THE FINANCE CAREER CLUSTER EXAM IS USED FOR THE FOLLOWING EVENTS:

CORPORATE FINANCE
FINANCIAL ACCOUNTING
MANAGERIAL ACCOUNTING

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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Posted online February 2019 by DECA Inc.
1. A jurisdiction's judicial system strives to treat all parties fairly by
   A. developing contracts.
   B. implementing flexible laws.
   C. interrogating witnesses.
   D. following legal procedure.

2. Jack is a senior executive at the Farkle Corporation. He recently told his sister that Farkle is getting ready
to declare bankruptcy. However, Farkle doesn't plan to announce this news to its general shareholders
until next week. If Jack's sister sells her shares of Farkle before the public learns about the bankruptcy,
Jack and his sister could be prosecuted for
   A. accounting fraud.
   B. insider trading.
   C. affinity fraud.
   D. market capitalization.

3. Lucy authorized her accountant, attorney, and life-insurance agent to care for her assets and make
decisions regarding her money and property. Her accountant, attorney, and life-insurance agent are her
   A. economists.
   B. bookkeepers.
   C. relationship experts.
   D. fiduciaries.

4. Which of the following is commonly used to reduce an investor's capital gains tax burden:
   A. Short-term investments
   B. Capital losses
   C. Puttable bonds
   D. Value stocks

5. The Frank and Fitzer Corporation pays federal and state income tax on its earnings. Its stockholders also
pay taxes on any dividends that they receive from the company. Frank and Fitzer's earnings are subject
to __________ taxation.
   A. progressive
   B. proportional
   C. double
   D. regressive

6. After repeated warnings to fix problems, the government forced OBT Corporation to close its doors until it
complied with certain financial regulations. In this situation, the consequences of noncompliance involved
   A. business disruption.
   B. consumer confidence.
   C. bankruptcy.
   D. transparency.

7. Because compliance technology helps large businesses keep up to date with regulatory changes, their
   A. vulnerability levels tend to increase.
   B. efficiency levels tend to increase.
   C. need to understand the changes tends to decrease.
   D. need to develop audit guidelines tends to decrease.

8. Which of the following is a reason why it is important to organize information before preparing a business
report:
   A. To identify the target audience
   B. To understand the purpose of the report
   C. To arrange findings in a logical manner
   D. To investigate the cause of the problem
9. Natalia just finished her first draft of a grant proposal for the Feed the Hungry Foundation. The first step that she needs to take before revising and editing the document is to
   A. correct grammatical errors in the draft.
   B. create an outline of the proposal's content.
   C. take some time away from the document.
   D. determine the general purpose of the paper.

10. Garret is writing persuasive letters to several businesses to ask them to donate merchandise for an upcoming auction to benefit the high school marching band. He closes his letters by saying, “Please call our band's secretary today to donate.” Which persuasive message technique is Garret using?
   A. Grabbing attention
   B. Storytelling
   C. Establishing credibility
   D. Call to action

11. It is sometimes difficult to meet the needs of customers who are
   A. decisive.
   B. agreeable.
   C. silent.
   D. patient.

12. When employees take immediate action to resolve customers' complaints, the result is usually that the
   A. business's image may be damaged.
   B. customers resent speedy action.
   C. business's costs are increased.
   D. customers feel they are important.

13. Catherine has been Trevor's financial planner for 10 years. Because Trevor feels that Catherine has his best interests in mind and keeps him updated on his investments, he told several of his friends and colleagues about Catherine's expertise and recommended that they make appointments with her to discuss their financial plans. The benefit to Catherine in this situation is that she
   A. earned a sizable commission from Trevor's investments.
   B. received referrals from an existing client.
   C. gained a positive reputation through social media applications.
   D. obtained recognition from her colleagues.

14. Which of the following data-cleansing methods would work best if you wanted to identify and isolate individual data elements in a Customer Relationship Management (CRM) system:
   A. Matching
   B. Correcting
   C. Standardizing
   D. Parsing

15. The MCA Corporation uses data-cleansing software to check its customer database for missing phone numbers, email addresses, and zip codes. In this situation, the software is helping the business identify
   A. incomplete records.
   B. transposed data.
   C. redundant records.
   D. expired data.

16. Robert has a part-time job and has managed to save a small amount of money. However, Robert's mother's birthday is coming soon and so is the homecoming dance. Robert does not have enough money for both. Identify Robert's type of want.
   A. Competing
   B. Noneconomic
   C. Limited
   D. Professional
17. When a business opens a second location on the other side of town to provide residents with easier accessibility to its goods and services, it is creating __________ utility.
   A. time
   B. form
   C. place
   D. product

18. Determining what consumers want in order to promote and sell those goods and services is a function of the business activity of
   A. production.
   B. quality management.
   C. marketing.
   D. risk management.

19. An internal factor that affects the business environment is
   A. competition.
   B. job reorganization.
   C. exchange rates.
   D. economic expansion.

20. An ice storm that caves in the roof of a business facility is an example of a(n) __________ risk.
   A. economic
   B. natural
   C. human
   D. market

21. The current exchange rate between the U.S. and Japan is 103 yen. How many U.S. dollars can you get for 1 yen?
   A. 0.00850
   B. 1.00
   C. 1.01
   D. 0.00970

22. How does listening actively help you tolerate ambiguity?
   A. It allows you to analyze possible consequences.
   B. It allows you to focus on creativity rather than just following instructions.
   C. You'll be more in tune with your gut instincts.
   D. You'll gain more information and take the time to truly process the situation.

23. You check in with your group members often to make sure everyone is on track to finish your project. Which characteristic of open, honest communication are you demonstrating?
   A. Allowing for conflict
   B. Avoiding half truths
   C. Giving people the information they need
   D. Being consistent and ongoing

24. For collaboration to be effective, everyone in the group should demonstrate
   A. a team player mentality.
   B. superior knowledge.
   C. information hoarding.
   D. effective leadership skills.

25. Which of the following questions would be most helpful to answer while determining your personal vision:
   A. What is your desired starting salary?
   B. What are your talents or skills?
   C. What would you change about yourself?
   D. What are your least favorite things to do?
26. If you like rules, directions, and close supervision, you would probably work best with which of the following types of managers:
   A. Authoritarian
   B. Democratic
   C. Laissez-faire
   D. Interdependent

27. When attempting to make viable choices, a person must acknowledge
   A. her/his knowledge gaps and biases.
   B. current events in the local news.
   C. his/her closest friends.
   D. the faults of others.

28. What do companies try to accomplish when extending credit to customers?
   A. Increase sales
   B. Reduce expenses
   C. Reduce assets
   D. Increase liabilities

29. Henry is a professional banker. Only certain people—"members"—may save at or borrow money from his deposit-taking financial institution. Henry most likely works for a(n)
   A. credit union.
   B. mortgage company.
   C. insurance company.
   D. CPA firm.

30. If Hannah wants to invest in the capital markets, what types of securities should she purchase?
   A. Common stock and certificates of deposit
   B. Corporate bonds and preferred stock
   C. Treasury bills and certificates of deposit
   D. Corporate bonds and treasury bills

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

32. What type of financial market structure involves trading unlisted stock via a dealer network?
   A. Under-the-table
   B. Auction
   C. Debt
   D. Over-the-counter

33. Which of the following statements regarding the merger of multiple financial firms is true:
   A. More consumer loans may be available from the new, larger firm than were available from the smaller, individual firms.
   B. The merger typically results in a smaller variety of products and services, lower costs, and reduced consumer risks.
   C. A merger usually makes it easier to determine which supervisory agency should oversee the new, larger company.
   D. The merger usually helps financial experts get an accurate picture of the new, larger firm's financial condition.
34. A benefit of consolidation to financial institutions is
   A. one-stop shopping.
   B. more liquid capital.
   C. less complex products.
   D. more product options.

35. When nominal Gross National Product (GNP) increases, the money supply typically
   A. fluctuates daily.
   B. stays the same.
   C. decreases.
   D. increases.

36. Financial markets promote long-term economic development by
   A. directing the flow of investment to encourage production.
   B. reducing liquidity.
   C. providing indicators of economic health.
   D. limiting information available to market participants.

37. One factor that has stimulated financial globalization is an increase in
   A. foreign regulation.
   B. domestic competition.
   C. domestic investment preferences.
   D. protectionism.

