Entrepreneurship Exam

Entrepreneurship Operations Event

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

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This comprehensive exam was developed by the MBA Research Center exclusively for DECA’s 2020-2021 Competitive Events Program. Items have been randomly selected from the MBA Research Test-Item Bank and represent a variety of instructional areas. Performance indicators for this exam are at the career-sustaining, specialist, supervisor, manager, and owner levels. A descriptive test key, including question sources and answer rationale, has been provided to the DECA chartered association advisor.

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1. When filing a tort against a business, the plaintiff must establish that the defendant
   A. breached the duty of care.  C. conspired with a competitor.
   B. damaged property intentionally.  D. violated the doctrine of sovereign immunity.

2. Before a business and a customer can enter into a valid contract, the offer to do something in return for payment must be
   A. implied.  C. accepted.
   B. in writing.  D. expressed.

3. Which of the following is an example of a business making a reasonable accommodation for an employee in accordance with the Americans with Disabilities Act:
   A. Changing required skills  C. Eliminating necessary training
   B. Modifying work schedules  D. Reducing educational requirements

4. One of the characteristics of a corporation is that it issues shares of stock. The advantage that results is that it
   A. has limited financial power.  C. is easy to transfer ownership.
   B. has more complex requirements.  D. is easy to form and operate.

5. Channels of distribution benefit consumers by
   A. increasing profits for businesses.
   B. lowering the prices of all consumer products.
   C. raising the quality of all consumer products.
   D. making a variety of products available to them.

6. The Parnell Company buys a variety of similar goods and sells them to specialty shops for resale. What type of intermediary is the Parnell Company?
   A. Agent  C. Industrial user
   B. Wholesaler  D. Ultimate consumer

7. Before a business can effectively evaluate members in its distribution channel, it must first
   A. identify potential vendors.  C. assess its logistics needs.
   B. conduct a location feasibility study.  D. develop a strategic alliance.

8. A business's brand promise is what the business intends to
   A. use as a trademark.  C. name its product.
   B. sell to the target market.  D. provide the customer.

9. Which of the following is a way in which business profits benefit society:
   A. Profits provide an incentive to entrepreneurs.
   B. Profits indicate trends in consumer preferences.
   C. Profits encourage business owners to conserve resources.
   D. Profits enable businesses to compete with other businesses.

10. One way for businesses to transfer some kinds of business risk is through the purchase of
    A. insurance policies.  C. insurance premiums.
    B. mutual funds.  D. stock dividends.

11. What is the economic condition in which there is only one supplier of a certain good or service and no competing products exist?
    A. Price discrimination  C. False advertising
    B. Inflation  D. Monopoly

12. A magazine has recently shifted to an all-digital product. This decision has most likely led to the need for
    A. increased revenue.  C. new employees.
    B. business process changes.  D. a shift in the mission statement.
13. When a company reduces the number of products in its product mix, the company is implementing a(n) _________ strategy.
   A. contraction  
   B. positioning  
   C. expansion  
   D. alteration

14. Which of the following is an interactive public relations activity:
   A. Search engine optimization  
   B. Newsletter  
   C. Podcast  
   D. Social media

15. Which of the following is true regarding enterprise risk management:
   A. It only impacts lower level employees.  
   B. It supports business objectives.  
   C. It is a temporary project.  
   D. It focuses on external risk.

16. If a retailer is trying to clear its inventory of a particular product, which of the following would be the most effective type of sales promotion:
   A. A sweepstakes for a new car  
   B. A contest that rewards the 100th customer  
   C. A booth at a trade show  
   D. A buy-one-get-one-free coupon

17. A business selling products at prices similar to those offered by other businesses is an example of _________ pricing.
   A. realistic  
   B. flexible  
   C. variable  
   D. competitive

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

19. Owners/Managers should not conduct a feasibility study if they are
   A. certain the idea is feasible.  
   B. not ready to start the venture.  
   C. considering a business expansion.  
   D. unsure about the idea.

20. Which of the following is a tool that an entrepreneur develops to project sales for a new business venture:
   A. Inventory report  
   B. Marketing objectives  
   C. Promotional budget  
   D. Sales forecast

21. Costs of sales for a new manufacturing venture typically include
   A. raw materials, equipment, and product inventory.  
   B. trade show attendance, raw materials, and equipment.  
   C. trade show attendance, product inventory, and Internet access.  
   D. internet access, attorney fees, and sales lead lists.

22. Why is it important for entrepreneurs to talk with industry experts when developing new business concepts?
   A. The industry experts typically provide useful information.  
   B. The industry experts usually improve your management skills.  
   C. The industry experts commonly enhance your confidence.  
   D. The industry experts frequently offer financial support.

23. To determine their human resource needs, new business owners often find it helpful to
   A. allocate funds for additional payroll taxes.  
   B. ask a technical recruiter for advice.  
   C. hire consultants or freelancers.  
   D. list all the tasks involved in operating the business.

24. What important factors should a small-business owner consider when deciding if s/he should hire an additional employee?
   A. Property taxes and benefits  
   B. Necessary skills and affordability  
   C. Screening process and skill set  
   D. Training needs and attitude
25. Because Connor does not know how to prepare his startup company's tax return, he decides to outsource the activity by contracting a(n)
   A. insurance agent.  
   B. probate attorney.  
   C. trusted colleague.  
   D. licensed accountant.

26. Which of the following is true regarding risk-taking:
   A. Financial risks primarily affect new businesses. 
   B. Smart businesspeople avoid risk. 
   C. All entrepreneurs must take risks. 
   D. Risk related to staffing can be largely controlled.

27. The ABC Company organized its workflow so that specific departments perform certain tasks. This is an example of workflow organized by
   A. function.  
   B. product.  
   C. rotation.  
   D. region.

28. One way for a startup business owner to determine opportunities to expand the business's product line is by
   A. talking with customers.  
   B. observing vendors.  
   C. creating a need.  
   D. consistently meeting goals.

29. Which of the following venture-harvesting methods usually supports a venture's future growth and facilitates the business owner's exit:
   A. Ceasing business operations  
   B. Initiating a public stock offering  
   C. Setting up a public trust fund  
   D. Developing a licensing plan

30. Which of the following is a true statement regarding the relationship between a business's supply chain management and its performance:
   A. Good supply chain management leads to decreased value for the customer. 
   B. Poor supply chain management can result in customer dissatisfaction. 
   C. Poor supply chain management can result in customer satisfaction. 
   D. Good supply chain management leads to unsustainable business practices.

31. When preparing a cash flow statement, you need to eliminate the effects of accrual accounting. If you failed to do that, the cash flow statement would
   A. understate cash receipts and overstate cash payments. 
   B. overstate cash receipts and overstate cash payments. 
   C. overstate cash receipts and understate cash payments. 
   D. understate cash payments and understate cash receipts.

32. A disadvantage of commercial finance companies as a main source of credit for businesses is that they are often
   A. independent.  
   B. conservative.  
   C. cautious.  
   D. expensive.

33. What is an example of a fee-based service provided by a bank?
   A. Loaning money  
   B. Selling certificates of deposit  
   C. Selling annuities  
   D. Credit card processing

34. A business wants to buy a new piece of equipment that costs $146,500. A financial institution will loan the business 85% of the value of the equipment. Calculate the additional amount the business needs to obtain in order to purchase the equipment.
   A. $15,845.25  
   B. $21,975.00  
   C. $12,452.50  
   D. $24,650.00

35. What is the primary source that banks consider when evaluating a business's capacity to repay a loan?
   A. Fixed assets  
   B. Cash flow  
   C. Liabilities  
   D. Accounts payable
36. Which of the following is a one-time cost:
   A. Insurance   C. Taxes
   B. Shipping    D. Wages

37. When a business's output is sufficient to cover expenses, each additional unit of output generates
   A. revenue.   C. interest.
   B. income.    D. profit.

38. Ethan is developing common-size financial statements so that he can compare financial performance
    across several different companies. Ethan is conducting _________ analysis.
   A. trend        C. ratio
   B. horizontal  D. vertical

39. One procedure for determining future hiring needs involves analyzing
   A. formal training.   C. job security.
   B. merit pay.        D. sales volume.

40. Which of the following is the most widely used selection tool to determine who will be hired:
   A. Credit record    C. Training
   B. Interview        D. Aptitude test

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

42. The two approaches supervisors may take toward disciplinary problems are
   A. peer counseling and supervisory discipline.
   B. preventive discipline and corrective discipline.
   C. remediation and disciplinary suspension.
   D. preventive discipline and corrective counseling.

43. Why is marketing research important for companies that sell consumer products like clothing or laundry
    detergent?
   A. It provides consumer feedback and allows marketers to assess the level of demand for products.
   B. It allows companies to get proprietary information from competitors.
   C. It eliminates the need for other marketing activities such as sales promotions and store displays.
   D. It provides companies with clear, specific steps to improve sales.

