



SAMPLE EXAM

FINANCE CAREER CLUSTER

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

CORPORATE FINANCE

FINANCIAL ACCOUNTING

MANAGERIAL ACCOUNTING

These test questions were developed by the MBA Research Center. Items have been randomly selected from the MBA Research Center's Test-Item Bank and represent a variety of instructional areas. Performance indicators for these test questions are at the prerequisite, career-sustaining, and specialist levels. A descriptive test key, including question sources and answer rationale, has been provided.

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1. What principle states that laws, rather than individuals or governments, should govern society?
 - A. Legal jurisdiction
 - B. The rule of justice
 - C. Legal precedence
 - D. The rule of law

2. An important purpose of regulations in the finance industry is to
 - A. challenge the integrity of the financial system.
 - B. limit the amount of money individuals can earn.
 - C. prevent the banking system from failing.
 - D. ensure companies are held accountable for product safety.

3. One benefit of using technology in compliance is that technology is typically more _____ than maintaining manual compliance processes.
 - A. error-prone
 - B. costly
 - C. time-consuming
 - D. efficient

4. The importance of following legal procedure is to provide each party with
 - A. formal requests.
 - B. unique rights.
 - C. specific duties.
 - D. due process.

5. Which of the following is a characteristic of the illegal practice of affinity fraud:
 - A. Fails to offer testimonials during sales pitches
 - B. Primarily involves buying and selling commodities
 - C. Targets identifiable groups of people
 - D. Pays a minimal dividend to encourage additional investment

6. Which of the following examples would be considered illegal insider trading:
 - A. An employee who participates in an employee stock purchase plan buys stock in his company.
 - B. Ian buys stock in his wife's company after learning from her that the firm will post high earnings.
 - C. A government official owns stock in various public corporations.
 - D. Rita's financial advisor predicts that a certain stock will perform well.

7. When individuals purchase items such as high-performance sports cars, rare collectibles, and jewelry containing large, precious gemstones, they must often pay _____ taxes.
 - A. luxury
 - B. gift
 - C. estate
 - D. property

8. Shonda buys a house for \$135,000, and then sells it for \$150,000 five years later. The amount of money she makes on the sale is considered a _____ gain.
 - A. long-term excise
 - B. short-term capital
 - C. long-term capital
 - D. short-term excise

9. During a manager's meeting, Jon says, "In relation to Marilee's previous remark, our department has a similar problem. Perhaps we should form an internal committee to address these issues." In this situation, Jon is contributing to a group discussion by
 - A. building on someone else's comment.
 - B. helping the group summarize what's been said.
 - C. pointing out missing information.
 - D. establishing ground rules for the meeting.

10. Which of the following is a true statement about writing professional email messages:
 - A. Because email is an informal communication method, greetings are unnecessary.
 - B. It is appropriate to use all capital letters when the message is urgent.
 - C. The subject line should concisely describe the topic of the message.
 - D. It is acceptable to use texting acronyms because most businesspeople understand them.

11. Why is sharing responsibilities with your team members important?
- A. It increases the quality of work and allows everyone to use his/her skills.
 - B. It allows you to relax and not worry about the quality of your work.
 - C. It ensures you will never have to do any tasks that you do not like.
 - D. It prevents conflict from occurring among your team members.
12. During a staff meeting, Lindsay started to ask Tom a question while he was presenting his report. What did Lindsay do wrong?
- A. She expressed an opinion.
 - B. She interrupted the speaker.
 - C. She used distracting gestures.
 - D. She strayed from the topic at hand.
13. Which of the following is a true statement about customer trust:
- A. Customer trust can be broken quickly.
 - B. Customer trust can be built quickly.
 - C. Customers will trust a business unless they have a reason not to.
 - D. Customers usually give businesses second chances after breaking their trust.
14. Dependable financial planners help their clients understand
- A. the importance of focusing on short-term gains.
 - B. complex financial terms and concepts.
 - C. the difficulties of changing a financial plan.
 - D. why high-risk investments are appropriate for everyone.
15. Rather than studying individual customer data, First Bell Bank is interested in analyzing groups of customers. Members of a group should be similar and markedly different from other customer groups. Which of the following customer relationship management (CRM) applications should be used to prepare First Bell Bank's customer data for analysis:
- A. Estimation
 - B. Clustering
 - C. Regression
 - D. Prediction
16. A student purchased a computer to use at home for schoolwork. In economic terms, this computer would be classified as a(n) _____ good.
- A. ultimate
 - B. capital
 - C. consumer
 - D. industrial
17. Which of the following is a likely result of excess demand:
- A. A seller's market
 - B. A buyer's market
 - C. A customer's market
 - D. A market price
18. For a business to determine what resources it needs to effectively adapt to market changes, the business needs to assess its
- A. salary and benefits plan.
 - B. change leaders.
 - C. strengths and weaknesses.
 - D. motivation levels.
19. Which of the following is a true statement regarding excise taxes:
- A. They are a tax on employment.
 - B. They are based on a business's income.
 - C. They apply to all retail sales.
 - D. They are built into the overall price of a product.
20. Which of the following is a likely result of a strong or highly valued currency:
- A. Increased imports
 - B. Increased exports
 - C. Decreased demand for bonds
 - D. Decreased interest rates
21. The use of technology such as video conferencing, webcasts, and email allows a business to
- A. develop diverse teams.
 - B. improve the richness of conversation.
 - C. reduce privacy concerns.
 - D. avoid all face-to-face interactions.

22. When Lauren is at work, she believes that it is important to focus on doing her job to the best of her ability and not waste the company's time or money. Therefore, she always makes personal phone calls, sends text messages, and socializes with her coworkers during her lunch break. Lauren is demonstrating
- A. humility.
 - B. empathy.
 - C. flexibility.
 - D. integrity.
23. In a work environment, collaboration occurs most often with people who
- A. prefer independent projects.
 - B. are members of the same department.
 - C. are members of different departments.
 - D. have entirely differently backgrounds.
24. Which of the following is an example of a conflict that causes personal motivation or drive:
- A. High school students compete to sell the most candy in a school fundraiser.
 - B. Kevin has a class and a meeting scheduled for Tuesday afternoon.
 - C. Two coworkers need to use the copy machine at the same time.
 - D. Jane and Amy both want to be in charge of their presentation.
25. Every Friday, Odessa is supposed to remind employees to complete and sign their time sheets before going home for the weekend. What is the most appropriate channel for Odessa's reminder to employees?
- A. Phone
 - B. Fax
 - C. Email
 - D. Letter
26. Why might group members prefer to use an informal method of consensus building?
- A. The subject matter is controversial.
 - B. It allows for face-to-face interaction.
 - C. Group members wish to avoid arguing.
 - D. There is more paperwork involved.
27. Stef spends hours each day searching through numerous database records to find the needed product information. Stef tells her manager, Daniella, that if the products were grouped by type in the database they could be found more quickly. Daniella indicates the task would require a lot of working knowledge of the operating system and that the IT department is too busy to make the needed changes. Since Stef knows the benefits will outweigh the work involved, what should Stef do to get her company to make the change?
- A. Calculate how many product data are in the database
 - B. Tell coworkers that Daniella is not accepting of new ideas
 - C. Explain how the change will benefit the company
 - D. Begin making all the needed data changes on her own
28. Mike is thinking about expanding his manufacturing business internationally. Which of the following is a risk he might encounter:
- A. Encountering new markets
 - B. Dealing with cultural and language barriers
 - C. Dealing with fewer government regulations
 - D. Saving money on taxes
29. What function of money enables a person to save his/her wealth until it is needed?
- A. Store of value
 - B. Medium of exchange
 - C. Unit of measure
 - D. Incentive
30. Asher just earned \$100 for dog sitting. How can he take advantage of the time value of money?
- A. Spend the money later to avoid inflation.
 - B. Invest the money so he will earn interest.
 - C. Store the money in his sock drawer for later use.
 - D. Spend part of the money now and save part for later.

31. When validating your credit report, it is important to
- A. send your findings to your employer and/or school administrator.
 - B. ignore any mistakes because they will be removed automatically.
 - C. compare your report with your own financial documents.
 - D. destroy financial documents that contradict your credit report.
32. The primary purpose of financial institutions is to help clients manage their money, and the primary purpose of insurance companies is to provide insurance products that help clients _____ their _____.
- A. reduce, assets
 - B. increase, profitability
 - C. strengthen, investments
 - D. minimize, risk
33. Frankfort and Sons, an American firm, is preparing to issue bonds overseas. Even though the bonds will be sold outside the U.S., they will be denominated in American dollars. These bonds are called
- A. Interbonds.
 - B. Yankee bonds.
 - C. Eurobonds.
 - D. savings bonds.
34. Which of the following financial markets is seen as relatively risk-free due to the highly liquid nature of its securities:
- A. Money market
 - B. Stock market
 - C. Bond market
 - D. Commodities market
35. One advantage of consolidation to financial firms is
- A. less liquid capital.
 - B. one-stop shopping.
 - C. fewer technology problems.
 - D. lower costs.
36. Which of the following is an example of arbitrage:
- A. A business sells corporate bonds to obtain funds to finance major expansion efforts.
 - B. An individual earns interest on his/her money by agreeing to leave it in a financial institution for a certain time frame.
 - C. A business places a percentage of its income into a retirement account for employees.
 - D. An individual buys 10 shares of stock for \$150 per share on one market, and immediately sells each share for \$200 on another market.
37. Financial globalization tends to cause an increase in
- A. taxes on international transactions.
 - B. investors' exposure to business cycle risks.
 - C. herd behavior among investors.
 - D. limits on foreigners' access to domestic markets.
38. James wants to borrow \$2,500 to buy a car. Which of the following financial institutions is most likely to lend James the money:
- A. Retail bank
 - B. Investment bank
 - C. Mortgage company
 - D. Financial holding company
39. How can a company limit the chance that it will face lawsuits for negligence?
- A. Limit its interaction with customers
 - B. Implement risk management strategies
 - C. Hire lawyers to find loopholes in regulations
 - D. Purchase captive insurance
40. Which of the following sources is most likely to provide nonbiased, factual information to help investors evaluate the financial health of a company with publicly traded stock:
- A. Governmental tax agencies
 - B. Public stock exchanges
 - C. Performance reviews posted online by other investors
 - D. Financial statements on the company's website