38. Which of the following securities is commonly used to help reduce the impact of significant fluctuations in exchange rates and commodities:
   A. Real estate
   B. Stocks
   C. Bonds
   D. Derivatives

39. Which of the following websites is most likely to contain accurate, trustworthy securities information:
   A. Facebook Finance
   B. Wikipedia
   C. StandardLine
   D. Morningstar

40. Before deciding whether to purchase any Upside Corporation stock, Anna wants to study the company's financials. What part of Upside's website is likely to contain the company's most recent annual report?
   A. Public Relations
   B. Sustainability
   C. Investor Relations
   D. Leadership

41. Before Alana can review the performance of her stock in the newspaper's securities table, she must locate the company's abbreviated name in the table, which is followed by the
   A. yield code.
   B. trademark.
   C. ticker symbol.
   D. trade number.
42. Geraldo, who is considering whether or not to invest in Coffee Dreams, Inc., is studying information about the company on a stock table. One piece of data that he is interested in reviewing is the difference between the stock’s closing price and the previous day’s closing price. Geraldo should review the
   A. 52-week high and low.
   B. ticker symbol.
   C. price-earnings ratio.
   D. net change.

43. An employer-sponsored retirement plan is a type of
   A. inheritance.
   B. credit account.
   C. investment.
   D. living trust.

44. Balraj has insurance to protect himself if his house is damaged by a natural disaster or an accident. He’s using insurance to protect himself against
   A. opportunity.
   B. risk.
   C. poverty.
   D. deductibles.

45. Determine the assets of a business based on the following information: cash of $6,500, accounts receivable of $3,725, inventory of $7,240, property worth $24,850, and short-term debt of $5,300.
   A. $43,875
   B. $41,115
   C. $42,315
   D. $47,600

46. Which of the following is a source of money coming into a business:
   A. Trade credit
   B. Product returns from customers
   C. Operating expenses
   D. Payments to suppliers or vendors

47. Benny’s Bike Shop manufactures bicycles for its customers during the year. Benny’s purchases sprockets from Spike’s Sprockets, tires from Tiny’s Tires, and frames from Freddie’s Frames. The expense of purchasing these items is known as
   A. cost of goods sold.
   B. operating costs.
   C. revenue.
   D. gross profit.

48. A statement of equity helps companies make decisions about how to
   A. control their production costs.
   B. analyze financial trends.
   C. reinvest their retained earnings.
   D. organize income statements.

49. Lauren must determine which of two furniture suppliers is more cost-effective for her company. What type of cost should she analyze?
   A. Imputed cost
   B. Sunk cost
   C. Indirect cost
   D. Differential cost
50. A manufacturing company is considering whether or not to expand its product line but needs to know that the extra costs associated with the decision will not exceed the budget. What technique can help answer this question?
   A. Marginal analysis
   B. Cost-benefit analysis
   C. Variance analysis
   D. Horizontal analysis

51. Which of the following is a responsibility of a managerial accountant:
   A. Making managerial decisions regarding planning, pricing, and sales
   B. Compiling the company's financial information for release to the public
   C. Conducting a cost analysis and explaining the findings to management
   D. Training employees and management on personal financial literacy

52. Why is it important to determine the root cause of variances?
   A. To figure out where to allocate costs
   B. To make the appropriate adjustments
   C. To increase sales
   D. To weigh costs vs. benefits

53. How does analysis of standard costs differ from analysis of a budget?
   A. A budget analysis deals with quality and quantity considerations, while standard cost analysis deals with quantity considerations.
   B. A budget analysis shows forecasted amounts, while standard cost analysis shows actual costs.
   C. A budget analysis provides an overview, while standard cost analysis shows the details of variances.
   D. A budget analysis is conducted by all staff involved in setting the budget, while standard cost analysis is conducted by a departmental manager.

54. Which of the following is an activity that is commonly performed by a managerial cost accountant but not a financial accountant:
   A. Providing suggestions
   B. Budgeting
   C. Creating financial statements
   D. Journalizing

55. A company buys a new water cooler. In the company budget, it divides the cost of the water cooler between the departments that use it. This is known as cost
   A. allocation.
   B. divination.
   C. combination.
   D. activation.

56. If Cheryl earns 3% compound interest on a $700 investment, how much will her investment be worth in four years?
   A. $784.00
   B. $721.00
   C. $787.86
   D. $820.46

57. In addition to collecting, maintaining, and reporting data about financial transactions, financial-information management is also responsible for analyzing and reporting
   A. participative decision-making.
   B. market and competitive indicators.
   C. dominant buying motives.
   D. recent third-party agreements.
58. How can a financial-information management system contribute to the development of future budget requirements?
   A. Managing company assets
   B. Collecting and analyzing competitive data
   C. Organizing and analyzing past resource usage data
   D. Restricting access to confidential information

59. To protect the integrity of archived financial information, businesses might consider using different types of
   A. storage strategies.
   B. service procedures.
   C. monetary exchanges.
   D. production methods.

60. What is an effective way for a business to reduce risks associated with the unethical manipulation of financial data?
   A. Interview forensic accountants
   B. Organize a network database
   C. Use auditing software applications
   D. Limit financial transactions

61. What is a benefit to businesses of using a central data repository for financial information?
   A. Reliance on historical data
   B. Quick response to complex queries
   C. Focus on low volumes of data
   D. Reliance on a single software application

62. To reduce fraud and counterfeiting risks, credit card issuers are moving to a system that places encrypted chips into customers’ credits cards, which require the cardholders (customers) to
   A. provide personal identification numbers to process transactions.
   B. sign receipts to authorize the use of their credit cards.
   C. present the seller with photo identification for verification.
   D. change the magnetic strips on their credit cards.

63. A small-business owner set up his budgeting software so that it connects directly to his business's bank accounts and loans. That way, he doesn't have to record each business expense individually. Instead, he just has to compare his receipts to the numbers that the software downloads from the bank. This budgeting-application feature is commonly known as automatic
   A. affirmation.
   B. backup.
   C. alerts.
   D. tracking.

64. What financial analysis application does a business use to evaluate changes in its cash position from month to month?
   A. Cash flow
   B. Expense
   C. Fixed costs
   D. Performance

65. John wants to understand how his business compares to the rest of the industry from a financial standpoint. What financial analysis technique should he use?
   A. Benchmarking
   B. Trend analysis
   C. Forecasting
   D. Common size analysis
66. How can lean manufacturing most directly improve the financial status of an organization?
   A. Improved customer service cuts expenses.
   B. Quality of products is improved.
   C. Reduced waste adds to profit.
   D. Lead times are shorter and responses are quicker.

67. When a business reviews a customer's credit application, it is evaluating risks associated with the
   A. business's accounting processes.
   B. customer's ability to pay.
   C. customer's beneficiaries.
   D. business's reporting strategies.

68. Lily Marshall, a human resources manager with Spartan Industries, recently met with employee Barry
   Endicott. Barry accepted a position with another company and will begin his new job next week. During
   the meeting, Lily asked Barry what he liked and disliked about his job with Spartan and what the
   company can do to make working conditions better. What human resources activity was Lily performing?
   A. Workplace familiarization
   B. Onboarding tasks
   C. Application screening
   D. Exit interview

69. What do business employees often do to motivate customers to make the decision to buy?
   A. Offer many substitutes
   B. Listen to questions
   C. Dismiss any objections
   D. Explain the advantages

70. Amy says, "I think the primary reason that last year's sales were higher than this year's sales is because
    Jansen Electronics has taken a portion of our market share." This is an example of
    A. a fact.
    B. an opinion.
    C. historical data.
    D. comparative criticism.

71. One reason an existing business might develop a company website is to
   A. create a new revenue source.
   B. reduce marketing expenses.
   C. lower tax rates.
   D. increase its product mix.

72. Which of the following provides a connection to the larger Internet network in exchange for a fee:
   A. Routers
   B. Points of Presence
   C. Network Access Points
   D. Internet Service Providers

73. Which of the following allows a computer to search and access information on the Internet:
   A. Folder
   B. Browser
   C. Cookie
   D. Anchor

74. One of the advantages to businesses of using spreadsheet software is its ability to
   A. create visuals.
   B. store information.
   C. do calculations.
   D. write brochures.
75. Jonas is a data scientist at a research firm. Part of his responsibilities include looking through his firm's databases and eliminating redundant data. Jonas is performing
   A. data normalization.
   B. digital analysis.
   C. data filtering.
   D. information scanning.

76. As Jackson plans the opening of his coffee shop, he needs to commit to a workable structure for record keeping. What good record-keeping tip does Jackson need to follow?
   A. Use a computer
   B. Use a system
   C. Avoid hazards
   D. Prevent disasters

77. After analyzing your data, what is the next step in evaluating your project?
   A. Figuring out what to evaluate
   B. Determining lessons learned
   C. Making adjustments or changes
   D. Communicating with stakeholders

78. When the hybrid vehicle was introduced, it was an example of a project that
   A. created new technology.
   B. created a new product using existing technology.
   C. used entirely new technology.
   D. enhanced an existing project.

