitive advantage over other similar businesses. If everything else is equal, customers often buy from the businesses that give them free services rather than from businesses that do not offer those services or that charge for the services. Free samples, discount coupons, and instant rebates are promotional techniques that might attract customers at first but do not help businesses to maintain a competitive advantage.

SOURCE: PM:036

SOURCE: Skok, D. (2015, November 3). *The power of free*. Retrieved November 21, 2018, from <https://www.forentrepreneurs.com/power-of-free/>

81. A

Needs and wants. You should base your USP on reliable research into your target market's needs and wants. Demographics such as religion, work experience, race, education, age, and gender all determine what those needs and wants are—but you just need to know the needs and wants to work on your USP.

SOURCE: PM:272

SOURCE: LAP-PM-016—Stand Out (Unique Selling Proposition)

82. B

Out-of-home. Certain spots (e.g., bus stations) outside of the home attract a large percentage of people from different backgrounds, thereby providing the perfect opportunity to expose them to a message over and over again. Radio advertisements last for only as long as they are on the air, and they are targeted at a very specific group of listeners. Once people are finished reading newspapers, they typically throw them away. In addition, not as many people read newspapers as drive by public places over and over again. Directory advertising is a great opportunity to appeal to people who are looking for the business's contact information, but rarely is there repeated exposure to an ad.

SOURCE: PR:007

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

83. A

Organic marketing. Word-of-mouth promotion occurs when customers tell others about their satisfaction with the business. Organic word-of-mouth promotion occurs naturally. Because customers are satisfied with the business and its products, they enthusiastically tell others about their satisfaction in the course of normal conversation. In some situations, customers trust and like the product so much that they become product advocates—putting in a good word whenever and wherever they can. Virtual marketing involves communicating product information via the Internet. Mobile marketing involves communicating information via mobile devices and networks (e.g., smartphones). Shill marketing involves employing people to pose as customers who are satisfied with a business's product using word-of-mouth techniques. Shill marketing is unethical behavior, and in some jurisdictions, it is an illegal practice.

SOURCE: PR:247

SOURCE: Warren, M. (2018, October 25). *Word of mouth marketing in 2018: How to create a strategy for social media buzz & skyrocket referral sales*. Retrieved November 21, 2018, from <https://www.bigcommerce.com/blog/word-of-mouth-marketing/#what-is-word-of-mouth-marketing>

84. C

Direct mail. Direct mail is a promotional medium that comes to consumers' homes and businesses in the form of letters, catalogs, postcards, faxes, and folders. 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. Television and radio commercials and newspaper and magazine advertisements are examples of mass communication, which consists of nonpersonal promotional messages. The function of business designed to establish good relations between the business and the public is public relations.

SOURCE: PR:089

SOURCE: Mail Shark. (2018). *What is direct mail marketing?* Retrieved November 21, 2018, from <https://www.themailshark.com/resources/articles/what-is-direct-mail-marketing/>

85. A

Price-off deals. Price-off deals involve discounting the prices of goods and services for a short period of time. Because customers save money by buying the products during the sale, they receive an immediate reward—a good or service that they want or need at a discounted price. A rebate is a return of part of the price a customer pays for a good or service and usually is offered by the product's manufacturer. Loyalty programs reward repeat customers by offering incentives (e.g., free item) to maintain their loyalty to the business. Although rebates and loyalty programs provide rewards, customers must usually wait to receive them. Product displays exhibit merchandise and do not provide rewards.

SOURCE: PR:249

SOURCE: Clow, K.E., & Baack, D. (2010). *Integrated advertising, promotion, and marketing communications* (4th ed.) [pp. 337-338]. Upper Saddle River, NJ: Prentice Hall.

86. B

Blogs. A blog is an online diary or journal. Businesses use blogs as an informal way to share company news, awards, research findings, trends, "how-to" information, product updates and uses with their various publics. Blogs are interactive when they have applications that allow readers to post comments or respond to blog postings. The ability to obtain feedback from blog readers is helpful to businesses in gauging public opinion about their activities. Press releases, newsletters, and video releases are communication methods used to share public relations information; however, these are not interactive communication methods.