41. An investment planner can assess a stock's volatility by comparing the highest paid price in the past 52 weeks with the
- A. estimated dividends.
 - B. rate of return.
 - C. price-earnings ratio.
 - D. lowest paid price in 52 weeks.
42. What do investors often consult to monitor the success of their investment portfolios?
- A. Foreign news reports
 - B. Financial almanacs
 - C. Securities tables
 - D. Investment guides
43. In business, the most important application of financial information is
- A. managerial decision-making.
 - B. getting to know the target market.
 - C. determining salaries.
 - D. trend identification.
44. A business may use accounting to keep track of
- A. competitor information.
 - B. marketing campaigns.
 - C. customer information.
 - D. amounts owed to it.
45. When preparing a statement of equity, what does a business deduct from its total net income to obtain its retained earnings?
- A. Bad debt
 - B. Depreciation of assets
 - C. Sales tax payable
 - D. Dividends paid
46. Isaac needs to trim the budget. Which of the following costs should he consider cutting:
- A. Variable cost
 - B. Fixed cost
 - C. Sunk cost
 - D. Differential cost
47. How can the owner of the Rainy Day Café figure out how much money she will make by adding a new salad to the menu?
- A. Discover sunk costs
 - B. Perform marginal analysis
 - C. Eliminate indirect costs
 - D. Determine labor costs
48. Business decision makers can best analyze the financial impact of increased production by evaluating _____ cost.
- A. sunk
 - B. marginal
 - C. fixed
 - D. average
49. Which of the following is a question that managerial accounting can help answer:
- A. Is a certain product generating enough revenue?
 - B. Is stock in a certain company worth purchasing?
 - C. Are employees working well together?
 - D. How liquid are a company's assets?
50. Why do some companies decide against using variance analysis?
- A. Horizontal analysis requires much less time.
 - B. Variance analysis is not based on real, tangible data.
 - C. Real causes cannot be correctly identified.
 - D. Variance analysis involves too much of a time delay.
51. What is an advantage of setting ideal standards?
- A. Recognize that errors can occur in production
 - B. Provide a lofty goal for employees to strive for
 - C. Reduce the frustration associated with easily attainable goals
 - D. Allocate time for rework when errors occur

52. Managerial accounting differs from financial accounting because managerial accounting
- A. helps people within a business rather than outside of the organization.
 - B. does not focus on planning and budgeting.
 - C. is governed by federal regulation.
 - D. has less impact on decision-making.
53. What is a possible reason for not allocating costs?
- A. A cost is not controlled by any department.
 - B. A cost is fixed rather than variable.
 - C. The budget has already been exceeded.
 - D. Costs are not high enough to be allocated.
54. When a business has been running successfully for several years, what would be a probable next financial step?
- A. Acquiring startup funds
 - B. Purchasing a second location
 - C. Deciding on financial goals
 - D. Determining product prices
55. What is the base amount used for vertical analysis of items on the income statement?
- A. Total liabilities and equity
 - B. Total income
 - C. Net sales
 - D. Total assets
56. Which of the following explains why monthly financial statements do not accurately show how much a company is worth:
- A. They don't show what a company spends and earns on a monthly basis.
 - B. The data based on projected sales forecasts are not reliable.
 - C. They do not reflect how much a company owes on unpaid liabilities.
 - D. Earned income is not balanced by data on paid expenses.
57. Today, you invest \$5,000 in an account that earns 6% compound interest and \$15,000 in an account that earns 9% interest. How much money will you have in five years?
- A. \$40,228
 - B. \$27,766
 - C. \$36,292
 - D. \$29,770
58. How much will an investment of \$10,212 be worth if it is invested for 10 years in an investment product earning 8% simple interest each year?
- A. \$18,381.60
 - B. \$8,381.60
 - C. \$17,564.64
 - D. \$12,434.32
59. A well-designed financial-information management system should provide a business with
- A. a complete audit trail of financial transactions.
 - B. ongoing support from external financial institutions.
 - C. insight about changes in the marketplace.
 - D. a variety of unrelated data.
60. By installing firewalls on its computer networks, a business can protect its online customers' credit card information from
- A. tax evasion.
 - B. identity theft.
 - C. investment scams.
 - D. trade barriers.
61. Which of the following statements regarding the security of most financial institutions' data is true:
- A. More data attacks come from inside the organizations than outside them.
 - B. Firewalls completely eliminate all external threats to the data.
 - C. Data in transit are more at risk than data at rest or data in process.
 - D. Investments in financial-information security have decreased in recent years.
62. When using a computer spreadsheet to track your small-business's budget, which of the following should you categorize as investment income:
- A. Interest on debt
 - B. Cash sales
 - C. Credit sales
 - D. Dividends

63. Joanna works as an accountant for a construction company. She is drafting a budget to determine whether the company has enough money to start construction on a new high-rise building. As part of her research for the budget, Joanna examines the company's accounts payable and receivable. Joanna is drafting a(n) _____ budget.
- A. cash flow
 - B. operating
 - C. master
 - D. static
64. What computer application should a business use when it wants to determine the amount of money that flows out of each of its departments?
- A. Revenue analysis
 - B. Accounts-receivable analysis
 - C. Expense analysis
 - D. Billing analysis
65. Ronnie's Bagels is a brand new business, and its executives want to know how it is performing financially. However, the financial manager was unable to use typical financial analysis techniques, most likely due to
- A. too much complex data.
 - B. ignorance of market trends.
 - C. use of outdated software.
 - D. lack of available data.
66. The primary goal of a lean-focused organization is to
- A. maximize customer value while minimizing waste.
 - B. replace all underperforming employees with new staff.
 - C. eliminate all human-resource expenditures.
 - D. maximize profit while minimizing company debt.
67. As Tom is reviewing a customer's credit report to determine if the company should offer the customer a line of credit, he should use the company's _____ to guide his decision.
- A. purchasing policies
 - B. credit standards
 - C. accounting method
 - D. payment history
68. Makayla wants to know whether or not her customer can pay short-term debts. What type of financial ratio analysis should Makayla use?
- A. Working capital
 - B. Debit/Equity
 - C. Asset turnover
 - D. Profit margin
69. Stu, who runs the human resources department, requires all new employees to select five webinars to attend in their first year. This is an example of using technology for
- A. recruiting.
 - B. training.
 - C. performance management.
 - D. data storage.
70. A local business raises money to help people in the community who were affected by a tornado. This is an example of which of the following positive actions that businesses should take:
- A. Protecting the business's reputation
 - B. Providing proper training for employees
 - C. Providing excellent customer service
 - D. Demonstrating corporate responsibility
71. To create a website that people will want to visit, it is important that you use
- A. intuitive navigation so your viewers can browse easily.
 - B. lots of sounds and images to make the site more fun.
 - C. a Flash intro that will grab viewers' attention.
 - D. several different fonts to keep visual interest.
72. What application enables a business to identify when a record was added to a database?
- A. Data replication
 - B. Validation rules
 - C. Date/Time stamp
 - D. Sort

73. Companies often collect information from the Internet that they can use to identify customer behavior, track sales patterns, and improve customer service. While this practice is helpful for companies, some people are concerned that their information is being used for organizational gain without their knowledge. This is an example of an ethical issue related to
- A. web data mining.
 - B. computer firewalls.
 - C. search engine optimization.
 - D. net neutrality.
74. Statistical findings reveal that the Benson Company earned a 35% net profit on the funds it spent on a project. The statistics provided the Benson Company with information about the business's
- A. return on investment.
 - B. retention rate.
 - C. sales strategies.
 - D. sales commission rate.
75. Which of the following is true of maintaining an inventory of supplies:
- A. All employees should order supplies when they need them.
 - B. Using proper, approved inventory processes helps ensure that you won't run out of supplies.
 - C. Supplies only need to be ordered once per year.
 - D. Conducting an inventory of supplies increases the chance of theft.
76. Which of the following is a widely used set of quality-management standards:
- A. ISO 1000
 - B. ISO 9000
 - C. ISO 31000
 - D. ISO 8000
77. Which of the following is considered a variable expense:
- A. Loan payments
 - B. Rent
 - C. Sales commissions
 - D. Insurance
78. Which of the following is a way to protect confidential information:
- A. Documents should never be marked "confidential" to avoid drawing attention to them.
 - B. Employees should discuss confidential information in public places.
 - C. Confidential information should never be printed out.
 - D. Confidential documents should be kept in locked cabinets or rooms.
79. Christian is excited to be a part of a new committee at work because he knows he can balance his tasks to achieve his goals. This is an example of how
- A. it is important to make the most of down time.
 - B. time management minimizes procrastination.
 - C. time management improves self-confidence.
 - D. certain tasks are more important than others.
80. Individuals who study their own personal needs, values, motives, and behaviors are trying to achieve
- A. concomitant satisfaction.
 - B. empathy.
 - C. passive behavior.
 - D. self-understanding.
81. Jenn has bookkeeping responsibilities at her new job. In what department does she likely work?
- A. Accounting
 - B. Marketing research
 - C. Operations management
 - D. Securities and investments
82. Lucy is starting a jewelry-making business. She knows that she needs to invest a lot of her money and time into getting her business up and running and is willing to do so without knowing exactly how things will turn out. What characteristic of entrepreneurship is Lucy exhibiting?
- A. Innovation
 - B. Risk-taking
 - C. Enthusiasm
 - D. Problem solving
83. The primary responsibility of a real-estate appraiser is
- A. selling residential property.
 - B. processing commercial mortgages.
 - C. determining the value of a specific property.
 - D. granting approval for loans.

84. Which of the following is a benefit of corporate governance:
- A. It decreases investor confidence.
 - B. It encourages transparency.
 - C. It creates a less definable brand.
 - D. It maximizes corruption.
85. To better achieve governance objectives, Shamrock Corporation wants employees to be present at board meetings and have a say in issues that the board of directors face. Which tactic should Shamrock Corporation use?
- A. Codetermination
 - B. Profit-sharing
 - C. Equity-sharing
 - D. Unions
86. Which of the following is a positive characteristic for the members of a corporation's board of directors to possess:
- A. Single-minded attitude
 - B. Conformity
 - C. Indecisiveness
 - D. Independent thinking
87. Which of the following is considered the owner of a corporation:
- A. Stockholders
 - B. Managers
 - C. The president
 - D. Lower level employees
88. Good governance is most likely to make a company's investment decisions
- A. subject to individuals' influence.
 - B. more ethical.
 - C. less regulated.
 - D. more vulnerable to outside risk.
89. To build professional relationships, a finance professional might talk with friends, family, and business associates to discuss ways in which s/he can advance in his/her career. This is an activity called
- A. coordinating.
 - B. socializing.
 - C. selling.
 - D. networking.
90. Elena is a recent college graduate who works for an investment brokerage. She often seeks advice and guidance from Dana, a more veteran employee of the company. In addition, Dana introduced Elena to other members of their firm and their professional organization who might be of assistance to Elena in the future. Dana is serving as Elena's
- A. manager.
 - B. supervisor.
 - C. mentor.
 - D. assistant.
91. What is the difference between a policy and a protocol?
- A. A protocol is just another word for a policy.
 - B. A policy consists of many different protocols.
 - C. A protocol consists of many different policies.
 - D. A policy is a step-by-step process or procedure.
92. Which of the following risks might result from ethical misconduct:
- A. Increased positive publicity
 - B. Decreased whistle-blowing
 - C. Increased employee support of the company
 - D. Decreased company value
93. Which of the following is the best example of misusing company resources:
- A. Juan takes notepads from the supply closet.
 - B. Yazmin often leaves her shift early without clocking out.
 - C. Nate flies first class when he travels for work.
 - D. Ashley pays for a business lunch with a company credit card.