44. One of the ways marketing research is used by businesses is to
   A. solve businesses' problems quickly. C. create an exclusive image.
   B. implement the marketing concept.   D. obtain information in a timely fashion.

45. What kind of marketing research is being carried out when a business has someone count the cars in the
    shopping mall's parking lot?
   A. Informal   C. Causal
   B. Formal    D. Internal

46. The first social group a consumer belongs to is her/his
   A. neighborhood.        C. kindergarten class.
   B. circle of friends.   D. family.

47. Determining the terms of a warranty is an activity associated with the _________ element of the
    marketing mix.
   A. promotion    C. price
   B. place        D. product
48. Which of the following are types of products for which producers are most likely to use mass marketing:
   A. Chewing gum, local tax services, and soda
   B. Soda, personal computers, and toothpaste
   C. Toothpaste, designer handbags, and textbooks
   D. Textbooks, chewing gum, and farm equipment

49. What is the demand for our products in this region? This is a question that a business wants to answer when it
   A. conducts a market analysis.
   B. establishes orientation programs.
   C. evaluates technology needs.
   D. develops financial standards.

50. Gary works for a computer software company. He always keeps up on the technological advances in his industry, and he also makes sure he knows what products his competitors are developing. When Gary gathers this external information, he is participating in
   A. environmental scanning.
   B. threat appraisal.
   C. competition assessment.
   D. information collecting.

51. Considering past sales and economic conditions, a firm forecasts next year's sales will decrease 6% from this year's sales. Calculate next year's sales forecast if this year's sales were $1,565,435.
   A. $1,471,508.90
   B. $1,468,580.90
   C. $1,485,905.90
   D. $1,479,850.90

52. What information about customers do brokerage companies need to obtain to develop an accurate client profile?
   A. Political preference
   B. Product knowledge
   C. Social background
   D. Intelligence level

53. Which of the following software is required for a computer system to be able to access web data:
   A. Video
   B. Modem
   C. Filter
   D. Browser

54. Companies obtain internal information about their various business activities to operate effectively by monitoring
   A. industry trends.
   B. trade publications.
   C. internal records.
   D. government statistics.

55. James needs to hire a bookkeeper for his growing business. To determine the new employee's salary, James obtained pay data from five companies in his industry that are similar in size. The research indicated the following: Company A pays $31,205; Company B pays $29,995; Company C pays $34,800; Company D pays $42,500; and Company E pays $36,500. James decided to set his bookkeeper's salary at $35,000. What measure of central tendency did James use to set his new employee's salary?
   A. Median
   B. Mode
   C. Range
   D. Mean

56. What do many businesses look for in their workplaces before establishing safety policies and procedures?
   A. Sprinkler systems
   B. Hazardous areas
   C. Surveillance cameras
   D. Electronic alarms

57. Which of the following is a type of intangible property that businesses often establish policies to protect:
   A. Inventory methods
   B. Production systems
   C. Trade secrets
   D. Delivery routes

58. Which of the following words best describes the relationship of the purchasing department to other departments in a company:
   A. Unrelated
   B. Independent
   C. Interrelated
   D. Unsupportive
59. Reviewing business procedures helps a company determine if it is __________ its most important resources.
   A. presenting  C. customizing
   B. producing  D. maximizing

60. Calculate a business’s net profit for last year if it had income from sales of $675,500, operating expenses of $210,000, and cost of goods sold was $305,200.
   A. $370,300  C. $160,300
   B. $255,500  D. $465,500

61. In which of the following situations might a business lose money from bad debts by failing to monitor information in its budget and make necessary adjustments:
   A. Total cash receipts are higher than usual.
   B. A large amount of accounts receivable are past due.
   C. Many customers are paying with personal checks.
   D. Credit card sales are growing in number.

62. Supply chain management attempts to control which of the following business activities:
   A. The buying and selling of stocks
   B. Production, shipment, and distribution of products
   C. Human resources and communications
   D. Financial planning and managerial accounting

63. When employees review and analyze financial reports and income data from different time frames, they are
   A. influencing others' opinions.  C. submitting evidence.
   B. informing customers.  D. comparing data.

64. To remain competitive in the marketplace, a company implements processes to identify its internal strengths and weaknesses and its external opportunities and threats. What type of business analysis is the company conducting?
   A. Financial leverage  C. PERT
   B. SWOT  D. Resource allocation

65. When a company uses process thinking to design a process, it should make sure that the process has
   A. a deadline.  C. multiple process owners.
   B. a goal.  D. an unlimited scope.

66. A complicated, labor-intensive manufacturing process is limited by the number of hours that an employee can work without becoming fatigued. This is an example of how __________ factors influence process design.
   A. human  C. regulatory
   B. technology  D. environmental

67. For 15 years, Larson Recruiting has operated the same database of potential employees for temporary employment positions nationwide. When company management realized that the database software had become slow and ineffective, however, the company decided to change its process for recording recruitment data. This example demonstrates which of the following reasons for business process change:
   A. To satisfy employee demands  C. To increase profitability
   B. To reduce costs  D. To improve performance

68. A business owner who plans to exit his/her business venture by selling it to another company needs to develop the business in a way that
   A. creates value for potential buyers.
   B. allows her/him to maintain control after the purchase.
   C. appeals to a specific company.
   D. will generate regular income for him/her after the purchase.
69. What is a proactive strategy a company can use to help prevent its customers' private information from being exposed to the dangers of a data breach?
   A. Deal with data breaches immediately
   B. Maintain personal data forever
   C. Avoid collecting unnecessary data
   D. Train employees how to handle data breaches

70. What is an example of out-of-home media?
   A. Television          C. Billboards
   B. Magazines          D. Blogs

71. A company is changing over to a new operating system and wants all of its employees to successfully adjust to the change. What can the company do to get all of the employees on board?
   A. Let the employees know why the change is important after it has occurred
   B. Execute the change without telling employees to avoid confusing them
   C. Involve only high-ranking employees; lower level employees do not need to be aware of the change
   D. Explain to all employees why the change is needed and how it will help

72. Which of the following is a true statement regarding quality management:
   A. It is an ongoing process.
   B. It involves only upper-level managers.
   C. It requires a short-term commitment.
   D. It is used mostly in the manufacturing industry.

73. Which of the following situations is an example of a public relations activity:
   A. Colleen calls a prospective customer to try to schedule a product demonstration.
   B. Evan coordinates an upcoming sales promotion with the company's purchasing manager.
   C. Jana prepares a press release about her firm's new licensing agreement with a large company.
   D. Eli reviews a report to determine which clients have overdue payments due on their accounts.

74. Which of the following is an advantage to businesses of using direct mail to promote a product:
   A. Low production costs          C. Massive audience appeal
   B. Selection of recipients     D. Predictable delivery times

75. After considering all the factors that affect the pricing of a product, a company is ready to set its __________ price.
   A. discount      C. wholesale
   B. exchange      D. equilibrium

76. A business's fixed expenses are best described as expenses that are not
   A. included in the operating budget.      C. incurred on a regular basis.
   B. required to operate a business.       D. affected by changes in sales volume.

77. What is the purpose of sales-oriented pricing objectives?
   A. To guarantee the survival of the business
   B. To create profits for the business
   C. To increase the return on investment
   D. To increase the total amount of sales income

78. What might decrease if a business adds an inappropriate item to the product mix?
   A. Profits          C. Prices
   B. Expenses        D. Salaries

79. A law office might provide which of the following extra services to its clients:
   A. Advice          C. Credit
   B. Counsel        D. Advocacy
80. Can a lack of customer service cost a business money?
   A. No, because customer service is obsolete and unnecessary.
   B. Yes, because people who want good customer service often become loyal customers.
   C. Yes, because costly sales personnel can be replaced by good customer service.
   D. No, because customer service has little effect on patronage.

81. “Our product works great!” is an example of a USP that is not __________ enough.
   A. desirable  C. fulfillable
   B. urgent  D. specific

82. Why is it a good idea to use different components—advertising, publicity, sales promotion, and personal selling—in a promotional campaign?
   A. Some components are more effective in communicating than others, so using several will help the balance.
   B. Some promotional elements are easier to implement than others and will generate a higher return.
   C. Each different component plays a distinct role, whether informing, persuading, or reminding.
   D. Consumers will usually respond only to certain promotional components, so using a mix will help the overall response.

83. A local pizza place gives you a magnet that includes its logo, website, and phone number. This is an example of
   A. directory advertising.  C. product placement.
   B. specialty media.  D. a spectacular.

84. Alexandria has been using Look-So-Good cosmetics for several years and would not consider changing brands. In fact, Alexandria likes the cosmetics so much that she has become an advocate for the cosmetic company. She tells everyone about the features and benefits of Look-So-Good products and encourages them to try the cosmetics. What type of word-of-mouth marketing is Alexandria using?
   A. Organic marketing  C. Shill marketing
   B. Mobile marketing  D. Virtual marketing

85. Postcards, catalogs, and sales letters are forms of
   A. mass communication.  C. direct mail.
   B. publicity.  D. public relations.