SOURCE: PR:250

SOURCE: Eyo, I. (2016, July 25). *3 reasons why blogging is an excellent public relations tool*. Retrieved November 20, 2018, from <https://ducttapemarketingconsultant.com/blogging-is-public-relations-tool/>

87. A

Jana prepares a press release about her firm's new licensing agreement with a large company. The public relations department is the area of the business that is responsible for establishing good relations between the business and the public. Public relations staff members are responsible for developing and distributing press releases. Press releases include newsworthy information about the business and are provided to the media to obtain publicity. Businesses often distribute press releases to announce new products, employee promotions, mergers, awards, licensing agreements, etc. Sales promotion is a product-promotion activity. Calling on prospective customers to schedule product demonstrations is a sales activity. Reviewing an overdue-accounts report is an accounting activity.

SOURCE: PR:252

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2012). *Marketing essentials* (pp. 397-399). Columbus, OH: Glencoe/McGraw-Hill.

88. A

Reliability. One of the most important characteristics of a quality good is reliability. Customers are looking for products they can count on. Empathy, tangibles, and responsiveness are characteristics that customers seek in a quality service provider.

SOURCE: QM:001

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

89. D

Having clearly stated business objectives makes it easier to identify the actual importance of specific risks. Risk management involves identifying, analyzing, and evaluating potential risks so they can be effectively managed. When a company's business objectives are clearly stated, it is easier to identify how important a specific risk is. Achieving a desired amount of profit is dependent on many factors and is not achieved solely by identifying risk or developing clearly stated business objectives. Developing clearly stated business objectives is just one activity involved in designing an overall risk management strategy. An overall risk management strategy is a complex and strategic business management tool that has many important components (e.g., risk assessment matrix analysis and formal contingency plans) to reduce actual risks. Since business risks are an inherent part of conducting business, it is impossible to eliminate them—no matter how clearly stated the company's business objectives are.

SOURCE: RM:044

SOURCE: Moore, A. (2016, November 16). *Risk management: Alignment to the business objectives*. Retrieved November 20, 2018, from <https://www.linkedin.com/pulse/risk-management-alignment-business-objectives-andrew-moore/>

90. A

Human risk. A problem caused by employees is considered a human risk. Drug abuse is a major human risk that employers must deal with and that can lead to employee absence, theft, and fraud. Technology risks involve power outages and failure of devices such as computers, phones, routers, satellites, etc. Strategy risks are risks related to or caused by an organization's business objectives. Financial risk typically refers to risks associated with a company's capital structure and financing, such as exposure to loan default or the inability to collect returns on an investment.

SOURCE: RM:056

SOURCE: Davis, M. (2018, February 13). *Identifying and managing business risks*. Retrieved November 20, 2018, from <http://www.investopedia.com/articles/financial-theory/09/risk-management-business.asp>

91. A

Increased regulatory scrutiny. With greater attention placed on compliance and risk-management policies, companies have turned to enterprise risk management to help them manage the vast number of risks that could affect them. Decreased transparency, increased efficiency, and decreased volume of information are not factors that have increased interest in enterprise risk management.

SOURCE: RM:062

SOURCE: Investopedia. (2018, July 1). *Enterprise risk management*. Retrieved November 21, 2018, from <https://www.investopedia.com/terms/e/enterprise-risk-management.asp>

92. C

Employees, society, and the company's profits. To make ethical decisions, managers should consider the impact that their actions will have on their employees, the society, and their companies' profits. Managers have an obligation to all three. They must look after the welfare of their employees, they have a moral responsibility to protect the greater society, and they must help their companies to be as profitable as possible. Pay raises, bonuses, and suppliers are not necessarily things that managers need to consider when faced with an ethical dilemma. In fact, managers may make more ethical decisions when financial rewards are not taken into consideration.

SOURCE: SM:002

SOURCE: Leonard, K. (2018, October 19). *What are managerial ethics?* Retrieved November 21, 2018, from <https://smallbusiness.chron.com/managerial-ethics-36425.html>

93. D

Acquire funding for a new idea. Existing businesses know that putting a new idea (such as an expanded sales force) into action requires money—and that a business plan can help bankers and investors determine how involved they want to be. Existing businesses have already begun operations and identified managers' roles (whether formally or informally). A business plan is seldom used to determine how to distribute profits.

