



SAMPLE EXAM

FINANCE CAREER CLUSTER

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

ACCOUNTING APPLICATIONS SERIES **ACT**

BUSINESS FINANCE SERIES **BFS**

FINANCIAL CONSULTING **FCE**

FINANCIAL SERVICES TEAM DECISION MAKING **FTDM**

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

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1. After being fired from his job, Jack wrote blog posts in which he criticized his former company and all of its employees. He made many negative comments, most of which were untrue. What tort is Jack committing?
 - A. Defamation
 - B. Invasion of privacy
 - C. Battery
 - D. Negligence
2. An important purpose of regulations in the finance industry is to
 - A. prevent the banking system from failing.
 - B. limit the amount of money individuals can earn.
 - C. challenge the integrity of the financial system.
 - D. ensure companies are held accountable for product safety.
3. One benefit of using technology in compliance is that technology is typically more _____ than maintaining manual compliance processes.
 - A. costly
 - B. efficient
 - C. time-consuming
 - D. error prone
4. What are import quotas and tariffs designed to do?
 - A. Eliminate the movement of illegal merchandise
 - B. Prevent harmful substances from entering a country
 - C. Prevent illegal immigration across national borders
 - D. Protect a country's economy from foreign competition
5. Which of the following is a characteristic of the illegal practice of affinity fraud:
 - A. Primarily involves buying and selling commodities
 - B. Targets identifiable groups of people
 - C. Fails to offer testimonials during sales pitches
 - D. Pays a minimal dividend to encourage additional investment
6. Which of the following actions would be considered illegal insider trading:
 - A. Gaining access to competitors' data
 - B. Discussing how a new CEO will affect the company's stock prices with a coworker
 - C. Buying the stock of your own company
 - D. Selling a company's stock after an employee tells you about its upcoming merger before that knowledge is public
7. Which of the following is a tax-deductible expense:
 - A. A computer for a home-based business
 - B. Personal phone charges
 - C. Athletic-club membership fees
 - D. International leisure travel
8. Aiden is doing research for a school project. While searching the internet, he finds an article that he thinks may be helpful for his project. Which of the following would indicate that the author of the article is most likely a credible source:
 - A. The author has included their personal Twitter handle.
 - B. There is no background information provided about the author.
 - C. The author lists their professional background and qualifications.
 - D. The author is currently a student in college.
9. Cynthia and Gerald are proposing a new project to their boss. When the boss questions Gerald about something he says, what should Gerald do?
 - A. Explain to the boss that Cynthia wrote their project proposal
 - B. Ask for clarity on the question and make sure he answers it fully
 - C. Answer a different question that Gerald definitely knows the answer to
 - D. Act defensive because the boss doesn't understand the project

10. You're giving a presentation at your job about the company's sales figures. You want to show how much profit the company has made in each of the past 12 months. Which visual aid should you choose to show this?
- A. A photograph
 - B. A pie chart
 - C. A line graph
 - D. A video
11. In addition to his name, address, and phone number, what information should Dwight include in his corporate email signature?
- A. His position, work history, and email address
 - B. His work history, company, and email address
 - C. His position, company, and email address
 - D. His position, company, and references
12. Who is responsible for approving corporate governance goals and policies?
- A. Shareholders
 - B. Chief executive officer
 - C. Board of directors
 - D. Management team
13. Which of the following is a result of building and maintaining relationships with customers:
- A. Increased loyalty
 - B. Fewer brand advocates
 - C. Decreased satisfaction
 - D. Customer turnover
14. Are customers who do not complain a more difficult problem for businesses than customers who do complain?
- A. No, because the salesperson can satisfy the customers who do not complain within company guidelines.
 - B. Yes, because records of the complaints cannot be maintained.
 - C. No, because customers who do not complain do not express ill feelings.
 - D. Yes, because the salesperson does not have an opportunity to handle the complaint.
15. A primary factor that has led to the consolidation of financial firms is the desire
- A. to lower costs.
 - B. for fewer assets.
 - C. for fewer products.
 - D. to lower risks.
16. When discussing your personal finances with a financial advisor, it's important to
- A. be open and transparent.
 - B. exaggerate your income.
 - C. keep certain debts secret.
 - D. be guarded and skeptical.
17. While filing a homeowner's insurance claim, Mrs. Ramirez was accidentally disconnected from the call center representative who was helping her. When Mrs. Ramirez called back, she didn't know whom to ask for, because she couldn't remember the name of the representative who had been assisting her. What type of Customer Relationship Management (CRM) data would be most helpful in identifying the representative?
- A. Self-provided data
 - B. Demographic data
 - C. Interaction data
 - D. Historical data
18. Environmental degradation occurs because of
- A. nationalism.
 - B. offshoring.
 - C. increased production.
 - D. decreased competition.
19. Nadia's assistant, Roger, rarely does what he's supposed to do. He routinely forgets to schedule her appointments, orders the wrong supplies for her office, and misses work at least a few times a month. An employee like Roger is an example of a(n) _____ risk.
- A. hazard
 - B. operational
 - C. strategic
 - D. financial
20. If the economy is sluggish, what might a central bank do to encourage spending and investing?
- A. Lower interest rates
 - B. Double interest rates
 - C. Eliminate interest rates
 - D. Disregard interest rates

21. Avoiding the use of slang falls under which guideline for dealing effectively with people from different cultures?
- A. Strive to communicate clearly.
 - B. Show respect.
 - C. Expect differences to arise.
 - D. Be patient.
22. Althea just received her first paycheck at work. She's excited, but as she looks at her pay stub, she gets confused. She wants to know how much money she made in this pay period, but there are so many different numbers. If Althea wants to know how much money will actually be deposited in her bank account, she should look at the
- A. gross pay.
 - B. net pay.
 - C. federal income tax.
 - D. state tax.
23. Robyn is a United States citizen who is traveling to Ireland for business. Which of the following documents does she need to bring with her:
- A. Her Social Security card
 - B. A bank statement
 - C. Her passport
 - D. A recent utility bill
24. As Ben assesses his personal strengths and weaknesses, what can he do to keep from focusing too much on his weaknesses?
- A. Compare himself to others
 - B. Identify one strength for every weakness
 - C. Develop a list of false generalizations
 - D. Ask others for critical feedback
25. Alex has a naturally outgoing and talkative personality. How could this relate to his values?
- A. He might have more confidence in his values.
 - B. His values might not align with his behavior.
 - C. He might place less emphasis on his values.
 - D. He might place a high value on social interaction.
26. You can use your voice to express interest and enthusiasm by speaking
- A. with the same inflection.
 - B. in one tone of voice.
 - C. in a loud voice.
 - D. at a variety of pitches.
27. When their regular duties have been completed, employees with initiative look for
- A. pleasant tasks.
 - B. enjoyable reading.
 - C. additional work.
 - D. easy jobs.
28. Which of the following statements is true:
- A. Only overcommitted people struggle to manage commitments.
 - B. Procrastination can make it difficult to manage commitments.
 - C. If you decline commitments, you are a disorganized person.
 - D. Perfectionists always have a reasonable number of commitments.
29. John and his coworkers get along well, and they frequently talk about their personal lives while eating lunch together at the office. Which of the following topics is appropriate for John to bring up with his coworkers:
- A. The details of his divorce proceedings
 - B. What he watched on TV last night
 - C. The job he'd like to have in 5 years
 - D. The church service he'd like his coworkers to attend
30. When two people in the same department disagree about how to allocate their budget, they are experiencing a(n)
- A. internal conflict.
 - B. external conflict.
 - C. labor dispute.
 - D. irreconcilable dispute.
31. Which of the following is an example of an ethical principle:
- A. Accountability
 - B. Intelligence
 - C. Humor
 - D. Charisma

32. An important characteristic of being adaptable is being
- A. content with the way things are.
 - B. willing to leave your comfort zone.
 - C. able to assume high levels of risk.
 - D. pleased about changes when they occur.
33. It is important to be honest about the time commitment when interviewing potential employees for a new business because
- A. being honest should weed out the people who aren't dedicated to the job.
 - B. entrepreneurs shouldn't hire employees with busy personal lives.
 - C. employees who are overburdened are unlikely to stay with the company.
 - D. employees are not legally allowed to work more than 40 hours/week.
34. Scarlet is setting her personal financial goals. What is the first step she should take to reach her financial goals?
- A. Evaluate her budget
 - B. Prioritize her goals
 - C. Make a list of her goals
 - D. Automate payments
35. When you use money to make money, you are
- A. investing.
 - B. saving.
 - C. rationing.
 - D. reimbursing.
36. Melanie is attempting to determine her personal net worth. Which of the following should she consider a liability:
- A. Personal valuables
 - B. Stocks she owns
 - C. Her life insurance policy
 - D. Student loan debt
37. Why is it important for a businessperson to adapt their behavior to the customs and mannerisms of the country they are visiting?
- A. It shows that the businessperson does not care too much about their own native culture.
 - B. It is a sign of respect that can improve relations among businesspeople of different cultures.
 - C. It is a display of authority that can lead to increased cooperation from foreign businesspeople.
 - D. It is proof that the businessperson is intelligent and should be trusted with important sales.
38. Deposit-taking institutions are commonly responsible for
- A. making payments on behalf of savers to creditors.
 - B. raising funds for clients by issuing securities.
 - C. carrying out regulatory and supervisory functions.
 - D. using funds from insurance premiums to offer loans.
39. What is the primary function of the foreign exchange market?
- A. To trade currency
 - B. To sell stocks
 - C. To buy bonds
 - D. To underwrite policies
40. What do finance professionals need to do to build long-term relationships with their clients?
- A. Be honest, open, and trustworthy
 - B. Invest all clients' money conservatively
 - C. Follow up with clients every two years
 - D. Require clients to sign a short-term contract
41. What type of economic indicator are stock market returns commonly considered to be?
- A. Lagging
 - B. Leading
 - C. Coincident
 - D. Exploratory
42. One factor that contributed to financial globalization was the shift of many developed countries from _____ exchange rates to _____ exchange rates.
- A. fixed; floating
 - B. floating; fixed
 - C. pegged; declining
 - D. declining; pegged
43. Business decision makers can best analyze the financial impact of increased production by evaluating _____ cost.
- A. marginal
 - B. sunk
 - C. fixed
 - D. average