86. Which of the following are communication channels that businesses often use when engaging in the push promotion strategy:
   A. Mass advertising and coupons  C. Trade advertising and pricing
   B. Mass advertising and trade shows  D. Trade advertising and trade shows

87. A food manufacturer just released a new product. The company's public relations department writes an article about the health benefits of the product and includes recipes and photos. A cooking magazine prints the article in its pages for a cost. What PR tool is this company using?
   A. A podcast  C. Philanthropy
   B. A matte release  D. Crisis management

88. Internal and external controls, policies, and guidelines for reaching goals while meeting stakeholders’ needs are all common elements of
   A. public relations strategies.  C. legal regulations for businesses.

89. A proofreader making sure every word in a document is spelled correctly is an example of quality management at which of the following levels:
   A. Departmental  C. Managerial
   B. Executive  D. Job/Performance
90. Why does a company need to have clearly stated business objectives to accurately identify risk?
   A. Having clearly stated business objectives makes it easier to identify the actual importance of specific risks.
   B. Clearly stated business objectives determine whether the company will achieve the desired amount of profit.
   C. Developing clearly stated business objectives is the main activity of designing an overall risk management strategy.
   D. Clearly stated business objectives can effectively eliminate all identified business risks.

91. Because __________ measures of risk can be too general, it is also useful to perform __________ assessments of risk.
   A. quantitative; qualitative  C. preventative; responsive
   B. qualitative; quantitative  D. responsive; preventative

92. Which of the following is a benefit of implementing enterprise risk management (ERM):
   A. Improved sales in previously sluggish categories
   B. Increased confidence from company stakeholders
   C. Fewer expenses related to public relations
   D. Increased performance variability

93. Sara works as a salesperson at a local car dealership. She knows first impressions matter, so she always comes to work well dressed and groomed. This shows that Sara believes in maintaining her
   A. communication skills.  C. creativity.

94. Which of the following terms best describes an ethical manager who makes decisions about employees by considering only their performance:
   A. Cooperative  C. Inferior
   B. Prejudiced  D. Fair

95. Which of the following is a price-related question that a business might ask in order to adjust its marketing mix in response to environmental changes:
   A. What credit terms should we offer customers?
   B. How will technology affect our choice of media?
   C. What channels of distribution do competitors use?
   D. Should we consider the lifestyles of the target market?

96. One of William's business goals is to increase customer satisfaction by 15%. What is one measure that William could use to assess his progress toward that goal?
   A. Number of product returns  C. Cost of marketing efforts
   B. Level of employee turnover  D. Number of touchpoints

97. Before Allison opened her bakery two years ago, she wanted to ensure that the baked goods would always have consistent quality, so she documented all of the recipes, steps, and processes needed to produce each baked good. What did Allison develop to help her business run smoothly?
   A. A sampling plan  C. An action plan
   B. A distribution schedule  D. An employee schedule

98. When tracking the performance of your company's business plan, you should share your results with
   A. the management team only.  C. everyone in the company.
   B. no one—results are confidential.  D. customers.

99. Which of the following employees would most likely be described as “innovative” by his/her supervisor:
   A. Jake, because he is always willing to adapt to changes during a project
   B. Madison, because she prefers to stick to traditional ideas and processes
   C. Elizabeth, because she gets frustrated when she needs to learn new skills
   D. Anthony, because he is usually quiet during brainstorming sessions
100. Change management is important because it helps organizations
    A. satisfy the wants and needs of their most valuable employees.
    B. make immediate changes to things that employees dislike.
    C. improve their operations and logistics management practices.
    D. implement and adjust to new processes and procedures.
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1. A
Breached the duty of care. The duty of care is the basic principle that expects all individuals and businesses to exhibit socially responsible behavior by using caution to prevent harm and by watching out for one another. A tort is a private wrongdoing that potentially harms another person or entity. If a business or one of its employees breaches the duty of care, the business may be held liable for the tort. However, the plaintiff must have grounds or proof that establishes that the business or its employee (defendant) has committed a wrongful act, thereby breaching the duty of care. Intentional damage and conspiring with a competitor (collusion) are types of torts. The doctrine of sovereign immunity is the universally accepted principle that each nation has the right to manage its own government and develop its own laws.
SOURCE: BL:069 Identify the basic torts relating to business enterprises

2. C
Accepted. Contracts are agreements between two or more parties stating that one party is to do something in return for something provided by another party. Several elements must be present for a contract to be valid. First, one party must make an offer to do something, such as sell a product for a certain price and deliver it on a certain date. Then, the other party must accept that offer. A valid contract cannot be formed unless the offer is accepted. The offer may be made verbally or in writing. Express and implied are types of contracts that may be formed once the offer is accepted.
SOURCE: BL:002 Describe the nature of legally binding contracts

3. B
Modifying work schedules. The Americans with Disabilities Act protects workers with physical and/or mental disabilities from discrimination. The law also states that businesses must make reasonable accommodations for disabled workers unless that puts an undue burden on the business. Reasonable accommodation involves making adjustments so that qualified individuals can perform the necessary job activities. For example, reasonable accommodation might include modifying work schedules so disabled employees can arrive and depart at different times if they rely on a special bus service to transport them to and from work. Businesses are not expected to change the required skills, eliminate training, or reduce educational requirements because the disabled person(s) must be qualified to do the work.
SOURCE: BL:008 Explain the nature of workplace regulations (including OSHA, ADA)

4. C
Is easy to transfer ownership. Ownership in a corporation can be transferred simply by selling the stock to another person and transferring the stock certificate to that person. A disadvantage of corporations is that there are more complex requirements that the corporation must fulfill in order to do business. Corporations have extensive financial power, but they are difficult to form and operate.
SOURCE: BL:006 Select form of business ownership
SOURCE: LAP-BL-006—Taking Care of Business (Selecting Forms of Business Ownership)

5. D
Making a variety of products available to them. Channels of distribution benefit consumers by making a variety of products available to them. Without these channels, consumers could only buy products directly from producers, which would be impractical. Channels may lower some but not all consumer product prices. They may raise the quality of some but not all consumer products. Increased profits for businesses are not a benefit for consumers.
SOURCE: CM:001 Explain the nature and scope of channel management
SOURCE: LAP-CM-002—Chart Your Channels (Channel Management)
6. **B**

Wholesaler. A wholesaler is an intermediary who helps move goods between producers and retailers by buying goods from producers and selling them to retailers (e.g., specialty shops). The retailers then sell the goods to the end users, or ultimate consumers. Agents are intermediaries who assist in the sale and/or promotion of goods and services but do not take title to them. An industrial user is a business that buys materials, services, or goods, which it uses to make other goods or uses for company operations.

**SOURCE:** CM:003 Explain the nature of channels of distribution
**SOURCE:** LAP-CM-003—Channel It (Channels of Distribution)

7. **C**

Assess its logistics needs. As a company grows and changes, its needs and objectives often change, too. Before a business can determine if channel members meet its needs, it must first determine its own needs. By assessing logistics needs such as customer requirements, industry trends, environmental issues, technological developments, and current distribution inefficiencies, it can establish criteria to evaluate channel-member performance. Identification of potential vendors and the development of a strategic alliance are factors that are considered after the logistics needs assessment is complete. A location feasibility study is conducted when a company wants to evaluate property for business operations.

**SOURCE:** CM:011 Evaluate channel members

8. **D**

Provide the customer. A brand promise is similar to a guarantee. It is what the business intends to provide the customer. A brand promise differs from business to business, depending on the type of business. For some businesses, the brand promise might be quality at a low price, dependable service, or reliability. Whatever the promise, that is what customers expect from the business. A business's brand promise is not what the business intends to sell to the target market, name its product, or use as a trademark.

**SOURCE:** CR:001 Identify company's brand promise
**SOURCE:** LAP-CR-006—Share the Promise (Identifying Brand Promise)

9. **C**

Profits encourage business owners to conserve resources. Profits encourage business owners to make their businesses more efficient so that they will make even more profits. Conserving resources is one way of being more efficient. Conservation of resources benefits society because it means more resources will be available for future consumers. All of the other alternatives are ways in which profits benefit businesses.

**SOURCE:** EC:010 Identify factors affecting a business's profit
**SOURCE:** LAP-EC-002—Risk Rewarded (Factors Affecting Profit)

10. **A**

Insurance policies. Insurance is a contractual agreement in which one company (insurer) will pay for specified losses incurred by the other company (insured) in return for installment payments (premiums). Insurance policies outline both the insurer's and insured's rights and responsibilities. Stock dividends are percentages of profits paid to stockholders. Mutual funds are an example of securities.