SOURCE: SM:007

SOURCE: LAP-SM-007—Plan Now, Succeed Later (Nature of Business Plans)

94. B

Performance targets. Managers develop broad objectives for a business, such as operate in a cost-efficient manner or earn a sufficient profit. They use these objectives as the basis for setting performance targets. The performance targets are the specific steps a business follows in order to achieve its main objectives. If the main objective is to earn a sufficient profit, the performance targets might include establishing policies to control spending. A business's broad objectives are not used as the basis for setting benefit levels, salary ranges, or recruitment quotas.

SOURCE: SM:008

SOURCE: Wascher, K. (2017, September 26). *How to write business goals & objectives*. Retrieved November 21, 2018, from <https://bizfluent.com/how-6327559-write-business-goals-objectives.html>

95. A

What laws affect our advertising? This is a promotion-related question because advertising is a form of promotion. All businesses need to be familiar with the laws forbidding deceptive practices in advertising. Asking to whom we should offer discounts is a price-related question. Asking whether the product is aimed at a specific market is a product-related question. Asking what channels of distribution will be used is a place-related question.

SOURCE: SM:011

SOURCE: Riley, J. (2018). *External environment: Introduction (GCSE)*. Retrieved November 21, 2018, from <https://www.tutor2u.net/business/reference/external-environment-introduction>

96. A

Dashboards. Dashboards are types of computer-generated, custom-designed reports that indicate the overall situation of a business. They present a set of key performance indicators that, when viewed together, give a snapshot of the health of the company. Managers use dashboards to track the condition of the company and identify potential problems so they can make adjustments before any harm is done. Firewalls, extranets, and terabytes are not used to monitor key performance indicators.

SOURCE: SM:027

SOURCE: Karlson, K. (2015, November 17). *What is a KPI tracking dashboard? The complete guide*. Retrieved November 21, 2018, from <https://www.scoro.com/blog/what-is-kpi-tracking-dashboard/>

97. A

Table of contents. The table of contents lists where you can find certain sections in order to find the information you are looking for more easily. The appendices are at the end of the business plan and contain extra bits of information to support points made throughout the plan. The executive summary is a two- to three-page miniature or snapshot of the full plan. The market analysis includes the business's target market and industry information.

SOURCE: SM:013

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

98. C

1.5 less. Calculate the inventory turnover rate by dividing the number of widgets sold by the number in stock ($550,000 / 220,000 = 2.5$). The 2.5 figure indicates that the business turns its inventory two-and-a-half times a year. If the industry average is four times a year, the business's turnover rate is 1.5 less than the average ($4.0 - 2.5 = 1.5$). A business whose inventory turnover rate is lower than the industry average probably would take steps to increase its turnover rate.

SOURCE: SM:005

SOURCE: Fuhrmann, R. (2018, March 30). *How do I calculate the inventory turnover ratio?* Retrieved November 29, 2018, from <http://www.investopedia.com/ask/answers/070914/how-do-i-calculate-inventory-turnover-ratio.asp>

99. C

Internal and external changes trigger new learning, leading to innovation. Both internal and external changes trigger the need for companies to learn and adapt to new situations and trends, resulting in innovation. The other alternatives incorrectly describe the relationship among innovation, learning, and change.

SOURCE: SM:094

SOURCE: Decision Innovation. (2009-2018). *Managing change and innovation: Getting the most from the innovation funnel*. Retrieved November 21, 2018, from <http://www.innovation-management.org/managing-change-and-innovation.html>

100. C

Change management. Change management is a structured process used to ensure that changes are successfully made and have lasting impact. Change management would be beneficial to a company that is adding a new product line. There is no indication that the company needs to hire new employees, adjust its budget, or undergo ethics training.

SOURCE: SM:095

SOURCE: Prosci. (n.d.). *What is change management and how does it work?* Retrieved November 21, 2018, from <https://www.prosci.com/resources/articles/the-what-why-and-how-of-change-management>