94. Siobhan is utilizing risk-management technology to quantify the potential losses that her company would incur if a tornado destroyed its largest manufacturing plant. What technique is Siobhan using to forecast the likely losses?
- A. Cost-benefit analysis
 - B. Risk modeling
 - C. Risk transference
 - D. Fundamental analysis
95. Which of the following is a business risk associated with a failure to follow laws:
- A. Increased inventory
 - B. Government fines
 - C. Decreased quotas
 - D. Goal achievement
96. What is an example of an internal stock information resource?
- A. Brokerage firm research
 - B. The Value Line Investment Survey®
 - C. A company's annual report
 - D. A financial website portal
97. Why are financial institutions using tokenization?
- A. To provide incentives for increased investing
 - B. To create credit cards
 - C. To protect online transactions
 - D. To overcome government-regulated quotas
98. The first step in an organizational risk assessment is
- A. evaluating the risks and making a plan.
 - B. recording and implementing your findings.
 - C. pinpointing who might be harmed.
 - D. identifying the potential hazards.
99. Tyrese and his team are creating a list of their company's critical enterprise-wide risks. They are compiling
- A. a risk assessment.
 - B. a risk inventory.
 - C. enterprise risk management.
 - D. a risk control.
100. Which of the following is an example of the management function of organizing:
- A. Kyle is deciding what work the company's employees should do.
 - B. Calvin hires one of two candidates for his marketing assistant.
 - C. Courtney is monitoring the way Jason is performing a task.
 - D. Jena is setting up the way her department's work will be done.



KEY

Test Number 1223

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Corporate Finance Event

Financial Accounting Event

Managerial Accounting Event

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1. D
The rule of law. The legal and philosophical principle of the rule of law explains that laws, rather than individuals or governments, should govern society. The law exists to serve, represent the interests of, and protect the rights of all people, rather than just those in power. It is meant to apply equally to everyone and to maintain order in society. The rule of justice, legal precedence, and legal jurisdiction are not related to this concept.
SOURCE: BL:163
SOURCE: LAP-BL-163—Laying Down the Law (Complying With the Spirit and Intent of Laws and Regulations)
2. C
Prevent the banking system from failing. Regulations require safeguards that help ensure that the banking system does not collapse. Regulations aim to prevent and offset the negative effects of bank failures. Regulations in the financial industry do not aim to limit the amount of money that individuals can earn. Financial regulations help reinforce the integrity of the financial system rather than challenging it. Financial regulations do not necessarily relate to product safety.
SOURCE: BL:148
SOURCE: MetricStream. (2017). *Integrated risk and compliance management for banks and financial services organizations: Benefits of a holistic approach*. Retrieved October 4, 2019, from http://www.metricstream.com/whitepapers/html/financial_services.htm
3. D
Efficient. Technology can make compliance processes more efficient and effective. Manual compliance processes can be more costly, more time-consuming, and more error-prone.
SOURCE: BL:149
SOURCE: PricewaterhouseCoopers. (2011). *Integrating technology into your compliance program to improve effectiveness and efficiency*. Retrieved October 4, 2019, from http://www.financial-tracking.com/docs/pwc_integrating-technology-into-your-compliance-program.pdf
4. D
Due process. Due process is the concept that a jurisdiction's government must respect all of the legal rights that are owed to individuals and businesses according to the law of the land. Legal procedure refers to the methods that are used to protect an individual's or business's legal rights. Generally, these rights in a democratic society include the right to obtain legal counsel, the right to be heard in court, the right to confront the accuser, etc. The importance of following legal procedure is not to provide each party with unique rights, specific duties, or formal requests.
SOURCE: BL:070
SOURCE: Business Dictionary. (2019). *Due process*. Retrieved October 4, 2019, from <http://www.businessdictionary.com/definition/due-process.html>
5. C
Targets identifiable groups of people. Affinity fraud often takes the form of a Ponzi or pyramid scheme and involves targeting members who belong to the same group such as a church, senior citizen's social club, or civic organization. Because the scammer claims an association with the group and often lures group leaders or respected group members into investing in the scheme, other group members may believe that they can trust the scammer, which prompts them to hand over their money for "investment." The leaders or respected group members who fall prey to the scheme may provide testimonials to encourage investment. Group members who invest later in the scam often do not see any return on their investment. Affinity fraud does not primarily involve buying and selling commodities.
SOURCE: BL:133
SOURCE: North American Securities Administrators Association. (2019). *Affinity fraud: Beware of swindlers who claim loyalty to your group*. Retrieved October 15, 2019, from <http://www.nasaa.org/7157/affinity-fraud-beware-of-swindlers-who-claim-loyalty-to-your-group/>

6. B

Ian buys stock in his wife's company after learning from her that the firm will post high earnings. Illegal insider trading occurs when a person buys or sells a security after learning nonpublic information about the stock. For example, if Ian buys stock after finding out from his wife that her company is going to post high earnings, he is illegally using nonpublic, confidential information for personal gain. Employees who participate in an employee stock purchase plan (ESPP) are allowed to buy stock in their own company, often at a discount. This is legal insider trading. A government official who owns stock in various public corporations is not necessarily participating in illegal insider trading. Predicting that a certain stock will perform well is not an example of illegal insider trading.

SOURCE: BL:133

SOURCE: Hall, M. (2019, July 31). *What is insider trading and is it illegal?* Retrieved October 30, 2019, from <https://www.investopedia.com/ask/answers/what-exactly-is-insider-trading/>

7. A

Luxury. Governments increase their revenues by charging taxes on nonessential, often very expensive goods and services, such as high-end automobiles, rare collectibles, and jewelry. This type of tax is called a luxury tax. An individual who receives a certain amount of money as a gift may be required to pay a gift tax. Property taxes are paid on buildings (e.g., homes) and land. A person who inherits some or all of a deceased person's assets pays an estate tax, which is based on the net value of the assets or estate.

SOURCE: BL:134

SOURCE: Investopedia. (2018, May 10). *Luxury tax*. Retrieved October 10, 2019, from http://www.investopedia.com/terms/l/luxury_tax.asp

8. C

Long-term capital. A capital gain is money you make when you sell something (such as real estate) for more than you bought it for. A long-term capital gain occurs when you sell a capital asset after owning it for more than a year. This is not an example of an excise tax.

SOURCE: BL:134

SOURCE: Intuit TurboTax. (2018). *5 things you should know about capital gains tax*. Retrieved October 4, 2019, from <https://turbotax.intuit.com/tax-tools/tax-tips/Investments-and-Taxes/5-Things-You-Should-Know-About-Capital-Gains-Tax/INF26154.html>

9. A

Building on someone else's comment. Jon is building on Marilee's comment by stating that his department has a similar problem. He adds to Marilee's statement by suggesting that the company form an internal committee to look into the problems. Jon is not summarizing what has been said, nor is he pointing out missing information. Ground rules are established before the meeting gets underway.

SOURCE: CO:053

SOURCE: UNSW Sydney. (2014, August 19). *Guide to discussion skills*. Retrieved October 4, 2019, from <https://student.unsw.edu.au/discussion-skills>

10. C

The subject line should concisely describe the topic of the message. Because businesspeople typically receive many email messages every day, it is important to make sure that the message's subject line contains concise information about the message's content. The subject line is the first thing that message recipients see to determine if the message is important enough to read. To convey a sense of professionalism, it is essential to use correct spelling, grammar, and punctuation when writing any type of business correspondence; therefore, message senders should avoid using texting "language" or acronyms (e.g., writing "IMHO" instead of "in my humble opinion.") in email messages. It is polite to open an email message with a greeting. Message senders should avoid using all capital letters in an email message because doing so suggests anger or hostility.

SOURCE: CO:090

SOURCE: Business Email Etiquette. (2005-2019). *Business email etiquette basics*. Retrieved October 4, 2019, from <https://www.businessemail etiquette.com/business-e-mail-etiquette-basics/>

11. A

It increases the quality of work and allows everyone to use his/her skills. As part of a team, you help accomplish the team's goals by supporting each other and sharing. Team members share information, work, and responsibility, as well as the credit for a job well done. Sharing responsibilities does not allow you to relax and not worry about the quality of your work. Even though responsibilities are shared, you still need to pay attention to your own work. Although sharing responsibilities may allow some team members to work on tasks that they like, you cannot be sure that it will prevent you from ever working on something that you don't like. Finally, sharing responsibilities does not necessarily prevent conflict from occurring.

SOURCE: EI:045

SOURCE: LAP-EI-045—Team Up (Participating as a Team Member)

12. B

She interrupted the speaker. Because it is rude to interrupt another person while s/he is speaking, Lindsay should have waited until Tom was finished speaking before asking a question. In many meetings, the leader or speaker will ask the participants if they have questions, so it would be appropriate to ask for clarification at that time. There is not enough information provided to determine if Lindsay expressed an opinion, asked a question irrelevant to the topic at hand, or used distracting gestures.

SOURCE: CO:063

SOURCE: Lehman, C.M., & Dunfrene, D.D. (2020). *BCOM10 Business communication* (10th ed.) [p. 34]. Mason, OH: South-Western Cengage Learning.

13. A

Customer trust can be broken quickly. It takes a while to build customer trust—it's something that must be earned. Customers don't just trust a business automatically, and their trust can be broken quickly. Most customers are not likely to give a second chance to a business that has broken their trust.

SOURCE: CR:017

SOURCE: LAP-CR-017—Trust Is a Must (Ethics in Customer Relationship Management)

14. B

Complex financial terms and concepts. Dependable financial planners are able to explain investment products and options in terms that their clients will understand. They also help their clients understand the importance of investing as a means of achieving long-term financial goals. Good financial planners help their clients make appropriate changes to their portfolios as their financial goals and plans evolve and explain why high-risk investments may not be appropriate options to achieve these financial goals.

