



# SAMPLE EXAM

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## 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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1. How can government laws and regulations result in economic risk?
  - A. They can reduce a business's profits.
  - B. They can make businesses less safe.
  - C. They can protect consumers.
  - D. They can result in environmental problems.
  
2. A financially unsuccessful company wants to secure a loan, so it submits falsified financial statements to a bank. The bank lends the company money based on the information in the financial statements. The company is later unable to pay back the loan, since it was never as financially successful as it led the bank to believe. Which business tort did the company commit?
  - A. Antitrust violations
  - B. Misrepresentation
  - C. Intellectual property infringement
  - D. Breach of fiduciary duty
  
3. Ellie is opening her own day care and hiring three teachers. She interviews Jeff as a potential candidate but chooses not to hire him. Ellie could be violating regulations if she chose not to hire Jeff because
  - A. she does not feel comfortable hiring a man as a teacher.
  - B. he is too experienced and overqualified for the position.
  - C. she was not impressed by his grooming and appearance.
  - D. her friend Larissa is more qualified for the position.
  
4. What type of corporate growth is depicted in the following example: Company X combines with Company Y to form Company Z.
  - A. Consolidation
  - B. Charter
  - C. Expansion
  - D. Merger
  
5. A retailer buys a variety of toys from a number of different producers and makes them all available for sale in the same place. The retailer is reducing a discrepancy of
  - A. promotion.
  - B. quantity.
  - C. installation.
  - D. assortment.
  
6. Which of the following is a characteristic of a wholesaler:
  - A. Buys goods from producers in large quantities
  - B. Sells specialty goods to agents
  - C. Sells large quantities of goods to small retailers
  - D. Buys goods from agents and sells them to consumers
  
7. A producer or distributor of popular consumer goods probably would use a(n) \_\_\_\_\_ distribution strategy.
  - A. selective
  - B. restrictive
  - C. exclusive
  - D. intensive
  
8. A coffee producer is considering eliminating one of its channel members, a wholesaler, with which it has worked successfully for 25 years. The coffee producer blames the wholesaler firm for its poor sales in recent months when a new product was introduced and failed. Which of the following should the coffee company do first:
  - A. Assist the wholesaler in any way possible
  - B. Begin searching for a new wholesaler
  - C. Start its own horizontal distribution system
  - D. Terminate its contract with the wholesaler
  
9. Which of the following is an example of a post-sale touchpoint:
  - A. Customer loyalty program
  - B. The product itself
  - C. Advertising
  - D. Publicity
  
10. A business offers a service to customers that other similar businesses do not offer. This is an example of
  - A. price competition.
  - B. direct distribution.
  - C. indirect distribution.
  - D. non-price competition.

11. One of the positive effects that government regulation has on business is that many of the laws are intended to \_\_\_\_\_ business.
- A. protect
  - B. restrict
  - C. defend
  - D. conserve
12. Which of the following is an external barrier that often affects small businesses:
- A. Lack of financial knowledge
  - B. Ineffective management skills
  - C. Complicated business policies
  - D. Complex licensing requirements
13. Evan is an introverted, thoughtful employee who likes structure and routine in his workday. Which of the following actions would help Evan's boss, Allison, bring out the best in him:
- A. Providing Evan with plenty of notice each time she asks him to present in a meeting
  - B. Assigning Evan to be the leader for a large group of employees that he doesn't know
  - C. Putting Evan in a shared cubicle with an outgoing, extroverted employee who enjoys chatting
  - D. Asking Evan to work on a new and different project every day to keep things interesting for him
14. Which of the following is a result of learning how to sell your ideas:
- A. Lower chance of receiving a job
  - B. Decreased self-confidence
  - C. Improved communication skills
  - D. A guaranteed promotion at work
15. Which of the following is a way you could promote benefits when persuading a customer to buy a product:
- A. "Buying this product will help me meet my sales quota."
  - B. "Using this product will save you time and money."
  - C. "I need to sell this product to keep my boss happy."
  - D. "You'll be helping my company by buying this product."
16. What should you do if you realize that your vision no longer matches your ambitions?
- A. Realign your ambitions with your vision.
  - B. Throw out your vision completely.
  - C. Consult your significant other's vision.
  - D. Change or adjust your original vision.
17. What is the benefit of shared vision to an organization?
- A. It creates an ethnocentric environment.
  - B. It ensures that the team's goals are achievable.
  - C. It serves as a guide for decision-making.
  - D. It supports a groupthink attitude.
18. Julio is starting a new business, and he has formed relationships with several successful local business owners. Which of the following is the best way to leverage these relationships to help his own business succeed:
- A. Gaining inside marketing information
  - B. Persistently asking those business owners to invest in his company
  - C. Attending trade shows and conferences to make new connections
  - D. Sharing those businesses' content on social media
19. Andrew noticed that his sister was having a problem tying her shoes due to severe arthritis in her hands, so he created a device that helps make the task easier for her to perform. Now, Andrew is talking with a manufacturer who is interested in producing and selling the device on a large scale. How does Andrew's entrepreneurial discovery impact society?
- A. It improves the target market's quality of life.
  - B. It creates an unmet need.
  - C. It solves Andrew's financial problems.
  - D. It encourages reliance on others.

20. Which of the following is an example of a demographic trend that has encouraged entrepreneurial discovery:
- A. Industry deregulation
  - B. Interest rate fluctuations
  - C. Increased cultural diversity
  - D. Technological advancements
21. Which of the following is a technological trend that impacts new business ventures:
- A. Private enterprise movement
  - B. Liberal trade agreements
  - C. Environmental awareness initiatives
  - D. Cloud-computing applications
22. A comprehensive report reveals that the Sabin Company can increase its data-entry outputs by 20% in a six-month period by installing the MMX software system. Sabin can use this type of business analysis to determine
- A. how to detect a problem.
  - B. how to increase its efficiency.
  - C. why it should obtain new markets.
  - D. why it should evaluate work schedules.
23. Feasibility studies can help owners/managers determine
- A. where to find good prices on raw materials.
  - B. what their competitors will do.
  - C. the best time to start a project or venture.
  - D. the best place to recruit new employees.
24. Which of the following is an operational issue that entrepreneurs must consider when planning their businesses:
- A. Direct competitors
  - B. Target market
  - C. Source of financing
  - D. Production process
25. Emotional risks that many entrepreneurs face include
- A. inflation and slow market acceptance.
  - B. unemployment and uncertain income.
  - C. competition and difficult suppliers.
  - D. marital tension and family problems.
26. To prevent others from making or selling Evan's invention without permission, he should seek legal protection by applying for a
- A. permit.
  - B. trademark.
  - C. copyright.
  - D. patent.
27. An entrepreneur in the early stages of his/her venture should avoid hiring full-time employees unless they are needed to perform business activities that
- A. require expert advice.
  - B. save money.
  - C. create revenue.
  - D. save him/her time.
28. Which of the following is an example of a capital resource:
- A. Pencils
  - B. Conveyer belt
  - C. Credit card
  - D. Granite
29. Sheri is weighing the pros and cons of purchasing an expensive piece of equipment for her business. What type of analysis is Sheri conducting?
- A. Environmental analysis
  - B. Market analysis
  - C. Competitive analysis
  - D. Cost-benefit analysis
30. Jamal assembled a small group of independent business professionals to guide him through the early stages of his new business venture. What type of external resource is Jamal using to supplement his expertise?
- A. Advisory board
  - B. Professional association
  - C. Work team
  - D. Trade union
31. When should an entrepreneur start plotting her/his exit strategy?
- A. After contacting a potential buyer
  - B. After leaving the company
  - C. When s/he starts to lose money
  - D. When writing the business plan

32. Who is most likely to use managerial cost accounting information?
- A. Stockholders
  - B. Company executives
  - C. Investors
  - D. Customers
33. Taylor is a managerial accountant, and she is attempting to determine why the costs of production are on the rise. Taylor needs to identify
- A. sales revenue.
  - B. direct labor hours.
  - C. cost drivers.
  - D. buying motivations.
34. In which of the following situations is it important for a new business that intends to accept credit cards to shop around in order to obtain the best rate before selecting a credit card company:
- A. Sales will be made from a home.
  - B. Average size of each sale will be large.
  - C. Projected sales volume will be low.
  - D. Most sales will be mail order.
35. A business borrowing startup money from a commercial bank is an example of
- A. asset lending.
  - B. venture capital.
  - C. trade credit.
  - D. debt financing.
36. Which of the following would a bank consider when analyzing the personal financial statement of a prospective entrepreneur:
- A. Credit report, personal tax returns, debts
  - B. Projected income, salary, assets
  - C. Estimated equipment costs, insurance policies
  - D. Personal tax returns, education, projected expenses
37. What is a guideline to follow when completing a loan application?
- A. Leave questions blank when they don't apply to you.
  - B. Use all uppercase letters when completing online applications.
  - C. Present yourself in a positive light but be honest.
  - D. Use overly large letters to make the application easy to read.
38. Which of the following is a true statement about budgets:
- A. They are used for a variety of different purposes.
  - B. They are usually very complicated.
  - C. They are open-ended.
  - D. They all follow a specific format.
39. Determine which of the following statements is true:
- A. A business should choose a sales forecasting method and then determine which approach to take.
  - B. Qualitative forecasting methods are generally complicated to use.
  - C. A business can only use one sales forecasting method at a time.
  - D. Sales forecasting methods can be combined if doing so will provide the most useful data.
40. The money that is used to run a business on a daily basis is called its
- A. accounts payable.
  - B. net profit.
  - C. working capital.
  - D. accounts receivable.
41. Which of the following financial analysis methods involves comparing the same items on a company's financial statements for two or more periods:
- A. Fundamental analysis
  - B. Vertical analysis
  - C. Technical analysis
  - D. Horizontal analysis