44. James wants to borrow \$2,500 to buy a car. Which of the following financial institutions is most likely to lend James the money:
- A. Financial holding company
 - B. Investment bank
 - C. Mortgage company
 - D. Retail bank
45. What type of financial statement includes an accounting of the shareholders' equity for a company?
- A. Balance sheet
 - B. Income statement
 - C. Cash flow statement
 - D. Annual report
46. What do investors often consult to monitor the success of their investment portfolios?
- A. Financial almanacs
 - B. Securities tables
 - C. Foreign news reports
 - D. Investment guides
47. The 52-week high and low can tell investors
- A. if the company has a lot of debt.
 - B. how many times a stock has been sold.
 - C. whether to invest in a stock or mutual fund.
 - D. if it is a good time to buy or sell.
48. A statement of equity helps companies make decisions about how to
- A. organize income statements.
 - B. analyze financial trends.
 - C. control their production costs.
 - D. reinvest their retained earnings.
49. Angelica has determined that many of her colleagues are acting unethically. Whom should she talk to first?
- A. Her supervisor
 - B. The colleagues involved
 - C. Top company executives
 - D. The authorities
50. When making business decisions, which of the following costs is most likely to be evaluated using qualitative information versus numerical data:
- A. Opportunity costs
 - B. Sunk costs
 - C. Direct costs
 - D. Indirect costs
51. The main objective of using marginal analysis in decision-making is to determine whether a business activity will result in
- A. a net revenue smaller than marginal revenue.
 - B. a marginal revenue equal to or greater than marginal cost.
 - C. a marginal expense that is greater than marginal cost.
 - D. a net revenue larger than marginal revenue.
52. Financial globalization helps investors reduce their exposure to
- A. speculative bubbles.
 - B. business cycle risks.
 - C. regulatory liberalization.
 - D. capital appreciation.
53. Which of the following cost classifications can help a decision maker determine how well different department managers performed:
- A. Classification by function
 - B. Classification by controllability
 - C. Classification by behavior
 - D. Classification by relevance
54. Variance analysis helps a business
- A. compare itself with competitors.
 - B. make choices between two alternatives.
 - C. maintain budgetary control.
 - D. predict future trends.
55. Monica wants to be a good employee and help her company achieve its goals. Which of the following actions should she take:
- A. Come to work even when she's sick or has a family emergency
 - B. Plan her vacation time wisely to make sure she isn't absent at crucial times
 - C. Make sure not to be more than half an hour late each day
 - D. Make up for missing many days by working even harder when she's at work

56. Which of the following is a function of cost accounting budgets:
- A. Determining cash flow
 - B. Controlling finances
 - C. Understanding profitability
 - D. Analyzing sources of income
57. Which of the following is an example of ethics in business:
- A. Using company resources wisely
 - B. Striving for a promotion
 - C. Praising your friends
 - D. Asking for a raise
58. Today, you invest \$5,000 in an account that earns 6% compound interest and \$15,000 in an account that earns 9% compound interest. How much money will you have in five years?
- A. \$27,766
 - B. \$29,770
 - C. \$36,292
 - D. \$40,228
59. A primary responsibility of financial-information management is to
- A. implement sales policies.
 - B. negotiate contracts with vendors.
 - C. develop new products.
 - D. report financial transactions.
60. Smooth operations, clearly defined chains of command, and measurement of performance are all goals of _____ in corporate governance.
- A. independent audits
 - B. debt management
 - C. external control mechanisms
 - D. internal control mechanisms
61. The first step in the project-planning process is to
- A. determine the project's purpose and scope.
 - B. determine project costs.
 - C. identify needed resources.
 - D. identify project deliverables.
62. Which of the following is a fixed (unchanging) budget that is used by managers to measure profit or performance when it's compared to what's happening financially:
- A. Operating budget
 - B. Rolling budget
 - C. Dynamic budget
 - D. Master budget
63. A business uses benchmarking applications when it wants to
- A. determine the taxes that it owes to the federal government.
 - B. measure the amount of time that it needs to convert assets into cash.
 - C. calculate the dividends that will be paid to stockholders.
 - D. compare its performance with other companies in the industry.
64. Reinhardt Manufacturing and Burke Manufacturing both seek to eliminate waste and streamline their business processes. Reinhardt Manufacturing, however, believes that waste results from unnecessary steps in the production process, while Burke Manufacturing asserts that waste comes from variations within the production process. Reinhardt Manufacturing is practicing _____ methodology, while Burke Manufacturing is practicing _____ methodology.
- A. Lean; Six Sigma
 - B. Six Sigma; Lean
 - C. Sustainability; Lean
 - D. Lean; Sustainability
65. Businesses consider a customer's income when determining whether to
- A. charge interest.
 - B. accept cash sales.
 - C. restructure policies.
 - D. offer credit.
66. Which of the following is a technique that a business could use to analyze its customer financial information:
- A. Comparing profit ratios by region
 - B. Tracking average product shipping delays
 - C. Determining who exceeded sales quotas
 - D. Discovering which products sold the most
67. Training and continuing education, rewarding ethical behavior, leading by example, and maintaining an open door policy are all ways to
- A. ensure adherence to an ethics code.
 - B. reduce employee creativity.
 - C. increase competition and mistrust.
 - D. heighten conflict among employees.

68. What is a purpose of standard cost systems?
- A. To establish quality standards
 - B. To evaluate performance
 - C. To return unused inventory
 - D. To create industry standards
69. Microsoft Windows, Linux, and macOS are examples of
- A. operating systems.
 - B. computers.
 - C. internet providers.
 - D. antivirus software.
70. Which of the following is an acceptable file name for a word-processing document:
- A. Office Calendar 3/30/2021*
 - B. Office Calendar 3 30 2021
 - C. Office Calendar: 3/30/2021
 - D. Office Calendar <3 30 2021>
71. Dmitri is building a new website. Which of the following does he need to register to obtain a web address for his new site:
- A. Site builder
 - B. Web host
 - C. Domain name
 - D. Street address
72. Jonas is a data scientist at a research firm. Part of his responsibilities include looking through his firm's databases and eliminating redundant data. Jonas is performing
- A. data normalization.
 - B. digital analysis.
 - C. data filtering.
 - D. information scanning.
73. The purpose of descriptive analysis is to summarize what happened in the past, whereas the purpose of predictive analysis is to
- A. predict what could have happened if the past were different.
 - B. use existing data to forecast what could happen in the future.
 - C. hypothesize why the past happened the way that it did.
 - D. verify that the descriptive analysis was accurate and legitimate.
74. Which of the following statements regarding environmental scanning is true:
- A. The information gathered during environmental scanning is dynamic.
 - B. Environmental scanning should be done once or twice a year.
 - C. Only managers and supervisors should be involved in environmental scanning.
 - D. All trends identified through environmental scanning must be acted upon immediately.
75. Which of the following computer applications helps manufacturers track and manage the inventory that they use to produce goods:
- A. Critical path
 - B. Job sequencing
 - C. Reverse Logistics Systems (RLS)
 - D. Material requirements planning (MRP)
76. Businesses such as banks that keep large amounts of cash on hand may be common targets for
- A. pilferage.
 - B. robbery.
 - C. fraud.
 - D. shoplifting.
77. A business can protect its confidential computer information from unauthorized users by
- A. encrypting computer files.
 - B. developing internet message boards.
 - C. conducting annual virus scans.
 - D. classifying business data.
78. What might happen if your customers are not satisfied with your project work?
- A. You might have to adjust your quality standards.
 - B. You might have to redo the project work.
 - C. You will need to start the planning process over.
 - D. You will need to find different customers.
79. What is the end result of identifying project resources?
- A. Gaining a clear understanding of what is needed
 - B. Becoming a better, more cooperative team member
 - C. Eliminating unforeseen problems
 - D. Becoming more independent

80. Why has online technology's use increased in financial-information management?
- A. Removal of electronic information exchange procedures
 - B. Passage of laws that recognize electronic documents as legally binding
 - C. Recognition that the security of transactions is no longer an issue
 - D. Protection of customers' right to privacy
81. When you keep your workspace organized, you are less likely to
- A. forget important phone numbers.
 - B. misuse office equipment.
 - C. misplace important documents.
 - D. discard unnecessary paperwork.
82. Mario expresses himself well in class because he knows how to use words effectively. Mario would be described as having
- A. physical coordination.
 - B. emotional traits.
 - C. nonverbal skills.
 - D. verbal aptitude.
83. What is the difference between skills and traits?
- A. Skills are not learned with training, and traits are behaviors that are constantly changing.
 - B. Skills are repeated behaviors that become a part of the personality, and traits are abilities that are practiced.
 - C. Skills are learned through training, and traits are repeated behaviors that become a part of the personality.
 - D. Skills are usually easy to learn, and personality traits cannot be changed or altered.
84. Colin is an experienced computer programmer who has contacted an organization to help him find a new job in another city. After the organization helps Colin obtain a job, Colin's new employer will pay a fee to the organization. What type of organization is helping Colin find a job?
- A. Private employment agency
 - B. Academic counseling center
 - C. Government job placement office
 - D. Internet referral service
85. Lynnette works at Main Street Bank. Her primary job responsibility is to determine if the bank should lend funds to the bank's customers. Lynnette is working as a
- A. bank agent.
 - B. collections officer.
 - C. chartered financial consultant.
 - D. credit analyst.
86. Well-executed corporate governance ensures that an organization is managed in a way that is
- A. beneficial for all stakeholders.
 - B. most helpful for company leaders.
 - C. detrimental for competitors.
 - D. irrelevant to the public eye.
87. How can an accountant best contribute to an organization's governance objectives?
- A. Determining whether profit margins are shrinking
 - B. Minimizing risks associated with the objectives
 - C. Ensuring strong community relations
 - D. Allocating funds for the objectives in the budget
88. Ethical financial-information management practices make a business
- A. susceptible to regulatory investigation.
 - B. safe from the possibility of security breaches.
 - C. more volatile in the financial marketplace.
 - D. more attractive to investors and customers.
89. Which of the following are considered the owners of a corporation:
- A. Managers
 - B. Stockholders
 - C. CEOs
 - D. Lower-level employees
90. Many businesses use infographics to help persuade readers because
- A. readers spend more time viewing infographics.
 - B. original artwork usually takes longer to create.
 - C. most people are lazy and don't like to read.
 - D. infographics raise the perception of quality.