SOURCE: CR:012

SOURCE: BlueShore Financial. (2002-2019). *Ten traits of successful financial advisors*. Retrieved October 4, 2019, from <https://www.blueshorefinancial.com/ToolsAdvice/Articles/FinancialPlanning/TenTraitsOfSuccessfulFinancialAdvisors/>

15. B

Clustering. Clustering involves dividing customers in a database into groups based on their similarities and differences. Estimation is used to determine a value for an unknown variable such as a sales forecast. Regression involves using existing values to forecast what continual values will be. Prediction uses historical data to build a model to forecast future customer behavior.

SOURCE: CR:024

SOURCE: Evgeniou, T. (2019). *Cluster analysis and segmentation*. Retrieved October 4, 2019, from <https://inseaddataanalytics.github.io/INSEADAnalytics/CourseSessions/Sessions45/ClusterAnalysisReading.html>

16. C

Consumer. Consumer goods are those that are purchased and used by consumers. Manufactured or constructed items that are used to produce goods and services are known as capital goods. Industrial goods and services are purchased by producers for resale, to make other goods and services, and/or to use in business operations. Ultimate is not a type of good.

SOURCE: EC:002

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

17. A
A seller's market. Excess demand, also known as a shortage, can result in a seller's market. A seller's market is the best time for producers to sell because there is high demand, low supply, and rising prices. A buyer's market is more likely to occur when there is excess supply. The market price is the actual price that prevails in a market at any particular time—the price that you actually pay for a good or service. A customer's market is not a commonly used term.
SOURCE: EC:006
SOURCE: LAP-EC-012—When More Is Less (Functions of Price)
18. C
Strengths and weaknesses. To survive and thrive in the marketplace, a business must be able to adapt to market changes, which include new needs and wants. To meet a market's changing needs and wants, a business must have the resources (human, equipment, supplies, financial) to satisfy them, which requires the business to assess its strengths and weaknesses. This is accomplished by conducting a SWOT (strengths, weaknesses, opportunities, threats) analysis. Once it knows its strengths and weaknesses, the business can take action to maximize its strengths and improve its weaknesses. Change leaders are employees who influence change within the organization. A salary and benefits plan is the way an employee is paid for work s/he does for the company. Motivation levels are the degree of enthusiasm employees exhibit for the work they do. Motivation levels may be a strength or weakness for the company.
SOURCE: EC:107
SOURCE: LAP-EC-107—Keep the Change (Adapting to Markets)
19. D
They are built into the overall price of a product. Excise taxes apply to specific goods, such as gasoline and alcohol, and they are built into the product's overall price. They are not a tax on employment. They do not apply to all retail sales. And, they are not based on a business's income.
SOURCE: EC:072
SOURCE: LAP-EC-072—Pay Your Share (Business Taxes)
20. A
Increased imports. A strong or highly valued currency increases imports from countries with lower valued currency because the foreign goods are less expensive to buy. At the same time, it discourages exports since foreign customers would have to pay more for the goods. Rather than reducing interest rates and the demand for bonds, a highly valued currency is likely to result in an increased demand for bonds and higher interest rates.
SOURCE: EC:016
SOURCE: LAP-EC-004—Beyond US (Global Trade)
21. A
Develop diverse teams. Electronic communication tools have increased businesses' ability to work with a wide range of people from across the globe. Diverse groups of people can come together to provide broader perspectives. Technology does not necessarily improve the richness of conversation because face-to-face conversation is still the richest form of communication. Technology also increases privacy concerns, rather than reducing them, as people use electronic means to share information. Finally, the use of technology does not mean that businesses can avoid all face-to-face interactions because they are still important to building business relationships.
SOURCE: EC:111
SOURCE: Kokemuller, N. (2019). *The importance of electronic communication in workplace collaboration*. Retrieved October 4, 2019, from <http://work.chron.com/importance-electronic-communication-workplace-collaboration-4081.html>

22. D

Integrity. Integrity is adhering to an established set of personal ethics and sound moral principles. People with integrity know right from wrong, and they try to do what is right. Because Lauren consistently takes care of personal business and socializes on her own time rather than on company time, she is demonstrating integrity. Empathy is the ability to put yourself in another person's place. Flexibility is the ability to adapt to changes as they occur. Humility is a lack of pride.

SOURCE: EI:022

SOURCE: LAP-EI-138—Sincerely Yours (Demonstrating Honesty and Integrity)

23. B

Are members of the same department. Collaboration frequently occurs among members of the same department because they are more likely to possess the skills needed to achieve a shared goal. Members from different departments or with different backgrounds collaborate also, but not as frequently. People who prefer independent projects are less likely to collaborate.

SOURCE: EI:130

SOURCE: LAP-EI-130—Genius Is a Team Sport (Collaborating With Others)

24. A

High school students compete to sell the most candy in a school fundraiser. When students compete to sell the most candy, their conflict motivates them to be better salespeople and make more money for the school. If Kevin has a class and a meeting scheduled for Tuesday afternoon, his conflict is due to competing or opposing situations. When two coworkers need to use the copy machine at the same time, their conflict is due to limited resources. If Jane and Amy both want to be in charge of their presentation, their conflict is because of authority.

SOURCE: EI:015

SOURCE: LAP-EI-007—Stop the Madness (Conflict Resolution in Business)

25. C

Email. The most appropriate communication channel for routine workplace messages such as Odessa's reminder to employees is email. Since her message is likely to be the same each week, she can write the reminder once and then set up her email program to automatically send the message to each employee at the end of each week. Phoning each employee to remind him/her would be very time-consuming. Every employee probably does not have her/his own fax machine. Sending a letter to each employee every week via the postal service would be expensive.

SOURCE: CO:092

SOURCE: Cherp, A. (2013, September 28). *When and how to use email reminders*. Retrieved October 4, 2019, from <http://blog.macademic.org/2013/09/28/when-to-use-email-reminders/>

26. B

It allows for face-to-face interaction. Group members might prefer to use an informal method of consensus building because it allows for face-to-face interaction. Some people consider this kind of give and take to be an essential ingredient in successful consensus building. When the subject matter is controversial or when group members wish to avoid arguing, a formal consensus-building method is more appropriate. A formal method also involves more paperwork.

SOURCE: EI:011

SOURCE: LAP-EI-019—It's a Group Thing (Consensus Building)

27. C

Explain how the change will benefit the company. To lead change, it is important to convince others of how the change will benefit them. Criticizing Daniella does not help others understand the benefits of the change. Calculating how many product data are in the database is not a productive way to convince the company to make the change. Since the work involved is complex, it's not likely Stef would have the time, the skill, or the authority to make the changes herself.

SOURCE: EI:005

SOURCE: LAP-EI-022—Start the Revolution (Leading Change)

28. B

Dealing with cultural and language barriers. If Mike expands his business internationally, he may run into problems if he doesn't do enough research into the other country's culture. He may also have a problem if he doesn't know the other country's language. Encountering new markets would be an advantage of expanding internationally. Depending on which country he expands to, Mike could have fewer government regulations and he could save money on taxes, but these would be considered advantages.

SOURCE: EN:041

SOURCE: Arthur, L. (2019, January 28). *The advantages and disadvantages of international franchises*. Retrieved October 4, 2019, from <http://smallbusiness.chron.com/advantages-disadvantages-international-franchises-22488.html>

29. A

Store of value. Money serves as a store of value because it enables individuals to save or store their wealth (in the form of money) easily and compactly. Money serves as a medium of exchange when it is used to obtain goods and services. When it is used to express the value or worth of something, money serves as a unit of measure. Money can also act as an incentive. An incentive is a motivator—something that encourages individuals to behave in a particular way.

SOURCE: FI:060

SOURCE: Clark, B., Basteri, C.G., Gassen, C., & Walker, M. (2014). *Marketing dynamics* (3rd ed.) [pp. 42-43]. Tinley Park, IL: The Goodheart-Willcox Co.

30. B

Invest the money so he will earn interest. The time value of money is a concept that explains why money is more valuable today than it will be in the future. This is because you can invest money and generate interest. The sooner you do so, the more interest you will make. To take advantage of the time value of money, Asher should invest his money to earn interest. Spending the money later will not help Asher avoid inflation. Storing the money in his sock drawer will prevent Asher from earning interest. Spending part of the money now and saving part for later is not related to the time value of money.

SOURCE: FI:062

SOURCE: Mayes, T.R. (1995-2019). *Time value of money: Concepts and calculations*. Retrieved October 4, 2019, from http://www.tvmcalcs.com/index.php/tvm/tvm_intro

31. C

Compare your report with your own financial documents. When validating your credit report, it is important to compare your report's information with your own financial documents to make sure that there are no inaccuracies or mistakes. You should not ignore mistakes that appear on your credit report; they will not be removed automatically. It would be inappropriate to send your credit report to your employer or school administrator. You should not destroy any financial documents that contradict your credit report; rather, you should compare your report with the documents to determine which information is correct.

SOURCE: FI:072

SOURCE: Federal Trade Commission. (2017). *A summary of your rights under the fair credit reporting act*. Retrieved October 4, 2019, from <https://www.consumer.ftc.gov/articles/pdf-0096-fair-credit-reporting-act.pdf>

32. D

Minimize, risk. Insurance companies sell insurance policies. An insurance policy is a contract that states that the insurer (the insurance company) will pay for specified losses incurred by an individual or another company (policy holder) in return for installment payments (premiums). The purpose of purchasing insurance policies (e.g., life, property, professional liability, etc.) is to protect the policyholder's assets and minimize financial losses associated with various risks (e.g., death, fire, and malpractice). By minimizing the policyholder's financial losses, the insurance company is providing a product that protects the policyholder's assets. Many insurance companies now provide financial products (e.g., investments), which are designed to build wealth. The primary purpose of insurance companies is not to provide insurance products that increase the policyholder's profitability but to protect the policyholder from financial losses.

SOURCE: FI:336

SOURCE: Personal-Finance (2019, May 30). *What is the difference between a financial institution and an insurance company?* Retrieved October 4, 2019, from <http://www.extension.org/faq/38945>

33. C

Eurobonds. Eurobonds are bonds sold in a foreign country in the currency of the issuing company. Frankfort and Sons, for example, is an American firm, so its Eurobonds will be denominated in American dollars. However, these bonds will be sold overseas, not in the United States. Yankee bonds are issued in the U.S. by a foreign company and denominated in American dollars. Interbonds are fictitious. Savings bonds are issued by the U.S. Department of the Treasury. They are nontransferable securities that can be cashed prior to their maturity date.