42. Which of the following is an appropriate question for a manager to ask to begin an interview to select a prospective employee:
- A. "What is your educational and work background?"
  - B. "Do you have outside hobbies and interests?"
  - C. "What do you want to know about our benefits?"
  - D. "Do you like to work in groups?"
43. Which of the following is a true statement about the effects of remedial action:
- A. Studies indicate that remedial action causes great psychological damage.
  - B. Behavior that is rewarded rarely gets repeated by employees.
  - C. Once remedial action is taken, employees do not commit rule violations.
  - D. The results of punishing undesirable behavior are unpredictable.
44. What technique might a supervisor use with employees who are violating company rules before resorting to penalizing them?
- A. Educational planning
  - B. Basic conditioning
  - C. Corrective counseling
  - D. Personal training
45. The observation method of collecting marketing-research data involves
- A. conducting online surveys.
  - B. test marketing new products.
  - C. watching what customers do.
  - D. calling customers on the telephone.
46. Which of the following statements about market research is true:
- A. Research must contain primary and secondary sources of data to be reliable.
  - B. Research must be conducted and evaluated in an objective manner to obtain good results.
  - C. Research must be conducted using several different methods to obtain significant data.
  - D. Research must prove the original hypothesis stated to be true and accurate.
47. Which of the following is an individual (personal) influence on buying behavior:
- A. Age
  - B. Family
  - C. Time constraints
  - D. Culture
48. To obtain more of the market share, Morrison Snack Foods begins to sell its potato chips and crackers to Quickster Convenience Stores in Seattle, Washington, and its surrounding communities. This is an example of a company implementing a marketing \_\_\_\_\_ in relation to the marketing-mix element of \_\_\_\_\_.
- A. tactic; price
  - B. goal; promotion
  - C. goal; product
  - D. tactic; place
49. Jackie is interested in predicting what special events result in higher demand for chocolate candy. She should conduct behavioral segmentation based on
- A. benefits derived.
  - B. rate of use.
  - C. occasion response.
  - D. loyalty response.
50. A business asks its customers about the types and amounts of products that they plan to purchase in the next 12 months. What is the business using to help forecast sales?
- A. An attitude survey
  - B. Survey of buyer intentions
  - C. Market-factor analysis
  - D. Customer-positioning analysis
51. Which of the following is an example of a customer profile based on demographics:
- A. Professional person, highly intelligent
  - B. High school student, works part-time, limited income
  - C. Young adult, likes to travel, enjoys fine dining
  - D. Senior citizen, lives in the suburbs

52. A firm's goal was to achieve a 10% return on sales for the first quarter. If the firm's net profit was \$15,000 and its total sales for the same period was \$175,000, did the firm reach its goal?
- A. No, its return on sales was 9.5%.
  - B. No, its return on sales was 8.6%.
  - C. Yes, its return on sales was 10.2%.
  - D. Yes, its return on sales was 10.7%.
53. Diamond Select Credit Cards recorded a 90% customer satisfaction rating for the last fiscal year. What is one way to translate this measure into a financial outcome?
- A. Measure the number of customer complaints
  - B. Determine the amount of revenue from repeat customers
  - C. Track the changes in operating margin over time
  - D. Turn customer satisfaction ratings into employee ratings
54. Which of the following is the first question that a new business owner should ask when determining the venture's technology needs:
- A. Is it necessary to maintain computer hardware?
  - B. What software programs will help the business operate efficiently?
  - C. How will I legally structure my new business's technology department?
  - D. Where should I purchase my supplies?
55. Analyzing data with Simpson's Paradox in mind can help account for
- A. human error.
  - B. unconsidered variables or dimensions.
  - C. inconsistencies in data generation.
  - D. incorrect assumptions.
56. Which of the following is an example of how a business or industry has a unique relationship with its environment:
- A. An economy in prosperity will eventually experience recession.
  - B. Demand for skilled nursing care rises as the population ages.
  - C. Social and cultural attitudes change over time.
  - D. New technology causes new laws to be enacted.
57. Which of the following is an important question that a business should ask when selecting a vendor:
- A. What computer program does the vendor use for its project management processes?
  - B. Does the vendor have the resources to consistently meet our business's needs?
  - C. What is our business's target market?
  - D. What are our business's strengths and weaknesses?
58. Which of the following is an example of a labor-intensive conversion process:
- A. Operating an automated car wash
  - B. Watching an informational video
  - C. Painting an office building
  - D. Drinking a glass of milk
59. What does a business often do when conducting a break-even analysis?
- A. Change numbers in the equation
  - B. Ask for employee feedback
  - C. Review current accounting procedures
  - D. Develop an operating budget
60. A business with limited cash flow might decide to lease rather than buy a facility because it wants to avoid making a
- A. monthly insurance disbursement.
  - B. required security deposit.
  - C. short-term commitment.
  - D. sizeable down payment.
61. Businesses use budgets to manage their
- A. discount policies.
  - B. accounting methods.
  - C. income and expenses.
  - D. production functions.

62. Which of the following situations would supply chain managers encounter during the final stage of supply chain management:
- A. The company finds reliable suppliers.
  - B. A customer returns a defective product.
  - C. The business plans to deliver goods to customers.
  - D. Managers develop a supply chain strategy.
63. The three types of flows in supply chain management are material flow, information flow, and \_\_\_\_\_ flow.
- A. money
  - B. inventory
  - C. supply
  - D. distribution
64. Which of the following is an example of an employee analyzing human resources information:
- A. Pedro uses a complex software program to calculate the various break-even points for a new product.
  - B. Polly reviews several companies' pay scales to determine if the pay range for the firm's marketing director is appropriate.
  - C. Stewart gathers quotes from a variety of vendors to determine which vendor provides the best quantity discount for parts.
  - D. Sally evaluates the responses to a survey that the business distributed online to customers who spent over \$5,000 with the firm last year.
65. When generating ideas for new businesses, entrepreneurs often look for ways to
- A. increase liability.
  - B. solve problems.
  - C. rationalize spending.
  - D. control outcomes.
66. Which of the following creates a link between the business and the consumer:
- A. Production
  - B. Automation
  - C. Promotion
  - D. Consolidation
67. A company created a new production process that decreased the cooling time required for heat-treated manufactured parts. This method enabled employees to handle the parts more quickly in the next production step. The new production process was created in response to
- A. technology.
  - B. regulations.
  - C. human factors.
  - D. product design.
68. A company develops a new production process so employees can create products while seated. This requires the company to schedule overtime hours but complies with a law that prevents employees from standing for more than eight hours. The company has changed its manufacturing process in response to
- A. regulations.
  - B. employee disabilities.
  - C. costly overtime.
  - D. legal battles.
69. You are opening your first restaurant and want to get the word out about the grand opening and signature dishes. Which public relations tool would be most appropriate?
- A. Press release
  - B. Trade show
  - C. Newsletter
  - D. Financial report
70. Eighteen-year-old Seiko wants to become independent and live on her own. However, with her current income she can only afford to pay half the cost of rent. Which of the following is the best solution for Seiko:
- A. Buy a home instead and rent part of it out
  - B. Borrow money from her parents
  - C. Save enough money to pay for rent
  - D. Find a roommate to share the cost of rent
71. Corporate governance is intended to
- A. promote the company to customers.
  - B. decrease the accountability of a company.
  - C. mitigate risk and avoid problems.
  - D. defend the company in court.



72. Every six months, a company holds a meeting for all shareholders and explains how the company has been performing financially. Which component of a well-governed company is this an example of?
- A. Fairness
  - B. Accountability
  - C. Transparency
  - D. Viability
73. Which of the following is an example of an external mechanism of corporate governance:
- A. A company's code of conduct
  - B. Board of directors' policies
  - C. A company's business objectives
  - D. Government regulations
74. Which of the following are examples of customer-related services that a business might consider when setting a product's price:
- A. Delivery, credit, and advertising
  - B. Credit, delivery, and installation
  - C. Installation, advertising, and research
  - D. Research, credit, and advertising
75. Which of the following things is likely to occur if both buyers and sellers don't think that they are getting the best possible value:
- A. A business will sell more of the product.
  - B. A business will make more money.
  - C. Customers will continue to buy the product.
  - D. Customers will spend their money elsewhere.
76. The Sweets Company sells sugar, which is a commodity product. Most likely, the company has
- A. moderate pricing flexibility.
  - B. maximum pricing flexibility.
  - C. minimal pricing flexibility.
  - D. complete control over market pricing.
77. As a brand manager for a consumer products producer, Maria is trying to determine whether to add a new product line. Which of the following would Maria do first to make that decision:
- A. Develop a marketing plan
  - B. Develop a business plan
  - C. Conduct a feasibility study
  - D. Conduct product tests
78. Experience immersion is a somewhat unorthodox customer-experience evaluation technique. Which of the following statements best describes the experience immersion process:
- A. Observing customers and completing customer tasks
  - B. Observing customers and conducting customer focus groups
  - C. Conducting customer focus groups and surveying customers
  - D. Surveying customers and evaluating completed transactions
79. A technology company that offers its products in many different colors and at several different price points likely has a \_\_\_\_\_ product mix.
- A. shallow
  - B. deep
  - C. narrow
  - D. broad
80. For successful innovation in the workplace, employees should have a desire to learn and be willing to
- A. follow procedures.
  - B. accept change.
  - C. exhibit bias.
  - D. suppress ideas.
81. Putnam Incorporated expects its employees to respond to its customers' telephone requests within 24 hours. This is an example of a
- A. company-defined service standard.
  - B. customer-defined service goal.
  - C. customer-defined technical expectation.
  - D. company-defined technical audit.
82. Before Joe starts working on a new assignment, he thinks about the goals of the assignment, the resources he has available to him, and the activities that the project will entail. Joe is implementing
- A. personal accountability.
  - B. business process thinking.
  - C. business objective planning.
  - D. inventory management.