91. Ben is a vice president of State Street Savings and Loan. Which of the following is a group that is most likely to help Ben network with others within his profession:
- A. Young Professionals Association
 - B. Local chamber of commerce
 - C. College alumni group
 - D. National Bankers Association
92. Building professional, long-term relationships with others in the financial industry requires
- A. a formal agreement or contract.
 - B. consistent communication.
 - C. membership in unrelated trade organizations.
 - D. a detached attitude.
93. One reason why companies implement protocols, policies, and procedures is to
- A. result in decreased employee morale.
 - B. allow companies to break the law.
 - C. foster a competitive environment.
 - D. reinforce company values.
94. Which of the following presents an ethical issue that may increase a business's level of risk:
- A. Developing processes to test product durability
 - B. Communicating business information to customers
 - C. Hiring a family member who lacks necessary job skills
 - D. Striving to achieve higher sales than coworkers
95. A company purchases an expensive new software system and divides the cost of it between the two departments that will use the system. This is an example of cost
- A. precision.
 - B. accumulation.
 - C. dividing.
 - D. allocation.
96. The MIB Company uses protective computer software programs to minimize losses associated with its customers' financial transactions. It is managing risks associated with
- A. purchasing.
 - B. security.
 - C. overhead.
 - D. performance.
97. If an accounting firm deliberately conceals information about a client's financial status, the government may charge the business with
- A. substantiation.
 - B. expropriation.
 - C. breach of contract.
 - D. obstruction of justice.
98. The entire market has just collapsed. This is an _____ risk known as a(n) _____ factor.
- A. internal; economic
 - B. external; economic
 - C. external; political
 - D. internal; technological
99. Tyrese and his team are creating a list of their company's critical enterprise-wide risks. They are compiling
- A. a risk inventory.
 - B. a risk assessment.
 - C. enterprise risk management.
 - D. a risk control.
100. Liz has two employees that report to her. She is one of several managers with staffs of similar size. Liz's organization has a
- A. flat structure.
 - B. wide span of control.
 - C. narrow span of control.
 - D. hands-off approach.



KEY

Test Number 1248

Finance Cluster Exam

ACT – Accounting Applications Series Event

BFS – Business Finance Series Event

FCE – Financial Consulting Event

FTDM – Financial Services Team Decision Making Event

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1. A
Defamation. Defamation is the publication of an untrue statement that subjects an entity to ridicule or contempt. Jack is publishing untrue information about his former employer out of spite, so he is committing defamation. Invasion of privacy occurs when a person's personal life is exposed unnecessarily. Battery is intentionally touching another in a harmful or offensive way without justification. Negligence includes situations in which harm is caused accidentally. None of these three types of torts apply to Jack.
SOURCE: BL:069 Identify the basic torts relating to business enterprises
SOURCE: Miller, R.L. (2020). *Business law today: The essentials* (12th ed.) [p. 109]. Boston, MA: Cengage Learning, Inc.
2. A
Prevent the banking system from failing. Regulations require safeguards that help ensure that the banking system does not collapse. Regulations aim to prevent and offset the negative effects of bank failures. Regulations in the financial industry do not aim to limit the amount of money that individuals can earn. Financial regulations help reinforce the integrity of the financial system rather than challenging it. Financial regulations do not necessarily relate to product safety.
SOURCE: BL:148 Discuss the nature and scope of compliance in the finance industry
SOURCE: MetricStream. (2021). *Integrated risk and compliance management for banks and financial services organizations: Benefits of a holistic approach*. Retrieved August 6, 2021, from https://www.metricstream.com/whitepapers/html/financial_services.htm
3. B
Efficient. Technology can make compliance processes more efficient and effective. Manual compliance processes can be more costly, more time-consuming, and more error prone.
SOURCE: BL:149 Describe the use of technology in compliance
SOURCE: Deloitte Risk & Compliance Journal. (2018, December 2). *Technology: A powerful tool to help modernize compliance*. Retrieved August 6, 2021, from <https://deloitte.wsj.com/articles/technology-a-powerful-tool-to-help-modernize-compliance-1543802532>
4. D
Protect a country's economy from foreign competition. By imposing tariffs or quotas on commodities entering a country, the country can reduce the economic impact of imported products. Quotas and tariffs do not prevent harmful substances or illegal merchandise from entering a country. Quotas and tariffs do not have an impact on illegal immigration.
SOURCE: BL:126 Describe the nature of customs regulations
SOURCE: Economics Online. (2021). *Quotas and tariffs*. Retrieved August 5, 2021, from https://www.economicsonline.co.uk/Global_economics/Tariffs_and_quotas.html
5. B
Targets identifiable groups of people. Affinity fraud often takes the form of a Ponzi or pyramid scheme and involves targeting members who belong to the same group such as a church, senior citizen's social club, or civic organization. Because the scammer claims an association with the group and often lures group leaders or respected group members into investing in the scheme, other group members may believe that they can trust the scammer, which prompts them to hand over their money for "investment." The leaders or respected group members who fall prey to the scheme may provide testimonials to encourage investment. Group members who invest later in the scam often do not see any return on their investment. Affinity fraud does not primarily involve buying and selling commodities.
SOURCE: BL:133 Discuss legal considerations in the finance industry
SOURCE: North American Securities Administrators Association. (2019). *Affinity fraud: Beware of swindlers who claim loyalty to your group*. Retrieved August 6, 2021, from <https://www.nasaa.org/7157/affinity-fraud-beware-of-swindlers-who-claim-loyalty-to-your-group/>

6. D

Selling a company's stock after an employee tells you about its upcoming merger before that knowledge is public. Insider trading is buying or selling a security while in possession of material, nonpublic information. If a company's employee tells you that it is about to undergo a merger before that knowledge is public, and you sell the company's stock in response, you are participating in illegal insider trading. Internally discussing changes in the business (and their effects on stock prices) internally is not illegal insider trading. Buying the stock of your own company is not illegal insider trading. Finally, gaining access to competitors' data is not illegal insider trading.

SOURCE: BL:133 Discuss legal considerations in the finance industry

SOURCE: U.S. Securities and Exchange Commission. (n.d.). *Insider trading*. Retrieved August 6, 2021, from <https://www.sec.gov/fast-answers/answersinsiderhtm.html>

7. A

A computer for a home-based business. Many business expenses—equipment, supplies, and travel—are tax deductible under specific conditions. Often, individuals pay for business-related goods and services up front and list them as deductions on their tax returns, which can lower their tax obligation. A computer used for a home-based business is an example of an item that can be claimed as a tax deduction on a tax return. Goods and services for personal consumption—personal phone charges, athletic-club membership fees, and international leisure travel—are not tax-deductible expenses.

SOURCE: BL:134 Discuss the effect of tax laws and regulations on financial transactions

SOURCE: Corporate Finance Institute. (2021). *Tax deductible*. Retrieved August 6, 2021, from <https://corporatefinanceinstitute.com/resources/knowledge/finance/tax-deductible/>

8. C

The author lists their professional background and qualifications. Credible authors generally provide background information about themselves such as where they attended school or received training. If there is no background information provided by an author, it is best to do further research on the individual to determine if they are a credible source of information. Including a personal Twitter handle does not necessarily imply credibility. Articles and reports by college students may be useful in certain situations but usually should not be used as primary sources of information, because their credibility cannot be guaranteed.

SOURCE: CO:054 Identify sources that provide relevant, valid written material

SOURCE: Johns Hopkins Sheridan Libraries. (2021, June 19). *Evaluating sources*. Retrieved August 5, 2021, from <https://guides.library.jhu.edu/evaluate/sources>

9. B

Ask for clarity on the question and make sure he answers it fully. By asking for clarity, Gerald can make sure that he fully understands his boss's question and give him the best possible answer. Telling the boss that Cynthia wrote the project, answering a different question, or acting defensively would reflect poorly on Gerald and paint him in a bad light.

SOURCE: CO:060 Provide legitimate responses to inquiries

SOURCE: Indeed. (2021, March 18). *What are clarifying questions and when should you ask them?* Retrieved August 6, 2021, from <https://www.indeed.com/career-advice/career-development/clarifying-questions>

10. C

A line graph. Line graphs are best used to show changes (particularly small changes) over time. For example, if you want to demonstrate your company's profit in each of the past 12 months, a line graph would be one effective method. Pie charts are more commonly used to show how categories relate to the whole. A photograph or a video would likely not showcase the data you want to present.

SOURCE: CO:087 Select and use appropriate graphic aids

SOURCE: Oetting, J. (2021, June 8). *Data visualization 101: How to choose the right chart or graph for your data*. Retrieved August 6, 2021, from <https://blog.hubspot.com/marketing/types-of-graphs-for-data-visualization>

11. C

His position, company, and email address. An email signature is generally text or images appearing at the bottom of an email indicating a person's or business's identity, contact information, and/or offer. A business professional's email signature should contain—at the very least—the person's name, address, phone number, position, company, and email address. It is not necessary or recommended to include your work history or references in your email signature.

SOURCE: CO:090 Write professional emails

SOURCE: Cox, L.K. (2021, June 9). *How to write a great email signature [+ professional examples]*. Retrieved August 6, 2021, from <https://blog.hubspot.com/marketing/professional-email-signatures>

12. C

Board of directors. The board of directors approves high-level corporate governance goals and policies. The chief executive officer and management team are responsible for recommending the goals and policies to be approved by the board. Select shareholders may be on the board of directors, but the shareholders as a whole do not approve goals and policies.

SOURCE: PD:303 Describe the impact of governance processes on decision-making and management functions

SOURCE: Chen, J. (2021, July 4). *Corporate governance*. Retrieved August 6, 2021, from <https://www.investopedia.com/terms/c/corporategovernance.asp>

13. A

Increased loyalty. Customers are more likely to remain loyal to companies that actively maintain relationships with them because customers enjoy feeling appreciated and respected. For this reason, customers that have relationships with companies tend to be valuable brand advocates to their friends and families. Building and maintaining relationships with customers usually results in increased customer satisfaction, not decreased satisfaction. Customer turnover is unlikely when relationships with customers are maintained.

SOURCE: CR:030 Build and maintain relationships with customers

SOURCE: Dyson, J. (2019, April 30). *The benefits of building long-term business relationships*. Retrieved August 6, 2021, from <https://fjrgroup.com/insights/the-benefits-of-building-longterm-business-relationships/>

14. D

Yes, because the salesperson does not have an opportunity to handle the complaint. Salespeople are not able to satisfy customers who do not complain, because they do not express their dissatisfaction to anyone associated with the business. They do, however, express ill feelings to friends, to relatives, and to coworkers. In this way, they create a poor image of the business. Because of this, they are a much bigger problem than complainers. Once salespeople know the source of customer complaints, they can seek ways to satisfy the complainers within company guidelines.