SOURCE: FI:337

SOURCE: Investopedia. (2019, September 28). *Eurobond*. Retrieved October 4, 2019, from <http://www.investopedia.com/terms/e/eurobond.asp?lgl=no-infinite>

34. A

Money market. The money market is a segment of the financial market in which investments with high liquidity and very short maturities are traded. Participants use the money market to borrow and lend money in the short term. Money market investments are highly conservative and pose relatively little risk to the investor. The stock market allows investors to buy and sell shares in publicly traded companies and poses differing levels of risk to participants depending on the investors' financial decisions. Participants invest in the bond market when they buy and sell bonds. The bond market is also relatively low-risk for investors, but the investments traded in money markets are much more liquid, meaning they can be turned to cash more quickly. In a commodities market, participants buy and sell raw goods such as gold, rubber, and corn. There are many risks associated with the trade of commodities, such as seasonal price fluctuations and unpredictable weather.

SOURCE: FI:337

SOURCE: Chen, J. (2019, October 14). *Money market*. Retrieved October 30, 2019, from <https://www.investopedia.com/terms/m/moneymarket.asp>

35. D

Lower costs. Consolidation is the merging of financial providers within the same institutional category. For example, consolidation occurs when two banks merge to form one bank. By consolidating, the financial firms can achieve economies of scale, which reduces redundancy and lowers costs. Another advantage of consolidation to firms is that it provides more liquid capital for all companies involved. One-stop shopping is an advantage to consumers. Consolidation does not always lead to fewer technology problems.

SOURCE: FI:573

SOURCE: Kenton, W. (2019, August 12). *Consolidate*. Retrieved October 4, 2019 from <https://www.investopedia.com/terms/c/consolidate.asp>

36. D

An individual buys 10 shares of stock for \$150 per share on one market, and immediately sells each share for \$200 on another market. Arbitrage is profiting from the sale of a financial instrument (e.g., stock) or good on a different market. Arbitrage often involves the buying and selling of goods and other types of services. For example, a person who buys a set of football tickets from a sport organization for \$100 and sells them on eBay to another person for \$500 is engaging in arbitrage. When an individual earns interest on his/her money by agreeing to leave it in a financial institution for a certain time frame, s/he is investing in a certificate of deposit. Businesses that set aside money for their employees' retirement are contributing to a pension plan. A business that sells bonds is using debt financing to raise funds for its expansion efforts.

SOURCE: FI:574

SOURCE: Moffatt, M. (2019, March 4). *What is arbitrage?* Retrieved October 4, 2019, from http://economics.about.com/cs/finance/a/arbitrage_3.htm

37. C

Herd behavior among investors. Although financial globalization tends to increase investors' access to many different financial markets, financial globalization also seems to increase the risks of speculative bubbles and herd behavior among investors. Herd behavior involves individuals who act together as a group without any planned direction. It is usually irrational and driven by emotions. In good times, investors hurry to join others in a buying frenzy. But, in bad financial times, fearful investors join others in a rush to get out of risky markets. By diversifying their funds in many different countries, investors are able to diversify their risk and reduce their exposure to business cycle risks. To enable capital to flow more freely across their national borders, many countries have lowered their taxes on international financial transactions.

SOURCE: FI:575

SOURCE: Chen, J. (2019, August 14). *Herd instinct*. Retrieved October 4, 2019, from <https://www.investopedia.com/terms/h/herdinstinct.asp>

38. A

Retail bank. Retail banks offer a variety of services for consumers including checking and savings accounts, credit cards, and automobile loans. An investment bank is a financial intermediary that underwrites securities and facilitates mergers. Mortgage companies process loans specifically designed for the purchase of real estate—land, residences, and other types of buildings. Financial holding companies own one or more commercial banks and/or investment banks.

SOURCE: FI:075

SOURCE: Investopedia. (2019, April 9). *Retail banking vs. corporate banking*. Retrieved October 4, 2019, from <http://www.investopedia.com/articles/general/071213/retail-banking-vs-commercial-banking.asp>

39. B

Implement risk management strategies. Risk management is the planning, controlling, preventing, and limiting of business losses and enhancing possibilities for gain. It involves preparing for risks including those that might result in a lawsuit. If a business implements risk management strategies ahead of time, it will be less likely to face a lawsuit for negligence. Limiting interactions with customers is not realistic for a business. Hiring lawyers to find loopholes in regulations is not ethical and will not limit the chance that the company will face lawsuits. Finally, purchasing captive insurance can assist a company when it does face lawsuits, but it does not limit the chance of lawsuits occurring in the first place.

SOURCE: RM:043

SOURCE: Kaufman, G. (2015). *Risk management: Avoiding a lawsuit*. Retrieved October 4, 2019, from <http://convention.asbsd.org/wp-content/uploads/Risk-Management-Avoiding-a-Lawsuit.pdf>

40. D

Financial statements on the company's website. Many companies post financial statements online for the convenience of investors. In many countries such as the United States, companies are also required to file their financial statements with security regulators. Public stock exchanges post actual activity, but they do not provide the detailed information an investor needs to evaluate a company's financial health. While some investors' performance reviews are trustworthy and factual, other online reviews are based more on personal opinions and inaccurate data versus factual information. Governmental tax agencies do not provide detailed financial information about organizations.

SOURCE: FI:274

SOURCE: Kuepper, J. (2019, July 31). *Top 3 best sources of investor information*. Retrieved October 4, 2019, from <https://www.thebalance.com/top-best-sources-of-investor-information-1979207>

41. D

Lowest paid price in 52 weeks. A securities or stock table is a format used to list stock quotes in newspapers and on websites. The table helps investment planners monitor the performance of a company's stock for their clients. To analyze the volatility of stock, an investment planner can compare the highest price paid with the lowest price paid within a 52-week period. If a stock's price rises or falls sharply, it is said to be volatile, which means an investment planner's clients can earn or lose a great deal of money by owning the stock. Rate of return is the reward or benefit received in return for an investment, recorded as a percentage of the investment. Price-earning ratio (PE) is the financial ratio that shows how much investors are willing to pay for each dollar of earnings. A dividend is a portion of a company's profits, paid to shareholders, usually on a quarterly basis. The rate of return, price-earnings ratio, and estimated dividends would not give investment planners enough information to analyze the stock's volatility.

SOURCE: FI:275

SOURCE: Boyte-White, C. (2018, October 24). *Volatility from the investor's point of view*. Retrieved October 15, 2019, from <https://www.investopedia.com/ask/answers/010915/volatility-good-thing-or-bad-thing-investors-point-view-and-why.asp>

42. C

Securities tables. Securities tables, often referred to as stock tables or financial tables, are filled with information about the status of different securities. Numbers on securities tables include the 52-week high and low, dividends, volume, yield, P/E ratio, the previous day's ending price, and the net change. By monitoring these numbers, investors can assess the overall health of their investment portfolios over time. Investors do not typically consult financial almanacs, foreign news reports, or investment guides to monitor the success of their investment portfolios.

SOURCE: FI:275

SOURCE: Dummies. (n.d.). *How to read a stock table*. Retrieved October 30, 2019, from <http://www.dummies.com/personal-finance/investing/how-to-read-a-stock-table/>

43. A

Managerial decision-making. In business, the most important application of financial information is managerial decision-making. Useful financial information gives managers the knowledge they need to keep the business running as it should. Trend identification is another application of financial information, but it is secondary to managerial decision-making. Financial information may be used to determine salaries or research the target market, but these are not its primary applications.

SOURCE: FI:579

SOURCE: LAP-FI-009—By the Numbers (The Need for Financial Information)

44. D

Amounts owed to it. A business may use accounting to keep track of amounts owed to it. Without accurate financial records, businesses would not know if customers were paying their bills and cash was coming into the business. Accounting isn't used to keep track of marketing campaigns, customer information, or competitor information.

SOURCE: FI:085

SOURCE: LAP-FI-085—Show Me the Money (Nature of Accounting)

45. D

Dividends paid. Retained earnings are the income that a corporation keeps after paying dividends to its stockholders. This amount, which includes any forwarding balance of retained earnings from the previous accounting period, is reported on the company's statement of equity, which is also called the statement of retained earnings. The depreciation of assets, sales tax payable, and bad or uncollectible debt are not included on the statement of equity.

SOURCE: FI:630

SOURCE: Peavler, R. (2019, July 29). *Preparing a statement of retained earnings*. Retrieved October 4, 2019, from <https://www.thebalancesmb.com/statement-of-retained-earnings-393591>

46. A

Variable cost. Variable costs vary in relation to changes in volume. Variable costs can be reduced when the budget has been exceeded. Fixed costs are not reducible because they do not change based on other factors. Sunk costs are those that have already been incurred and cannot be changed. Differential cost is a comparison of costs and revenues of different alternatives. It is not necessarily something that can be cut to help stay within the budget.

SOURCE: FI:658

SOURCE: Accounting Tools. (2018, March 11). *Avoidable cost*. Retrieved October 15, 2019, from <https://www.accountingtools.com/articles/what-is-an-avoidable-cost.html>

47. B

Perform marginal analysis. Marginal analysis helps businesses understand the additional benefits of an activity as compared to the costs of that activity. Adding a new salad might generate revenue, but it will also cost money. Marginal analysis can determine whether or not it is financially worthwhile. Sunk costs are not related to marginal analysis. Eliminating indirect costs is not feasible and would not necessarily help the owner in this situation. Labor costs might be one factor related to the owner's decision, but she needs more information to determine how much money she will make.

SOURCE: FI:659

SOURCE: Ross, S. (2018, September 1). *How marginal analysis helps in managerial decisions*. Retrieved October 30, 2019, from <https://www.investopedia.com/ask/answers/042315/how-marginal-analysis-used-making-managerial-decision.asp>

48. B

Marginal. Business decision makers often compare marginal cost against marginal revenue to determine the profitability of increased production. A sunk cost is a cost that cannot be recovered or changed, so it is typically irrelevant to any future business activities. Fixed cost and average cost are irrelevant to increased production decisions because they are based on costs that occur regardless of production levels.

SOURCE: FI:659

SOURCE: Ross, S. (2018, September 1). *How does marginal analysis help in a managerial decision?* Retrieved October 4, 2019, from <https://www.investopedia.com/ask/answers/042315/how-marginal-analysis-used-making-managerial-decision.asp>

49. A

Is a certain product generating enough revenue? Managerial accounting is used to provide internal information for a business to guide planning and decision-making. One question that managerial accounting can answer for a manager is whether or not a specific product is generating enough revenue to be profitable or financially viable. A job cost report can provide this information. Managerial accountants do not deal with external information such as stocks and investments. They also do not provide information about whether or not employees are working well together. Finally, managerial accountants do not analyze liquidity; that would fall under financial accounting.