79. Which of the following is one of the most important skills for a project manager to possess:
   A. Strength
   B. Education
   C. Integrity
   D. Leadership

80. A business purchases new microcomputers for use in its credit department. This is an example of
   A. industrial purchasing.
   B. financing.
   C. wholesaling.
   D. purchasing for resale.

81. Efficient production enables businesses to
   A. make an accurate forecast of sales.
   B. obtain advance orders for goods and services.
   C. turn out the most products at the least cost.
   D. charge higher prices than competitors.

82. What must be done first to begin a Six Sigma Improvement Model?
   A. Review data to determine if change needs to be made
   B. Collect data to measure areas identified as problematic
   C. Make improvements to areas with low customer satisfaction scores
   D. Define the gaps between customer satisfaction and the company’s capabilities
83. Rob is having trouble with his chemistry homework and needs help. He knows that Patrick, who sits next to him, understands the chapter, but he's hesitant to talk to him. Patrick is a rugby player, and Rob doesn't really fit in with the jock crowd. Rob thinks that Patrick probably wouldn't want to help him. Which step of problem solving does this situation illustrate?
A. Evaluate the solution
B. State and check assumptions
C. Collect information
D. Select and implement a solution

84. Beginning securities sales agents, or brokers, are required to
A. settle for below-average salaries in exchange for short work weeks.
B. work with a mentor.
C. register with the Securities and Exchange Commission.
D. pass a licensing exam.

85. What is a possible effect of insufficient corporate governance?
A. Positive public image
B. Increased accountability
C. Increased risk of scandal
D. Easier decision-making

86. The Farside Corporation wants to encourage its workforce to better achieve governance objectives. Which tactic should the company use to motivate its employees and improve the distribution of wealth throughout the corporation?
A. Flexible scheduling
B. Cash incentives
C. Team-building
D. Profit-sharing

87. Which of the following is a characteristic of a well-governed company:
A. A culture of nontransparency
B. An independent board of directors
C. An authoritarian chief executive officer
D. A nonnegotiable governance structure

88. Which of the following would most likely influence an organization's corporate governance structure:
A. An unexpected grant from the government is received.
B. A major flood damages the company's primary warehouse.
C. An entry-level employee is fired for his lack of professionalism.
D. A member of the board of directors is charged with fraud.

89. Which of the following examples best illustrates the relationship between governance and management:
A. Jenna, a manager, provides the board of directors with a framework for determining goals.
B. Wesley bases his management decisions on the strategies outlined by governance processes.
C. A company's governance processes aim to place strict limits on managers.
D. Sapphire Axis, Inc. keeps its top executives and governance strictly separate.

90. The primary focus of most professional organizations/associations is generally to
A. expand members' professional knowledge.
B. increase profit for their members.
C. promote the field of marketing.
D. recruit new association members.
91. Which of the following provides an opportunity for building professional, finance-oriented relationships:
   A. Product development
   B. Networking
   C. Brainstorming
   D. Market segmentation

92. Building professional, long-term relationships with others in the financial industry requires
   A. a formal agreement or contract.
   B. consistent communication.
   C. membership in unrelated trade organizations.
   D. a detached attitude.

93. Which of the following situations presents a potentially unethical situation in relation to risk management:
   A. A company executive provides a tax auditor with incomplete information.
   B. A business uses computer software that detects inconsistent data.
   C. An employee researches various compliance issues affecting the industry.
   D. A manager reviews a report and notices a mistake.

94. Last year, several clients filed complaints with a government agency stating that TQS Company's employees used questionable tactics to get them to purchase financial products. One action that the company can take to lower risks associated with their employees' behavior is to
   A. provide ongoing ethics training for all employees.
   B. require accounting managers to develop a code of conduct.
   C. develop financial products that better meet clients' needs.
   D. encourage employees to use their best judgment in selling situations.

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

96. What risk management tool enables a business to view financial transactions in real time via a computer system?
   A. Digital dashboard
   B. Site map
   C. Data-flow diagram
   D. Clickstream

97. CopyIt Printing Company employs several delivery drivers. Last year, the local police cited two of the company's new drivers for causing accidents that resulted in passenger injuries and vehicular damage. The printing company later discovered that the drivers were cited for numerous traffic violations while employed for other companies. To avoid hiring unsafe drivers in the future, the company should
   A. mandate drug testing for all employees on a monthly basis.
   B. conduct background checks on job applicants.
   C. require delivery drivers to take a driving exam every six months.
   D. ask job applicants about their former employers during the interview process.

98. Which of the following is a benefit of a captive insurance company:
   A. Insuring risks that are otherwise difficult to insure
   B. Higher insurance premiums
   C. Higher taxes on previously uninsured risks
   D. More difficulty obtaining insurance
99. A control that financial institutions have implemented to protect bank accounts when debit cards are used to pay for online transactions is
   A. malware.
   B. PIN debits.
   C. e-invoicing.
   D. PEPPOL (Pan-European Public Procurement On-line).

100. The Davis Company requires customers to provide their banking information each time they pay by phone to eliminate the financial and legal risks associated with storing banking information. However, customers strongly desire the ability to quickly pay by phone and often do not have their banking information available. The current situation is causing late and missed payments, resulting in lost revenue for the company. Dissatisfied customers experiencing late fees, who often rant about the company's poor service online, are creating a poor brand image for the company. Which of the following actions should the company take to best manage its legal, financial, IT, and brand risks:
   A. Send letters explaining how the current payment policy protects customers' personal information.
   B. Develop a way to encrypt and store customers' bank information in the company database for future use.
   C. Eliminate the pay-by-phone option and require customers to mail their payments to a P.O. Box.
   D. Encourage customers to set up automatic electronic payments, eliminating the need to store the information.
Finance Exam

Corporate Finance Event
Financial Accounting Event
Managerial Accounting Event

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1. D
Following legal procedure. Legal procedure refers to the methods that are used to protect an individual's or business's legal rights. Each jurisdiction's court system requires that certain procedures be followed to ensure fair treatment to both the plaintiff and the defendant. This involves following legal procedures to file complaints with the court, to serve documents to the opposition, and to exhibit proper behavior with witnesses and jurors during court proceedings. The purpose of legal procedures is to provide consistent and fair treatment to all parties involved in a legal dispute. The judicial system does not develop contracts or implement laws; it rules on contract validity by interpreting laws.
SOURCE: BL:070

2. B
Insider trading. If a corporate “insider” such as an owner, director, or high-level manager shares confidential company information with someone who then buys or sells the company's stock as a result of this knowledge, illegal insider trading occurs. Insider trading is not always illegal, though. Legal insider trading takes place when corporate insiders buy or sell their own company's securities and report the trades to the SEC. Accounting fraud occurs when a company or organization knowingly publishes incorrect information on its financial statements. Affinity fraud, often in the form of a Ponzi or pyramid scheme, is an investment scam in which the scammer claims to be a member of the group s/he is targeting. Market capitalization is an indicator of the size of a public company as measured by the total dollar value of its stock.
SOURCE: BL:133

3. D
Fiduciaries. Individual's financial advisors may serve as a fiduciary, and a fiduciary relationship will exist. The fiduciary is responsible for caring for another person's assets and makes the decisions regarding an individual's assets. An example of a fiduciary would be a trusted financial advisor such as an accountant, attorney, or insurance agent. An economist is a person who studies how countries and individuals make economic decisions. A bookkeeper is an individual who analyzes financial transactions, journalizes those transactions, posts the journal entries to ledgers, and balances the books. Although Lucy's accountant may also be her bookkeeper, her attorney and life-insurance agent are not likely to be bookkeepers.
SOURCE: BL:133

4. B
Capital losses. An investor's capital gains are her/his earnings from the appreciation of investments. Most federal governments collect taxes from investors on these capital gains. One way to reduce an investor's capital gains tax burden is to subtract his/her capital losses (money that s/he has lost from the depreciation of investments) from the capital gains. S/He would only pay taxes on the difference, if it is positive. If her/his capital losses are greater than the capital gains, then s/he wouldn't pay any capital gains tax at all. Long-term, rather than short-term, investments help investors to reduce their capital gains tax burden, especially in the United States where long-term capital gains are taxed at a lower rate than short-term capital gains. Puttable bonds and value stocks typically have no impact on an investor's capital gains taxes.
SOURCE: BL:134
5. C
Double. Double, or dual, taxation occurs when two different taxes are levied on the same income. Frank and Fitzer's earnings are subject to double taxation because the company pays taxes on its income, and its stockholders must pay taxes on any dividends that they receive from the company. If a government levies a proportional tax, everyone pays the same percentage of income in taxes. A progressive tax requires individuals with higher incomes to pay a higher percentage of income in taxes. A regressive tax requires individuals with lower incomes to pay a higher percentage of income in taxes. There is not enough information provided to determine if a proportional, progressive, or regressive tax system exists.