**SOURCE:** EC:011 Determine factors affecting business risk
**SOURCE:** LAP-EC-003—Lose, Win, or Draw (Business Risk)

11. **D**

Monopoly. A monopoly exists when there is only one source for a given product and no substitute products are readily available. In these situations, the seller can control the price of that product. Price discrimination occurs when a manufacturer sets different prices for different customers who are buying the same goods. False advertising is any form of advertising that is misleading. Inflation occurs when an inadequate supply of goods/services causes prices to rise rapidly.

**SOURCE:** EC:012 Explain the concept of competition
**SOURCE:** LAP-EC-008—Ready, Set, Compete! (Competition)
12. B
Business process changes. Businesses change their processes for a variety of reasons. One of those might be technological developments that increase efficiency and productivity. Because the magazine responded to a technological development, it would then need to update its processes to fit the new product. This decision would not necessarily lead to the need for increased revenue, new employees, or a shift in the mission statement.
SOURCE: OP:476 Explain the causes of business process changes

13. A
Contraction. Contraction is a product-mix strategy in which a business removes, or deletes, product items or product lines from its product mix. Expansion of the product mix means to add to the mix. Positioning is a product-mix strategy in which a business creates a certain image or impression of a product in the minds of consumers. Alteration is a product-mix strategy in which a business makes changes to its products or product lines.
SOURCE: PM:003 Explain the concept of product mix
SOURCE: LAP-PM-003—Mix and Match (The Nature of the Product Mix)

14. D
Social media. Social media are interactive forms of electronic communications through which users build communities, network, share information, etc. A newsletter, a podcast, and search engine optimization are one-way public relations activities and are not interactive.
SOURCE: PR:252 Identify types of public-relations activities

15. B
It supports business objectives. Enterprise risk management is a process that involves developing a holistic, overarching risk management plan throughout an organization. Enterprise risk management links risk management to the business's overall goals. Enterprise risk management impacts the entire organization, not just lower level employees. Enterprise risk management is not a temporary project; rather, it is an ongoing operational effort. Finally, enterprise risk management considers both external and internal risks.
SOURCE: RM:062 Discuss the nature of enterprise risk management (ERM)

16. D
A buy-one-get-one-free coupon. Sales promotions are intended to stimulate customer purchases, usually in the short-term. A buy-one-get-one-free coupon helps entice customers to buy a product that they might not normally buy. If the retailer is trying to get rid of merchandise, a coupon focused on that product would help to promote it. A contest that rewards the store's 100th customer, a booth at a trade show, or a sweepstakes for a new car would not necessarily promote the particular product in question, though they are all forms of sales promotion.
SOURCE: PR:249 Identify communications channels used in sales promotion

17. D
Competitive. When similar products are offered by other businesses, a business needs to match their prices in order to be competitive. Businesses set similar prices for similar products because customers will not pay more than necessary. Realistic prices are those that customers expect to pay based on the quality of the items. Flexible and variable prices are those that are adjustable, depending on circumstances.
SOURCE: PI:001 Explain the nature and scope of the pricing function
SOURCE: LAP-PL-001-The Price Is Right (Nature of Pricing)
18. D
Lower tariffs. A business opportunity is a circumstance that presents itself to provide a good or service. Entrepreneurs often find business opportunities by monitoring trends, or the direction in which society is moving. One trend that positively affects international business is the lowering of trade barriers, including tariffs, which are taxes on import and export products. International trade is becoming more affordable and profitable because businesses do not pay as much in tariffs. Extreme changes in currency rates may influence a businessperson's decision to trade internationally, but currency rates always fluctuate somewhat, which indicates that fluctuations are not a trend. Trade agreements are not enforceable when a country does not want to participate. The reference to higher allowances is too general in nature to consider it a trend.

SOURCE: EN:003 Assess global trends and opportunities for business ventures

19. A
Certain the idea is feasible. Owners/Managers should not conduct a feasibility study if they are certain the idea is feasible. This certainty may come from a previous study or from observing another business using the idea successfully. Considering a business expansion is a great reason to conduct a feasibility study. Even if owners/managers aren't ready to start a venture or are unsure about an idea, it's still beneficial to conduct a feasibility study to find out more.

SOURCE: EN:038 Determine feasibility of venture ideas
SOURCE: LAP-EN-038—Explore the Possibilities (Conducting Feasibility Studies)

20. D
Sales forecast. An entrepreneur uses many tools to plan a new venture. These tools help an entrepreneur develop a comprehensive business plan, which includes information about sales. Banks usually require an entrepreneur to provide them with a business plan when applying for a loan. A sales forecast is a prediction of sales over a specific time, usually on a monthly, quarterly, and annual basis. It is important to forecast sales so that the entrepreneur can meet product demand. Marketing objectives are the goals that a firm seeks to reach with its marketing plan. A promotional budget is the amount of money a business plans to spend on promoting its goods and services during a certain time. An inventory report provides information about the company's stock on hand.

SOURCE: EN:008 Explain tools used by entrepreneurs for venture planning

21. A
Raw materials, equipment, and product inventory. Costs of sales for a new manufacturing venture typically include raw materials, equipment, product inventory, warehousing, shipping, and packaging. Trade show attendance and sales lead lists fall in the sales and marketing costs category. Attorney fees are a professional expense. Internet access is a technology cost.

SOURCE: EN:009 Assess start-up requirements
22. A
The industry experts typically provide useful information. Industry experts have in-depth knowledge about a specific field. Experts often know about the trends, processes, new products, and new technologies that affect the industry. These experts often provide entrepreneurs with useful information as they develop the ideas for their new ventures. Talking with industry experts doesn't always improve your management skills or enhance your confidence. Industry experts might know where you can obtain financial support, but they do not always offer it themselves.

SOURCE: EN:012 Assess the need to use external resources for concept development

23. D
List all the tasks involved in operating the business. Often, it helps business owners to write down every task that the business must perform in order to operate. After listing all tasks, the owners can categorize tasks by function (e.g., sales, bookkeeping) and determine in which areas they need the help or expertise of others. In most situations, asking a technical recruiter for advice, hiring consultants or freelancers, or allocating funds for payroll taxes does not help business owners determine their human resource needs.

SOURCE: EN:017 Explain factors to consider in determining a venture's human-resources needs

24. B
Necessary skills and affordability. A business owner considers many factors when determining if s/he should hire an employee. An important consideration is the nature of the work that the owner needs to have done. For example, if the owner needs someone to pay bills and mail invoices, s/he would likely hire a person who has bookkeeping skills. The owner must also consider if s/he can afford to pay a full-time or a part-time employee. Hiring a full-time employee is more costly because the person works longer hours, which increases payroll expenses. Benefits are usually not offered to part-time employees, which makes part-time employees less costly to the business. Training needs are important but depend on the skills the owner needs for the business. Property taxes, the screening process, and attitude are not factors that small-business owners consider when deciding to hire additional employees.

SOURCE: EN:018 Explain considerations in making the decision to hire staff

25. D
Licensed accountant. Outsourcing is acquiring assistance from individual consultants or outside organizations to obtain goods and services to perform primary business activities. Because business owners are rarely experts in every area of business, they often rely on outside experts to help them. And because a licensed accountant is knowledgeable about tax laws and tax incentives, s/he is the appropriate person to prepare Connor's tax return. Although a probate attorney, a trusted colleague, and an insurance agent may have some knowledge about tax preparation, they probably do not have the expertise that a licensed accountant has.

SOURCE: EN:022 Use external resources to supplement entrepreneur's expertise
26. C
All entrepreneurs must take risks. Risk-taking is an essential aspect of entrepreneurship. If you want to become a successful entrepreneur, you must learn to take risks and seek out risk-taking opportunities. Smart businesspeople do not necessarily avoid risks. Financial risks affect all businesses, not just new ones. Finally, risks related to staffing cannot necessarily be largely controlled.
SOURCE: EN:024 Evaluate risk-taking opportunities

27. A
Function. Workflow is the order in which information is shared, tasks are performed, and decisions are made in relation to activities that keep a business running. A business organizes its workflow in a manner that best suits the nature of the business and its goals. One way to organize workflow is by function. An example of workflow by function is when a business’s human resources department performs tasks that involve hiring staff and maintaining employee relations, while the business’s purchasing department orders and buys the business’s goods for resale. A business that sells different types of goods might organize its workflow by product, such as perishable goods and dry goods. A business that organizes its workflow by region is dividing workflow by geographic location. Rotation is not a method to organize workflow.
SOURCE: EN:027 Explain methods/processes for organizing workflow

28. A
Talking with customers. After a startup business is up and running, the owner often looks for opportunities that will enhance the business. In fact, many business owners create a systematic way to continuously look for these types of opportunities. Talking with customers on a regular basis can help the owner determine what the customers need and want so that the owner and his/her employees can create new products to satisfy those needs and wants. Businesses do not create needs. Observing vendors and meeting business goals do not usually help an owner decide how to expand the business’s product line.
SOURCE: EN:031 Create processes for ongoing opportunity recognition