SOURCE: FI:660

SOURCE: Sullivan, D. (2019, March 8). *Types of managerial accounting reports*. Retrieved October 4, 2019, from <http://smallbusiness.chron.com/types-managerial-accounting-reports-58384.html>

50. D

Variance analysis involves too much of a time delay. Accounting staff typically calculate variances based on monthly accounting reports. However, some businesses find that is too much of a time delay to correct a problem quickly and effectively. In those cases, companies may decide against using variance analysis. Variance analysis is based on tangible, objective data. Real causes can be uncovered with careful variance analysis. Since horizontal analysis compares multiple periods of business activity to identify trends, it actually requires more time to conduct than variance analysis.

SOURCE: FI:661

SOURCE: Accounting Tools. (2018, December 21). *Variance analysis*. Retrieved October 15, 2019, from <https://www.accountingtools.com/articles/what-is-variance-analysis.html>

51. B

Provide a lofty goal for employees to strive for. Some businesses challenge employees by setting ideal standards—standards that are or are almost unattainable because they're set so high. They identify the quantity and quality of output that can occur if no mistakes or errors occur and if workers do not need to rest. These businesses feel that these standards help employees strive to achieve more than they would if attainable standards were set. Although some workers are challenged by the lofty goals, others question why they should bother with the work since the standards can't be reached.

SOURCE: FI:662

SOURCE: Warren, C.S., & Taylor, W.B. (2020). *Managerial accounting* (15th ed.) [Lesson 9-1a]. Boston, MA: Cengage Learning.

52. A

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

SOURCE: FI:657

SOURCE: Jan, I. (2019, March 18). *Managerial accounting*. Retrieved October 4, 2019, from <http://accountingexplained.com/managerial/introduction/>

53. A

A cost is not controlled by any department. If no departments in an organization can control a cost, it is acceptable to refrain from allocating it to any specific department. Whether a cost is fixed or variable does not determine whether or not it will be allocated. Refraining from allocating costs will not help if an organization is over budget. The amount of the cost does not necessarily determine whether or not it will be allocated.

SOURCE: FI:663

SOURCE: Bragg, S. (2019, May 4). *What is cost allocation?* Retrieved October 4, 2019, from <http://www.accountingtools.com/questions-and-answers/what-is-cost-allocation.html>

54. B

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

SOURCE: FI:339

SOURCE: Ryan, K. (2015, March 23). *The 4 stages of the business lifecycle and how to recognize what you need next*. Retrieved October 30, 2019, from <http://www.roseryan.com/blog/2015/03/the-4-stages-of-the-business-lifecycle/>

55. C

Net sales. Vertical analysis is often used to show the relationship of each component to the total within a single financial statement. Net sales is the base amount used for vertical analysis of items on the income statement. Total assets are used for vertical analysis of asset amounts on the balance sheet. Total liabilities and equity are used for vertical analysis of liability or equity amounts on the balance sheet.

SOURCE: FI:334

SOURCE: Saylor Academy. (2012). *13.2 Common-size analysis of financial statements*. Retrieved October 30, 2019, from https://saylordotorg.github.io/text_managerial-accounting/s17-02-common-size-analysis-of-financ.html

56. C

They do not reflect how much a company owes on unpaid liabilities. Monthly financial statements do not show how many unpaid liabilities are currently in a company's name, so those financial statements can be unreliable indicators of a company's actual worth. Monthly financial statements are not based on projected sales forecasts but instead contain data about earnings from actual sales. Monthly financial statements show how much a company spends and earns each month. Financial statements show paid expenses as well as earned income.

SOURCE: FI:655

SOURCE: Sarokin, D. (2019, October 18). *Limitations of using financial statements to analyze performance*. Retrieved October 30, 2019, from <http://smallbusiness.chron.com/limitations-using-financial-statements-analyze-performance-24471.html>

57. D

\$29,770. To determine how much your investments will be worth in five years, calculate the future values of the investments. The formula used to find the future value of money is $\text{Future Value} = \text{Present Value} \times (1 + \text{Interest Rate})^{\text{Number of Years}}$. So, the future value of your first investment is equal to $\$5,000 \times (1 + 0.06)^5$. To solve this equation, first add one to the interest rate ($1 + 0.06 = 1.06$). Next, raise this sum to the fifth power, which is the same as multiplying the sum by itself five times ($1.06^5 = 1.06 \times 1.06 \times 1.06 \times 1.06 \times 1.06 = 1.3382$). Finally, multiply this product by the original amount of the first investment to find its future value ($\$5,000 \times 1.3382 = \$6,691$). Next, repeat the process for the second investment. Its future value is equal to $\$15,000 \times (1 + 0.09)^5$. First, add one to the interest rate ($1 + 0.09 = 1.09$). Then, raise this sum to the fifth power, which is the same as multiplying the sum by itself five times ($1.09^5 = 1.09 \times 1.09 \times 1.09 \times 1.09 \times 1.09 = 1.5386$). Next, multiply this product by the original amount of the second investment to find its future value ($\$15,000 \times 1.5386 = \$23,079$). Finally, add together the future values of the two investments to determine how much money you will have in five years ($\$6,691 + \$23,079 = \$29,770$).

SOURCE: FI:238

SOURCE: Garrison, S. (1998-2019). *Time value of money: Self-paced overview*. Retrieved October 15, 2019, from <http://www.studyfinance.com/lessons/timevalue/page02.html>

58. A

\$18,381.60. The formula for calculating interest is $\text{Principal} \times \text{Rate} \times \text{Time}$. To determine how much an investment will be worth at some time in the future, first determine the interest earned per year by multiplying the original investment by the interest rate ($\$10,212 \times .08 = \816.96). Then, multiply the interest earned per year by the number of years to determine the total interest earned over the life of the investment ($\$816.96 \times 10 = \$8,169.60$). To determine how much the total investment will be worth, add the total interest earned to the original investment ($\$8,169.60 + \$10,212 = \$18,381.60$).

SOURCE: FI:238

SOURCE: Ryan, J.S., & Ryan, C. (2017). *Personal financial literacy* (3rd ed.) [Lesson 7.3b]. Boston, MA: Cengage Learning, Inc.

59. A

A complete audit trail of financial transactions. A financial-information management system gathers, maintains, and stores all of the business's financial data. A well-designed system provides managers with a complete audit trail of each financial transaction. This enables managers to track each step of the accounting process in sequential order, which helps the business identify errors or inconsistencies that might affect its compliance. A well-designed financial-information management system does not need to provide a business with ongoing support from external financial institutions or a variety of unrelated data. Marketing-information management systems provide businesses with insight about changes in the marketplace.

SOURCE: FM:002

SOURCE: LaMarco, L., & Thompson, J. (2019, February 13). *What are the benefits of a financial management information system?* Retrieved October 15, 2019, from <https://smallbusiness.chron.com/benefits-financial-management-information-system-71943.html>

60. B

Identity theft. Identity theft is a fraud that occurs when an individual pretends to be another person in order to obtain money or some other type of benefit. With the widespread use of the Internet, hackers try to break into a business's computer system or website to steal customers' financial information, such as bank account numbers or credit card information, which they then use to illegally obtain money or goods. To reduce the risk of identity theft due to computer hackers, businesses install firewalls, which are computer programs that secure and protect their computer networks from unauthorized users. Tax evasion occurs when an individual or business inaccurately reports or fails to pay taxes. An investment scam is a deceptive plan to use others' money for personal gain. A trade barrier is an action that blocks or restricts the exchange of goods or services.

SOURCE: FM:003

SOURCE: Root, G.N. (2019). *What is the responsibility of businesses to prevent identity theft?* Retrieved October 15, 2019, from <https://smallbusiness.chron.com/responsibility-businesses-prevent-identity-theft-17047.html>

61. A

More data attacks come from inside the organizations than outside them. Financial institutions' data are at risk of attacks originating from both within and outside the organizations. In fact, more data attacks typically come from inside the organization than outside it. Unfortunately, most financial institutions have traditionally concentrated their data security efforts on firewalls and other technology to prevent outside attacks while neglecting to address the risk of inside attacks. And, even the best firewall in the world can't eliminate every external threat to the data. In addition, data at rest and data in process are actually more at risk than data in transit. In recent years, though, financial service companies have increased their investment in financial-information security to address these issues.

SOURCE: FM:011

SOURCE: Bunn, C. (2016, December 22). *A focus on insider threats in banking & financial institutions.* Retrieved October 4, 2019, from <https://www.isdecisions.com/blog/it-security/insider-threats-banking-financial-institutions/>

62. D

Dividends. A budget is an estimate of income and expense for a specific period of time. Income is the money received by a business from outside sources. Businesses generate income from product sales (cash and credit), interest earned, and investments. Dividends are income earned on stock investments. Interest on debt (e.g., a bank loan) is a business expense.

SOURCE: FM:013

SOURCE: Peavler, R. (2019, January 20). *Business budget worksheet.* Retrieved October 4, 2019, from http://bizfinance.about.com/od/businessbudgeting/a/budget_wksheet.htm

63. A

Cash flow. Companies use cash flow budgets to project how and when cash will flow in and out of a business within a specified time period. Cash flow budgets help organizations determine if they are handling their money wisely, and if they have enough cash on hand to continue operating as normal. An operating budget is a forecast and analysis of projected income and expenses over the course of a specified time period. Operating budgets are often compared month to month to see if a company is overspending on supplies. A master budget is a comprehensive budget that provides a complete picture of a company's financial activity and health. A static budget is a fixed budget that remains unchanged throughout the year. For example, a company may have a static budget for standard office supplies. In this example, Joanna is creating a cash flow budget because she is specifically examining her company's accounts payable and receivable to determine the amount of available cash.

SOURCE: FM:013

SOURCE: The Motley Fool. (2016). *5 types of budgets for businesses.* Retrieved October 4, 2019, from <http://www.fool.com/knowledge-center/5-types-of-budgets-for-businesses.aspx>

64. C

Expense analysis. Ongoing technological advancements help businesses efficiently retrieve needed financial information in the desired format via complex computer systems. An expense analysis is a financial-information tool that allows a business to track the money that flows out of its various departments. For example, a business may obtain a listing of travel expenses for employees (e.g., salespeople) during a certain time frame. The business may use the expense analysis to determine if the department is operating within budget, and where, how, and by whom the money is being spent. An accounts-receivable analysis provides information about money owed to the business by its customers. A revenue analysis provides information about money flowing into the business from a variety of sources, including accounts receivable. A billing analysis provides financial information related to the business's billing (invoicing) processes.

SOURCE: FM:014

SOURCE: Kagan, J. (2019, September 20). *Static budget*. Retrieved October 15, 2019, from <https://www.investopedia.com/terms/s/staticbudget.asp>

65. D

Lack of available data. To perform financial analysis, businesses need quality data. The more data available, the better the financial analysis. Because Ronnie's Bagels is brand new, it might lack the amount of available data needed to perform financial analysis. There is no indication that Ronnie's Bagels cannot use financial analysis techniques because of ignorance of market trends, use of outdated software, or too much complex data.