SOURCE: BL:134

6. A
Business disruption. If warnings and fines do not prompt a business to comply with the laws, the government may take steps to shut down operations until compliance is achieved. This disrupts normal business operations because employees cannot perform their jobs, sell products, and earn revenues. Noncompliance may lower consumer confidence in the business. Persistent noncompliance may force the business to shut down for good and declare bankruptcy. Transparency involves providing honest and accurate financial information via clear communication.

SOURCE: BL:148

7. B
Efficiency levels tend to increase. Because regulations frequently change, businesses would have a difficult time keeping up with changes manually. Compliance technology helps a business keep up with regulatory changes in real time, which increases its efficiency because fewer people are needed to oversee and carry out compliance efforts. It also lowers a business's vulnerability because the compliance technology continuously monitors business activities and financial transactions and alerts the business about compliance issues when they occur. Businesses should develop audit guidelines, and employees should understand the importance of compliance, no matter how the business complies with regulations.

SOURCE: BL:149

8. C
To arrange findings in a logical manner. Before preparing a business report, it is important to organize the information so the findings are arranged in a logical manner. The facts and findings should be presented in a logical manner so readers will be able to understand the message. If the information is out of order, the message may not be clear. Before the information can be organized, it is necessary to understand the purpose of the report, identify the target audience, and investigate the cause of the problem.

SOURCE: CO:086

9. C
Take some time away from the document. Stepping away from the document for a while allows the writer to view it from a fresh perspective. This allows you to take a more honest look at what you've written. Creating an outline should come before the first draft. Writers shouldn't spend time correcting grammatical errors at this point because many sentences and words may be revised or cut later. A writer should determine the purpose of the paper before writing the first draft.

SOURCE: CO:089
10. D
Call to action. When writing persuasive messages, it can be helpful to close with a call to action. This reminds the reader of what you want them to do—in Garret's case, it reminds business owners that the band needs their donations. Storytelling, establishing credibility, and grabbing attention are other techniques that can be used in persuasive letters, but they are not used in Garret's example.
SOURCE: CO:031

11. C
Silent. Silent customers are shy, insecure, or too sensitive to talk very much even when they need help. It may be difficult to meet the needs of this kind of customer because it is hard to identify those needs. Customers who are patient, agreeable, and decisive are much easier to help.
SOURCE: CR:009
SOURCE: LAP-CR-003—Making Mad Glad (Handling Difficult Customers)

12. D
Customers feel they are important. Employees should take action within company policy as soon as they have an accurate understanding of the customer's complaint. This makes customers feel that their patronage is important to the business. Customers generally appreciate speedy action and do not resent it. The business's image is enhanced by the speedy resolution of customers' complaints. Costs are more likely to be reduced than increased.
SOURCE: CR:010
SOURCE: LAP-CR-010—Righting Wrongs (Handling Customer Complaints)

13. B
Received referrals from an existing client. When clients such as Trevor are happy with a financial planner's services, they are likely to recommend or refer the financial professional to their friends, family, and colleagues. Trevor could also give Catherine the contact information of his friends and colleagues so that she can follow up with them. The benefit to Catherine is that she increases her client base and earning potential. There isn't enough information provided to determine if Trevor used social media applications to communicate with his friends and colleagues about Catherine, if Catherine earned a sizeable commission from Trevor's investments, or if Catherine obtained recognition from her colleagues.
SOURCE: CR:012

14. D
Parsing. Just as parsing a sentence involves breaking it down into smaller parts, parsing data involves identifying and isolating individual data elements within a file or entry. For example, parsing would help you break down an entry such as "Name: John S. Doe" into "First Name: John;" "Middle Initial: S.;" and "Last Name: Doe." Correcting involves identifying and correcting inaccurate data that have already been parsed. Standardizing involves transforming data into a preferred format. For instance, 45 East Main Street might be changed to 45 E. Main St. as a result of standardizing. Matching involves reviewing parsed, corrected, and standardized data entries to locate identical or close matches that need to be consolidated.
SOURCE: CR:024
15. A
Incomplete records. Data-cleansing helps a business maintain a database of useful, relevant, and accurate data. Data-cleansing applications help identify and remove duplicate (redundant) records, expired data, and incomplete data fields such as missing phone numbers, email addresses, and zip codes. Transposed data are data that are out of sequence, often a result of computer entry error.

SOURCE: CR:024

16. A
Competing. Competing wants exist when we want more than one thing at the same time. Wants that can be satisfied without spending money are known as noneconomic wants. Robert needs to spend money to satisfy his wants, so they are economic. When one want is satisfied and there is at least one other want waiting to take its place, the wants are considered unlimited. Robert's wants are not limited in this situation. Robert's wants are personal rather than professional.

SOURCE: EC:002
SOURCE: LAP-EC-010—Get the Goods on Goods and Services (Economic Goods and Services)

17. C
Place. Place utility is usefulness created by making sure that goods or services are available where consumers want or need them. Form utility is usefulness created by changing the shape or form of a tangible good to make it more useful to the consumer. Time utility refers to having the goods/services available at the time consumers want or need them. Product is not a type of utility.

SOURCE: EC:004
SOURCE: LAP-EC-013—Use It (Economic Utility)

18. C
Marketing. Marketing is a primary business activity that involves creating, communicating, and delivering value to customers and managing customer relationships in ways that benefit the organization and its stakeholders. Marketing is an important business activity because it identifies what consumers want and plans how to promote and sell those goods and services to the consumers. Management is the process of planning, organizing, directing, and controlling business activities to achieve objectives. Production is the process or activity of producing goods and services wanted by consumers. Risk management is the business activity that involves the planning, controlling, preventing, and procedures involved in limiting business losses. It optimizes the relationship of potential loss to gain.

SOURCE: EC:071
SOURCE: LAP-EC-071—Strictly Business (Business Activities)

19. B
Job reorganization. An internal factor that affects the business environment is job reorganization, or the way the business accomplishes its work. By reorganizing the way the business accomplishes its work, the business may become more efficient, which can have a positive effect on its bottom line. Economic factors, such as the expansion and contraction changes that occur during the business cycle, as well as competition and exchange rates, are external factors that affect the business environment.

SOURCE: EC:105
SOURCE: LAP-EC-105—What's Shakin'? (Factors Affecting the Business Environment)

20. B
Natural. The ice storm is a natural risk because it is an act of nature. Other natural risks include floods, tornadoes, fires, lightning, blizzards, and earthquakes. Market risk is a type of economic risk caused by changes in the market, and human risk is caused by human weakness and unpredictability.

SOURCE: EC:011
SOURCE: LAP-EC-003—Lose, Win, or Draw (Business Risk)
21. D
0.00970. To calculate exchange rates between Japan and the United States, use the following formula:
Japan-to-U.S. exchange rate = 1/U.S.-to-Japan exchange rate = 1/103 = 0.00970864. This tells us that
one Japanese yen is worth a little less than a penny.
SOURCE: EC:100
SOURCE: LAP-EC-030—Get Your Money’s Worth (Exchange Rates)

22. D
You’ll gain more information and take the time to truly process the situation. When you listen carefully,
you’ll gain more information and take the time to truly process the situation. Listening actively does not
necessarily allow you to focus on creativity rather than just following instructions. It also does not
necessarily make you more in tune with your gut instincts or allow you to analyze possible
consequences.
SOURCE: EI:092
SOURCE: LAP-EI-092—Embrace the Unknown (Developing a Tolerance for Ambiguity)

23. D
Being consistent and ongoing. Being transparent isn't something people can do once and then forget
about—instead, it has to happen on a consistent, ongoing basis. Avoiding half truths, giving people the
information they need, and allowing for conflict are all characteristics of open, honest communication, but
they are not illustrated in this example.
SOURCE: EI:129
SOURCE: LAP-EI-129—Can We Talk? (Fostering Open, Honest Communication)

24. A
A team player mentality. Demonstrating superior knowledge and hoarding information do not help
 collaboration occur. Teamwork skills are more important than leadership skills when collaborating.
SOURCE: EI:130
SOURCE: LAP-EI-130—Genius Is a Team Sport (Collaborating With Others)

25. B
What are your talents or skills? Your personal vision should reflect your unique skills and talents, so it is a
good idea to reflect on what those are before beginning to write your statement. Your vision should focus
on your long-term career goals, not specifics such as your desired starting salary. Your vision should be
inspiring and motivating to you, so you should not focus on what you wish you could change about
yourself.
SOURCE: EI:063
SOURCE: LAP-EI-063—Picture This! (Determining Personal Vision)