29. B
Initiating a public stock offering. Venture harvesting is the stage in the entrepreneurial process in which the entrepreneur exits the business and collects (harvests) his/her share of the venture investment. There are many ways to harvest a venture, including closing the business entirely, selling the business to another person or company, keeping the business intact and releasing cash flows, and taking the company "public" through an IPO (initial public offering). IPO means that the entrepreneur is selling stock to the public and giving up control of some or all of the business; over time, the venture becomes a public corporation. By incorporating the business, the owner is selling stock, which generates money so the company can continue and grow. Ceasing business operations means that the business cannot grow, because it is closed. Setting up a public trust fund or developing a licensing program does not help the owner exit the business, nor does it ensure the business's growth.
SOURCE: EN:035 Describe methods of venture harvesting
30. B
Poor supply chain management can result in customer dissatisfaction. Poor supply chain management would likely lead to many problems for all members of a supply chain, such as order fulfillment delays and product quality issues. These issues would most likely result in customer dissatisfaction, not customer satisfaction. Good supply chain management would lead to increased value for customers since product issues would be less likely. Good supply chain management is likely to result in sustainable business practices, not unsustainable business practices.
SOURCE: OP:477 Explain the impact of supply chain on business performance

31. B
Overstate cash receipts and overstate cash payments. In accrual accounting, income is reported when products are sold rather than when they're paid for; therefore, the cash a business actually has would be overstated. Expenses (i.e., cash payments) are reported when they are incurred; therefore, failing to account for accrued expenses would overstate cash payments. With the cash basis of accounting, income is reported when it is received, and expenses are reported when they are paid.
SOURCE: FI:092 Prepare cash flow statements

32. D
Expensive. Businesses that obtain credit from commercial finance companies should know that they are often expensive. Commercial finance companies usually are willing to take risks and extend credit to businesses, but they tend to charge high interest rates on the borrowed money to compensate for the possibility of not collecting on the debt. Commercial finance companies tend not to be as conservative and cautious as commercial banks when it comes to extending credit. Whether the finance company is independent or part of a chain would not be a factor.
SOURCE: FI:023 Explain the purposes and importance of obtaining business credit

33. D
Credit card processing. Because margins on loans are quite small, your banker will be more willing to loan money if you use the bank's fee-based services, including payroll accounts, wire transfers, and credit card processing. Certificates of deposit and annuities are means by which the bank pays you for the use of your money.
SOURCE: FI:039 Analyze critical banking relationships

34. B
$21,975.00. Businesses often need to obtain financing to purchase new equipment because they do not have sufficient cash on hand to pay the entire price. Financial institutions frequently loan businesses a percentage of the value of new equipment and use the equipment as collateral. Then, businesses either need to pay the remainder from their own funds or obtain additional financing. In this example, a financial institution will loan the business 85% of the $146,500 worth of equipment. To calculate the additional amount that the business needs to obtain, first determine the amount the financial institution will loan by multiplying the percentage by the value of the equipment ($146,500 X .85 = $124,525). Then, subtract the loan amount from the total value of the equipment to determine the additional funds needed ($146,500 − $124,525 = $21,975).
SOURCE: FI:043 Determine financing needed for business operations
35. B
Cash flow. Cash flow is the movement of funds into and out of a business. It determines the amount of cash the business has to work with at any given time. Cash flow is an important part of a business's capacity to repay a loan, which is one of the criteria that banks use when evaluating loan applications. Therefore, a business's cash flow is usually the primary source for repaying the loan. If a business has sufficient cash flow, banks usually are more willing to loan money because there are funds available to repay the debt. Fixed assets are items of value a business owns that are not expected to change, such as a building. Fixed assets might be a secondary source because they can be sold to repay a loan. However, there may not be sufficient assets to cover the amount of the loan. Liabilities are debts the business owes. Accounts payable are all monies owed by the business to others.

SOURCE: FI:034 Explain loan evaluation criteria used by lending institutions

36. B
Shipping. Shipping is a one-time cost. When a business buys something, it should need to be shipped only once. Insurance, taxes, and wages are recurring costs that the business will continue to pay over time.

SOURCE: FI:357 Describe the nature of cost-benefit analysis
SOURCE: LAP-FI-357—Running the Numbers (Cost-Benefit Analysis)

37. D
Profit. Profit is the income left once all expenses are paid. By calculating marginal revenue, the revenue received from producing and selling one additional unit of output, a business can decide if output is generating the desired amount of profit. For example, once output is sufficient to cover expenses, each additional unit of output generates profit. Income is revenue, the total amount of money earned by a business. Interest is the reward or cost of lending or borrowing money, respectively.

SOURCE: FI:358 Determine relationships among total revenue, marginal revenue, output, and profit

38. D
Vertical. Three common types of financial statement analysis are vertical analysis, horizontal analysis, and ratio analysis. When conducting vertical analysis, an individual calculates each individual item on a financial statement as a percentage of the total. After doing so, the analyst can develop common-size financial statements that allow him/her to compare performance across several years for a single company or across several different companies. Horizontal analysis, which is sometimes known as trend analysis, involves analyzing dollar amounts on financial statements for a single company across several years. Horizontal analysis does not involve the development of common-size financial statements. Ratio analysis involves the calculation of ratios based on a company's financial data. It allows analysts to compare numbers within a financial statement and determine the relationships among numbers on different financial statements. It can also be used to compare the performance of multiple companies. Ethan is not conducting trend or ratio analysis.

SOURCE: FI:334 Describe types of financial statement analysis (e.g., ratio analysis, trend analysis)
39. D
Sales volume. Sales volume is the amount of a business’s sales. Businesses often analyze sales volume over a period of time when determining future hiring needs. For example, if a business’s sales have increased steadily over a period of time, the business might decide that hiring additional salespeople will help increase sales even more. The increased sales might also indicate that the business needs to hire additional support staff to fill orders and provide customer service. Merit pay is a salary increase based on performance. Job security is the assurance that employees will keep their jobs. Determining future hiring needs does not involve analyzing formal training.

SOURCE: HR:353 Determine hiring needs

40. B
Interview. The interview is the actual dialogue between the prospect and the interviewer. It is the most widely used selection tool and gives the interviewer the opportunity to observe applicants personally. Some businesses administer aptitude tests and check credit records, but these are not the most widely used techniques. Training takes place after an applicant is hired.

SOURCE: HR:356 Select and hire new employees

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

SOURCE: HR:392 Train staff

42. B
Preventive discipline and corrective discipline. Preventive discipline involves managing people in a certain way so that behaviors which would require discipline are prevented. Corrective discipline is used to discourage further violations after infractions have already occurred. Remediation is the umbrella term which includes both forms of disciplinary action. Corrective counseling is a discussion of an infraction and may be used as part of the corrective discipline process. Peer counseling involves persons on an equal level. It may also be used to change negative behaviors. Supervisory discipline refers to the level of the employee being disciplined.

SOURCE: HR:369 Explain the nature of remedial action

43. A
It provides consumer feedback and allows marketers to assess the level of demand for products. Consumer preferences and behaviors change constantly. Marketing research gives companies insight into what consumers want and what trends are occurring so that they can create products that are popular and in-demand. While marketing research does give companies some information about competitors, it cannot reveal proprietary (secret) data or practices. Marketing research is meant to inform and guide all other marketing practices, not replace them. An effective marketing strategy involves both research and other practices such as sales promotions and store displays. Finally, research itself can only reveal problems and trends; it does not prescribe solutions or recommend courses of action. It is up to the marketers themselves to translate their findings into actionable solutions.