83. Mark doesn't have much money to promote his new restaurant, so he focuses on inviting a few customers in for a special dinner in hopes that they will post favorable reviews online and tell their family and friends about their great meals. Mark is using \_\_\_\_\_ marketing.
- A. direct mail
  - B. grassroots
  - C. broadcast
  - D. cause
84. Which of the following is an example of a business using direct marketing:
- A. A national sporting-goods store paid \$3.5 million for advertising that appeared during a televised football game.
  - B. A niche hotel sent a personalized email message that included a coupon to a customer.
  - C. A restaurant placed an ad in a coupon booklet that is distributed to all residents and businesses located in the community.
  - D. An apparel retail chain developed a seasonal catalog and posted it on the company's website.
85. Which of the following is an advantage of using the Internet for direct marketing:
- A. It is a relatively affordable form of marketing.
  - B. It eliminates the need for other types of marketing.
  - C. It is less flexible than other forms of marketing.
  - D. It involves face-to-face contact with customers.
86. A company released a video game that depicts the game's characters using a certain brand of equipment. What type of sales promotion is the business using?
- A. Cooperative selling
  - B. Advergaming
  - C. Blogertainment
  - D. Bonus packaging
87. A disruption in the supply chain can cause a business to
- A. create happy customers.
  - B. make more money.
  - C. stop production.
  - D. encourage employees.
88. A snack-food company donates energy bars to runners who are participating in a race to raise money for cancer research. The business is engaging in a(n)
- A. media blitz to exhibit social responsibility.
  - B. public relations activity for a charitable cause.
  - C. selling activity to support its image.
  - D. advertising campaign to improve investor relations.
89. Which of the following is a potential challenge when implementing quality management:
- A. Too-specific goals and plans
  - B. Lack of integration
  - C. A budget surplus
  - D. Difficult laws/regulations
90. Which of the following is a true statement regarding the relationship between risk and business objectives:
- A. The more objectives a business has, the less risk it faces.
  - B. Objectives should never be modified because of risk.
  - C. Effective business objectives are not risky.
  - D. Risks help businesses determine objectives.
91. It is important for companies to practice enterprise risk management (ERM) because
- A. it leads to loss of shareholder value.
  - B. most risks are predictable and manageable.
  - C. most risks are unexpected.
  - D. it increases business costs in the long run.
92. Eddie is a small-business owner. Every year, he identifies potential problems that could harm his company and takes steps to prepare for them. In other words, Eddie conducts
- A. managerial accounting.
  - B. a risk assessment.
  - C. a financial calculation.
  - D. entrepreneurship.

93. Which of the following is an example of an intangible product:
- A. A tennis uniform
  - B. A tennis racket
  - C. Tennis lessons
  - D. A pair of sneakers
94. In response to an economic recession and a steady decline in profits, the ARU Company's management staff must eliminate 150 positions. Which of the following would be an ethical way for the company to handle the situation:
- A. Hold a press conference after the dismissals to defend the decision to downsize
  - B. Avoid discussing the situation, so not all of the employees will become upset
  - C. Provide the affected employees with career counseling and severance pay
  - D. Advise the remaining employees that they don't need to worry about the company's situation
95. What is the main motivation for a startup company to write a business plan?
- A. To prepare for expansion of the business
  - B. To discover if the business meets a need or a want
  - C. To obtain financing from a lender or investor
  - D. To determine a value for the business
96. Which of the following is an example of a broad objective that top management might develop for a business:
- A. Increase profitability
  - B. Sponsor a charitable event
  - C. Replace damaged equipment
  - D. Purchase promotional advertising
97. Which of the following is a method a business might use to gather relevant information about external factors that affect the business:
- A. Talking with friends
  - B. Listening to a radio music station
  - C. Reading magazines and newspapers
  - D. Watching television comedies
98. So that a business can identify and correct problems, it is important to track the performance of its
- A. business plan.
  - B. tax return.
  - C. annual report.
  - D. corporate charter.
99. Which of the following could be profitable customer services in a large hardware/home improvement store:
- A. Fashion shows, snack bar, lectures
  - B. Delivery, credit, ample parking
  - C. Check-cashing desk, alterations
  - D. Gift wrapping, information desk, exhibits
100. One of the most important, fundamental keys to successful change management is
- A. involving everyone in the organization.
  - B. focusing on processes over people.
  - C. minimizing use of resources.
  - D. ensuring changes do not impact competitiveness.



**KEY**

Test Number 1225

# Entrepreneurship Exam

Entrepreneurship Operations Event

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1. A  
They can reduce a business's profits. Although government regulations are designed to protect the economy, the environment, and the consumer, they can sometimes result in economic risk. Laws or regulations that require businesses to pay for environmental cleanups or special licenses can reduce a business's profits. And, if a government agency recalls a product, it can cost a company a huge amount of money. Government laws and regulations are typically designed to make businesses safer, protect customers, and protect the environment.  
SOURCE: BL:001  
SOURCE: Davis, M. (2018, October 5). *Government regulations: Do they help businesses?* Retrieved October 11, 2019, from <https://www.investopedia.com/articles/economics/11/government-regulations.asp>
2. B  
Misrepresentation. Misrepresentation occurs when one party makes a false statement to a second party with the intention of making the second party behave a certain way. For example, if a business falsifies its records to convince a bank to lend it money, this is considered misrepresentation. This is not an example of antitrust violations, intellectual property infringement, or breach of fiduciary duty.  
SOURCE: BL:069  
SOURCE: Kenton, W. (2018, March 16). *Misrepresentation*. Retrieved October 11, 2019, from <https://www.investopedia.com/terms/m/misrepresentation.asp>
3. A  
She does not feel comfortable hiring a man as a teacher. Human resources regulations prevent hiring discrimination based on race, color, religion, national origin, or sex. Ellie cannot deny Jeff the job simply because he is male. It is not against regulations to refrain from hiring someone who is too experienced and overqualified. It is also permissible to deny someone a job because s/he does not have a professional appearance. Finally, it is not against regulations to hire a friend who is more qualified for the position.  
SOURCE: BL:007  
SOURCE: CliffsNotes. (2016). *HR management: Laws and regulations*. Retrieved October 18, 2019, from <https://www.cliffsnotes.com/study-guides/principles-of-management/staffing-and-human-resource-management/hr-management-laws-and-regulations>
4. A  
Consolidation. A consolidation involves the joining of two or more companies to form a new company. Both companies give up their identities. A merger is the absorption of one company by another in which one of the two companies gives up its identity. Expansion involves opening new businesses but does not involve a name change. A charter is a state permit issued to a business allowing it to operate as a corporation. It is not a way in which a corporation grows.  
SOURCE: BL:006  
SOURCE: LAP-BL-006—Taking Care of Business (Selecting Forms of Business Ownership)
5. D  
Assortment. The retailer is reducing a discrepancy of assortment by making a variety of toys available in one place. Reducing a discrepancy of quantity means breaking down a large quantity of a product into smaller quantities for final consumers to buy. There is no such thing as a discrepancy of installation or a discrepancy of promotion.  
SOURCE: CM:001  
SOURCE: LAP-CM-002—Chart Your Channels (Channel Management)
6. A  
Buys goods from producers in large quantities. Wholesalers are businesses that buy goods from producers or agents and sell them to retailers. Wholesalers typically buy a variety of goods in bulk from many producers and sell groups of related products in smaller quantities to retailers. Agents assist in the sale of goods but do not buy them. Retailers sell to consumers.  
SOURCE: CM:003  
SOURCE: LAP-CM-003—Channel It (Channels of Distribution)

7. D

Intensive. An intensive distribution strategy involves making a product available in as many locations as possible. A producer or distributor of popular consumer goods probably would use intensive distribution because millions of people buy the goods and want them to be readily available. Consumer goods such as toothpaste and soft drinks are sold in stores throughout the world and are examples of products that use intensive distribution. Selective distribution limits the number of locations where goods are available. Exclusive distribution means the items are available in only a few places. Restrictive is not a type of distribution strategy.

SOURCE: CM:009

SOURCE: Bhasin, H. (2018, February 12). *Intensive distribution and its application in business*. Retrieved October 9, 2019 from <https://www.marketing91.com/intensive-distribution/>.

8. A

Assist the wholesaler. Companies should always try to maintain stable and helpful relationships with their channel members, and dismissal of a channel member should be a last resort. Since the producer and wholesaler have had a successful relationship for years, the producer should work with that channel member first before pursuing the other alternatives. The coffee producer should only terminate the contract as a last resort. Setting up a horizontal distribution system would not get the coffee products to consumers.

SOURCE: CM:011

SOURCE: Marx, J. (2018, April 3). *The manufacturer-distributor relationship*. Retrieved October 31, 2019, from <https://www.handshake.com/blog/manufacturer-distributor-relationship>

9. A

Customer loyalty program. A customer loyalty program is an example of a post-sale touchpoint. It's one way for businesses to keep in touch with customers and build brand loyalty. The product itself is considered a during-the-sale touchpoint. Advertising and publicity are generally considered presale touchpoints.

SOURCE: CR:001

SOURCE: LAP-CR-006—Share the Promise (Identifying Brand Promise)

10. D

Non-price competition. Non-price competition is a type of rivalry between or among businesses that involves factors other than price, such as customer services, modern facilities, trained personnel, and variety of products. Price competition is a type of rivalry between or among businesses that focuses on the use of price to attract scarce customer dollars. Direct distribution is a channel of distribution in which goods and services move directly from the producer to the consumer or industrial user. Indirect distribution is a channel of distribution in which goods and services move from the producer to the channel members and then to consumers or industrial users. The example does not describe direct distribution, indirect distribution, or price competition.

SOURCE: EC:012

SOURCE: LAP-EC-008—Ready, Set, Compete! (Competition)

11. A

Protect. Government regulation has a positive effect on businesses by protecting them from unfair competitive practices of other businesses. Regulations about the use of resources gives all businesses fair access to those resources. Also, a business's patents, trademarks, or copyrights provide legal protection for a company's products. The purpose of government regulation is not to restrict business, although some laws may limit what businesses are permitted to do. Businesses are expected to operate without government intervention designed specifically to conserve or defend them.

SOURCE: EC:008

SOURCE: LAP-EC-016—Regulate and Protect (Government and Business)

12. D

Complex licensing requirements. Licensing and permit requirements vary by business type. In many situations, small businesses are subject to licensing requirements at multiple levels of government. In addition, the complexity of licensing requirements often requires the expertise of outside sources to ensure compliance, which can be very costly to small businesses—especially startups. Ineffective management skills, complicated business policies, and the lack of financial knowledge are internal barriers that often affect the success of small businesses.

SOURCE: EC:065

SOURCE: Ferguson, G. (n.d.). *Small business license requirements*. Retrieved October 11, 2019, from <http://smallbusiness.chron.com/small-business-license-requirements-3177.html>

13. A

Providing Evan with plenty of notice each time she asks him to present in a meeting. Since introverts usually like to plan what they say before they say it, it would be wise to give Evan plenty of advance notice before asking him to present in a meeting. Advance notice would also help Evan adjust to the idea of a change in his routine for that day, allowing him to plan accordingly. It would be unwise to assign Evan as the leader for a large group of employees that he doesn't know, since introverts tend to prefer small groups of people that they are familiar with. Similarly, putting Evan in a shared cubicle with an outgoing, extroverted employee may not be the best decision for either employee, since introverted people "energize" themselves by being alone, while extroverts "energize" themselves by being with other people. Asking Evan to work on something different every day would likely make Evan frustrated and uncomfortable, since he prefers structure and routine in his workday.