SOURCE: CR:010 Handle customer/client complaints

SOURCE: Shulzhenko, M. (2017, November 1). *5 major reasons why unhappy customers don't complain*. Retrieved August 6, 2021, from <https://www.providesupport.com/blog/5-reasons-unhappy-customers-dont-complain/>

15. A

To lower costs. Consolidation is the merging of financial providers within the same institutional category. For example, consolidation occurs when two banks merge to form one bank. By consolidating, the financial firms can achieve economies of scale, which result in reduced redundancy and lower costs. Consolidation can increase the assets (liquid capital) for all of the financial firms involved. Consolidation can also provide consumers with a wider range of financial products. Consolidation may or may not lower business risk.

SOURCE: FI:573 Discuss the nature of convergence/consolidation in the finance industry

SOURCE: Hartman, D. (2017, September 26). *The advantages of bank mergers*. Retrieved August 6, 2021, from <https://pocketsense.com/the-advantages-of-bank-mergers-13657465.html>

16. A
Be open and transparent. When discussing your personal finances with a financial advisor, it's important to be open and transparent so that the advisor can best meet your needs. If you lie about your debts, exaggerate your income, or keep certain aspects of your finances secret, the financial advisor will not be able to help you to the best of their ability.
SOURCE: CR:012 Explain the responsibilities of finance professionals in providing client services
SOURCE: WiserAdvisor. (2020, February 26). *The need for honest conversation with your financial advisor*. Retrieved August 6, 2021, from <https://www.wiseradvisor.com/blog/financial-advisor-guide/need-for-honest-conversation-with-your-financial-advisor/>
17. C
Interaction data. Customer Relationship Management (CRM) data warehouses typically contain several types of data. Interaction data contain details regarding written and/or phone solicitations made to a customer, visits that the customer made to the business, and instances when the customer contacted the call center for assistance. Demographic data include gender, age, race, ethnicity, income level, and other basic customer information. Self-provided data are pieces of information that the customer has voluntarily shared with the business. Historical data include old sets of data reviewed and used for new purposes.
SOURCE: CR:024 Use Customer Relationship Management (CRM) technology
SOURCE: Borbas, M. (2015, August 17). *What is customer analytics part 2: Sourcing customer interaction data*. Retrieved August 6, 2021, from <https://www.inetco.com/blog/2015/08/what-is-customer-analytics-part-2-sourcing-customer-interaction-data/>
18. C
Increased production. Environmental degradation occurs because of increased production. The more goods that are being produced, the greater the chances are for pollution and loss of natural resources. Offshoring is the practice of moving domestic jobs overseas. Nationalism is a sense of pride in one's own country. Globalization causes increased competition, which leads to greater production and more environmental degradation.
SOURCE: EC:104 Discuss the global environment in which businesses operate
SOURCE: LAP-EC-104—Stretch Your Boundaries (The Global Business Environment)
19. B
Operational. Operational risks are the possible events and situations that can result from employee actions, core processes, and daily business activities. Unfortunately, people and processes aren't perfect—as long as a business deals with people, it will always have some degree of operational risk. Take Nadia's employee Roger, for example, whose human errors are considered operational risks. Hazard risks are potential events or situations that can cause injury or harm to people, property, or the environment. Most hazard risks can only cause business losses, not gains. Strategic risks are broad risks that often concern the overall business environment. Financial risks are possible events or situations that directly influence a company's cash flow.
SOURCE: EC:011 Determine factors affecting business risk
SOURCE: LAP-EC-003—Lose, Win, or Draw (Business Risk)
20. A
Lower interest rates. If the economy is sluggish, a central bank may lower interest rates in hopes of encouraging spending and investing. In this situation, interest rates would not be doubled. Interest rates are an important part of an economy and would not be eliminated or disregarded.
SOURCE: EC:084 Explain the economic impact of interest-rate fluctuations
SOURCE: Neugarten, J. (2019, March 14). *Do lower interest rates increase investment spending?* Retrieved August 6, 2021, from <https://www.investopedia.com/ask/answers/101315/do-lower-interest-rates-increase-investment-spending.asp>
21. A
Strive to communicate clearly. Avoiding the use of slang is a way to communicate more clearly with those from other cultures who might not understand the hidden meaning of the words. This is a communication issue, not necessarily an issue of respect, patience, or expecting differences to arise.
SOURCE: EC:045 Discuss the impact of cultural and social environments on global trade
SOURCE: LAP-EC-045—On Top of the World (Impact of Culture on Global Trade)

22. B
Net pay. The net pay is the amount of money Althea will actually receive after all her withholdings have been taken out. This is the money that will be deposited in her bank account. The gross pay is the amount she earns before her withholdings are taken out. Federal income tax and state tax are money that Althea owes to the government.
SOURCE: FI:068 Interpret a pay stub
SOURCE: Taylor, K. (2021, March 31). *How to make sense of your pay stub*. Retrieved August 6, 2021, from <https://www.investopedia.com/how-to-read-your-paycheck-5094518>
23. C
Her passport. When traveling to another country, it is important for Robyn to bring her passport as proof of her identity and U.S. citizenship. She does not need to bring a bank statement, a recent utility bill, or her Social Security card.
SOURCE: EC:141 Identify requirements for international business travel (e.g., passport, visa, proof of citizenship, immunizations, and sponsorship letters)
SOURCE: U.S. Department of State. (2018, July 31). *Traveler's checklist*. Retrieved August 6, 2021, from <https://travel.state.gov/content/travel/en/international-travel/before-you-go/travelers-checklist.html>
24. B
Identify one strength for every weakness. Although an important aspect of self-assessment is evaluating your weaknesses, obsessing over them will only discourage you. If you identify one strength for every weakness, you will have a more accurate, realistic assessment of yourself. Comparing yourself to others and making false generalizations may also hinder your ability to accurately assess yourself. Asking others for both positive and negative feedback is an important aspect of the self-assessment process, but it is counterproductive to obsess over the negative feedback.
SOURCE: EI:002 Assess personal strengths and weaknesses
SOURCE: LAP-EI-902—Assess for Success (Assessing Personal Strengths and Weaknesses)
25. D
He might place a high value on social interaction. Your personality, temperament, and preferences can impact your values. Alex's outgoing, talkative personality might encourage him to place a high value on social interaction. There is no indication that Alex's values might not align with his behavior, that he might place less emphasis on his values, or that he might have more confidence in his values.
SOURCE: EI:126 Assess personal behavior and values
SOURCE: LAP-EI-126—Assess Yourself (Assessing Your Personal Behavior and Values)
26. D
At a variety of pitches. In order to express interest and enthusiasm and to pass them along to your listeners, you need to vary your tone of voice. This can be done by varying the pitch or the volume from low to high. You can use inflection to put more emphasis on some words than on others.
SOURCE: EI:020 Demonstrate interest and enthusiasm
SOURCE: Papa, J. (2019, April 17). *The pitch of your voice: Some tips to consider to make your story more engaging*. Retrieved August 6, 2021, from <https://johnpapa.net/voice-pitch/>
27. C
Additional work. Employees demonstrate initiative by looking for work that needs to be done—not just for things that happen to be easy, pleasant, or enjoyable. In fact, such activities as reading may be met with disapproval.
SOURCE: EI:024 Demonstrate initiative
SOURCE: LAP-EI-240—Hustle! (Taking Initiative at Work)

28. B

Procrastination can make it difficult to manage commitments. Certain people are simply prone to disorganization and procrastination—which doesn't bode well for managing commitments. If you cannot keep track of your schedule, and you tend to put things off until the last minute, you'll have to develop more discipline to balance all that you have to do. It is not true that only overcommitted people struggle to manage commitments. Declining commitments does not necessarily mean you are a disorganized person. It is also not necessarily true that perfectionists always have a reasonable number of commitments.

SOURCE: EI:077 Manage commitments in a timely manner

SOURCE: LAP-EI-077—Commit to It! (Managing Commitments in a Timely Manner)

29. B

What he watched on TV last night. John spends a significant amount of time with his coworkers, so it's normal for him to share some aspects of his life. But while it's appropriate to share some things, other topics should always be off limits. What he watched on TV last night is a good topic for John to bring up, as this is unlikely to offend anyone or violate any company policies. John should avoid discussing the details of his divorce. If he talks about it too much, his coworkers may wonder if it's distracting him from doing his job. John should avoid talking about his career aspirations because if he clearly wants another position, it may make his coworkers think he isn't loyal to his current job. John should also avoid discussing his religious beliefs. Religion is a sensitive subject that many people take very seriously, and John risks offending someone.

SOURCE: EI:038 Explain ethical considerations in providing information

SOURCE: McKay, D.R. (2019, November 20). *6 topics to avoid discussing at work*. Retrieved August 6, 2021, from <https://www.thebalancecareers.com/topics-to-avoid-discussing-at-work-526267>

30. B

External conflict. An external conflict occurs with one other person or with a group of people. When you have conflicting thoughts or ideas within yourself, it's an internal conflict. A labor dispute usually refers to a disagreement between a labor union and management. Irreconcilable dispute is not a commonly used phrase to describe conflict, but it indicates that a disagreement cannot be resolved. The department has to allocate its budget, so a disagreement about how to do so cannot be irreconcilable.

SOURCE: EI:015 Use conflict-resolution skill

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

31. A

Accountability. Ethical principles are standards that govern behavior and help people determine what is right and wrong. Accountability, which is accepting responsibility for your decisions and actions, is an ethical trait. Intelligence, humor, and charisma are characteristics, but they are not necessarily related to ethics.

SOURCE: EI:132 Model ethical behavior

SOURCE: LAP-EI-132—Practice What You Preach (Modeling Ethical Behavior)

32. B

Willing to leave your comfort zone. Adaptability is the ability to adjust or modify attitudes and/or behavior to new situations or circumstances. When you are willing to leave your comfort zone, you are accepting new ideas, challenges, and ways to do things. In other words, you are willing to modify your behavior to new situations—you are being adaptable. Being content with the way things are can be a barrier to adaptability. Being adaptable involves risk; however, it does not always involve taking on high levels of or unnecessary risks. Adaptability involves adjusting to positive and negative circumstances when they occur. Although you may not be happy or pleased about the changes, you can control the way you react.