26. A
Authoritarian. Authoritarian managers like being in charge, creating detailed plans for employees, and
handling all major work problems themselves. If you like rules, directions, and close supervision, you’d be
a good match for an authoritarian manager. You probably wouldn't get along quite as well with other
types of managers. Democratic managers share authority, seek input, and encourage employees to
participate, while laissez-faire managers let their employees function independently and don’t give
specific or detailed directions. Interdependent is a word that refers to two or more things that need to rely
on each other. It isn’t a type of management.
SOURCE: EI:037
SOURCE: LAP-EI-037—Can You Relate? (Fostering Positive Working Relationships)

27. A
Her/His knowledge gaps and biases. When attempting to make viable choices, a person must
acknowledge her/his knowledge gaps and biases. Everyone has them! What's important is not allowing
them to affect your choices and actions negatively. To make viable choices, it's not always necessary to
acknowledge current events, close friends, or the faults of others.
SOURCE: EI:137
SOURCE: LAP-EI-137—Choose for the Future (Assessing the Long-Term Value and Impact of Actions
on Others)
28. A  
Increase sales. Credit encourages customers to buy more freely, which helps the business extending credit to increase its sales. Companies also offer credit as a way of gaining new business and ultimately increasing profits. Offering credit will increase expenses, but additional sales from credit transactions may be worth this additional cost. Liabilities and assets are not usually affected by the extension of credit.  
SOURCE: FI:002  
SOURCE: LAP-FI-002—Give Credit Where Credit Is Due (Credit and Its Importance)

29. A  
Credit union. Credit unions are essentially cooperatives providing financial products and services to a group of individuals who work for the same employer or share some other common interest or characteristic. Only members may save at or borrow from a credit union. Credit unions offer many different types of accounts, including interest-bearing checking accounts, also called share-draft accounts. Mortgage companies, insurance companies, and Certified Public Accounting (CPA) firms are not deposit-taking financial institutions.  
SOURCE: FI:336  

30. B  
Corporate bonds and preferred stock. Capital markets buy and sell long-term securities. Corporate bonds, common and preferred stock, and treasury bonds are examples of securities that are sold on capital markets. Treasury bills and certificates of deposit are money market securities, which are short-term securities.  
SOURCE: FI:337  

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

32. D  
Over-the-counter. An over-the-counter market involves trading securities outside of a formal (auction) exchange. Over-the-counter securities are negotiated trades that occur via a dealer network. Stocks traded over the counter typically involve smaller companies that do not meet the requirements to participate in auction exchanges. On an auction market such as the New York Stock Exchange, multiple traders place bids on behalf of investors. Simultaneously, buyers and sellers submit offers to buy and sell their stocks at certain prices. The stock's trade price is the highest price that a buyer is willing to pay and the lowest price at which the seller is willing to sell. Debt markets buy and sell debt instruments such as bonds and mortgages. Under-the-table is a fictitious term.  
SOURCE: FI:337  
33. A
More consumer loans may be available from the new, larger firm than were available from the smaller, individual firms. When multiple financial firms merge, companies that previously had limited funds to lend to consumers may now have more capital available to offer in the form of consumer loans. Mergers allow businesses to offer a wider variety of products and services to better meet customers’ needs. Mergers help firms lower costs, but they may increase consumer risks. If a consumer relies upon the new, larger financial firm to satisfy all of her/his financial needs, s/he faces more risk if and when the firm experiences financial or legal difficulties. It is often difficult for financial experts to get an accurate picture of a large, complex financial conglomerate's current financial condition. A merger is likely to create a large corporation with product offerings that encompass multiple financial sectors. Because the corporation offers products from multiple financial sectors, it is difficult to determine which supervisory agency should regulate and oversee company operations.
SOURCE: FI:573

34. B
More liquid capital. Consolidation is the merging of financial providers within the same institutional category, such as a retail bank merging with another retail bank. Consolidation can provide many benefits to merged companies, such as combined resources, which often involve more liquid capital or cash. One-stop shopping and a wider variety of products are benefits of consolidation to consumers. Consolidation does not affect the complexity of the financial products.
SOURCE: FI:573

35. D
Increases. Nominal GNP (the Gross National Product measured in current prices) and the money supply are directly related. When nominal GNP increases, the money supply typically increases as well. Conversely, when nominal GNP goes down, the money supply decreases. And, when the nominal GNP and the money supply increase, the Federal Reserve typically raises interest rates, too. Since the nominal GNP is a long-term economic measure, it would not cause the money supply to fluctuate on a daily basis. Instead, the money supply would increase or decrease over the long term.
SOURCE: FI:574

36. A
Directing the flow of investment to encourage production. Financial markets help promote long-term economic growth by directing the flow of money efficiently into production, which increases economic growth. Financial markets do not reduce liquidity; rather, they increase it. Financial markets provide indicators of economic health, but this does not necessarily relate to long-term economic development. Financial markets also do not limit the information available to market participants; rather, they make information easier to access.
SOURCE: FI:574
37. B
Domestic competition. Globalization is the rapid and unimpeded flow of capital, labor, and ideas across national borders, which includes the integration of financial markets, especially capital markets. Due to increased domestic competition, financial companies have been seeking new markets in foreign countries. Reduced regulation has also encouraged financial globalization. Protectionism is a government's policy to protect domestic industries and businesses against foreign competition. These types of policies do not encourage globalization.
SOURCE: Fi:575

38. D
Derivatives. Derivatives, including options, futures, and swaps, are complex financial instruments whose value depends upon the value of other financial instruments (e.g., currencies, securities, commodities, etc.) or a market index. Derivatives are often used on a global scale to help reduce the impact of significant fluctuations in currency exchange rates, the prices of specific commodities, etc. Stocks, bonds, and real estate are not commonly used in this manner. Stocks are shares of ownership in a corporation. Bonds are lending investments in which individuals lend money to a government, municipality, or corporation to earn a set rate of interest for a specified time period. Real estate is an ownership investment in which individuals purchase property in buildings and land.
SOURCE: Fi:575

39. D
Morningstar. Morningstar is an independent company that provides up-to-date, reliable information and analyses of a variety of securities, including stocks, bonds, and mutual funds. Although Wikipedia contains a wealth of information, it is less likely to be accurate or trustworthy because the content is primarily provided by anonymous Internet users. StandardLine does not provide financial information. Facebook Finance is a fictitious website.
SOURCE: Fi:274

40. C
Investor Relations. Most publicly traded companies have an "Investor Relations" section within their websites where individuals such as Anna can find the companies' annual reports as well as any other information and filings they have made public throughout the year. Some companies also devote a portion of their websites to "Sustainability," which emphasizes the companies' dedication to impacting the environment and society in positive ways. The "Public Relations" component of most companies' websites contains press releases, press kits, and media resources such as product images and information. The "Leadership" section typically contains biographical profiles of senior executives and members of the board of directors.
SOURCE: Fi:274
41. C  
Ticker symbol. The ticker symbol, or call letters, are a system of letters that uniquely identifies a company in a stock (securities) table. Investors and potential investors review the stock tables to assess the performance of their stock or stock they might purchase. Because stock tables have many companies listed, knowing the ticker symbol of a particular stock helps people locate stock information quickly. A trademark is a symbol, design, or word used by a producer to identify a good or service, and it is registered with the government to prevent use by others. Yield code and trade number are fictitious terms.  
SOURCE: FI:275  

42. D  
Net change. The net change, which is commonly identified on stock tables, indicates the difference between the stock's closing price and the previous day's closing price. The ticker symbol is a system of letters that uniquely identifies a company. It is often based on the company name. The price-earnings ratio is determined by dividing the share price of the stock by the earnings per share. The price-earnings ratio is a common heading on stock tables. The 52-week high and low are the highest and lowest prices paid for the stock during the past year.  
SOURCE: FI:275  

43. C  
Investment. An investment is the use of money to generate a profit or gain. One type of investment is an employer-sponsored retirement plan. Employees contribute a portion of their pay to the plan, and employers often match that amount. Once the employees retire, they are eligible to receive income from the plan. This is a way of investing money to generate a profit that will be used to provide income upon retirement. An employer-sponsored retirement plan is not a type of credit account, inheritance, or living trust.  
SOURCE: FI:077  
SOURCE: LAP-FI-077—Invest for Success (Types of Investments)

44. B  
Risk. Insurance is meant to protect against risk. In Balraj's case, he purchases insurance to protect himself against a loss caused by damage from an accident or a natural disaster. Although insurance can help people minimize financial loss, it cannot prevent poverty. A deductible is the amount that Balraj would pay before his insurance company begins to pay.  
SOURCE: FI:081  