SOURCE: EI:105

SOURCE: Jell.com. (2018). *How to adapt your leadership style to different employee personalities*. Retrieved October 11, 2019, from <https://jell.com/blog/adapt-leadership-employee-personalities/>

14. C

Improved communication skills. By learning how to strategically present an idea to another person or group of people, you're also learning how to communicate effectively. Your communication skills will likely improve as a result of learning how to sell your ideas. Your self-confidence will also likely improve if you learn to sell your ideas. You are more likely to receive a job offer if you are able to successfully sell yourself and your ideas during an interview. Learning how to sell your ideas cannot guarantee that you will receive a promotion at work, but it may help.

SOURCE: EI:108

SOURCE: LAP-EI-108—Do They Buy It? ("Selling" Ideas to Others)

15. B

"Using this product will save you time and money." "Using this product will save you time and money" is a statement that promotes the benefits a customer will receive from the product. It's important to let the customer know how *s/he* will benefit, not just focus on how *you* will benefit. "Buying this product will help me meet my sales quota," "I need to sell this product to keep my boss happy," and "You'll be helping my company by buying this product" are all statements that promote the benefits to you or your company, not the customers.

SOURCE: EI:012

SOURCE: LAP-EI-121—Win Them Over (Persuading Others)

16. D

Change or adjust your original vision. Just as you will change over time, so will your vision. If at any point you realize that your original vision needs adjustment, don't hesitate to make changes or switch directions entirely. You should not throw out your vision entirely or consult someone else's vision—their vision will not be any help to you.

SOURCE: EI:063

SOURCE: LAP-EI-063—Picture This! (Determining Personal Vision)

17. C

It serves as a guide for decision-making. When a shared vision exists, all members of the organization understand and support the organization's purpose. Successful organizations set goals and make decisions to fulfill the organization's purpose, which is based on the vision. A shared vision does not ensure that goals are achievable. Groupthink is a form of extreme cohesiveness that occurs when individuality and independent thinking within the group are discouraged. Ethnocentrism is the belief that your own culture is naturally better than other cultures. Unattainable goals, ethnocentrism, and groupthink tend to create circumstances that hinder an organization's ability to achieve its purpose.

SOURCE: EI:060

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

18. D

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

SOURCE: EI:116

SOURCE: Craig-Hart, S. (2016, November 1). *5 ways to help develop and leverage powerful business relationships*. Retrieved October 11, 2019, from <https://smartsimplemarketing.com/5-ways-to-help-develop-and-leverage-powerful-business-relationships>

19. A

It improves the target market's quality of life. Entrepreneurial discovery is the process of detecting and matching product and market opportunities with one another in a manner that satisfies both the market and the business. During the entrepreneurial-discovery process, Andrew identified a problem that affected his sister's life. Then, he took steps to develop a product to help her perform a task that is challenging for many people who have arthritis—it improves her quality of life. The device increases self-reliance because his sister does not need help tying her shoes. By producing the device on a large scale, the device has the potential to improve others' quality of life, as well. The device satisfies an unmet need rather than creating it. There is not enough information provided to determine if Andrew has financial problems.

SOURCE: EN:001

SOURCE: Virgin. (2017, April 27). *What impact to entrepreneurs have on society?* Retrieved October 11, 2019, from <https://www.virgin.com/entrepreneur/what-impact-do-entrepreneurs-have-society>

20. C

Increased cultural diversity. Many forces and trends in the external environment, including demographic changes, macroeconomic changes, technological changes, and political/regulatory changes, impact entrepreneurial discovery. A good example of a demographic change, or a change in the physical and social characteristics of the population, is increased cultural diversity. Many entrepreneurs have used the increased diversity to their advantage by developing businesses that cater to particular ethnic groups within the population. Interest rate fluctuations, industry deregulation, and technological advancements also encourage entrepreneurial discovery, but they are not demographic trends.

SOURCE: EN:002

SOURCE: McCrory, K. (2015, April 21). *The benefit of diversity for entrepreneurs*. Retrieved October 11, 2019, from <https://www.virgin.com/virgin-unite/entrepreneurship/benefit-diversity-entrepreneurs>



21. D

Cloud-computing applications. Entrepreneurs often find business opportunities by monitoring trends—the direction in which society is moving. Technological trends, such as the increased use of cloud computing, provide new business opportunities for aspiring entrepreneurs. Cloud-computing applications allow businesses and individuals to prepare and store data on a hosted Internet server rather than on a personal computer. The advantage of using cloud-computing applications is that it often reduces a business's need to buy usage licenses from software developers for multiple employees. Trade agreements affect the importing and exporting of goods across national borders. Environmental awareness or "going green" is a societal trend. A movement to a private enterprise system is an economic trend that is often spurred by political changes.

SOURCE: EN:003

SOURCE: Sylvester, C. (2018, January 16). *8 important technology trends that will impact small businesses in 2018*. Retrieved October 11, 2019, from <https://www.networkdepot.com/8-important-technology-trends-will-impact-small-businesses-2018/>

22. B

How to increase its efficiency. In this situation, the business is analyzing an "if, then" situation. If the company purchases a certain type of software, then it can increase its data-entry outputs. If the company increases its outputs, it is increasing its efficiency (productivity). How does the business increase its efficiency? It installs a specific type of software. The information does not indicate how to detect a problem or why the company should evaluate work schedules. A business uses a marketing analysis to determine why it should obtain new market segments.

SOURCE: OP:327

SOURCE: Enaohwo, O.M. (n.d.). *7 key ways a business process analyst can improve your company's output*. Retrieved October 23, 2019, from <https://businessanalystlearnings.com/business-analyst-career/2017/9/21/7-key-ways-a-business-process-analyst-can-improve-your-companys-output>

23. C

The best time to start a project or venture. Feasibility studies can help owners/managers determine the best time to start a project or venture. For example, what's unfeasible this summer might work better next spring. Feasibility studies cannot predict what competitors will do. Though they include information on logistics and staffing, they do not necessarily focus on finding the best prices on materials or the best place to recruit employees.

SOURCE: EN:038

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

24. D

Production process. Entrepreneurs must consider a number of different issues when planning their businesses. Areas of focus during entrepreneurial planning include operations, finance, law, the market, etc. Operational issues involve the day-to-day activities for continued business functioning. For example, an entrepreneur must determine the way in which the business will produce goods or services for customers. The target market and direct competitors are market considerations that entrepreneurs face when planning their new ventures. The source of financing for the business is a financial consideration.

SOURCE: EN:007

SOURCE: Hayes, A. (2019, September 3). *Factors of production*. Retrieved October 11, 2019, from <https://www.investopedia.com/terms/f/factors-production.asp>

25. D

Marital tension and family problems. Unfortunately, entrepreneurs face a number of emotional risks, including marital tension and family problems. Starting a new business is time-consuming and emotionally draining. As a result, many entrepreneurs have difficulty dividing their time and attention between their businesses and their families, which can create stress for everyone involved. Other risks that entrepreneurs face include industry risks (e.g., difficult suppliers), market risks (e.g., competition, slow market acceptance), product risks, financial risks (e.g., uncertain income, inflation), management risks, and career risks (e.g., unemployment).

SOURCE: EN:010

SOURCE: Brown, C. (2011, February 25). *8 tips on preparing your family for entrepreneurship*.Retrieved October 11, 2019, from <http://www.inc.com/guides/201102/how-to-prepare-your-family-for-entrepreneurship.html>

26. D

Patent. A patent is legal protection of an invention or process granted by a government agency to its owners for a certain period of years. A trademark is legal protection granted by the government to the owner, usually a business, of a distinctive symbol, logo, mark, name, or motto. A copyright legally protects the originator of written, musical, or artist works. A permit is a document that a government issues to a person, group, or business to conduct a specific activity for a certain time.

SOURCE: EN:013

SOURCE: World Intellectual Property Organization. (n.d.). *Patents*. Retrieved October 11, 2019, from <https://www.wipo.int/patents/en/>

27. C

Create revenue. Entrepreneurs should avoid hiring employees unless they are needed for business activities that will help produce revenue such as marketing and production activities. Since the early stages of a venture produce little revenue, there is no money to save and no money to pay employees with. It's better for an entrepreneur to pay an expert or business coach for advice instead of hiring one as an employee. In the early stages of a venture, it's more advisable for an entrepreneur to work long hours than to hire an employee that s/he probably cannot afford.

SOURCE: EN:017

SOURCE: Patel, N. (2015, November 11). *How to know when it's time to hire your first employee*.Retrieved October 11, 2019, from <https://www.entrepreneur.com/article/251736>

28. B

Conveyer belt. A capital resource is anything of value that a business needs on an ongoing basis to operate. Trucks, office equipment, and machines such as conveyer belts are examples of capital resources. Pencils are office supplies. A credit card is a method of payment that allows a cardholder to purchase now and pay later. Granite is an igneous rock; therefore, it is a natural resource.

SOURCE: EN:020

SOURCE: Buzzle.com. (2012). *Examples of capital resources*. Retrieved October 11, 2019, from <http://www.buzzle.com/articles/examples-of-capital-resources.html>

29. D

Cost-benefit analysis. Before purchasing an expensive piece of equipment or other resource, business owners must compare the costs associated with the purchase to the benefits of making such a purchase. If the benefits associated with the investment outweigh the expenses involved, then purchasing the equipment is likely to be a smart idea. However, if the costs associated with the investment are more than the benefits—either in the short or long term—then the business owner would be wise to avoid (or at least postpone) investing in the resource. A market analysis is a systematic study of the market. A competitive analysis involves comparing a business's income statement with that of its competitors to see how it is doing by industry standards. An environmental analysis is the study of the external forces that influence a business's success.