SOURCE: EI:006 Demonstrate adaptability

SOURCE: LAP-EI-023—Go With the Flow (Demonstrating Adaptability)

33. C

Employees who are overburdened are unlikely to stay with the company. It can be tempting for entrepreneurs to "sugarcoat" the amount of time and effort that will be needed from employees—but this approach is destined to backfire. Employees who are hired under the impression that they will only work 20 hours per week, for example, will certainly not appreciate it when they are told they actually need to work 30 or 40, especially if their compensation doesn't increase accordingly. If workers are consistently overburdened, they are unlikely to stay with the company for very long—and will probably resent the company's management in the meantime. Entrepreneurs shouldn't discriminate against people with busy personal lives when hiring employees. Many people are able to effectively balance active personal and professional lives. Being honest is important so that employees know what to expect at work. The primary purpose of honesty in the employee search is not to "weed out" people who are not dedicated to the job—it's to provide transparency for all prospective workers. It is legal for employees to work more than 40 hours per week.

SOURCE: EN:044 Describe the use of business ethics in entrepreneurship

SOURCE: LAP-EN-044—Ethical Excellence (Ethics in Entrepreneurship)

34. C

Make a list of her goals. The first step to achieving financial goals is identifying the goals and making a list. Prioritizing financial goals comes after making a list of goals. After listing her goals and organizing them by importance, Scarlet will want to evaluate her budget and automate as many payments as possible.

SOURCE: FI:065 Set financial goals

SOURCE: Money Management International. (2021). *How to set and keep personal financial goals*. Retrieved August 6, 2021, from <https://www.moneymanagement.org/credit-counseling/resources/how-to-set-and-keep-personal-financial-goals>

35. A

Investing. Using money to make money is called investing. Saving is setting aside part of your current income for future use. Rationing is a function of relative prices that determines who gets the goods and services produced—it is determining how scarce resources will be distributed. Reimbursing involves paying back or refunding money that someone has spent.

SOURCE: FI:270 Explain the need to save and invest

SOURCE: Hall, J. (2021, July 27). *What to invest in*. Retrieved August 6, 2021, from <https://www.fool.com/investing/how-to-invest/what-to-invest-in/>

36. D

Student loan debt. A liability is a debt or payment that you owe to someone else. Examples of liabilities include loans (student loans, mortgages, car loans, etc.) and credit card debt. Stocks, life insurance policies, and personal valuables are all considered Melanie's assets—things that are of value that she owns.

SOURCE: FI:562 Determine personal net worth

SOURCE: Schwab MoneyWise. (2021). *Your personal net worth*. Retrieved August 6, 2021, from https://www.schwabmoneywise.com/public/moneywise/essentials/personal_net_worth

37. B

It is a sign of respect that can improve relations among businesspeople of different cultures. Understanding cultural differences is crucial to success in international business. When a businessperson adapts their behavior to fit the cultural norms of the host country, they are showing respect for that culture. This is likely to lead to positive relations among businesspeople, increasing the likelihood of a business partnership. Adapting behavior to another culture does not mean that a person does not care about their own native culture. It is also not a display of authority, but a display of courtesy. Adapting behavior to another culture does not prove a businessperson's intelligence or mean that they should automatically be trusted with important sales.

SOURCE: EC:110 Explain cultural considerations that impact global business relations

SOURCE: Brown, J.M. (2019, March 11). *How can cultural differences affect business communication?* Retrieved August 6, 2021, from <http://smallbusiness.chron.com/can-cultural-differences-affect-business-communication-5093.html>

38. A
Making payments on behalf of savers to creditors. Deposit-taking institutions commonly accept deposits (funds) from savers and use those deposits to make payments on behalf of savers to individuals, firms, and creditors to whom the savers owe money. Deposit-taking institutions, which include commercial banks, credit unions, savings and loan associations, trust companies, and mortgage companies, also use those deposits to offer loans to borrowers. Investment banks, which are investment institutions, raise funds for clients by issuing securities. Government and semi-government financial institutions carry out regulatory and supervisory functions. They also increase the funds available to investors, manage risk, and assume risk. Insurance companies, which are categorized as finance and insurance institutions, use funds from premiums to offer loans. They also manage and pool individuals' risk, invest funds to raise more capital, and create investment products.
SOURCE: FI:336 Describe the role of financial institutions
SOURCE: Schaut, S. (2020, November 18). *What is a creditor?* Retrieved August 6, 2021, from <https://www.creditkarma.com/personal-loans/i/what-is-creditor>
39. A
To trade currency. There are many types of currencies in the world—the yen (Japan), the U.S. dollar (United States), the Euro (European Union), the Peso (Mexico), etc. Each currency's value fluctuates. The foreign exchange market trades one currency for another currency and determines each currency's conversion rate into other currencies. Stock exchanges buy and sell stocks. The bond market buys and sells bonds or other debt securities. Insurance companies underwrite insurance policies.
SOURCE: FI:337 Explain types of financial markets (e.g., money market, capital market, insurance market, commodities markets, etc.)
SOURCE: Ganti, A. (2020, November 8). *Foreign exchange market*. Retrieved August 6, 2021, from <https://www.investopedia.com/terms/forex/f/foreign-exchange-markets.asp>
40. A
Be honest, open, and trustworthy. While it is important for finance professionals to help their clients manage their finances and grow their wealth, it is also important that they earn their clients' trust. Finance professionals earn their clients' trust by behaving ethically and being honest and open. By doing so, finance professionals are more likely to build long-term relationships with their clients. Finance professionals must help clients set financial goals with which the clients are comfortable—some clients can or want to make risky investments, while others take a more conservative approach. Earning trust and helping clients meet their financial goals also involve ongoing, consistent, and frequent communication with clients. Requiring clients to sign a short-term contract will not always help finance professionals build long-term relationships with their clients.
SOURCE: CR:012 Explain the responsibilities of finance professionals in providing client services
SOURCE: BlueShore Financial. (2021). *Ten traits of successful financial advisors*. Retrieved August 6, 2021, from <https://www.blueshorefinancial.com/ToolsAdvice/Articles/FinancialPlanning/TenTraitsOfSuccessfulFinancialAdvisors/>
41. B
Leading. Stock market returns are commonly considered to be leading economic indicators because they often decline in advance of an economic decline and improve prior to positive movement in the overall economy. Lagging economic indicators such as the unemployment rate do not change direction until after the general economy improves or declines. Coincident economic indicators move simultaneously with the overall economy. Exploratory economic indicators are fictitious.
SOURCE: FI:574 Describe the relationship between economic conditions and financial markets
SOURCE: Moffatt, M. (2018, February 19). *A beginner's guide to economic indicators*. Retrieved August 6, 2021, from <https://www.thoughtco.com/beginners-guide-to-economic-indicators-1145901>

42. A
Fixed; floating. To enable capital to flow more freely internationally, countries around the world have reduced or eliminated many regulations and restrictions. For example, many developed countries shifted their exchange rates from being fixed to floating. Fixed exchange rates are set by the government, while floating exchange rates are determined by market supply and demand for currency. Although fixed exchange rates are still popular in some parts of the world, most developed countries have floating exchange rates. A pegged exchange rate is a fixed exchange rate. Declining exchange rates have not significantly contributed to financial globalization.
SOURCE: FI:575 Explain the nature and scope of financial globalization
SOURCE: Wise. (2017, May 15). *Explaining the difference between fixed and floating exchange rates*. Retrieved August 6, 2021, from <https://wise.com/gb/blog/fixed-floating-exchange-rate-difference>
43. A
Marginal. Business decision makers often compare marginal cost against marginal revenue to determine the profitability of increased production. A sunk cost is a cost that cannot be recovered or changed, so it is typically irrelevant to any future business activities. Fixed cost and average cost are irrelevant to increased-production decisions because they are based on costs that occur regardless of production levels.
SOURCE: FI:659 Describe marginal analysis techniques and applications
SOURCE: Corporate Finance Institute. (2021). *Marginal cost formula*. Retrieved August 6, 2021, from <https://corporatefinanceinstitute.com/resources/knowledge/accounting/marginal-cost-formula/>
44. D
Retail bank. Retail banks offer a variety of services for consumers including checking and savings accounts, credit cards, and automobile loans. An investment bank is a financial intermediary that underwrites securities and facilitates mergers. Mortgage companies process loans specifically designed for the purchase of real estate—land, residences, and other types of buildings. Financial holding companies own one or more commercial banks and/or investment banks.
SOURCE: FI:075 Describe types of financial-services providers
SOURCE: Majaski, C. (2021, April 30). *Retail banking vs. corporate banking: What's the difference?* Retrieved August 6, 2021, from <https://www.investopedia.com/articles/general/071213/retail-banking-vs-commercial-banking.asp>
45. A
Balance sheet. The balance sheet gives a summary of a company's financial health at a specific point in time. It contains two major sections: a listing of the company's assets and a listing of its liabilities. The liabilities section also indicates the shareholders' equity, which is the value of all the outstanding stock owned by shareholders. Shareholders' equity is determined by subtracting the liabilities from the assets. The income statement, also known as the profit-and-loss statement, shows a company's profitability over a specific period of time. The cash flow statement tracks the money that comes into and flows out of a company. An annual report is not a type of financial statement, but it does contain financial statements, along with a good deal of other information about the company.
SOURCE: FI:274 Describe sources of securities information
SOURCE: Fernando, J. (2021, February 4). *Balance sheet*. Retrieved August 6, 2021, from <https://www.investopedia.com/terms/b/balancesheet.asp>
46. B
Securities tables. Securities tables, often referred to as stock tables or financial tables, are filled with information about the status of different securities. Numbers on securities tables include the 52-week high and low, dividends, volume, yield, P/E ratio, the previous day's ending price, and the net change. By monitoring these numbers, investors can assess the overall health of their investment portfolios over time. Investors do not typically consult financial almanacs, foreign news reports, or investment guides to monitor the success of their investment portfolios.
SOURCE: FI:275 Interpret securities table
SOURCE: Dummies. (2021). *How to read a stock table*. Retrieved August 6, 2021, from <https://www.dummies.com/personal-finance/investing/how-to-read-a-stock-table/>

47. D

If it is a good time to buy or sell. The 52-week high and low represent the lowest and highest price at which a stock has been traded during a year's time. It can tell investors whether the current price is a good one at which to sell or buy based on its history. The 52-week high and low do not tell investors how many times a stock has been sold, whether to invest in a stock or a mutual fund, or if the company has a lot of debt.