SOURCE: IM:012 Describe the need for marketing data
44. B
Implement the marketing concept. The marketing concept is a philosophy of conducting business that is based on the belief that all business activities should be aimed toward satisfying consumers' wants and needs while achieving company goals. Marketing research helps businesses implement the marketing concept by identifying consumers' wants and needs. An exclusive image is not necessarily a result of marketing research and may not be an objective of the business. Marketing research is a tool used to solve problems, which cannot usually be done quickly. Marketing research also cannot always provide information at the time the business needs it.
SOURCE: IM:010 Explain the nature of marketing research
SOURCE: LAP-IM-010—Seek and Find (Marketing Research)

45. A
Informal. Marketing research can be done informally or formally. When a business pays someone to count cars, that is a form of informal research. Formal research would include not only counting the cars but questioning consumers and analyzing their responses. Causal research is marketing research that focuses on cause and effect and tests "what if" theories. Internal research is research carried out within the business itself.
SOURCE: IM:010 Explain the nature of marketing research
SOURCE: LAP-IM-010—Seek and Find (Marketing Research)

46. D
Family. The first social group a consumer belongs to is her/his family. The family has a strong influence on consumer behavior and serves as a filter for other important influences such as culture. Friends, classmates, and neighborhood circles are also social groups that affect buying behavior, but the family is the very first group a person belongs to.
SOURCE: MK:014 Explain factors that influence customer/client/business buying behavior
SOURCE: LAP-MK-014—Cause and Effect (Buying Behavior)

47. D
Product. Determining the terms of a product's warranty refers to the way in which a company promises to handle product problems after the sale. The place, or distribution, element of marketing focuses on considerations in getting the selected product to the right place at the right time. The price element requires marketers to determine and adjust prices to maximize return and meet customers' perceptions of value. The promotion element of marketing involves communicating information about goods, services, images, and/or ideas to achieve a desired outcome.
SOURCE: MP:001 Explain the concept of marketing strategies
SOURCE: LAP-MP-002—Pick the Mix (Nature of Marketing Strategies)

48. B
Soda, personal computers, and toothpaste. Mass marketing involves designing products and directing marketing activities to appeal to the whole market. Soda, personal computers, toothpaste, and chewing gum are examples of items that are mass marketed. Farm equipment, textbooks, designer handbags, and local tax services are products sold to niche markets, or very specific market segments.
SOURCE: MP:003 Explain the concept of market and market identification
SOURCE: LAP-MP-003—Have We Met? (Market Identification)

49. A
Conducts a market analysis. A market analysis is a systematic study of the market. It is important for business to know how many members of the market want or need the business's product before it spends the money to market the product in that area. If there is little or no demand for the product in a specific geographical area or region, then it is not practical to spend money to offer and promote the product. A business does not use a market analysis to evaluate the business's technology needs or to develop financial standards. The purpose of an orientation program is to introduce new employees to their coworkers and orient them to their new work environment.
SOURCE: MP:009 Conduct market analysis (market size, area, potential, etc.)
50. A  
Environmental scanning. When Gary collects information about the environment surrounding his business, he is participating in environmental scanning. This process of gathering external information is an important part of SWOT analysis and the strategic planning process. External information can include technological advances, competitors’ developments, the needs of customers, economic trends, and new laws or policies. Threat appraisal, competition assessment, and information collecting are not terms that apply to gathering external information.  
SOURCE: MP:010 Conduct SWOT analysis for use in the marketing planning process  
SOURCE: LAP-MP-010—Analyze This! (SWOT Analysis)

51. A  
$1,471,508.90. A sales forecast is a prediction of future sales over a specific time frame. A firm develops a sales forecast to help owners and managers make important decisions about the business. The sales forecast affects many areas of the firm including sales, promotion, purchasing, and human resources. To calculate next year’s sales forecast, first multiply this year’s sales by the anticipated percentage decrease to obtain the anticipated dollar decrease ($1,565,435 \times 6\% \text{ [or .06]} = $93,926.10). Then, subtract the anticipated dollar decrease from this year’s sales to obtain next year’s sales forecast ($1,565,435 – $93,926.10 = $1,471,508.90). An alternative method is to subtract the percentage decrease from 100% and multiply the answer by last year’s sales (100% – 6% = 94%; $1,565,435 \times 94\% \text{ [or .94]} = $1,471,508.90).  
SOURCE: MP:014 Forecast sales for marketing plan  

52. B  
Product knowledge. To develop an accurate client profile, brokerage houses need to determine if their clients are well-informed about financial products or if they are new buyers. This is important because the way brokerage houses market their products will depend on the knowledge level of their clients. If clients are unfamiliar with stocks and bonds, brokerage houses will need to spend more time educating their clients in order to make a sale. On the other hand, knowledgeable clients who understand the products might need a different type of assistance. Information about a customer’s social background, political preference, and intelligence level would be difficult to obtain and not necessarily helpful in developing a profile.  
SOURCE: MP:031 Develop customer profile  

53. D  
Browser. A browser is a type of software application that allows a user to access web data. This is an important type of software for businesses that want to access the web or create their own web pages. There are several browsers available, but the most popular is Google Chrome. A modem is an internal or external computer communications device that is used to transmit information over a particular medium, such as telephone lines or television cables. Filters are computer programs that block out unwanted information. Video software is not required for a computer system to be able to access web data.  
SOURCE: NF:012 Determine venture’s information technology needs  

54. C  
Internal records. Companies keep many types of internal records about their various business activities. These records might contain information about sales, agreements with vendors, financial status, etc. Management and employees use the records to make decisions about day-to-day and future actions. For example, records that indicate that sales are increasing and the company is profitable might encourage the business to decide to expand. Businesses monitor their activities on an internal basis. Trade publications, industry trends, and government statistics are examples of external data.  
SOURCE: NF:014 Monitor internal records for business information  
55. D
Mean. The mean is a measure of central tendency. Mean is a mathematical average, which involves adding together the raw data and dividing the sum by the number of individual data. In the example, James added together all of the salaries of the companies that he researched ($31,205 + $29,995 + $34,800 + $42,500 + $36,500 = $175,000). Then, Jack divided the sum by the number of individual salaries in the set of data ($175,000 / 5 = $35,000). The mode of a set of numbers is the value that appears most often in the set. The range is the difference between the largest and the smallest number in the data set. The median is the exact middle of a data set. In the example, $34,800 is the median of the data set.

SOURCE: NF:093 Interpret statistical findings

56. B
Hazardous areas. Before establishing safety policies and procedures, it is important to survey the workplace to locate hazardous areas. Businesses need to know what areas might present a danger or hazard to employees and customers in order to develop the appropriate safety policies and procedures. Depending on the type of business, these policies and procedures might require the use of safety goggles, special clothing, etc. Once businesses have identified hazardous areas, they might decide to install sprinkler systems, surveillance cameras, or electronic alarms.

SOURCE: OP:012 Establish safety policies and procedures

57. C
Trade secrets. A trade secret is undisclosed information within a particular business or industry. Since a trade secret is information, it is a type of intangible property. Businesses often establish policies to protect trade secrets because the use of those secrets sets the businesses apart from competitors. For example, a secret ingredient is a trade secret. Production systems usually are made up of tangible items such as equipment. Inventory methods and delivery routes are not types of intangible property that businesses establish policies to protect.

SOURCE: OP:155 Establish policies to protect company information and intangibles

58. C
Interrelated. When purchasing does its job well, other departments can function properly. Purchasing, in turn, depends on other departments for information and expertise so it can do its job well. Therefore, the firm’s departments can be viewed as interdependent, or interrelated.

SOURCE: OP:015 Explain the nature and scope of purchasing
SOURCE: LAP-OP-002—Buy Right (Purchasing)

59. D
Maximizing. Resources are the items or people that a company uses to make products or accomplish a goal. A company that does not use its resources wisely risks losing customers and profits, which may ultimately result in business failure. To make sure that the company is maximizing its resources, the company should periodically review its procedures and operating systems. Sometimes, procedures and systems should be changed to increase the company’s efficiency. A company uses resources to produce goods and services, and it does not review procedures to make sure that it is customizing or presenting resources.

SOURCE: OP:022 Establish efficient operating systems
60. C
$160,300. Net profit is calculated by subtracting operating expenses and cost of goods sold from income. To determine net profit, first calculate gross profit by subtracting cost of goods sold from income ($675,500 − $305,200 = $370,300). Then, subtract operating expenses from the gross profit figure to calculate net profit ($370,300 − $210,000 = $160,300).
SOURCE: OP:024 Explain the nature of overhead/operating costs

61. B
A large amount of accounts receivable are past due. A business's budget lists projected sales figures as well as actual numbers. A business monitors this information in order to identify problem areas and make necessary adjustments. If the budget figures indicate that a large amount of accounts receivable are past due, the business knows that it has a collection problem and must take steps to obtain payment. A business that fails to monitor this type of information may lose money from bad debts because it is difficult to collect old accounts. Businesses that accept credit cards and personal checks receive cash quickly and do not lose money from bad debts. If cash receipts are high, the business is not losing money.
SOURCE: OP:030 Use budgets to control operations

62. B
Production, shipment, and distribution of products. Supply chain management is a career area in which employees supervise the complete process of getting products into the marketplace—including the production, shipment, and distribution of products. Supply chain management does not specifically oversee the buying and selling of stocks, human resources, communications, financial planning, or managerial accounting; however, each of these business practices influences supply chain management in its own unique way.
SOURCE: OP:303 Discuss the nature of supply chain management

63. D
Comparing data. Business analysis is the process of investigating and evaluating a business issue, problem, process, or approach. Companies analyze different types of business activities including finances, marketing trends, sales, and production. One aspect of effective analysis involves comparing data. In many situations, comparing data from one period with similar data from another period will help a company determine if it is accomplishing its goals or if it needs to make adjustments to accomplish its goals. When employees are reviewing and analyzing financial reports and income data, they are not informing customers, submitting evidence, or influencing others' opinions.
SOURCE: OP:327 Discuss the nature of business analysis
64. B

SWOT. A SWOT analysis is a marketing tool that systematically investigates a business's strengths, weaknesses, opportunities, and threats. Conducting a SWOT analysis can help a company determine what it needs to do to act on opportunities, build on its existing strengths, reduce threats, and improve or correct weaknesses. This, in turn, will help the business remain competitive in the marketplace. PERT is the acronym for program evaluation and review technique, which is a method (flowchart) that businesses often use to coordinate product development activities. Financial leverage refers to the tools that a business has to increase its wealth or assets. Resource allocation is the ways in which a business uses its employees' skills, funds, supplies, and equipment.