45. C  
$42,315. The assets of a business include cash, accounts receivable, inventory, and property or equipment. In order to determine the assets, add those four figures ($6,500 + $3,725 + $7,240 + $24,850 = $42,315). Short-term debt is a liability because the business owes that money. Short-term debt ($5,300) is not included in assets.  
SOURCE: FI:085  
SOURCE: LAP-FI-085—Show Me the Money (Nature of Accounting)

46. A  
Trade credit. When businesses ask vendors to allow them a longer period of time to pay than usual, they are receiving trade credit. These are, in effect, short-term loans that businesses use to obtain and sell products before having to pay the vendors. Product returns from customers, operating expenses, and payments to suppliers or vendors are examples of money going out of the business.  
SOURCE: FI:091  
SOURCE: LAP-FI-091—Count the Cash (Cash Flow Statements)
47. A
Cost of goods sold. Cost of goods sold includes all costs used in obtaining or producing the goods or services that a business sells, such as materials and supplies. Operating costs are all other expenses in operating the business such as wages, advertising, insurance, rent, and utilities expenses. Gross profit is revenue minus cost of goods sold. Revenue is the total amount of money earned by a business.
SOURCE: FI:094
SOURCE: LAP-FI-004—Watch Your Bottom Line (Income Statements)

48. C
Reinvest their retained earnings. Retained earnings are the income the business keeps after dividends are paid. Businesses report their retained earnings on the statement of equity, which is also called the statement of retained earnings. The statement of equity shows how much money the business has at the end of an accounting period. This knowledge enables the business to make decisions about how to use the money, which may include remodeling facilities, buying new computer equipment, hiring staff, or developing new products. The statement of equity will not help the business make decisions about how to analyze financial trends, control its production costs, or organize income statements.
SOURCE: FI:630

49. D
Differential cost. Differential cost is the difference between the costs of two alternatives. Differential cost would help Lauren see which furniture supplier is the best choice. Sunk cost, indirect cost, and imputed cost do not help as directly with determining between two choices.
SOURCE: FI:658

50. A
Marginal analysis. Marginal analysis explains the additional benefits of an activity compared to the additional costs incurred by that activity. It functions as a decision-making tool. Marginal analysis could help a manufacturing company see whether or not the benefits of expanding a product line outweigh the costs. Cost-benefit analysis discusses the costs and benefits, but it does not explain how much the benefits outweigh the costs or vice versa. Variance analysis determines the difference between the plan and the actual behavior. Horizontal analysis is side-by-side comparison of financial results of several reporting periods.
SOURCE: FI:659

51. C
Conducting a cost analysis and explaining the findings to management. Managerial accountants conduct many types of financial analyses. A cost analysis involves measuring direct expenses such as materials and labor and indirect expenses such as overhead costs in order to estimate the total cost of a project. Managerial accountants are responsible for explaining the findings of their analyses to management so that management can make informed financial decisions. Managerial accountants are strictly internal accountants, meaning their work is not typically released to the public. Managerial accountants do not make management decisions regarding planning, pricing, and sales—they simply inform and advise management on company finances. Managerial accountants do not train employees or management on personal financial literacy.
SOURCE: FI:660
52. B
To make the appropriate adjustments. Determining the root cause of a variance in the budget helps determine what adjustments need to be made. If the true root cause is not identified, it will be difficult to make the right adjustments needed to be more successful. Determining the root cause of variances does not necessarily help figure out where to allocate costs, increase sales, or weigh costs vs. benefits.
SOURCE: FI:661

53. C
A budget analysis provides an overview, while standard cost analysis shows the details of variances. When employees analyze a budget, they can determine overall variances in their projections; however, they cannot determine the causes (or the details) of the variances in projections. That information is provided by analyzing standard costs to determine whether too much money was paid for materials, too much time was spent on labor, materials were wasted, or the amount of inputs required differed from projections. This helps businesses pinpoint problems. Both budgets and standard costs deal with projected or forecasted amounts, quality and quantity considerations, and all staff involved in setting the projections.
SOURCE: FI:662

54. B
Budgeting. Budgeting is an activity that is commonly performed by a managerial accountant. Managerial cost accountants provide internal feedback. Financial accountants provide external information to investors and others outside of an organization. Budgeting is an aspect of managerial accounting because it helps a business operate internally. Both managerial and financial accountants provide suggestions. Financial accountants create financial statements and journalize financial transactions.
SOURCE: FI:657

55. A
Allocation. In cost allocation, a cost is divided between several cost objects. In this example, a company allocates the cost of a new water cooler to several different departments. This is not considered cost divination, combination, or activation.
SOURCE: FI:663

56. C
$787.86. To determine how much Cheryl’s investment will be worth in four years, calculate the future value of her investment. The formula used to find the future value of money is Future Value = Present Value X (1 + Interest Rate)\(^{Number\ of\ Years}\). So, the future value of Cheryl’s investment is equal to $700 X (1 + 0.03)\(^4\). To solve this equation, first add one to the interest rate (1 + 0.03 = 1.03). Next, raise this sum to the fourth power, which is the same as multiplying the sum by itself four times (1.03\(^4\) = 1.03 X 1.03 X 1.03 X 1.03 = 1.1255). Finally, multiply this product by the original amount of the investment ($700 X 1.1255 = $787.86). So, Cheryl’s investment will be worth $787.86 in four years.
SOURCE: FI:238
57. B
Market and competitive indicators. In addition to collecting, maintaining, and reporting data about financial transactions, financial-information management is also responsible for maintaining internal operational data and analyzing and reporting external market and competitive indicators. The financial-information management function is not typically responsible for maintaining information about participative decision-making, dominant buying motives, or recent third-party agreements.
SOURCE: FM:002

58. C
Organizing and analyzing past resource usage data. Financial-information management systems help collect, organize, and analyze many pieces of financial data in order to improve a company's finances as a whole. A financial-information management system can take past resource usage information and use it to determine future budget requirements. A financial-information management system also manages company assets, collects and analyzes competitive data, and restricts access to confidential information, but these functions do not necessarily relate directly to the development of future budget requirements.
SOURCE: FM:002

59. A
Storage strategies. Businesses are legally required to keep certain types of financial information for a specific period of time. Because many businesses must keep a large amount of financial information, they must consider how to archive, or store, historic information. Businesses often store information on magnetic or optical tapes and disks or a combination of different methods. Because technology is evolving, the types of storage options change, so businesses must keep up with the technology. It is important to keep up with technology because businesses must be able to retrieve archived records in formats that are readable and usable at any given time. Service procedures, monetary exchanges, and production methods will not protect the integrity of archived financial information.
SOURCE: FM:003

60. C
Use auditing software applications. Auditing software tracks and records each step of all financial transactions. By keeping records of each step of a financial transaction, the business reduces the risks associated with embezzlement and other unethical and illegal activities within the business. If problems with financial data are detected, independent forensic accountants may be brought into the business to evaluate the inconsistencies. Businesses do not want to limit their financial transactions because some of them involve sales, which increase the businesses' profitability.
SOURCE: FM:003

61. B
Quick response to complex queries. A central data repository is a centralized database that businesses use to maintain, update, and store large amounts of financial data throughout their organizations. The benefits to businesses of using a central data repository include quick response to complex queries, accessibility to consistent data, economies of scale, and accessibility by several different software applications. A central data repository contains both current and historical data.
SOURCE: FM:011
62. A
Provide personal identification numbers to process transactions. Many credit card service providers currently print security codes (e.g., CVV number) on the back of their customers' credit cards as an additional security measure to prevent credit card fraud. However, these security codes are not foolproof, especially in situations such as in-store point-of-sale transactions in which cashiers do not verify the cardholder's identification by asking for a photo ID (e.g., driver's license). Credit card issuers are moving toward technology in which an encrypted chip is placed in the credit card. This chip contains a PIN that the card user must enter into the POP keypad or computer system (for online purchases) before the transaction can be processed or completed. Because the credit cardholder and the credit card issuer are the only entities that know the PIN, fraud or counterfeiting activities are more difficult to carry out. Cardholders sign receipts at the end of a sales transaction. It is unrealistic to require customers (credit cardholders) to change the magnetic strip on their credit cards.

SOURCE: FM:011

63. D
Tracking. Most personal and business budgeting applications allow users to connect their budgeting software directly to their bank accounts (e.g., checking and savings) and loans. Rather than manually entering every expense, automatic tracking transmits expense information from the bank to the budgeting application without human intervention. However, it is still wise for budgeting-software users to compare this information to physical receipts to verify that the data are accurate. An automatic backup system copies and saves computer files regularly to prevent loss of important data. Budgeting applications are typically programmed to provide users with automatic alerts—reminders—to make payments that are coming due. An affirmation is something you want to accept, incorporate, or develop. It typically refers to a present or desired strength.