SOURCE: FI:275 Interpret securities table

SOURCE: Chen, J. (2020, March 28). *52-week high/low*. Retrieved August 6, 2021, from <https://www.investopedia.com/terms/1/52weekhighlow.asp>

48. D

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

SOURCE: FI:630 Explain the nature of statements of changes in equity

SOURCE: Carlson, R. (2021, April 15). *How to prepare a statement of retained earnings*. Retrieved August 6, 2021, from <https://www.thebalancesmb.com/statement-of-retained-earnings-393591>

49. B

The colleagues involved. When a financial professional is aware that an unethical action is occurring, the first party they should talk to is the person or people involved directly. Angelica should have a conversation with her colleagues to help clarify the details of the situation and make sure that the other parties are aware of her concerns. She should do this before talking to her supervisor to give her colleagues a chance to explain and to make sure she fully understands the situation. She should also not go directly to top company executives or the authorities without first gaining an understanding of the situation and going through the appropriate chain of command.

SOURCE: FI:355 Discuss the role of ethics in finance

SOURCE: LAP-FI-355—Money Morals (The Role of Ethics in Finance)

50. A

Opportunity costs. Opportunity costs usually require the analysis of qualitative information such as a supplier's reputation for quality or service that can make an impact on the business versus numerical data. A sunk cost is a cost that has already been incurred and cannot be recovered. Direct costs and indirect costs are typically numerical data such as price of materials, labor, and overhead.

SOURCE: FI:658 Describe types of costs used in managerial accounting (e.g., direct cost, indirect cost, sunk cost, differential cost, etc.)

SOURCE: Fernando, J. (2020, December 27). *Opportunity cost*. Retrieved August 6, 2021, from <https://www.investopedia.com/terms/o/opportunitycost.asp>

51. B

A marginal revenue equal to or greater than marginal cost. Marginal analysis, which involves determining whether the marginal revenue of a business activity will be equal to or greater than marginal cost or expense, is used to identify profitable options for an organization. If marginal cost is greater than marginal revenue, the activity is not likely to be profitable and should not be pursued. Net revenue cannot be determined until all transactions are measured and accounted for, so it cannot be used to analyze future business activities.

SOURCE: FI:659 Describe marginal analysis techniques and applications

SOURCE: Ross, S. (2021, August 1). *How marginal analysis helps in managerial decisions*. Retrieved August 6, 2021, from <https://www.investopedia.com/ask/answers/042315/how-marginal-analysis-used-making-managerial-decision.asp>

52. B

Business cycle risks. By investing their funds in many different countries, investors are able to diversify their risk and reduce their exposure to business cycle risks. However, financial globalization seems to increase the risks of “speculative bubbles” and “herd behavior” of investors. Liberalization is the removal of government regulations on the flow of capital and international trade. Many countries around the world have reduced or eliminated limits on foreigners' access to their financial markets. Capital appreciation occurs when stock that a person owns becomes worth more than what the person paid for it. Capital appreciation is a positive aspect of investing, not something to avoid.

SOURCE: FI:575 Explain the nature and scope of financial globalization

SOURCE: Hall, M. (2018, January 12). *Globalization and international investment*. Retrieved August 6, 2021, from <https://www.investopedia.com/ask/answers/022615/what-effect-has-globalization-had-international-investments.asp>

53. B

Classification by controllability. Classification by controllability, which is based on a manager's control over particular costs, helps an organization determine how well its managers handle costs that they personally impact. Classification by function, which identifies costs as product costs or period costs, is not necessarily linked to specific managers. Classification by behavior refers to whether a cost is fixed or variable within an organization. Classification by relevance determines whether a cost is a sunk cost or an out-of-pocket cost within an organization.

SOURCE: FI:660 Explain the nature of managerial accounting

SOURCE: Tamplin, T. (2021, August 10). *Classification of cost*. Retrieved August 11, 2021, from <https://learn.financestrategists.com/explanation/cost-accounting/analysis-of-cost/classification-of-cost/>

54. C

Maintain budgetary control. Variance analysis is a technique used in managerial accounting to determine the difference between planned and actual results. Businesses use budgets to maintain control over costs. Variance analysis makes sure the company is following the budget. Variance analysis does not necessarily help a business make choices between two alternatives, compare itself with competitors, or predict future trends.

SOURCE: FI:661 Discuss the use of variance analysis in managerial accounting

SOURCE: AccountingTools. (2021, June 16). *Variance analysis definition*. Retrieved August 6, 2021, from <https://www.accountingtools.com/articles/what-is-variance-analysis.html>

55. B

Plan her vacation time wisely to make sure she isn't absent at crucial times. It's hard to be a good employee if you're not at work. Monica should be sure to plan her vacation time wisely so she isn't gone at crucial times for her work team. It's important to be at work, but coming in when she's sick or has an emergency isn't always a good idea for Monica. Monica shouldn't be late; even 10 minutes a day can add up quickly. Even if Monica works hard, it's still important for her to be present at work when she's scheduled to be there.

SOURCE: MK:015 Discuss actions employees can take to achieve the company's desired results

SOURCE: LAP-MK-015—Act Now! (Employee Actions and Company Goals)

56. B

Controlling finances. Budgets are financial plans that are used to project revenue and expenses. The aim of budgets is to control finances. Determining cash flow, understanding profitability, and analyzing sources of income are not functions of cost accounting budgets.

SOURCE: FI:662 Discuss the nature of cost accounting budgets

SOURCE: Boyd, K. (2021). *Cost accounting: Budgeting basics*. Retrieved August 6, 2021, from <https://www.dummies.com/business/accounting/cost-accounting-budgeting-basics/>

57. A

Using company resources wisely. Ethical behavior at work means doing the right thing and following ethical principles. This includes using company resources wisely. Praising your friends is not necessarily an example of ethics in business; rather, it is related to ethics in your personal life. Asking for a raise and striving for a promotion are often appropriate actions to take in the workplace, but they are not necessarily related to ethics.

SOURCE: RM:041 Explain the role of ethics in risk management

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

58. B

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

SOURCE: FI:238 Calculate the time value of money

SOURCE: Carlson, R. (2020, September 29). *How to calculate the future value of an investment.*

Retrieved August 6, 2021, from <https://www.thebalancesmb.com/how-to-calculate-the-future-value-of-an-investment-393391>

59. D

Report financial transactions. Financial-information management is the ongoing process of gathering, maintaining, and storing financial data. Businesses use financial data to develop reports that aid the business decision-making process and meet compliance requirements. An important aspect of financial-information management is maintaining data about financial transactions such as accounts receivable (e.g., customer sales transactions) and accounts payable (monetary outflows). The business's buyers negotiate contracts with vendors. Buyers may or may not use financial information as leverage during the negotiation process with vendors. The product/service management function of the business focuses on new product development. The selling function of the business implements sales policies.

SOURCE: FM:002 Explain the nature and scope of the financial-information management function

SOURCE: Gartenstein, D. (2018, April 5). *Why is financial management so important in business?*

Retrieved August 6, 2021, from <https://yourbusiness.azcentral.com/financial-management-important-business-4406.html>

60. D

Internal control mechanisms. Internal control mechanisms involved in corporate governance include oversight of management, independent internal audits, and the segregation of duties. Internal control mechanisms are designed to ensure smooth day-to-day operations, clarify the chain of command, and measure organizational performance. These are not goals of external control mechanisms, which generally seek to manage debt, comply with legal regulations, and handle other issues outside the company.

SOURCE: PD:214 Describe the components of a well-governed company

SOURCE: Davoren, J. (2021). *Three types of corporate governance mechanisms.* Retrieved August 6, 2021, from <https://smallbusiness.chron.com/three-types-corporate-governance-mechanisms-66711.html>

61. A
Determine the project's purpose and scope. The first step in the project-planning process is to determine the project's purpose and scope. These two components are the foundation for the entire project. Determining project costs, identifying needed resources, and identifying project deliverables are all steps that come later in the project-planning process.
SOURCE: OP:001 Develop project plan
SOURCE: LAP-OP-001—Chart Your Course (Developing a Project Plan)
62. D
Master budget. The overall budget of a company is called the master budget and is made up of information from specialized budgets that are generated by individual departments. A master budget can also be referred to as a fixed budget or a static budget because it does not change. In other words, managers use it as a guideline, but they don't adjust it as the period goes on. A rolling budget, on the other hand, is constantly being updated so that the company always has a short-term budget on hand if needed. Similarly, a dynamic budget can be adjusted with changes in activity and is used to compare to the fixed budget to see how the company is doing. An operating budget, sometimes called a short-term budget, serves as a financial blueprint for the company, usually for a period of one year. It's a go-to budget that managers can consult and adjust regularly. Short-term budgets show whether a company is on track financially and help give managers a level of financial control.
SOURCE: FM:013 Demonstrate budgeting applications
SOURCE: AccountingTools. (2021, June 28). *Master budget definition*. Retrieved August 6, 2021, from <https://www.accountingtools.com/articles/2017/5/14/master-budget>
63. D
Compare its performance with other companies in the industry. A benchmark is something that provides a basis for comparison or evaluation. There are many financial-analysis software applications that can provide a business with benchmarking information so it can compare its financial performance with other specific companies in its industry or with industry standards. If a company is performing below a benchmark, the business can determine and implement actions that will help it perform better. A liquidity index ratio measures the amount of time that a business needs to convert assets into cash. Businesses do not use benchmarking applications to calculate dividends or to determine the taxes that they owe.
SOURCE: FM:014 Demonstrate financial analysis applications
SOURCE: CAST. (n.d.). *Application benchmarking software: The basis for improvement*. Retrieved August 6, 2021, from <https://www.castsoftware.com/glossary/application-benchmarking>
64. A
Lean; Six Sigma. Lean and Six Sigma are both quality control methodologies that focus on maximizing customer value while minimizing waste. The key difference between the two methods is where waste is believed to come from. In Lean methodology, waste is believed to arise from unnecessary steps in the production process. In Six Sigma methodology, waste is believed to arise from variations within the production process. In this example, Reinhardt Manufacturing is practicing Lean methodology, while Burke Manufacturing is practicing Six Sigma methodology. Sustainability is a primary goal of both Lean and Six Sigma; however, there is no methodology called "Sustainability."
SOURCE: FM:016 Discuss non-traditional uses for financial information (e.g., lean, sustainability reporting, activity-based costing [ABC], six sigma)
SOURCE: Villanova University. (2020, March 25). *Six Sigma vs. Lean Six Sigma*. Retrieved August 6, 2021, from <https://www.villanovau.com/resources/six-sigma/six-sigma-vs-lean-six-sigma/#.W9cpa2hKhPY>

65. D

Offer credit. Before offering credit to a prospective customer, a business needs to analyze the customer's financial status to determine if the customer has the money available to make payments on time and in the full amount of the agreement. Businesses review a customer's income, assets, debt ratio, credit history, etc., to determine if they are creditworthy. If the customer carries a high level of debt in relation to their assets, it would be too risky for the business to offer credit because the customer is more likely to become delinquent. Businesses include interest charges in their credit agreements because they need to recoup the costs associated with offering credit. Businesses receive money at the point of purchase or time of service for cash sales, so this option is not a reason for examining a customer's income. One customer's income level is not a factor that prompts a business to restructure its business policies.