SOURCE: EN:021

SOURCE: LAP-FI-357—Running the Numbers (Cost-Benefit Analysis)

30. A

Advisory board. Entrepreneurs often assemble advisory boards to help their ventures get off to a good start. Effective advisory boards consist of members who possess different perspectives, experiences, and expertise that the entrepreneur does not have (e.g., law). Advisory boards meet primarily during the early stages of the ventures, and board members may be paid a small stipend for their time and expertise. A professional association (organization) is a group of persons in the same profession who form a society to further their common interests, expand their professional knowledge, and develop and maintain high professional standards. Work teams are groups of employees who perform the same major functions, such as receiving clerks, stockpersons, salespersons, etc. A trade union is a union made up of workers with a particular skill (e.g., electricians).

SOURCE: EN:022

SOURCE: Entrepreneur. (2018). *Advisory boards*. Retrieved October 11, 2019, from <https://www.entrepreneur.com/encyclopedia/advisory-boards>

31. D

When writing the business plan. Many experts agree that it's best to develop an exit strategy as soon as possible—even while writing the business plan. Having a plan for how you'll leave the company helps you have a more successful business. It should also help you avoid waiting to sell the business until you start to lose money—ideally, you'll be able to exit your business while the company is still successful. Contacting a potential buyer and leaving the company are things that are done after developing an exit strategy.

SOURCE: EN:037

SOURCE: Richards, D. (2019, June 18). *How to write writing a business exit plan*. Retrieved October 11, 2019, from <https://www.thebalance.com/writing-a-business-plan-planning-your-exit-strategy-1200841>

32. B

Company executives. Managerial cost accounting is the process of preparing and reporting financial information that is used internally by an organization's management. It is used for decision-making and planning. Stockholders, investors, and customers are not internal users. They are more likely to use the information provided by financial accounting, rather than managerial cost accounting.

SOURCE: FI:657

SOURCE: Jan, I. (2019, March 18). *Managerial accounting*. Retrieved October 23, 2019, from <https://xplained.com/180841/managerial-accounting>

33. C

Cost drivers. Cost drivers are triggers that change the cost of an activity. Accountants such as Taylor use cost drivers to determine and assign overhead costs. Knowing what causes production costs to rise can help accountants figure out how to reduce them. Direct labor hours are an example of cost drivers. Identifying sales revenue or buying motivations will not necessarily help Taylor determine why the costs of production are on the rise.

SOURCE: FI:657

SOURCE: Bragg, S. (2019, July 13). *Cost driver*. Retrieved October 31, 2019, from <https://www.accountingtools.com/articles/2017/5/4/cost-driver>

34. C

Projected sales volume will be low. Businesses that intend to accept credit cards should shop around before selecting a credit card company in order to obtain the best rate. On average, banks and credit card companies charge between 2.5% and 5.5% of a business's credit sales. Different banks and credit card companies charge different rates depending on a business's sales volume and size of sales. As a rule, banks charge a business a higher rate if its total sales volume is low than they charge a business whose total sales volume is high. A business can save money by shopping around for a bank or credit card company that offers a low rate, even if its sales volume is low. Banks and credit card companies base their rates on sales volume and size of sales rather than on whether the sales are mail order or made from a home. Businesses whose average size of each sale is large usually are charged low rates.

SOURCE: FI:040

SOURCE: Carbajo, M. (2019, April 20). *6 Benefits for businesses that accept credit cards*. Retrieved October 11, 2019, from <https://www.thebalancesmb.com/approved-and-guaranteed-benefit-of-accepting-credit-cards-393532>

35. D

Debt financing. Debt financing involves borrowing money that must be repaid. Commercial banks are a source of debt financing because they often loan money to businesses. New businesses may have more difficulty borrowing money from a commercial bank than established businesses have because the new businesses do not have existing customers or significant assets. However, some banks are willing to take a chance with new businesses and provide startup money. Venture capital is money provided by individuals. Trade credit is credit extended to a business by its suppliers. Asset lending involves a business using its assets to obtain a loan.

SOURCE: FI:031

SOURCE: Chen, J. (2019, February 17). *Debt financing*. Retrieved October 11, 2019, from <https://www.investopedia.com/terms/d/debtfinancing.asp>

36. A

Credit report, personal tax returns, debts. The personal financial statement is a snapshot of the financial position of the potential entrepreneur. That person's credit, tax returns, and debts are all necessary to determine his/her current financial position. Estimates of future events such as projected income, expenses, or equipment costs are not part of a personal financial statement.

SOURCE: FI:034

SOURCE: Carabelli, C. (n.d.). *What do banks look at for loans?* Retrieved October 11, 2019, from <http://smallbusiness.chron.com/banks-look-loans-42003.html>

37. C

Present yourself in a positive light but be honest. Your loan request will be denied if the lender finds out that you provided false information on the application; therefore, honesty is the best policy when applying for loans. You can present yourself positively by writing notes or comments to clarify questionable points on the application. Online applications should be completed with upper- and lowercase letters. All questions should be answered. If a question does not apply to you, write N/A on the form. Use of overly large letters will cramp the information into the spaces provided, thereby making it difficult to read the completed application.

SOURCE: FI:033

SOURCE: Loose, T. (2018, May 21). *19 reasons your mortgage loan could be rejected*. Retrieved October 11, 2019, from <http://www.gobankingrates.com/mortgage-rates/10-surprising-reasons-mortgage-loan-rejected/>

38. A

They are used for a variety of different purposes. Budgets come in all shapes and sizes and are used for a variety of different purposes. They may be quite simple or very complicated. They are used to estimate and track revenue and expenses over specific periods of time—they are not meant to be open-ended. There are many different budget formats that companies/departments may use.

SOURCE: FI:099

SOURCE: LAP-FI-099—Build Your Game Plan (Developing a Company/Department Budget)

39. D

Sales forecasting methods can be combined if doing so will provide the most useful data. After the business decides whether it will use a bottom-up or a top-down approach to forecasting, it should select the method or methods that will work best for the business and provide it with the most useful data. For example, a business might combine a sales force composite, which gathers opinions from the sales force, with a survey of buyer intentions, which gathers information about consumers' plans to purchase. Qualitative forecasting methods are generally not complicated or difficult to use.

SOURCE: FI:096

SOURCE: Bishop, K. (2019, July 1). *Sales forecasting 101: Definitions, methods, examples, KPIs*. Retrieved October 23, 2019, from <https://www.saleshacker.com/sales-forecasting-101/>

40. C

Working capital. Working capital is the excess of a business's assets over its liabilities. These funds are used to pay the firm's accounts payable, the expenses incurred in running the business. Net profit is the net gain for a business after all expenses have been paid. Accounts receivable are bills owed to a business by its clients.

SOURCE: FI:102

SOURCE: Kenton, W. (2019, September 19). *Working capital (NWC)*. Retrieved October 11, 2019, from <https://www.investopedia.com/terms/w/workingcapital.asp>

41. D

Horizontal analysis. Horizontal analysis is a comparison of the same items on a company's financial statements for two or more periods. It involves comparing the value of a certain account at the end of year one with the value of that same account at the end of year two, for instance, and calculating the difference between the values. Vertical analysis involves stating each dollar amount on a financial statement as a percentage of another amount on the statement or a base amount. After calculating these percentages, you can compare them with each other, with previous years' figures, or with percentages of other companies in the same industry. Technical analysis involves using historical information from market activity, prices, and volume to evaluate securities and predict future price activity. Fundamental analysis involves studying all aspects of a company in an effort to understand its intrinsic value.

SOURCE: FI:334

SOURCE: Tuovila, A. (2019, August 28) *Horizontal analysis*. Retrieved October 9, 2019, from <https://www.investopedia.com/terms/h/horizontalanalysis.asp>

42. A

"What is your educational and work background?" This question gives the applicant an opportunity to explain his/her qualifications for the job. It also allows the applicant to talk about important accomplishments and how they relate to the position. When interviewing to select new employees, the beginning questions should relate to the job. Once an interviewer determines that an applicant is qualified, the interviewer might ask if the applicant likes to work in groups or if the applicant has outside hobbies or interests. At the end of the interview, the interviewer often asks if the applicant has questions about benefits.

SOURCE: HR:356

SOURCE: SHRM. (n.d.). *Opening and closing questions*. Retrieved October 11, 2019, from <https://www.shrm.org/resourcesandtools/tools-and-samples/interview-questions/pages/openingandclosingquestions.aspx>

43. D

The results of punishing undesirable behavior are unpredictable. Supervisors cannot predict how employees will react to remedial action. When properly administered, remedial action should affect behavior without unintended complications. While some employees may, after discipline, be hostile toward the supervisor or continue to commit rule violations, disciplinary cases often end without incidence. Psychological studies have shown that behavior that is rewarded is likely to be repeated. When discipline policies are communicated to employees when they begin working for the business, appropriate forms of discipline should not cause individuals great psychological damage if disciplinary action occurs.

SOURCE: HR:369

SOURCE: Assad, A. (n.d.). *The effects of punishment on employee behavior*. Retrieved October 11, 2019, from <http://smallbusiness.chron.com/effects-punishment-employee-behavior-14302.html>

44. C

Corrective counseling. Corrective counseling is a form of corrective discipline which requires the employee to discuss violations with a personnel counselor and to discuss repeated violations with successively higher levels of management. Corrective counseling is intended to be positive and fact-finding with regard to employee behavior. By guiding employees toward acceptable workplace behavior, rather than penalizing their behavior, supervisors can preserve employees' dignity. Personal training, basic conditioning, and educational planning are not techniques that a supervisor might use with employees who are violating company rules.

SOURCE: HR:369

SOURCE: University of California, Merced. (2019). *How to conduct corrective action (discipline)*. Retrieved October 18, 2019, from <https://hr.ucmerced.edu/employeeelabor-relations/employeeelabor-relations-how-tos/how-conduct-corrective-action-discipline>

45. C

Watching what customers do. Observation is a marketing-research method that gathers data by watching customers. This can be carried out by using cameras, by assigning people to watch customers' actions, or by using scanners that record what customers buy. Test marketing new products is part of the experiment method of collecting data. Calling customers on the telephone and surveying them over the Internet are part of the survey method of collecting data.

SOURCE: IM:010

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

46. B

Research must be conducted and evaluated in an objective manner to obtain good results. Market research must be objective in order for companies to have accurate and unbiased data on which to base future decisions. Research may or may not include primary and secondary sources of data. While primary data are typically more up to date and relevant, secondary data can be accessed inexpensively and sometimes are sufficient to meet the needs of the research. It is not necessary for research to include both types of data. The goals of the research will determine the method(s) of research used. Research is performed to determine the validity of the hypothesis. As a result of the research, the hypothesis may be proved to be true or untrue.