SOURCE: OP:327 Discuss the nature of business analysis

65. B

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

SOURCE: OP:474 Discuss business process thinking and its impact

66. A

Human. People have a big impact on business processes. Stress, fatigue, and morale all influence how successful a process will be. When designing a business process, therefore, companies should consider how human factors will affect the process. Technology, regulations, and the environment surrounding the company or employee also impact business processes; however, this example best demonstrates how human factors impact process design.

SOURCE: OP:475 Describe the factors that influence business process design

67. D

To improve performance. There are several reasons why a business may choose to change its business processes, including to improve performance, reduce costs, increase profitability, or even satisfy employee demands. However, this example best demonstrates a company changing a process to improve the overall performance of its recruitment strategy.

SOURCE: OP:476 Explain the causes of business process changes

68. A

Creates value for potential buyers. A business owner who plans to sell his/her company should develop products, employees, and business strategies that will appeal to future buyers. When a business owner sells his/her business to another company, s/he typically gives up control and no longer earns personal income from it. Developing a business to appeal to one specific company is an ill-advised business strategy because it severely limits the number of potential buyers.

SOURCE: EN:037 Develop exit strategies
69. C
Avoid collecting unnecessary data. Avoiding the collection of unnecessary data is a proactive strategy that a company can use to prevent customers’ private information from being exposed to the dangers of a data breach. Personal data should be destroyed when they are no longer needed in order to eliminate the risk of exposure or loss. Dealing with data breaches immediately and training employees on how to handle them do not prevent data breaches from occurring.
SOURCE: OP:473 Evaluate strategies for protecting business’ digital assets (e.g., website, social media, email, etc.), customer data, and other protected information

70. C
Billboards. Billboards are considered a form of out-of-home media because they are encountered outside of consumers’ homes. Magazines, television, and blogs can all be used within a consumer’s home and are not considered out-of-home media sources.
SOURCE: PR:007 Explain types of advertising media
SOURCE: LAP-PR-003—Ad-quipping Your Business (Types of Advertising Media)

71. D
Explain to all employees why the change is needed and how it will help. The company should communicate to all employees what the change is and why it is occurring. If employees understand why the change is important and how it will help them, they will have an easier time adjusting to the change. The company should not execute the change without telling employees or only let the employees know about the change after it has occurred. All employees should be involved, not just high-ranking employees.
SOURCE: SM:095 Explain the nature of change management

72. A
It is an ongoing process. Quality management is an ongoing process that requires a long-term commitment from everyone in the organization, not just upper-level managers. It can—and should—be used in all organizations, not just in the manufacturing industry.
SOURCE: QM:001 Explain the nature of quality management
SOURCE: LAP-QM-001—Keep It Quality (Nature of Quality Management)

73. C
Jana prepares a press release about her firm’s new licensing agreement with a large company. The public relations department is the area of the business that is responsible for establishing good relations between the business and the public. Public relations staff members are responsible for developing and distributing press releases. Press releases include newsworthy information about the business and are provided to the media to obtain publicity. Businesses often distribute press releases to announce new products, employee promotions, mergers, awards, licensing agreements, etc. Sales promotion is a product-promotion activity. Calling on prospective customers to schedule product demonstrations is a sales activity. Reviewing an overdue-accounts report is an accounting activity.
SOURCE: PR:252 Identify types of public-relations activities
74. B
Selection of recipients. Direct mail is a form of advertising in which the promotional medium comes to consumers’ homes or businesses. A business that uses direct mail to promote its products selects who receives its messages. The business saves time and money because it is sending the direct mail to a market segment that is most likely to purchase from the business, which is an advantage. Disadvantages of using direct mail to promote products are that it is often expensive to produce and that postal delivery service is unpredictable. A business uses direct mail to target its messages towards a specific market rather than to a massive audience.
SOURCE: PR:089 Explain the nature of direct marketing channels

75. B
Exchange. Exchange price is the amount of money that the buyer is willing to pay and the seller is willing to accept for a good or service. In other words, exchange price is the selling price. Exchange prices should be realistic, flexible, and competitive. Whether these prices are discount or wholesale prices would depend upon the type of company. Equilibrium price is the price at which the quantity of a good that buyers want to buy and the quantity that sellers are willing to sell at a certain price are exactly equal. This price seldom exists in the marketplace.
SOURCE: PI:001 Explain the nature and scope of the pricing function
SOURCE: LAP-PI-001—The Price Is Right (Nature of Pricing)

76. D
Affected by changes in sales volume. Fixed expenses are operating expenses that do not go up or down with changes in sales volume but remain the same over time. They are required to run the business, incurred on a regular basis, and would be included in the operating budget.
SOURCE: PI:002 Explain factors affecting pricing decisions

77. D
To increase the total amount of sales income. The purpose of sales-oriented pricing objectives is to increase the total amount of income from sales. There are two ways a business can do this. One way is to charge low prices in an effort to increase the volume of sales. The alternative is to charge high prices in an effort to increase the dollar value of its sales. The purpose of profit-oriented pricing objectives is focused on creating profits for the business. Some of the objectives a business might achieve through profit-oriented pricing include survival of the business and return on investment.
SOURCE: PI:002 Explain factors affecting pricing decisions

78. A
Profits. A business might experience a decrease in profits if it adds an inappropriate item to the product mix. An inappropriate item might compete with the original goods, which would cause sales of the original goods to decline and sales for the new item to be less than expected. Businesses should make sure that their product mix is appropriate in order to increase sales and profits. Expenses are the monies that a business spends. Prices are the amounts of money paid for a good, service, or resource. Salaries are money payments for labor.
SOURCE: PM:003 Explain the concept of product mix
SOURCE: LAP-PM-003—Mix and Match (The Nature of the Product Mix)
79. C
Credit. Many businesses offer their clients (customers) extended credit or payment plans. Credit is an extra service that businesses offer rather than a service that a business might sell. For example, a law office sells legal services but may allow its clients to pay for those services over a period of time. Advice, counsel, and advocacy are types of legal services for which law offices charge their clients rather than extra services.
SOURCE: PM:036 Determine services to provide customers

80. B
Yes, because people who want good customer service often become loyal customers. Loyal customers are repeat customers, which leads to stable or increased sales. By not offering certain services, the business runs the risk of losing customers to the competition. Customer service cannot replace sales personnel and is not obsolete. It is necessary to maintain patronage and build new customer relationships.
SOURCE: PM:013 Explain the role of customer service in positioning/image
SOURCE: LAP-PM-001—Customer Service Supersized (The Role of Customer Service in Positioning/Image)

81. D
Specific. “Our product works great!” is an example of a USP that is not specific enough. Vague unique selling propositions cannot work. You must communicate the specific benefit customers will receive from giving you their business. This USP may be considered urgent, fulfillable, and desirable, but it needs to be more specific to work successfully.
SOURCE: PM:272 Identify company's unique selling proposition
SOURCE: LAP-PM-272—Stand Out (Unique Selling Proposition)

82. C
Each different component plays a distinct role, whether informing, persuading, or reminding. No one promotional component can communicate with all audience segments in all ways. Each type of promotional element communicates in a different fashion and complements the other elements. One promotional component is not more effective across the board than the others. Instead, in certain situations some are more effective. That's why a promotional mix will maximize communications efforts. Different consumers respond in different ways to different messages and different promotional components—another reason a mix of promotional elements will help get the best response possible. While some elements can be easier to implement in some situations, it is not a general rule of thumb. Nor do some elements generate a higher "return" than others, especially since the effectiveness of each promotional element is evaluated differently.
SOURCE: PR:001 Explain the role of promotion as a marketing function