SOURCE: FM:009 Describe techniques used to analyze customer financial information

SOURCE: QuickBooks. (2021, March 3). *How to offer customer credit: Credit policy guide for businesses*. Retrieved August 6, 2021, from <https://quickbooks.intuit.com/r/getting-paid/customer-credit-policy/>

66. A

Comparing profit ratios by region. Customer financial information can be useful in business decision-making when it is analyzed. One example of a technique that a business could use would be comparing profit ratios among different regions. This could tell the business which market segments are most profitable, which could inform future decisions. Tracking average product shipping delays, determining who exceeded sales quotas, and discovering which products sold the most are not examples of techniques used to analyze customer financial information.

SOURCE: FM:009 Describe techniques used to analyze customer financial information

SOURCE: Tableau. (2021). *Analyze customer data to learn spending habits*. Retrieved August 6, 2021, from <https://www.tableau.com/solutions/workbook/superstore-customer-analysis>

67. A

Ensure adherence to an ethics code. Training and continuing education, rewarding ethical behavior, leading by example, and maintaining an open door policy are all ways to ensure adherence to an ethics code. These activities are not intended to reduce employee creativity, heighten conflict among employees, or increase competition and mistrust.

SOURCE: HR:411 Explain the role of ethics in human resources management

SOURCE: LAP-HR-411—Moral Mediators (Ethics in Human Resources Management)

68. B

To evaluate performance. Standard cost systems are used to determine variances between forecasted costs and actual costs, thereby evaluating a business's performance. The quality of manufacturing processes can be evaluated, but standard cost systems do not establish quality standards. Industry standards can be used to establish standard costs; however, standard cost systems do not set industry standards. Unused inventory will be a consideration in determining the variances between forecasted and actual costs; however, unused inventory is not returned on the basis of standard cost systems.

SOURCE: FI:662 Discuss the nature of cost accounting budgets

SOURCE: Tamplin, T. (2021, June 22). *Standard costing*. Retrieved August 6, 2021, from <https://learn.financestrategists.com/explanation/variance-analysis/standard-costing/>

69. A

Operating systems. Operating systems organize and control the hardware and software in a computer. All computers have operating systems, which include Microsoft Windows, Linux, and macOS. These are not examples of computers, internet providers, or antivirus software.

SOURCE: NF:085 Use basic operating systems

SOURCE: GCFGlobal. (2021). *Computer basics: Understanding operating systems*. Retrieved August 16, 2021, from <https://edu.gcfglobal.org/en/computerbasics/understanding-operating-systems/1/>

70. B

Office Calendar 3 30 2021. Regardless of whether you use a PC or Mac computer, word-processing programs typically refuse to let you use certain symbols in your file names. Top on this list of prohibited characters are the following: \ / : * ? < > | . If you try to use any of those particular symbols in a file name, you'll get a message that your file name is invalid, and you'll have to choose a new name for the file. Of the list of file names provided, only "Office Calendar 3 30 2021" is acceptable because it is the only name without any prohibited symbols.

SOURCE: NF:007 Demonstrate basic word processing skills

SOURCE: Smith, J. (2018, September 23). *Project 2: Files & folders*. Retrieved August 6, 2021, from <https://www.jegsworks.com/lessons/win/filesandfolders/index.html>

71. C

Domain name. The domain name that Dmitri registers will be the unique address of his new website. A web host allows a website owner to make their site accessible via the internet. A site builder is a program that includes templates and software used to create the layout and design of a website. Web addresses are usually picked based on a company name or other important identifier, rather than the company's street address.

SOURCE: NF:042 Create and post basic web page

SOURCE: WPBeginner. (2021, March 26). *Beginner's guide: What is a domain name and how do domains work?* Retrieved August 6, 2021, from <https://www.wpbeginner.com/beginners-guide/beginners-guide-what-is-a-domain-name-and-how-do-domains-work/>

72. A

Data normalization. Normalization is the process of efficiently organizing data in a database. There are two goals of the normalization process: eliminating redundant data and ensuring that data is stored in ways that make sense. By eliminating redundant data, Jonas is performing data normalization. Digital analysis involves analyzing and interpreting data for patterns, consistencies, or discrepancies. Data filtering involves refining data sets so that they can be more easily understood. Information scanning is not a term typically used in the business world.

SOURCE: NF:124 Demonstrate advanced database applications

SOURCE: Chapple, M. (2020, April 12). *Database normalization basics*. Retrieved August 6, 2021, from <https://www.lifewire.com/database-normalization-basics-1019735>

73. B

Use existing data to forecast what could happen in the future. Predictive analysis involves looking at historical data and analyzing them to predict what is most likely to occur in the future. Predictive analysis does not predict what could have happened if the past were different, hypothesize why the past happened the way that it did, or verify that the descriptive analysis was accurate and legitimate.

SOURCE: NF:139 Explain the principles of data analysis

SOURCE: Halton, C. (2021, June 30). *Predictive analytics*. Retrieved August 6, 2021, from <https://www.investopedia.com/terms/p/predictive-analytics.asp>

74. A

The information gathered during environmental scanning is dynamic. Businesses must keep in mind that the information gathered during environmental scanning is dynamic—it changes all the time. Keeping track of all these changes is why environmental scanning is so crucial to business success. Because the environment is dynamic, scanning must be done continuously, not once or twice a year. On a certain level, all employees should be involved in a business's environmental scanning efforts. Everyone should be aware of the environment and how it affects the business as well as their particular job. Not all trends identified through environmental scanning can be addressed immediately or all at once—the business must prioritize these trends in its strategic planning.

SOURCE: NF:015 Conduct an environmental scan to obtain business information

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

75. D
Material requirements planning (MRP). MRP software helps manufacturers streamline production efforts and operate efficiently. The software has forecasting applications that help manufacturers determine the quantities of and delivery systems for the raw materials that they need for production. Job sequencing involves determining the order in which tasks must be carried out to complete a process or activity. Reverse logistics occur when unwanted or undesirable goods are returned to a business for reuse, recycling, or disposal. Critical path involves evaluating the sequence of steps to complete complex project tasks and identifying alternative systems to use project resources in the most efficient manner.
SOURCE: OP:191 Describe the use of technology in operations
SOURCE: Kenton, W. (2021, July 21). *Material requirements planning (MRP)*. Retrieved August 6, 2021, from <https://www.investopedia.com/terms/m/mrp.asp>
76. B
Robbery. Robbery is theft that involves the use of force, violence, or fear. Businesses such as banks that have large amounts of cash on hand are often common targets for robbery. Robbers generally approach an employee who has access to the cash and force that person to empty the safe or cash drawer. Pilferage is theft of small sums of money or inexpensive items. Fraud is deceiving or cheating an individual or a business out of money or property. Shoplifting is theft of goods by customers.
SOURCE: OP:013 Explain routine security precautions
SOURCE: ARCA. (2021). *Think like a thief: How to prevent robberies at your bank*. Retrieved August 6, 2021, from <https://arca.com/resources/blog/think-like-a-thief-how-to-prevent-robberies-at-your-bank>
77. A
Encrypting computer files. Encryption is the process of transforming information into a secret code so that only specified individuals can read it. By encrypting confidential computer files, the business protects the information from unauthorized access by internal and external sources. For optimal protection from computer viruses, businesses should conduct computer virus scans continuously rather than once a year. Activities such as classifying information and developing internet message boards do not protect the information from unauthorized users.
SOURCE: OP:153 Protect company information and intangibles
SOURCE: Gordon, W. (2018, May 4). *How to securely store and share sensitive files*. Retrieved August 6, 2021, from <https://www.popsci.com/store-share-sensitive-files/>
78. B
You might have to redo the project work. If your customers aren't happy with the end results, you might need to redo the project work or complete another project to satisfy their needs. You do not necessarily need to adjust the quality standards, start the planning process over, or find different customers.
SOURCE: OP:521 Evaluate project success
SOURCE: LAP-OP-521—Making the Grade (Evaluating Project Success)
79. A
Gaining a clear understanding of what is needed. The end result of identifying resources should be a clear understanding of what is needed for the project to succeed. This will help you be ready for unforeseen problems, although it won't eliminate them. Identifying project resources will not necessarily help you become a better, more cooperative team member or help you become more independent.
SOURCE: OP:003 Identify resources needed for project
SOURCE: LAP-OP-531—Get What You Need (Identifying Project Resources)

80. B

Passage of laws that recognize electronic documents as legally binding. As businesses have become more comfortable with the use of electronic information, their willingness to accept electronic documents as legally binding contracts has also increased. This has been buoyed by the passage of laws recognizing electronic documents and signatures as legally binding. Electronic information exchange procedures have not been removed. These procedures provide a way for people to exchange information electronically. Security remains an issue for online financial-information management. Although customers' right to privacy is an issue, it has not contributed to the increased use of online technology in financial-information management.

SOURCE: FM:011 Describe the use of technology in the financial-information management function

SOURCE: Citrix. (2021). *Are electronic signatures legally binding?* Retrieved August 6, 2021, from <https://rightsignature.com/legal/are-electronic-signatures-legally-binding.html>

81. C

Misplace important documents. Maintaining files in a systematic way helps you keep reports, forms, notes, and other documents in a particular location. By keeping files and documents in a specific order, you are less likely to misplace important information. It also enables you to quickly access the documents when needed because they are always in the same place. To maintain an organized workspace, you should periodically discard papers that you don't need anymore. Maintaining an organized workspace does not prevent the misuse of office equipment. Forgetting or remembering phone numbers is a cognitive ability and is not directly impacted by how well your workspace is organized.