SOURCE: IM:010

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

47. A

Age. Age is a personal influence on buying behavior. It tends to affect a person's needs, wants, tastes, preferences, etc. Family is a social influence on buying behavior. Time constraints are a situational influence on buying behavior. Culture is a separate influence on buying behavior that refers to the traditions and values that are passed down through generations.

SOURCE: MK:014

SOURCE: LAP-MK-014—Cause and Effect (Buying Behavior)

48. D

Tactic; place. A goal is an objective or desired outcome. A strategy is a plan of action for achieving a goal. A tactic is a specific activity that a business implements to carry out a strategy. Place is the element of the marketing mix that involves getting the selected product in the right place at the right time. Morrison is selling snack foods to Quickster, which is a specific action that makes the products accessible to and convenient for the customer. Therefore, the company is using a tactic to achieve goals related to the place element of the marketing mix. Price is the marketing element that requires marketers to determine the amount of money that they will ask for in exchange for their products. Promotion is the marketing element that marketers use to inform, persuade, or remind customers of their products. Product is the good, service, or idea that the business offers its customers.

SOURCE: MP:001

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

49. C

Occasion response. Dividing customers into groups based on their response to a product is behavioral segmentation. Customers are grouped into categories according to what they are looking for in a product and why they buy the product. By studying the occasion responses of customers (when they purchase a product, especially for an event such as a wedding, birthday, graduation, etc.), marketers can predict what special events result in demand for products. Segmentation on the basis of usage rate classifies customers as heavy, moderate, light, or nonusers of a product. Customers can also be classified based on the benefits they desire from a product or the devotion and loyalty they feel for a product.

SOURCE: MP:003

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

50. B

Survey of buyer intentions. A sales forecast is a prediction of sales for a specific time frame. Businesses use sales forecasts to plan their future business activities. When a business develops a sales forecast, it considers many factors, including its existing customers' purchasing plans. To obtain information about its customers' purchasing plans, the business might ask its customers about the types and amounts of products they think they will buy during a certain time period. This is often called a survey of buyer intentions, which can be conducted in a written format or during a personal interview. An attitude survey measures beliefs and feelings. A market-factor analysis is a study of market factors that affect sales (e.g., demand, competition). Customer-positioning analysis is a fictitious term.

SOURCE: MP:014

SOURCE: Shaikh, S. (2019). *Top 7 methods of demand forecasting*. Retrieved October 9, 2019, from <http://www.economicdiscussion.net/demand-forecasting/methods-demand-forecasting/top-7-methods-of-demand-forecasting-managerial-economics/13493>

51. B

High school student, works part-time, limited income. Demographics are the physical and social characteristics of a customer and include such factors as age, education, occupation, and income. Technical businesses often develop customer profiles based on demographic information because it helps them develop advertising that will appeal to its customers. A customer profile based on geographics would indicate where a customer lives, such as in the suburbs. A customer profile based on psychographics would indicate a customer's lifestyle and personality, such as enjoying travel and fine dining. A customer's level of intelligence would be difficult to determine, but intelligence is not a demographic factor.

SOURCE: MP:031

SOURCE: Brown, K. (2019, January 2). *How to create a customer profile in 2019*. Retrieved October 9, 2019, from <https://fitsmallbusiness.com/customer-profile-template-examples/>

52. B

No, its return on sales was 8.6%. A firm uses a variety of measures to determine if it is meeting its marketing objectives. By measuring its level of success, the business can determine if it should make changes or if it should continue with its current action plan. One effort that a business measures is its return on sales or profit. To determine the return on sales, divide the profit by the sales ( $\$15,000 / \$175,000 = .0857$  or .086 or 8.6%). The firm did not achieve its goal of 10% return on sales.

SOURCE: MP:021

SOURCE: Accounting Tools. (2019, April 16). *Return on sales*. Retrieved October 9, 2019, from <https://www.accountingtools.com/articles/return-on-sales.html>

53. B

Determine the amount of revenue from repeat customers. It is important to show the financial value of performance measures that are not directly tied to finances. For example, customer satisfaction is a measure of performance, but how does it translate into dollars? One way to translate customer satisfaction into a financial income is to measure the revenue generated from repeat customers. Repeat customers likely had a positive customer service experience. Therefore, highly satisfied customers are bringing financial value to Diamond Select. Measuring the number of customer complaints is not directly related to a financial outcome. There is no connection between operating margin and customer satisfaction. Finally, turning customer satisfaction ratings into employee ratings is not related to financial outcomes.

SOURCE: MP:021

SOURCE: The Chamber of Commerce of Metropolitan Montreal. (n.d.). *Measure performance and set targets*. Retrieved October 31, 2019, from <http://www.infoentrepreneurs.org/en/guides/measure-performance-and-set-targets/>

54. B

What software programs will help the business operate efficiently? The type of business influences the venture's technological needs. The technology (e.g., computer software) the business selects should help the business run efficiently. For example, a medical office needs different types of computer programs to maintain and store business information than a carpet-cleaning business. After the business owner determines the type of computer programs the venture needs, s/he can research vendors, costs, etc. Regardless of the type of business the owner is running, s/he will always need to maintain computer hardware to run the programs. The business doesn't legally structure the technology department differently from the rest of the business.

SOURCE: NF:012

SOURCE: Duggan, T. (n.d.). *How to identify business IT needs*. Retrieved October 11, 2019, from <http://smallbusiness.chron.com/identify-business-needs-351.html>

55. B

Unconsidered variables or dimensions. Simpson's Paradox occurs when a trend that appears in different groups of data disappears when the groups are combined. It helps reveal instances where data can be misinterpreted or variables can be overlooked because data have not been examined from multiple perspectives. Simpson's Paradox does not necessarily account for human error, inconsistencies in data generation, or incorrect assumptions about data.

SOURCE: NF:139

SOURCE: Reda, G. (2014, March 23). *Principles of good data analysis*. Retrieved October 11, 2019, from <http://www.gregreda.com/2014/03/23/principles-of-good-data-analysis/>

56. B

Demand for skilled nursing care rises as the population ages. The impact of demographics (the age of the population) on a specific industry (health care) shows that businesses have unique relationships with their environments. The aging of the population affects other industries, but perhaps not as directly as it does health care. An economy phasing through the business cycle and a shift in social/cultural attitudes are examples of how environmental factors are dynamic. New technology causing new laws to be enacted is an example of how environmental factors are interrelated.

SOURCE: NF:015

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



57. B

Does the vendor have the resources to consistently meet our business's needs? A business that wants to build a long-term relationship with a vendor must consider many factors. Most importantly, the business must determine if the vendor has the resources to meet the business's needs. Some resources include the product availability, technical-system compatibility, customer service support, etc. The vendor's project-management computer program is not usually a primary consideration during the vendor-selection process. The business's own target market is a marketing consideration for the business rather than for vendor selection. The business's strengths and weaknesses are identified in its SWOT analysis and do not directly relate to the vendor-selection process.

SOURCE: OP:161

SOURCE: Egeland, B. (2015, November 25). *A surefire six-step process for selecting the best vendor*. Retrieved October 11, 2019, from <http://www.businessknowhow.com/manage/choosevendor.htm>

58. C

Painting an office building. During the conversion process, inputs are used to create outputs or products. Labor-intensive conversion processes rely heavily on the skills or actions of workers. Painting an office building requires individuals to perform manual labor to complete their work. On the other hand, capital-intensive conversion processes rely more on equipment to create outputs. For example, an automatic car wash facility involves moving the car through a series of machines that soap, rinse, wax, and dry the car. Watching an informational video and drinking a glass of milk are examples of product consumption.

SOURCE: OP:017

SOURCE: LAP-OP-017—Can You Make It? (Nature of Production)

59. A

Change numbers in the equation. The equation for calculating breakeven is total cost of making and distributing a product divided by the selling price. When conducting a break-even analysis, a business often changes the numbers in the equation to determine the effect on revenue and profit. For example, a business might increase the selling price or decrease the costs. By changing numbers in the equation, a business can analyze the end results before making any adjustments. When conducting a break-even analysis, a business does not ask for employee feedback, review current accounting procedures, or develop an operating budget.

SOURCE: OP:192

SOURCE: Gallo, A. (2014, July 2). *A quick guide to breakeven analysis*. Retrieved October 11, 2019, from <https://hbr.org/2014/07/a-quick-guide-to-breakeven-analysis>

60. D

Sizeable down payment. Cash flow is the movement of money, or cash, into and out of a business. A business with limited cash flow might decide to lease rather than to buy a facility because the initial expense is less. Buying often involves a sizeable down payment on a mortgage that a business might not be able to afford. The business might not have a large sum of money to invest in property. Leasing usually requires a security deposit, but that is not a sizeable investment and is money that the business often gets back when it terminates the lease. A lease is a short-term commitment. Businesses pay for insurance regardless of whether they lease or purchase a facility.