83. B
Specialty media. Specialty media is a type of "other" media that features a business's logo, is useful, and is given away freely. A magnet featuring a business's logo, website, and phone number is considered specialty media. Directory advertising includes promotional messages found in directories of a general nature such as the Yellow Pages or in specialized listings of companies in an industry. Product placement is a type of "other" media that uses products as props in movies, television shows, and video games. A spectacular is a type of out-of-home advertisement built to order and often designed with neon lights or moving parts.
SOURCE: PR:007 Explain types of advertising media
SOURCE: LAP-PR-003—Ad-quipping Your Business (Types of Advertising Media)
84. A
Organic marketing. Word-of-mouth promotion occurs when customers tell others about their satisfaction with the business. Organic word-of-mouth promotion occurs naturally. Because customers are satisfied with the business and its products, they enthusiastically tell others about their satisfaction in the course of normal conversation. In some situations, customers trust and like the product so much that they become product advocates—putting in a good word whenever and wherever they can. Virtual marketing involves communicating product information via the internet. Mobile marketing involves communicating information via mobile devices and networks (e.g., smartphones). Shill marketing involves employing people to pose as customers who are satisfied with a business's product using word-of-mouth techniques. Shill marketing is unethical behavior, and in some jurisdictions, it is an illegal practice.
SOURCE: PR:247 Describe word-of-mouth channels used to communicate with targeted audiences

85. C
Direct mail. Direct mail is a promotional medium that comes to consumers' homes and businesses in the form of letters, catalogs, postcards, faxes, and folders. Publicity is any nonpersonal presentation of ideas, goods, or services that is not paid for by the company or individual that benefits from or is harmed by it. Television and radio commercials and newspaper and magazine advertisements are examples of mass communication, which consists of nonpersonal promotional messages. The function of business designed to establish good relations between the business and the public is public relations.
SOURCE: PR:089 Explain the nature of direct marketing channels

86. D
Trade advertising and trade shows. Sales promotion encompasses promotional activities other than advertising, personal selling, and publicity. Depending on their target markets, businesses use different types of sales-promotion strategies to stimulate sales. When a business uses the push sales-promotion strategy, it is attempting to move or push the product through the distribution channel to the end user. To do this, businesses use sales-promotion techniques (e.g., discount coupons and rebates) to provide channel members with incentives to sell the products to their customers, who are often the end users. Businesses often use trade advertising and trade shows to inform channel members about their products and sales promotions. If a business uses a pull strategy, it is likely to use mass advertising communication channels (e.g., national television commercials) to reach the target market. Pricing is a marketing function that involves determining and adjusting prices to maximize returns and to meet customers' perceptions of value.
SOURCE: PR:249 Identify communications channels used in sales promotion

87. B
A matte release. Matte releases are articles PR teams generate for placement in print or online publications. A food manufacturer might submit an article that features recipes involving their product. Podcasts are digital audio files that can be used for public relations activities. Crisis management is the process PR departments use to deal with a sudden negative emergency. A matte release of this type would likely not be considered philanthropy.
SOURCE: PR:250 Explain communications channels used in public-relations activities
88. **B**

Corporate governance structures. An effective corporate governance strategy combines controls, policies, and guidelines to ensure that the organization is reaching its objectives while meeting its stakeholders' needs. Common examples of controls, policies, and guidelines include performance measurement systems, audits, separation of power within the governance structure, and clearly defined communication lines. Controls and policies can also be external, such as legal regulations for business. Policies and guidelines are also important for driving an organization toward its goals. Controls, policies, and guidelines are not necessarily the primary elements of public relations strategies, legal regulations for businesses, or nondisclosure agreements.

**SOURCE:** PD:302 Identify the factors that impact governance structures


89. **D**

Job/Performance. A proofreader making sure that every word in a document is spelled correctly is an example of quality management at the job/performance level. Proofreading is this employee's job, and s/he is creating a quality product. The leadership (or managerial) level refers to top management and the company's overall goals and plans, which includes the executive level. The departmental level refers to the company's departments serving each other as internal customers.

**SOURCE:** QM:001 Explain the nature of quality management

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

90. **A**

Having clearly stated business objectives makes it easier to identify the actual importance of specific risks. Risk management involves identifying, analyzing, and evaluating potential risks so they can be effectively managed. When a company's business objectives are clearly stated, it is easier to identify how important a specific risk is. Achieving a desired amount of profit is dependent on many factors and is not achieved solely by identifying risk or developing clearly stated business objectives. Developing clearly stated business objectives is just one activity involved in designing an overall risk management strategy.

An overall risk management strategy is a complex and strategic business management tool that has many important components (e.g., risk assessment matrix analysis and formal contingency plans) to reduce actual risks. Since business risks are an inherent part of conducting business, it is impossible to eliminate them—no matter how clearly stated the company's business objectives are.

**SOURCE:** RM:044 Discuss the relationship between risk and business objectives


91. **B**

Qualitative; quantitative. Qualitative analysis of risks measures the probability of a risk occurring. Quantitative risk analysis is more precise and assigns numbers to risks based on data reported. Qualitative risk analysis is more general, whereas quantitative risk assessment helps go more in depth and offer a more valid way to make decisions. Risk assessments are generally not categorized as preventative or responsive.

**SOURCE:** RM:059 Explain ways to assess risk

92. B
Increased confidence from company stakeholders. Companies that implement enterprise risk management (ERM) are more likely to enjoy confidence from their shareholders and other stakeholders. ERM sends a strong signal to shareholders that the organization is taking risk management seriously. ERM can provide assurance to management, the board of directors, and shareholders that all possible steps are being taken to manage and prevent risk. Improved sales and decreased expenses in public relations are not guaranteed when implementing ERM. Ideally, ERM would result in less performance variability—meaning that the organization's performance would remain consistently high.
SOURCE: RM:062 Discuss the nature of enterprise risk management (ERM)

93. D
Personal appearance. First impressions are important: A well-dressed and groomed salesperson can make a good first impression. By developing self-confidence, a salesperson can help customers have faith in the business. Communication skills involve expressing yourself clearly, and creativity is used in finding new and improved ways to sell your products.
SOURCE: SE:017 Explain the nature and scope of the selling function
SOURCE: LAP-SE-017—Sell Away (The Nature and Scope of Selling)

94. D
Fair. Ethics are the basic principles that govern a person's behavior. A manager who shows impartiality and has the ability to make judgments without showing favoritism or demonstrating self-interest is exhibiting fair behavior. A person is prejudiced when s/he has an opinion or makes a judgment based on feeling or hearsay. An inferior attitude is an outlook of people who believe that they are less worthy than the people around them. Being cooperative means being able to get along with another person.
SOURCE: SM:002 Explain the nature of managerial ethics

95. A
What credit terms should we offer customers? This is a price-related question because it is related to the options to be offered customers in paying for their purchases. Environmental changes such as downturns in the economy that leave consumers short of cash may make offering credit necessary to the continued operation of the business. Asking how technology will affect the choice of media is a promotion-related question. Asking whether the lifestyles of the target market should be considered is a product-related question. Asking what channels of distribution competitors use is a place-related question.
SOURCE: SM:011 Explain external planning considerations

96. A
Number of product returns. An organization's balanced scorecard should include multiple business goals and measures that can be used to assess progress toward those goals. If one of those goals is to increase customer satisfaction by 15%, an effective measure of progress toward that goal is the number of product returns. As the business increases its customers' satisfaction with its goods and services, the number of product returns should decrease—because satisfied customers are happy with their purchases and less likely to return or exchange the items. Although increased marketing efforts, more touchpoints, and less employee turnover may increase customer satisfaction, they are not effective measures of the resulting customer satisfaction.
SOURCE: SM:027 Identify and benchmark key performance indicators (e.g., dashboards, scorecards)
97. C
An action plan. An action plan contains the specific tactics a business will use to carry out an activity. In this situation, Allison developed an operations action plan because she documented the specific steps that need to be performed to produce the baked goods that she sells. A distribution schedule is a timeline for distributing goods and services. A sampling plan is an outline for the sampling process to ensure that a truly representative sample of the population can be drawn in the most efficient way possible with the lowest potential for error. An employee schedule is a timeline that details the shifts that employees work for a specific time frame.

SOURCE: SM:012 Develop action plans

98. C
Everyone in the company. It's important for everyone in the company, from employees to managers, to know how the business plan is performing. Employees must know how they are doing if they want to improve. Also, sharing performance tracking with everyone can encourage employees to share suggestions for improvement. Customers do not need to know the performance of the business plan.

SOURCE: SM:006 Track performance of business plan

99. A
Jake, because he is always willing to adapt to changes during a project. To innovate new ideas and processes, employees must be willing to adapt to unforeseen circumstances. This flexibility is essential to successfully innovate. Sticking to traditional ideas and processes, getting frustrated when learning new skills, and staying quiet during brainstorming sessions are all indications that these employees are not likely to be called innovative by their supervisors.

SOURCE: SM:094 Describe relationship among innovation, learning, and change

100. D
Implement and adjust to new processes and procedures. Change management is a set of strategies designed to ensure that changes in an organization are smoothly and thoroughly implemented. Change management does not enable organizations to make immediate changes to things that employees dislike, and it is not intended to satisfy only the wants and needs of the most valuable employees. Change management is not intended to improve an organization’s operations and logistics management practices.

SOURCE: SM:095 Explain the nature of change management