SOURCE: FM:013

64. A
Cash flow. Computer applications aid businesses in analyzing many types of financial issues. Businesses often want to evaluate the changes in their cash position. To evaluate changes in cash position, the business would analyze its cash flow. Cash flow is the movement of funds into and out of the business. Evaluating cash flow helps the business forecast and determine the amount of cash it has to work with at any given time. Expenses are cash outflows and are one aspect of analyzing the business's cash flow. Fixed costs are expenses that are not affected by changes in sales volume. Analyzing performance may involve evaluating the productivity and efficiency of different resources (e.g., human, materials, equipment).

SOURCE: FM:014

65. A
Benchmarking. Benchmarking occurs when a company compares its financials to those of another company to gauge its own successes and shortcomings. John should use this method because he is interested in comparing his company to the rest of the industry. Trend analysis examines historical and forecasted data and determines how well the business is likely to perform over time. Forecasting is the process of making an estimate about future financial outcomes. Common size analysis occurs when the balance sheet and income statement are analyzed using percentages. These three methods of financial analysis can be helpful but are not appropriate given John's objective.

SOURCE: FM:014
66. C
Reduced waste adds to profit. Lean manufacturing means reducing as much waste as possible, which helps increase profit margins. Improved quality of products does not necessarily relate as directly to the financial status of an organization. Improved customer service does not necessarily cut expenses. Lead times and response times are shorter, but this does not necessarily help directly with the financial improvement of an organization.
SOURCE: FM:016

67. B
Customer's ability to pay. Credit is the arrangement by which businesses or individuals can purchase now and pay later. Before offering credit to a prospective customer, the business needs to analyze the customer's financial status to determine if the customer has the money available to make payments on time and in the full amount of the agreement. Businesses review the customer's income, assets, debt ratio, credit history, etc. If the customer's financial status meets the business's credit standards, then a credit arrangement is a viable option. If the customer carries high debt in relation to assets, it would be too risky for the business to offer credit because the customer is more likely to become delinquent. The business does not analyze risks related to its own accounting processes or reporting strategies. A beneficiary is a person who receives benefits, most often money, from another person. For example, a beneficiary of a life-insurance policy receives money upon the insured's death.
SOURCE: FM:009

68. D
Exit interview. Exit interviews are discussions with employees who are leaving that are designed to gain feedback for the business. Businesses often consider this feedback when making policy changes that affect compensation, working conditions, etc. Application screening involves weeding out the applicants that do not meet minimum requirements for the job or have not satisfactorily completed the application. The human resources function conducts onboarding activities when new employees join the company (e.g., orientation, facility tour or familiarization, and paperwork).
SOURCE: HR:410
SOURCE: LAP-HR-035—People Pusher (Nature of Human Resources Management)

69. D
Explain the advantages. Business employees often need to help customers make the decision to buy. One way to motivate customers is to explain the advantages of purchasing the product. If customers clearly understand the benefits and advantages, they are often motivated to buy. It is important to listen to questions, but answering those questions by explaining the advantages of buying the product will motivate customers to make a decision. Employees should answer any objections in order to point out the advantages. Offering many substitutes might confuse customers and prevent them from making the decision to buy.
SOURCE: MK:015

70. B
An opinion. An opinion is a person's point of view or belief about a topic. Amy is stating her opinion about why sales varied from one year to another. Her opinion may be supported by facts (true data), but she isn't presenting any data—current or historical—in her statement. There isn't enough information provided to determine if Amy is stating her opinion as criticism, which involves expressing disapproval.
SOURCE: NF:077
71. A
Create a new revenue source. By selling its products from an additional location or source (the website), the business creates an opportunity to reach more customers, which might result in more sales. Developing a website does not necessarily reduce marketing expenses or lower taxes for the business. Product mix refers to the particular assortment of products that a business offers in order to meet the needs of its markets and its company goals.
SOURCE: NF:003
SOURCE: LAP-NF-004—TECH-tastic (Technology’s Impact on Business)

72. D
Internet Service Providers. Internet Service Providers (ISPs) are companies that supply Internet connectivity to homes and businesses in exchange for a fee. A customer connects to an ISP’s network, which then connects them to the larger Internet network. A Point of Presence is a place for local users to access the ISP’s network. A Network Access Point is a place where ISP networks connect with each other. Routers are computers that send messages across the Internet to their destinations.
SOURCE: NF:086

73. B
Browser. A browser is a type of software that allows a computer to search, find, access, and view information on the Internet. Google Chrome and Microsoft Internet Explorer are examples of browsers. A folder is an area on a computer’s hard drive that can be set up to store specific information. A cookie is a bit of information that a website stores on a user’s hard drive. Anchor describes the desktop-publishing concept of placing or fixing a graphic in a specific, consistent position near other page content, such as text.
SOURCE: NF:006

74. C
Do calculations. Businesses often use spreadsheet software to organize and prepare financial documents, such as budgets and profit statements. One of the advantages of using spreadsheet software is its ability to do mathematical calculations. A business can input columns and rows of dollar amounts or percentages, and the software will complete the computations accurately and quickly. Also, businesses can change various figures to determine the effect a planned price increase would have on profit. Word-processing software is used to write brochures. Graphics software is used to create visuals. Database software is used to store information.
SOURCE: NF:010

75. A
Data normalization. Normalization is the process of efficiently organizing data in a database. There are two goals of the normalization process: eliminating redundant data and ensuring that data is stored in ways that make sense. By eliminating redundant data, Jonas is performing data normalization. Digital analysis involves analyzing and interpreting data for patterns, consistencies, or discrepancies. Data filtering involves refining data sets so that they can be more easily understood. Information scanning is not a term typically used in the business world.
SOURCE: NF:124
76. B
Use a system. By committing to a workable structure for record keeping, Jackson will be following the
good record-keeping tip of "use a system." He may or may not choose to use a computer, and he may or
may not avoid hazards as he proceeds——although he should! Preventing natural disasters is outside of
Jackson's control.
SOURCE: NF:001
SOURCE: LAP-NF-001—Record It (Business Records)

77. B
Determining lessons learned. When you've completed your analysis, the next step is to determine and
document the lessons you've learned from your project. Communicating with stakeholders comes after
you have determined lessons learned. Figuring out what to evaluate is the first step of evaluating project
success. Making adjustments or changes is the final step of evaluating project success.
SOURCE: OP:521
SOURCE: LAP-OP-521—Making the Grade (Evaluating Project Success)

78. C
Used entirely new technology. There are many different types of projects and ways to categorize
projects. One type is projects that use entirely new technology. Hybrid cars are an example of this
because they required entirely new technology. Though the introduction of hybrid cars required new
technology, it was not the project that created the technology itself. Hybrid cars are not an enhancement
of an existing project. They also were not created using existing technology.
SOURCE: OP:158
SOURCE: LAP-OP-158—Projected To Win (Nature of Project Management)

79. D
Leadership. One of the most important skills for a project manager to possess is the ability to guide or
direct the actions of others in a desired manner. One of the main roles of a project manager is to lead the
group to achieve the project's goal. Members follow an effective leader because the leader motivates
them and includes them in making decisions. Education is not a skill. Integrity is a personal quality rather
than a skill. Strength is a physical attribute.
SOURCE: OP:002
SOURCE: Project Management Institute (2013). A guide to the project management body of
Institute.

80. A
Industrial purchasing. Industrial purchasing is the process of buying goods and services for internal
consumption in the business or conversion into a final product. Purchasing for resale is the process of
purchasing goods in large quantities and reselling them in smaller quantities. Wholesaling is purchasing
goods from manufacturers and reselling them to other businesses. Financing is a marketing function that
involves understanding the financial concepts used in making business decisions.
SOURCE: OP:015
SOURCE: LAP-OP-002—Buy Right (Purchasing)

81. C
Turn out the most products at the least cost. Producing efficiently enables businesses to be competitive
by keeping their prices at or below those of competitors. This is likely to promote sales. Many businesses
try to obtain advance orders for goods and services to make their production as efficient as possible. An
accurate sales forecast helps in planning efficient production, not the reverse.
SOURCE: OP:017
SOURCE: LAP-OP-017—Can You Make It? (Nature of Production)
82. D
Define the gaps between customer satisfaction and the company's capabilities. Before any measures can be taken or improvements made, a company needs to find out what its customers want and if it is meeting those wants and needs. Once the gaps between what customers want and what the company is delivering are identified, the company can determine how it will measure improvement. Data are then collected and reviewed. After that, improvements are made and continually monitored.