SOURCE: OP:028

SOURCE: Business Development Bank of Canada. (n.d.). *Should I buy or lease my commercial space?* Retrieved October 11, 2019, from <https://www.bdc.ca/en/articles-tools/money-finance/buy-lease-commercial-real-estate/pages/buy-or-lease-my-commercial-space.aspx>

61. C  
Income and expenses. A budget is an estimation of income and expenses. Businesses use budgets as a tool to manage their money—the money they earn (income) and the money they spend (expenses). An accounting method (e.g., accrual) is the way in which a business records and tracks its finances. The budget may affect a business's discount policies and production functions, but these factors are not the primary reasons for a business to develop a budget.  
SOURCE: OP:030  
SOURCE: Codjia, M. (2019, January 25). *The importance of budgetary control in management accounting*. Retrieved October 11, 2019, from <https://bizfluent.com/facts-6750338-importance-budgetary-control-management-accounting.html>
62. B  
A customer returns a defective product. In the final stage of supply chain management, customers may return defective products. Finding reliable suppliers, planning to deliver goods to customers, and developing a supply chain strategy would all occur during earlier stages of supply chain management.  
SOURCE: OP:303  
SOURCE: Venus, D., Joseph, A., & Oppenheimer, L. (2019, October 22). *What is supply chain management?* Retrieved October 31, 2019, from <http://www.wisegeek.com/what-is-supply-chain-management.htm>
63. A  
Money. Supply chain management deals with material flow, information flow, and money flow. Information flows from the customer to the supplier. Material flow typically moves from the supplier to the customer. Money flows from the customer to the supplier.  
SOURCE: OP:303  
SOURCE: Oakden, R. (2015, June 25). *Speed the flow of money in your supply chains*. Retrieved October 9, 2019, from <https://www.learnaboutlogistics.com/speed-the-flow-of-money-in-your-supply-chains/>
64. B  
Polly reviews several companies' pay scales to determine if the pay range for the firm's marketing director is appropriate. Business analysis is the process of investigating and evaluating a business issue, problem, process, or approach. Businesses analyze a variety of areas that affect their operations, including activities that relate to the human resources management function. Because the human resources management function is responsible for finding and hiring skilled workers, it must determine the appropriate pay for those workers, which can be done by reviewing external data gathered from government and industry reports. Information can also be obtained by reviewing other companies' job postings and pay scales, if available. Calculating break-even points is a pricing activity. Gathering vendor quotes is a purchasing activity. Evaluating survey responses is a marketing research activity.  
SOURCE: OP:327  
SOURCE: Mayhew, R. (2019). *How to determine the proper pay scale for employees*. Retrieved October 31, 2019, from <https://smallbusiness.chron.com/determine-proper-pay-scale-employees-11259.html>
65. B  
Solve problems. An entrepreneur is a person who starts and assumes the risk for a business. Sometimes, entrepreneurs generate ideas for products that may solve a specific problem for a market. Entrepreneurs do not usually look for ways to increase their liability, rationalize their spending, or control outcomes when they are generating business ideas.  
SOURCE: EN:006  
SOURCE: DeMers, J. (2017, October 30). *Entrepreneurs solve problems differently than other professionals. Really! Here are the 6 ways*. Retrieved October 11, 2019, from <https://www.entrepreneur.com/article/303407>

66. C

Promotion. Promotion is the communication of information about goods, services, images, or ideas. One of the roles of promotion is to provide a link between consumers who need to buy and businesses with goods to sell. Production is the creation of goods and services from economic resources. Consolidation is the joining of two or more companies to form a new company. Automation is the use of robots or other automatic equipment to do certain tasks.

SOURCE: PR:001

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

67. C

Human factors. The process was created by considering how employees are affected when handling heat-treated parts. Technology may have helped create the process, but employees' ability to handle the parts more quickly was the reason for the process change. There is no indication that considering regulations or product design were considerations in the process change.

SOURCE: OP:475

SOURCE: Taylor, H. (2015). *Factors that affect process design*. Retrieved October 9, 2019, from [http://www.ehow.com/list\\_7444011\\_factors-affect-process-design.html](http://www.ehow.com/list_7444011_factors-affect-process-design.html)

68. A

Regulations. The company's new process allows it to comply with regulations. A company does not seek to schedule overtime if it is costly. There is no indication that the company is responding to the impact of employee disabilities or legal battles.

SOURCE: OP:476

SOURCE: Taylor, H. (2015). *Factors that affect process design*. Retrieved October 9, 2019, from <https://bizfluent.com/list-7444011-factors-affect-process-design.html>

69. A

Press release. A press release is written information provided to the media in order to obtain publicity. This is a great tool to gain publicity about grand openings and newsworthy events. A trade show is an event where businesses display and/or demonstrate their products to build sales leads and interest. A newsletter is a message that provides information of interest to particular groups, such as a current customer base. A financial report is a document containing information related to the overall income and expenses of a business.

SOURCE: PR:250

SOURCE: IPR.org.uk. (2012). *PR tools and techniques*. Retrieved October 10, 2019, from <http://www.ipr.org.uk/pr-tools-and-techniques.html>

70. D

Find a roommate to share the cost of rent. Many people are able to live on their own by sharing the cost of rent. Borrowing money will not help Seiko become independent because it's not likely she will be able to pay the money back in the near future. Using savings to pay for reoccurring monthly expenses is not wise because the savings will run out and the expense will continue. Since home ownership has many additional costs, it's not feasible for Seiko to buy a home.

SOURCE: PD:017

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

71. C

Mitigate risk and avoid problems. Corporate governance is intended to help a company mitigate risk and avoid problems. It's meant to increase accountability. A marketing department would be in charge of promoting the company. Lawyers would be in charge of defending a company in court.

SOURCE: PD:213

SOURCE: Sun, L. (2015). *Why is corporate governance important?* Retrieved October 9, 2019, from <http://www.businessdictionary.com/article/618/why-is-corporate-governance-important/>

72. C

Transparency. Transparency is maintaining open and truthful communications. It is a principle of good governance because stakeholders should be informed about the company's activities. One way that companies can be transparent is by hosting shareholder meetings and sharing information about financial performance. Accountability is accepting responsibility for decisions. Fairness is the ability to make judgments and act without favoritism or self-interest. Viability is creating long-term value for all relevant stakeholders. This example is not related to accountability, fairness, or viability.

SOURCE: PD:214

SOURCE: Pearse Trust. (2014, February 19). *The core principles of good corporate governance*. Retrieved October 9, 2019, from <https://www.pearse-trust.ie/blog/bid/108866/The-Core-Principles-Of-Good-Corporate-Governance>

73. D

Government regulations. External mechanisms are controls that come from outside of the organization. An example is government regulations that are imposed upon a company. Internal mechanisms come from within an organization. A board of directors' policies, a company's business objectives, and a company's code of conduct are all internal mechanisms of control.

SOURCE: PD:302

SOURCE: Davoren, J. (2019). *Three types of corporate governance mechanisms*. Retrieved October 23, 2019, from <http://smallbusiness.chron.com/three-types-corporate-governance-mechanisms-66711.html>

74. B

Credit, delivery, and installation. Services are costs for the business and should be considered when setting a product's price. Credit, delivery, and installation are types of services that businesses often provide their customers. Although advertising is a consideration when pricing products, it is a form of promotion rather than a service that businesses provide for their customers. Research is a product consideration when setting prices.

SOURCE: PI:001

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

75. D

Customers will spend their money elsewhere. Pricing is like a tug-of-war between buyers and sellers. Both are trying to get the most value from the good or service. The trick to pricing comes in balancing and satisfying both groups. Both buyers and sellers need to perceive that they are getting the best possible value they can. If this doesn't happen, customers may spend their money elsewhere, either on a similar product (if one is available) or on an entirely different product. A business may make less money if both buyers and sellers don't think that they are getting the best possible value. Customers are not likely to continue to buy the product, and the business is not likely to sell more of the product.

SOURCE: PI:001

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

76. C

Minimal pricing flexibility. In a commodity market, there are many competitors with non-unique products, which creates minimal pricing flexibility over pricing for any producer. An uncontrolled market would allow for maximum pricing flexibility. A controlled market would allow for moderate pricing flexibility. A commodity market would never have complete control over market pricing because there are too many competitors and the product is not unique.

SOURCE: PI:002

SOURCE: Riley, G. (2018). *Factors affecting price elasticity of demand*. Retrieved October 23, 2019, from <https://www.tutor2u.net/economics/reference/factors-affecting-price-elasticity-of-demand>

77. C

Conduct a feasibility study. The purpose of a feasibility study is to determine whether to move forward with an idea. By doing that first, Maria can save time and money that would have been spent on business plan development, marketing plan development, and product tests. The feasibility study plays an investigating role, guiding the business as to which options to pursue. Once an option has been selected, then business plans and marketing plans will be developed to guide the business's planning for the selected idea.

SOURCE: PM:129

SOURCE: Hamel, G. (2019). *Why is a feasibility study needed?* Retrieved October 9, 2019, from <https://yourbusiness.azcentral.com/feasibility-study-needed-15402.html>

78. A

Observing customers and completing customer tasks. Businesses that engage in experience immersion immerse themselves in the world of their customers. Business employees—even business executives—observe customers, pose as customers, and complete customer tasks to better understand what their customers go through and experience. After seeing his/her business through the eyes of its customers, a business executive can better identify the business's customer service strengths, as well determine components of the customer experience that need to be improved. Conducting customer focus groups, surveying customers, and evaluating completed transactions are also customer-experience evaluation techniques. However, they are not techniques used in experience immersion.

SOURCE: PM:138

SOURCE: Storz, B. (2017, June 26). *5 steps for success in consumer immersion*. Retrieved October 31, 2019, from <https://www.ideastogo.com/articles-on-innovation/5-steps-for-success-in-consumer-immersion>

79. B

Deep. Depth refers to the assortment of sizes, colors, flavors, and models offered in the product lines. A deep product mix offers significant variation of its products, while a shallow product mix offers few variations within the product line. Narrow and broad are terms that refer to a product mix's width.

SOURCE: PM:003

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

80. B

Accept change. Innovation is the process of creating new or more effective products, processes, services, technologies, or ideas. Creating something new requires change. When a business encourages its employees to learn about new processes, customer wants, market needs, and trends, innovation is more likely to occur. Exhibiting bias and suppressing ideas may have a negative effect on innovation. Following certain types of business procedures is important for creating a safe and fair work environment and does not necessarily affect innovative processes.

SOURCE: SM:094

SOURCE: Free Management Library. (n.d.). *Cultivating innovation and creativity in the workplace*. Retrieved October 23, 2019, from <http://managementhelp.org/innovation/>

81. A

Company-defined service standard. Businesses perform many services for their customers—from processing payments to solving customers' problems. To determine the level of excellence of a specific service that it offers, a business uses service standards. A service standard is a specification or statement that is used as a basis for comparing or judging a service. Internal service standards are standards the business develops for itself. External standards are those that are defined by external sources, such as the industry or the customer. Because the business in the situation expects its own employees to respond to telephone requests within a set time frame, it is a company-defined standard. The situation does not represent a customer-defined service goal, customer-defined technical expectation, or a company-defined technical audit. An audit is a review of a business activity, which is often conducted by independent consultants.

SOURCE: PM:273

SOURCE: Lotich, P. (2019, August). *Example of customer service standards*. Retrieved October 10, 2019, from <https://thethrivingsmallbusiness.com/customer-service-standards/>

82. B

Business process thinking. Business process thinking involves treating every project and activity within a company as a structured process. By thinking about the goals of his assignment, the resources available to him, and the activities the project will entail, Joe is implementing business process thinking. Joe may also practice personal accountability at work, but that is not the focus of this example. Joe did determine the objectives of his project in this example, but that is not the only thing he did. Inventory management is the management of a company's resources, such as raw materials, works in progress, and finished goods. Joe did not implement inventory management in this example.