SOURCE: FM:014

SOURCE: Philippe, E. (2017, May 4). *Beyond the numbers: Overcoming challenges in business financial analysis*. Retrieved October 4, 2019, from <http://www.digitalistmag.com/finance/2017/05/04/overcoming-challenges-in-business-financial-analysis-05059985>

66. A

Maximize customer value while minimizing waste. Companies that are lean-focused try to create the most customer value while using the fewest possible resources. Therefore, the ultimate goal of a lean-focused organization is to provide maximum customer value while using less human effort, space, capital, and time. The primary goal of a lean-focused organization is not to replace all underperforming employees, eliminate all human-resource expenditures, or maximize profit while minimizing debt.

SOURCE: FM:016

SOURCE: Parsons, S. (2014, August 14). *How lean planning can benefit your business*. Retrieved October 4, 2019, from <https://www.inc.com/sabrina-parsons/how-lean-planning-can-benefit-your-business.html>

67. B

Credit standards. Businesses establish standards or criteria for determining to whom they should extend credit. Businesses consider many factors such as the customer's credit history, credit score, income, type of purchase, etc. If the customer meets the company's credit standards, Tom is more likely to approve the customer's request for a line of credit. The company's purchasing policies, accounting method, and payment history are not factors that Tom needs to consider when determining if the company should offer the customer a line of credit.

SOURCE: FM:009

SOURCE: Kagan, J. (2018, May 21). *Credit criteria*. Retrieved October 15, 2019, from <https://www.investopedia.com/terms/c/credit-criteria.asp>

68. A

Working capital. Working capital is a measure of short-term financial health that can be found by subtracting current liabilities from current assets. It indicates whether or not a company can cover its current debts, so it is the appropriate technique to provide Makayla with the information she needs. Debit/Equity ratio shows the relationship between total liabilities and shareholder's equity. It indicates how much debt a company is using to finance its assets. This ratio will not provide the information that Makayla needs. Asset turnover ratio measures sales revenue in relation to the value of assets. It indicates efficiency of performance, which is not what Makayla needs to know. Finally, profit margin demonstrates the amount of each dollar of sales that is kept in earnings. This is not related to Makayla's inquiry.

SOURCE: FM:009

SOURCE: Kenton, W. (2019, June 13). *Ratio analysis*. Retrieved October 30, 2019, from <https://www.investopedia.com/terms/r/ratioanalysis.asp>

69. B

Training. Webinars are an example of using technology in human resource management to develop and train employees. Recruiting normally wouldn't include webinars and happens prior to hiring an employee. Performance management deals with metrics to gauge employee performance. Data storage is essentially recordkeeping and uses technology to store necessary files and information.

SOURCE: HR:412

SOURCE: Lewis, J. (2019, January 29). *How does technology impact HR practices?* Retrieved October 4, 2019, from <http://smallbusiness.chron.com/technology-impact-hr-practices-37912.html>

70. D

Demonstrating corporate responsibility. Companies, large and small, have an impact on the communities around them, and they should take action to make sure that impact is positive rather than negative. Companies can demonstrate corporate responsibility by showing concern for their communities, and raising money for people who were affected by a tornado is one way of doing this. Providing proper training for employees, providing excellent customer service, and protecting the business's reputation are all positive actions businesses should take, but they are not illustrated in this example.

SOURCE: MK:019

SOURCE: LAP-MK-019—Just Do It...Right (Company Actions and Results)

71. A

Intuitive navigation so your viewers can browse easily. If you want people to keep visiting your website, it's a good idea to make the navigation as intuitive as possible. You should make it as easy as you can for people to find their way around your website. You don't want to confuse or frustrate your viewers, or else they probably won't return to your site. Sounds or music are almost always a bad idea—people may not like the music you've chosen, or they may be viewing your site in a quiet place where the music is intrusive. Although you'll typically want to include some images, using too many can make your site load too slowly, which will drive your viewers away. Although a Flash intro might seem like a fun way to grab the viewer's attention, using Flash is generally not a good idea. It loads slowly and isn't compatible with many mobile devices. If your site is too slow to load, this will discourage viewers from visiting again. It's best to avoid using too many fonts—you want your site to be as easy to read as possible, so keep it simple by sticking with just a few commonly used fonts instead.

SOURCE: NF:042

SOURCE: Rosengard, Jessica. (2011, March 26). *10 things to avoid when creating a website*. Retrieved October 4, 2019, from <http://www.jessicarosengard.com/10-things-to-avoid-when-creating-a-website/>

72. C

Date/Time stamp. The date/time stamp enables a business to identify the date and time that a particular record was added to the database. This can help a business track employees' keying activities and track when customers are added to the database. The validation-rules application enables a database developer to restrict how and/or what data can be keyed in a particular database field. The data replication application involves copying data from one database to another. This enables users to access the data they need to perform their tasks without interfering with others' work. The sort application enables users to view only the data they need to view, such as orders placed on a particular date.

SOURCE: NF:124

SOURCE: Chapple, M. (2017, September 24). *How to add a date or time stamp to an Access 2010 database table*. Retrieved October 4, 2019, from http://databases.about.com/od/tutorials/ht/Access_2010_Timestamps.htm

73. A

Web data mining. Web data mining involves collecting and analyzing information on the Internet that can then be used to improve a company's overall marketing strategy. While data mining can be extremely useful for companies, there are numerous ethical issues related to the use of customer information for organizational gain—including whether or not it's okay to gather and analyze someone's information without his/her knowledge. This example is not an ethical issue related to computer firewalls, which are security systems used to protect computers from outside attacks. It is also not an example of ethics in search engine optimization or net neutrality. Search engine optimization (SEO) is a strategy used by companies to make their web content more likely to be shown as a search result on popular websites such as Google. Net neutrality is the principle that Internet service providers should enable the same access to all content regardless of the source, and without favoring certain sites over others.

SOURCE: NF:150

SOURCE: Centre for Instructional Technology. (2012, November 25). *Ethical issues in web data mining*. Retrieved October 4, 2019, from <http://blog.nus.edu.sg/group208/2012/11/25/ethical-issues-in-web-data-mining/>

74. A

Return on investment. The return on investment is calculated by dividing the net profit by the amount spent. This type of information helps the business measure the success of a specific business activity. Retention rates provide information about repeat customers. Sales strategies are the activities salespeople use to sell products. A sales commission rate is a form of compensation paid to salespeople that is based on a certain percentage of sales volume or sales dollars.

SOURCE: NF:093

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2012). *Marketing essentials* (pp. 182-183). Columbus, OH: Glencoe/McGraw-Hill.

75. B

Using proper, approved inventory processes helps ensure that you won't run out of supplies. One of the biggest reasons to inventory your supplies is that it lets you know what you have in stock. When you see that you're running low, you can reorder supplies. Supplies need to be maintained; they aren't ordered only once per year. Conducting a routine inventory of supplies actually reduces the chance of theft. All employees should not order supplies; instead, one or two employees should be in charge of purchasing. If too many employees buy supplies, it can be hard to keep track of inventory.

SOURCE: OP:031

SOURCE: Mott, A. (2019, February 4). *How to do inventory of office supplies*. Retrieved on October 4, 2019, from <http://smallbusiness.chron.com/inventory-office-supplies-18351.html>

76. B

ISO 9000. ISO 9000 is a widely used set of quality-management standards published by the International Organization for Standardization. ISO 1000 is a set of standards for an international system of units. ISO 31000 is a set of standards relating to risk management. ISO 8000 is a set of standards relating to data quality.

SOURCE: OP:163

SOURCE: LAP-OP-008—Take Control (Quality-Control Measures)

77. C

Sales commissions. Variable expenses are those that can change when sales volume changes. This includes sales commissions. When there are fewer sales, a business pays a smaller amount in sales commissions, but when sales are up, it pays more. Fixed expenses don't change, even when sales fluctuate. Rent, loan payments, and insurance are all considered fixed expenses. Even if your business doesn't have a single customer, you still have to pay these expenses.

SOURCE: OP:024

SOURCE: Reference for Business. (2019). *Fixed and variable expenses*. Retrieved October 4, 2019, from <http://www.referenceforbusiness.com/small/Eq-Inc/Fixed-and-Variable-Expenses.html>

78. D

Confidential documents should be kept in locked cabinets or rooms. Limiting access to confidential documents is a good way to protect them. Employees should not discuss confidential information in public places because they might be overheard. Confidential information can be printed out, but it should be kept secure or shredded when no longer needed. Documents should be marked confidential to ensure that their recipients are aware of the need for security.

SOURCE: OP:441

SOURCE: Richard, R. (2017, July 20). *Don't let your workplace documents be a security risk*. Retrieved October 14, 2019, from <https://carolinashred.com/documents-security-risk>

79. C

Time management improves self-confidence. Because Christian has been able to balance his tasks and achieve his goals thanks to time management, he feels more confident about himself and his abilities. He knows that he's capable of success, so he is excited to be a part of a new committee. Time management does minimize procrastination, but this example does not reflect that. It is also important to make the most of down time, but this example is not related to that. Finally, it is also true that certain tasks are more important than others, but this example does not relate to that.

SOURCE: PD:019

SOURCE: LAP-PD-001—About Time (Time Management)

80. D

Self-understanding. Self-understanding is comprehending one's personal needs, interests, values, and motives and recognizing their effects on behavior. Concomitant satisfaction is need satisfaction that goes along with the working conditions of an occupation. Empathy is the ability to put yourself in another person's place. Passive behavior is behavior characterized by failure to exercise personal rights and a lack of respect for personal needs.

SOURCE: PD:013

SOURCE: Kane, S. (2015, September 19). *Learning self understanding*. Retrieved October 15, 2019, from <https://www.addiction.com/13311/learning-self-understanding/>

81. A

Accounting. Jenn likely works in the accounting department since she has bookkeeping responsibilities. Accounting includes such activities as bookkeeping, systems design, analysis, and interpretation of accounting information. Jenn does not work in marketing research, operations management, or securities and investments. Marketing research jobs focus on marketing activities that involve determining information needs, designing data-collection processes, collecting data, analyzing data, presenting data, and using data for marketing planning. Employees working in operations management focus on planning, organizing, coordinating, and controlling the resources needed to produce/provide a business's goods and/or services. The securities and investments industry consists of brokerage firms, investment banks, and stock exchanges, all of which support the flow of funds from investors to companies and institutions.