83. B
State and check assumptions. By thinking that Patrick wouldn't want to help him because they belong to different crowds, Rob is making an assumption. He doesn't really know if it's true or not, because he hasn't asked Patrick for help. So far, Rob hasn't collected any information, selected a solution, or evaluated the solution.

SOURCE: LAP-PD-077
SOURCE: LAP-PD-077—No Problem (Demonstrating Problem-Solving Skills)

84. D
Pass a licensing exam. According to the U.S. Department of Labor, beginning securities sales agents, commonly called brokers, are required to pass a licensing exam to sell securities. They are not required to work with a mentor. They are required to register with the Securities and Exchange Commission only when they do a certain high volume of business. Typically, they do not settle for below-average salaries in exchange for short work weeks. The opposite is true—they can earn high salaries but often have to accommodate their clients' schedules by working nights and weekends.

SOURCE: PD:152
SOURCE: LAP-PD-020—Career Opportunities in Finance

85. C
Increased risk of scandal. Corporate governance helps organizations avoid scandal by providing a framework for ethical behavior and allowing an organization to police itself. Insufficient corporate governance can lead to risk of scandal. It can also decrease accountability and make it difficult to know who is responsible for what. Insufficient corporate governance can also damage public image and make decision-making more difficult.

SOURCE: PD:213

86. D
Profit-sharing. Employees are key in the achievement of governance objectives. Businesses use many different tactics to encourage or motivate their workers to reach those objectives and goals. Profit-sharing is a good tactic to adopt if the company seeks to improve employee motivation by improving the distribution of wealth throughout the corporation. Cash incentives, team-building, and flexible scheduling may improve overall employee motivation, but they do not improve the distribution of wealth throughout the corporation.

SOURCE: PD:301
87. B
An independent board of directors. An independent board of directors serves many important purposes within an organization, including providing an outside perspective on strategy, adding knowledge and skills that might not be available within the firm, and bringing an independent and objective view to a company. An independent board of directors is one of the most important characteristics of a well-governed company because it indicates corporate accountability. A culture of nontransparency, an authoritarian chief executive officer, and a nonnegotiable governance structure are all characteristics of a poorly governed company.
SOURCE: PD:214

88. D
A member of the board of directors is charged with fraud. An organization's board of directors is designed to hold the company accountable for its actions and steer the organization clear of ethical pitfalls. If a member of a company's board of directors is charged with fraud or another crime, the company would most likely take immediate action to replace that member. A major flood, the firing of an entry-level employee, or an unexpected grant from the government would not influence a company's corporate governance structure.
SOURCE: PD:302

89. B
Wesley bases his management decisions on the strategies outlined by governance processes. Governance provides a framework for decision-making and management. Managers such as Wesley must work within the guidelines and processes established by the governing body. The manager generally does not provide the board of directors with a framework for determining goals; rather, the board of directors or other governing body provides the framework to managers. Governance processes do not necessarily aim to place strict limits on managers. Also, management and governance are rarely separate; there is usually substantial overlap as managers assist with and serve on governing bodies.
SOURCE: PD:303

90. A
Expand members' professional knowledge. Professional organizations/associations are comprised of persons in the same profession who form a society to further their common interests. These groups disseminate information and uphold professional standards. The primary focus of most professional organizations is not to recruit new members or promote the field of marketing. A trade association is a group of persons in the same industry or geographic area who form a society to solve their common problems. Increased profit is usually a trade association's primary goal.
SOURCE: PD:036
91. B
Networking. Networking is the exchange of information with others for the purpose of professional or business development or advancement. Because the financial-services marketplace is very competitive, financial-services professionals and businesses need to communicate with other individuals and businesses to build clientele and promote their products. By participating in groups and speaking with other professionals, financial-services professionals can build new business relationships, obtain referrals, and acquire leads to increase clientele. Product development is the process of creating new goods and services. Brainstorming is a creative-thinking technique. Market segmentation is dividing a large market into small markets.


92. B
Consistent communication. Networking helps finance professionals build relationships with others who work in the same or related fields. These contacts often lead to new job opportunities and client referrals. Joining college alumni groups, social and civic organizations, and professional associations are common ways to network with others. The key to building long-term relationships with others is engaging in consistent, ongoing communication—getting to know the other person. By doing so, finance professionals build rapport with others and earn their trust. Formal contracts and a detached or indifferent attitude will not foster positive relationships. To join, many trade organizations require their members to work in the trade or industry.


93. A
A company executive provides a tax auditor with incomplete information. If an employee deliberately withholds or provides incomplete information from an auditor, s/he is acting in an unethical manner. Using software to detect inconsistent data, researching compliance issues, and reviewing information accuracy are ethical actions.

SOURCE: LAP-RM-041—Manage Risk the Right Way (Ethics in Risk Management)

94. A
Provide ongoing ethics training for all employees. Employees often view ethics differently when they encounter "gray" situations, or situations in which there is not a clear right or wrong action or answer. Employees who do not have a clear understanding of the business's ethical expectations put the business at risk in terms of lawsuits, which may result in substantial financial losses for the business. Therefore, it is important for the business to provide guidelines for ethical workplace behavior so that individuals do not have to rely solely on their judgment or attitudes to guide their behavior. Offering ongoing ethics training can help employees understand the business's rules and ethical standards so they can apply them to their daily work activities. The business's executive management team and/or board of directors should work with lower level management at all levels in different business functions to develop or improve the business's code of conduct or ethics. Developing financial products to meet clients' needs will not aid in creating an ethical work environment.

SOURCE: LAP-RM-041—Manage Risk the Right Way (Ethics in Risk Management)
95. D
Conducting backup procedures. Backup procedures involve duplicating computer entries, records, and transactions on a regular basis and storing the duplicate files in a different location. By having backup files, the business can retrieve information that might be lost due to a computer crash, a power outage, or a fire. Encryption is the process of transforming information into a secret code so that only the recipient can read it. An authorization process is a way to limit the access to certain information. Using encryption techniques, implementing an authorization process, and monitoring data-transmission rates are not ways in which a business can protect its computer data from loss due to fire or power outages.

SOURCE: RM:042

96. A
Digital dashboard. Dashboard technology updates data in real time and enables the business to assess its financial performance at any time. A site map is a flowchart that puts information on a website in a logical format so that Internet users can find what they are looking for. A data-flow diagram is a two-dimensional graphic that depicts how data are transferred and processed through a system or network. Clickstream is the process of recording a computer user's Internet browsing activity by tracking the user's clicks.

SOURCE: RM:042

97. B
Conduct background checks on job applicants. Because hiring and training employees is an expense for businesses, they should ensure that the applicants' previous work experiences do not present business risks for them. Because applicants are unlikely to discuss unfavorable past work experiences during an interview, businesses need to take action to verify the information on their employment applications. Employers should confirm the applicants' previous employment, verify their references, and conduct background checks on applicants if needed. CopyIt may have reduced its liability by checking the drivers' previous driving records and employment history before extending job offers to them. There is not enough information provided to determine if the accidents involve substance abuse, so mandating monthly drug testing for all employees may not prevent future driving accidents. Requiring current drivers to take a driving exam every six months will not prevent the business from hiring unsafe drivers.

SOURCE: RM:043

98. A
Insuring risks that are otherwise difficult to insure. A captive insurance company is owned and controlled by the people who are insured. It exists to insure its owners' risks. Captive insurance companies are often used to get insurance coverage that would otherwise be unavailable. Higher taxes, higher insurance premiums, and more difficulty obtaining insurance would not be benefits.

SOURCE: RM:043
99. B

PIN debits. In addition to account numbers, customers must also provide their PIN number to process online payments. This adds an additional layer of protection for online transactions. Malware is malicious software used to illegally obtain account and personal information provided for online transactions. E-invoicing is electronic billing. PEPPOL is an initiative that aims to provide standardized processes for businesses to bid on government contracts.

SOURCE: RM:058

100. B

Develop a way to encrypt and store customers' bank information in the company database for future use. By encrypting the information, the company can eliminate some of the risk of storing customers' banking information while making the payment process easier, leading to less lost revenue and more satisfied customers. Letters explaining the policy may help customers understand the need for security, but they do nothing to help with the loss of revenue or to satisfy customers. Eliminating the pay-by-phone option would upset the customers who pay in that manner, and requiring payments by mail would probably lead to more lost revenue. Asking customers to set up automatic payments doesn't mean they will, and it doesn't address what they want—an easy way to pay by phone; it would not eliminate the need to store the banking information.

SOURCE: RM:062