SOURCE: OP:474

SOURCE: Pitagorsky, G. (n.d.). *The importance of process thinking*. Retrieved October 10, 2019, from <https://www.projecttimes.com/george-pitagorsky/the-importance-of-process-thinking.html>

83. B

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

SOURCE: PR:247

SOURCE: Myers, C. (2016, October 26). *Definition of grassroots marketing*. Retrieved October 10, 2019, from <http://smallbusiness.chron.com/definition-grassroots-marketing-23210.html>

84. B

A niche hotel sent a personalized email message that included a coupon to a customer. Direct marketing involves communicating messages directly to the customers or potential customers who are most likely to act upon the message content or offer. A form of direct marketing is direct email, which is a promotional medium that comes to customers' computers. Businesses often use their customers' sales history to determine what they are most likely to buy and customize promotional messages based on the customers' preferences. A television ad and a coupon booklet are forms of nonpersonal communication. Although catalogs are often sent as direct mail to customers, posting the catalog on a website is a form of nonpersonal communication.

SOURCE: PR:089

SOURCE: Pollick, M. & Mitchell, C. (2018, November 1). *What is direct marketing?* Retrieved October 10, 2019, from <https://www.wisegeek.com/what-is-direct-marketing.htm>

85. A

It is a relatively affordable form of marketing. Internet marketing is a popular direct marketing choice because it can be more affordable than other direct marketing methods. It is also more flexible, more targeted, and more responsive than other direct marketing choices. It does not necessarily eliminate the need for other types of marketing. Direct marketing via the Internet does not involve face-to-face contact with customers, which is one of the reasons why it is so affordable.

SOURCE: PR:089

SOURCE: Kalb, I. (2016, November 7). *Direct marketing: Perhaps the most effective way to do marketing on a budget*. Retrieved October 31, 2019, from [https://www.huffpost.com/entry/direct-marketing-perhaps\\_b\\_8502364](https://www.huffpost.com/entry/direct-marketing-perhaps_b_8502364)

86. B

Advergaming. This sales-promotion tactic involves placing products in video games to generate brand awareness or to reinforce brand loyalty. For example, a racing video game might allow the players to select a specific car brand or model (e.g., Ford or Chevrolet) to "drive" or race against other virtual cars. In another video game, the characters might use a specific type of athletic equipment or wear a certain brand of clothing. Promoting specific brands through video games is not an example of cooperative selling, bloggertainment, or bonus packaging.

SOURCE: PR:249

SOURCE: Barton, Z. (2017, September 21). *The evolution of advergaming: Top 3 examples of marketing in gaming*. Retrieved October 10, 2019, from <https://medium.com/@zbbarton0706/the-evolution-of-advergaming-top-3-examples-of-marketing-in-gaming-3e688aad6884>

87. C

Stop production. If there is a disruption in the supply chain, a business may not get the materials it needs on time. In that case, it will be unable to manufacture products and may need to stop production. Supply chain disruptions do not help a business make more money, create happy customers, or encourage employees.

SOURCE: OP:477

SOURCE: Ingram, D. (2019). *How does supply chain management affect manufacturing companies?* Retrieved October 9, 2019, from <http://smallbusiness.chron.com/supply-chain-management-affect-manufacturing-companies-75841.html>

88. B

Public relations activity for a charitable cause. The purpose of the public relations function is to establish goodwill between the business and its various publics. One way for a business to build goodwill with the community is by participating in charitable events. This might involve providing financial support, goods (e.g., energy bars), or volunteers for the event. A media blitz is an intense effort to communicate information through all possible channels. There is not enough information provided to determine if event organizers used media blitz to publicize the race. The snack-food company is not engaging in a selling activity or an advertising campaign. These activities are not part of the public relations business function.

SOURCE: PR:252

SOURCE: Management Study Guide. (2016). *Types of public relations tools*. Retrieved October 10, 2019, from <http://managementstudyguide.com/types-of-public-relation-activities.htm>

89. B

Lack of integration. One challenge that an organization might face when implementing quality management is a lack of integration throughout the entire company. Unless the entire organization participates in quality management, it will not be successful. Specific goals and plans are a good thing when it comes to quality management! A lack of money in the budget might be a challenge, but a budget surplus would also be good. Laws and regulations usually do not keep organizations from pursuing quality management.

SOURCE: QM:001

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

90. D

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

SOURCE: RM:044

SOURCE: Pike, R. (2018, October 31). *Building a bridge between risk management and business objectives*. Retrieved October 9, 2019 from <https://www.finance-monthly.com/2018/10/building-a-bridge-between-risk-management-and-business-objectives/>

91. B

Most risks are predictable and manageable. Enterprise risk management is important and helpful because most business risks are predictable and manageable. If a company can plan for risks, it can minimize its losses. Although some risks are surprises, most of them are not. Not managing risks can cause loss of shareholder value. ERM should reduce business costs in the long run by helping a business avoid or manage risks that could lose money.

SOURCE: RM:062

SOURCE: Kaplan, R., & Mikes, A. (2012, June). *Managing risks: a new framework*. Retrieved October 10, 2019, from <https://hbr.org/2012/06/managing-risks-a-new-framework>

92. B

A risk assessment. A risk assessment is a process used by businesses to identify potential hazards that could threaten the company's livelihood. Managerial accounting is the process of analyzing and interpreting financial data to help a company achieve its goals. A financial calculation is any calculation involving financial information. Eddie is not conducting managerial accounting or financial calculations in this example. Even though Eddie is an entrepreneur, he is specifically conducting a risk assessment in this example.

SOURCE: RM:094

SOURCE: Next Insurance. (2019). *Small business risk assessment and how to reduce business risks*. Retrieved October 31, 2019, from <https://www.next-insurance.com/blog/small-business-risk-assessment/>

93. C

Tennis lessons. Tennis lessons are an intangible product because they cannot be detected through the senses. They are a productive activity someone (a teacher) is paid to perform. A tennis racket, a tennis uniform, and a pair of sneakers are all tangible objects because they can be detected by the senses.

SOURCE: SE:017

SOURCE: LAP-SE-017—Sell Away (The Nature and Scope of Selling)

94. C

Provide the affected employees with career counseling and severance pay. Downsizing is very difficult for everyone in the company—the affected employees, the remaining employees, and the managers who must make the decisions about whom to let go. Providing the dismissed employees with severance pay and career counseling are ethical behaviors that intend to help them through a difficult transition time. If management does not discuss the situation with its employees, the remaining employees are more likely to become upset, lose respect for, and distrust management. This is likely to create a negative work environment. Advising remaining employees that they don't need to worry about the company's situation is not an ethical action because future financial losses could force the business to close. Holding a press conference is not an activity that directly affects the business's former and current employees.

SOURCE: SM:002

SOURCE: Ashe-Edmunds, S. (2016). *What ethical issues should a manager consider when downsizing?* Retrieved October 11, 2019, from <http://smallbusiness.chron.com/ethical-issues-should-manager-consider-downsizing-61674.html>

95. C

To obtain financing from a lender or investor. The main motivation for a startup company to write a business plan is to obtain financing to fund the business. Determining if the business meets a need or a want is done long before a formal business plan is developed. An established business may write a business plan to prepare for expansion or to determine a value for the business.

SOURCE: SM:007

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

96. A

Increase profitability. Broad objectives are long-term goals that a business hopes to achieve. Top management usually develops broad objectives that a business plans to accomplish over a period of time. Increasing profitability is an example of a broad objective because it doesn't specify a certain percentage of increase to achieve during a designated time period. Sponsoring charitable events, purchasing promotional advertising, and replacing damaged equipment are examples of specific objectives that might be developed by lower level management.

SOURCE: SM:008

SOURCE: Olsen, E. (2019). *Objectives and goal setting*. Retrieved October 23, 2019, from <http://onstrategyhq.com/resources/objectives-and-goal-setting/#Broad%20Objectives>



97. C

Reading magazines and newspapers. Relevant information can be gathered in numerous ways including talking to employees, customers, intermediaries, or consultants; watching television; listening to the radio; or reading magazines, newspapers, trade journals, and government publications. Appropriate television or radio programs would be helpful, but watching comedies and listening to music would not provide relevant information. Talking to friends is not an effective way to obtain relevant data that will be useful to the business.

SOURCE: SM:011

SOURCE: Delbridge, E. (2019, June 25). *The 8 best business magazines of 2019*. Retrieved October 23, 2019, from <https://www.thebalancesmb.com/best-business-magazines-4176680>

98. A

Business plan. A business plan is the written business model that describes how a business will operate and achieve its objectives. The business plan outlines the strategies that the business will use to achieve its goals. To determine if the business is achieving its goals, it must track its actual performance in relation to the goals detailed in the business plan. If the business determines that it is not achieving certain goals, it can take steps to improve its performance. A corporate charter is a legal document that permits a business to operate as a corporation. An annual report summarizes the business's financial status. Tax returns are documents sent to the appropriate government taxation agency.

SOURCE: SM:006

SOURCE: Entrepreneur. (2017). *An introduction to business plans*. Retrieved October 11, 2019, from <https://www.entrepreneur.com/article/38290>

99. B

Delivery, credit, ample parking. Large hardware/home improvement items such as lawn mowers would be suitable for delivery. Credit could be used to encourage larger purchases and repeat business. Ample parking is a necessity for all stores. None of the alternatives would be appropriate services for a hardware/home improvement store.

SOURCE: PM:036

SOURCE: Hughes, A. (2019, October 10). *How customer service builds loyalty and profits*. Retrieved October 10, 2019, from <https://www.dbmarketing.com/articles/Art183.htm>

100. A

Involving everyone in the organization. Change management impacts entire organizations. Therefore, everyone needs to be involved in the process. Focusing on processes over people, using as few resources as possible, and ensuring changes do not impact competitiveness are not keys to successful change management.

SOURCE: SM:095

SOURCE: Candito, N. (2017, August 15). *The 4 dos of change management*. Retrieved October 10, 2019, from <https://www.forbes.com/sites/groupthink/2017/08/15/the-4-dos-of-change-management/2/#3a53e2456768>