SOURCE: PD:025

SOURCE: LAP-PD-025—Go for It! (Careers in Business)

82. B
Risk-taking. Risk-taking involves understanding and accepting the responsibility of not knowing the outcome of your actions. Innovation is the creation of new, unique products. Enthusiasm is an intense interest or excitement about something. Although Lucy may be innovative and enthusiastic, these qualities are not described in the situation presented. Problem solving is an important entrepreneurial skill that involves finding solutions to obstacles.
SOURCE: PD:066
SOURCE: LAP-PD-066—Own Your Own (Career Opportunities in Entrepreneurship)
83. C
Determining the value of a specific property. Often, real-estate appraisers specialize in valuing a specific category of property such as residential, commercial, or agricultural properties. They spend a great deal of their time conducting research and writing reports. Real-estate appraisers must obtain licensure to do their work, and licensing requirements vary by location and type of property. Loan officers and Certified Mortgage Bankers (CMBs) process mortgages, which are loans to purchase property. Credit analysts are responsible for verifying a loan applicant's financial standing and often help decide if loan approval should be granted. Real-estate agents sell property to individuals and businesses.
SOURCE: PD:152
SOURCE: LAP-PD-020—Career Opportunities in Finance
84. B
It encourages transparency. Corporate governance creates a more transparent business environment, which can increase investor confidence, create a defined brand, and minimize corruption.
SOURCE: PD:213
SOURCE: Management Study Guide. (2019). *Corporate governance - Definition, scope, and benefits*. Retrieved October 4, 2019, from <http://www.managementstudyguide.com/corporate-governance.htm>
85. A
Codetermination. Codetermination is the act of reserving seats on the board of directors for employees. Profit-sharing is an incentive plan that provides payments to employees that depend on the company's profitability. Equity-sharing is an incentive plan that provides shares of equity to employees. Unions are legally recognized employee representatives from different industries coming together to protect workers' rights.
SOURCE: PD:301
SOURCE: Blair, M. (n.d.). *The role of employees in corporate governance*. Retrieved October 4, 2019, from <http://webcache.googleusercontent.com/search?q=cache:OzdchlpdL8MJ:www.oecd.org/corporate/ca/corporategovernanceprinciples/2482851.ppt+&cd=2&hl=en&ct=clnk&gl=us>
86. D
Independent thinking. It is important for members of a corporation's board of directors to be able to think independently. This involves questioning current policies and proposed actions so that the board as a whole acts in the best interests of the corporation and its shareholders. Board members should also be open-minded and willing to listen to suggestions and different opinions so they can make informed, thoughtful decisions. Conformity often involves following or agreeing with others to “fit in” with the group. Conformity can lead to decision-making practices that do not look out for the best interests of the corporation and its shareholders.
SOURCE: PD:214
SOURCE: Hoban, M. (2013, March 8). *Outstanding directors: The five essential traits for great directors*. Retrieved October 4, 2019, from <http://www.bizjournals.com/baltimore/print-edition/2013/03/08/outstanding-directors-the-five.html>

87. A

Stockholders. Stockholders are the owners of a corporation. Therefore, their interests are an important factor in corporate governance. Managers, the president, and lower level employees are not considered the owners of a corporation.

SOURCE: PD:302

SOURCE: Stone, J. (2019). *Is the owner of a corporation considered a shareholder?* Retrieved October 4, 2019, from <https://smallbusiness.chron.com/owner-corporation-considered-shareholder-79219.html>

88. B

More ethical. Governance objectives are often based on integrity and ethical principles. Therefore, if a company has strong governance practices, it is likely to be ethical in its investment decisions. Good governance should not make investment decisions subject to the influence of individuals. Rather, it should remove interference from individuals by giving the board independence to make decisions free of influence. Good governance does not necessarily make investment decisions less regulated; in fact, it gives the board of directors the power to enact financial controls and monitor reporting. Finally, governance makes a company's investment decisions less vulnerable to risk because the governance objectives and policies should preemptively lessen the potential for risks.

SOURCE: PD:303

SOURCE: Cole-Ingait, P. (2018). *The impact of corporate governance practices on the investment decisions of companies.* Retrieved October 4, 2019, from <http://smallbusiness.chron.com/impact-corporate-governance-practices-investment-decisions-companies-79389.html>

89. D

Networking. When people connect with others who might help them accomplish their personal career and professional goals, they are networking. Finance professionals might learn about employment and continuing education opportunities as well as prospective clients (selling opportunities) through the networking process. Socializing involves personal activities rather than professional activities. Coordinating is linking activities together in a systematic or organized way.

SOURCE: PD:153

SOURCE: Lotich, P. (2019, July 9). *5 advantages of professional networking.* Retrieved October 4, 2019, from <https://thethrivingsmallbusiness.com/what-are-5-advantages-of-professional-networking/>

90. C

Mentor. A mentor is typically an experienced worker, such as Dana, who can act as a guide to new employees like Elena. Mentors often share advice, guidance, and even clients with their mentees to encourage the new workers to become successful. Mentors may also help new employees build professional relationships with other members of their firm, professional associations, and new customers. A supervisor is an employee who oversees other employees. A manager is an individual whose job involves planning, organizing, staffing, directing, and controlling for a business. An assistant is an employee who helps with work-related tasks. There is no indication that Dana is Elena's supervisor, manager, or assistant.

SOURCE: PD:153

SOURCE: Quast, L. (2014, January 6). *Finding a mentor is easier than you think.* Retrieved October 15, 2019, from <https://www.forbes.com/sites/lisaquast/2014/01/06/finding-a-mentor-is-easier-than-you-think/#1e17f06252f5>

91. C

A protocol consists of many different policies. A protocol is a bit broader than a policy or a procedure. Protocol is defined as the established set of rules that govern behavior within an organization. An organization's protocol, therefore, consists of all of the organization's set policies and procedures. A policy does not consist of many different protocols, nor is a protocol just another word for a policy. A policy is not a step-by-step process; a procedure is a step-by-step process.

SOURCE: PD:250

SOURCE: LAP-PD-250—Do You Follow? (Adhering to Company Protocols and Policies)

92. D

Decreased company value. Once word spreads about the business's unethical behavior, investors will probably withdraw their financial support of the business. This would cause the company's value to decrease. With unethical business behavior, the business can expect whistle-blowing to increase because employees have more activities that they could report. Employees' support for the company is likely to decrease, along with their productivity. The publicity that appears in the media will be negative, not positive.

SOURCE: RM:041

SOURCE: Lehigh Valley Business. (2013, May 13). *Top risks and costs of unethical behavior in business conduct*. Retrieved October 4, 2019, from <http://www.lvb.com/article/20130513/LVB01/305109989/top-risks-and-costs-of-unethical-behavior-in-business-conduct>

93. B

Yazmin often leaves her shift early without clocking out. The use of company resources is one of the main causes of financial risk. Even when people are not intending to take advantage of the company, it can be easy to get caught up in activities that are a strain on resources, including company time. If Yazmin leaves her shift early without clocking out, she is misusing company resources and putting the company at risk. Paying for a business lunch with a company credit card, flying first class for work travel, or taking notepads from the supply closet are not necessarily examples of misusing company resources, as long as they are in line with company policies.

SOURCE: RM:041

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

94. B

Risk modeling. Businesses commonly use risk modeling to quantify the potential losses that they would incur if certain events took place, such as a tornado destroying a company's largest manufacturing plant. Because risk modeling is a very complex process, businesses usually rely on risk-management technology to aid in the analyses and forecasts. Cost-benefit analysis involves quantifying the costs and benefits of a certain project to determine the most appropriate course of action to pursue. Risk transference is a risk-response strategy that involves moving the impact of a risk to someone or something else. In investing, fundamental analysis is the study of all aspects of a company in an effort to understand its intrinsic value.

SOURCE: RM:042

SOURCE: *Risk modeling*. (2019, April 10). Retrieved October 15, 2019, from <http://www.mth.kcl.ac.uk/~kuehn/riskmodeling.html>

95. B

Government fines. Risk management is a business activity that involves the planning, controlling, preventing, and procedures to limit business losses. Compliance with the law is an important aspect of risk management. If a business does not comply with laws, the government may fine the business, which could result in substantial financial losses. A substantial financial loss can hinder the business's ability to achieve its goals. Increased inventory and decreased quotas are not risks that are directly associated with failure to comply with laws.

SOURCE: RM:043

SOURCE: Intuit QuickBooks (2019). *The dangers of non-compliance for your business*. Retrieved October 4, 2019, from <https://quickbooks.intuit.com/r/hr-laws-and-regulation/the-dangers-of-non-compliance-for-your-business/>

96. C

A company's annual report. A company's annual report is an example of an internal source, because it comes from the company itself. The Value Line Investment Survey®, brokerage firm research, and financial website portals are all examples of external stock information resources.

SOURCE: FI:274

SOURCE: Madura, J., Casey, M., & Roberts, S. (2014). *Personal financial literacy* (2nd ed.) [pp. 268-278]. Upper Saddle, NJ: Pearson.

97. C

To protect online transactions. Tokenization is the process of substituting a random number in place of an account number to process the transaction online. In this way, financial institutions are able to protect customer data from fraud. Credit card creation, provision of incentives, and government-required quotas are not aspects of tokenization.

SOURCE: RM:058

SOURCE: Worthington, D. (2018, July 17). *Tokenization*. Retrieved October 4, 2019, <https://www.mobilepaymentstoday.com/blogs/securing-real-time-payments-with-tokenization/>

98. D

Identifying the potential hazards. A risk assessment is a careful assessment of what could cause harm within an organization, along with determining whether the organization is doing enough to prevent those risks or not. The first step in a risk assessment is identifying the potential hazards. After the risks are identified, the next steps include determining who might be harmed by the risks, evaluating the risks and making a plan, and recording and implementing your findings.

SOURCE: RM:059

SOURCE: Burgon, R. (2013, January 21). *The five step guide to risk assessment*. Retrieved October 30, 2019, from <https://rospaworkplacesafety.com/2013/01/21/what-is-a-risk-assessment/>

99. B

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

SOURCE: RM:062

SOURCE: Patterson, T. (2015, September). *The use of information technology in risk management*. Retrieved October, 4, 2019, from http://www.aicpa.org/interestareas/frc/assuranceadvisoryservices/downloadabledocuments/a_sec_whitepapers/risk_technology.pdf

100. D

Jena is setting up the way her department's work will be done. Organizing is an activity of the management function that sets up the way the business's work will be done. Hiring a marketing assistant is an example of a staffing activity of the human resource management function. Monitoring an employee's work is the controlling activity of management function. Deciding what work the employees should do is a planning activity.

SOURCE: SM:001

SOURCE: LAP-SM-003—Manage This! (Concept of Management)