SOURCE: PD:009 Demonstrate systematic behavior

SOURCE: Malugani, M. (2021). *Five tips to get organized at work.* Retrieved August 6, 2021, from <https://www.monster.com/career-advice/article/get-organized-at-work>

82. D

Verbal aptitude. Verbal aptitude is the ability to use words effectively. It is an important skill for individuals in most types of careers. Nonverbal skills involve using body language to communicate. Emotional traits are personal traits involving attitudes, feelings, values, temperament, etc. Physical coordination is the ability to use one's muscles effectively.

SOURCE: PD:013 Assess personal interests and skills needed for success in business

SOURCE: WorkplaceTesting. (2018, June 14). *What does verbal aptitude mean?* Retrieved August 6, 2020, from <https://www.workplacetesting.com/definition/4128/verbal-aptitude>

83. C

Skills are learned through training, and traits are repeated behaviors that become a part of the personality. Skills are defined as abilities that a person acquires through education, training, and practice. Traits are repeated behaviors that become a part of the person over time. Skill levels and the degree of difficulty to obtain a skill vary by individual. Personality traits (behaviors) and skills can be improved, changed, or enhanced. Since personality traits are repeated behaviors, the behaviors are not constantly changing.

SOURCE: PD:066 Explain career opportunities in entrepreneurship

SOURCE: LAP-PD-066—Own Your Own (Career Opportunities in Entrepreneurship)

84. A

Private employment agency. Private employment agencies match professional businesspeople with companies that are looking for workers who possess specific qualifications or expertise. The agencies often specialize in a specific field, such as computer programming. Private employment agencies charge fees for their placements. Payment arrangements vary, but often the employer pays a fee based on a percentage of the new hire's salary. The example does not describe an academic counseling center, which is located at high school or college. The example does not describe a government job placement office, which is a government agency. There is not enough information provided to determine if the employment agency is an online business.

SOURCE: PD:026 Utilize job-search strategies

SOURCE: 4 Corner Resources. (2020, May 19). *How does an employment agency work?* Retrieved August 6, 2021, from <https://www.4cornerresources.com/blog/how-does-an-employment-agency-work/>

85. D

Credit analyst. Credit analysts research and confirm loan applicants' employment, income, and credit history to ensure that the bank has the correct information. It is important to verify the accuracy of the loan applicants' information to reduce risks associated with loan defaults. This information helps credit analysts like Lynette determine if the bank should lend funds to customers. The collections function involves collecting past due payments from customers. A chartered financial consultant is a licensed financial advisor with special certification in retirement and estate planning. A bank agent or agent bank is an intermediary in the banking industry.

SOURCE: PD:152 Discuss employment opportunities in the finance industry

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

86. A

Beneficial for all stakeholders. Corporate governance refers to the way an organization is managed at the highest level. Well-executed corporate governance has many benefits, including corporate success and economic growth, investor confidence, and positive brand development. Good corporate governance also ensures that an organization is managed in a way that is most beneficial and least detrimental for everyone—employees, management, shareholders, as well as the general public—not most helpful for company leaders, detrimental for competitors, or irrelevant to the public eye.

SOURCE: PD:213 Discuss the importance of corporate governance in business

SOURCE: Management Study Guide. (2021). *Corporate governance—Definition, scope and benefits*. Retrieved August 6, 2021, from <https://www.managementstudyguide.com/corporate-governance.htm>

87. D

Allocating funds for the objectives in the budget. For an organization to meet its governance objectives, all members must be working toward them. An accountant can contribute to this process by understanding governance objectives and accounting for them in the budget. An accountant does not necessarily work to minimize risks associated with objectives or ensure strong community relations. Accountants may determine whether profit margins are shrinking, but this does not necessarily relate to governance objectives.

SOURCE: PD:301 Ascertain employee's role in achieving governance objectives

SOURCE: Safetrac. (2019). *How to achieve good corporate governance*. Retrieved August 6, 2021, from <https://www.safetrac.com.au/achieving-good-corporate-governance/>

88. D

More attractive to investors and customers. When a company is publicly clear and ethical about its financial-information management tactics, it appears more trustworthy to investors and customers. Although ethical practices can minimize the risk of security breaches, they cannot fully prevent all possibility of them occurring. Ethical financial-information management practices should reduce volatility in financial markets rather than increase it. Finally, ethical financial-information management should make a company less susceptible to regulatory investigation because there will not be unethical practices that need to be scrutinized.

SOURCE: FM:003 Explain the role of ethics in financial-information management

SOURCE: Carty, S.L. (2021). *What are the advantages of financial accounting ethics?* Retrieved August 6, 2021, from <https://smallbusiness.chron.com/advantages-financial-accounting-ethics-32960.html>

89. B

Stockholders. Stockholders are the owners of a corporation. Therefore, their interests are an important factor in corporate governance. Managers, CEOs, and lower-level employees are not considered the owner(s) of a corporation.

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

SOURCE: Masters, T. (2021). *Who legally owns a corporation?* Retrieved August 6, 2021, from <https://smallbusiness.chron.com/legally-owns-corporation-54930.html>

90. D
Infographics raise the perception of quality. A well-designed, sophisticated visual image such as an infographic raises the reader's perception of quality and is therefore more likely to persuade readers. The length of time needed to create original artwork has no impact on the viewer. If people are lazy and don't like to read, they aren't likely to be persuaded by an infographic. The quality of the infographic, rather than the time spent viewing it, is more likely to persuade readers.
SOURCE: CO:204 Use data visualization techniques (e.g., infographics, heat-maps, dynamic model outputs)
SOURCE: Nediger, M. (2020, June 25). *What is an infographic? Examples, templates & design tips*. Retrieved August 6, 2021, from <https://venngage.com/blog/what-is-an-infographic/>
91. D
National Bankers Association. When finance professionals actively participate in finance-related professional organizations, they can network and build relationships with others who work in their field. The local chamber of commerce, a college alumni group, and the Young Professionals Association have group members from fields other than finance.
SOURCE: PD:153 Discuss opportunities for building professional relationships in finance
SOURCE: Indeed. (2021, March 15). *Professional networking: What is it and how to master it*. Retrieved August 6, 2021, from <https://www.indeed.com/career-advice/career-development/professional-networking>
92. B
Consistent communication. Networking helps finance professionals build relationships with others who work in the same or related fields. These contacts often lead to new job opportunities and client referrals. Joining college alumni groups, social and civic organizations, and professional associations are common ways to network with others. The key to building long-term relationships with others is engaging in consistent, ongoing communication—getting to know the other person. By doing so, finance professionals build rapport with others and earn their trust. Formal contracts and a detached or indifferent attitude will not foster positive professional relationships. To join, many trade organizations require their members to work in the trade or industry.
SOURCE: PD:153 Discuss opportunities for building professional relationships in finance
SOURCE: Hoban, S. (2021). *Building business relationships*. Retrieved August 6, 2021, from <https://www.ccim.com/cire-magazine/articles/building-business-relationships/?gmSsoPc=1>
93. D
Reinforce company values. A company's policies and procedures essentially lay out what is most important to the organization, helping employees and customers better understand the company's mission, vision, and values. Protocols, policies, and procedures do not allow companies to break the law; rather, they ensure compliance with laws and regulations. Company guidelines do not necessarily foster a competitive environment or result in decreased employee morale.
SOURCE: PD:250 Adhere to company protocols and policies
SOURCE: LAP-PD-250—Do You Follow? (Adhering to Company Protocols and Policies)
94. C
Hiring a family member who lacks necessary job skills. Nepotism is the practice of hiring employees on the basis of the relationship between the new hire and an employee. Hiring a family member who doesn't possess the skills to perform the job is an example of nepotism. When the family member does not have the appropriate skills to perform the job, it presents an ethical issue (favoritism) and can increase the business's financial risk. The business is paying someone who cannot perform the work efficiently, which means the business isn't getting the most for its payroll dollars. In addition, if the new hire does not have the skills to run equipment safely, they are more likely to break equipment or cause injury. As long as the activities are legal and do not harm others, communicating business information to customers, developing processes to test product durability, and striving to achieve higher sales than coworkers are ethical actions.
SOURCE: RM:041 Explain the role of ethics in risk management
SOURCE: GAN Integrity. (2021). *Nepotism*. Retrieved August 6, 2021, from <https://www.ganintegrity.com/compliance-glossary/nepotism/>

95. D
Allocation. Cost allocation is the assignment of costs to cost objects, such as a project, a department, a customer, etc. The company in this example allocates the cost of its new software system to two departments. This is not considered cost accumulation, dividing, or precision.
SOURCE: FI:663 Discuss the nature of cost allocation
SOURCE: Averkamp, H. (2021). *What is cost allocation?* Retrieved August 6, 2021, from <https://www.accountingcoach.com/blog/what-is-cost-allocation>
96. B
Security. Risk management is a business activity that involves the planning, controlling, preventing, and procedures to limit business losses. Businesses use technology to minimize security risks. One way that businesses control security risks is by installing firewalls on computer networks to prevent computer hackers from obtaining confidential financial data (e.g., customers' credit card numbers). Another way that businesses control security risk is by limiting employees' access to certain financial information, which often involves the use of passwords and security codes. Purchasing is the function of acquiring goods and services for use in the business or for resale. Overhead is business expenses such as payroll, rent, and utilities. Performance is the degree to which someone or something successfully accomplishes an activity.
SOURCE: RM:042 Describe the use of technology in risk management
SOURCE: Rapid7. (n.d.). *Information security risk management*. Retrieved August 6, 2021, from <https://www.rapid7.com/fundamentals/information-security-risk-management/>
97. D
Obstruction of justice. Obstruction of justice is a legal penalty that applies to individuals or businesses that hide important information from law enforcement agencies, such as an accounting firm concealing a client's questionable financial data. If evidence indicates that unethical or illegal business practices have obstructed a criminal investigation, the business could be fined, and the employees concealing the information could face imprisonment. A public scandal could severely tarnish a business's reputation, as in the case of the Arthur Andersen accounting firm and its affiliation with Enron. Expropriation is the act of government taking over private property. Breach of contract involves breaking the terms of a legal agreement. Substantiate means to provide proof or evidence of something.
SOURCE: RM:043 Discuss legal considerations affecting risk management
SOURCE: FindLaw. (2019, April 19). *Obstruction of justice*. Retrieved August 6, 2021, from <https://criminal.findlaw.com/criminal-charges/obstruction-of-justice.html>
98. B
External; economic. A market crash would be an external risk because it occurs outside of the company's organization. This is an economic risk factor because it is a change in market conditions. A political risk factor is a change in the political environment. A technological risk factor is an internal risk that includes changes in the delivery and/or distribution of the company's product or service.
SOURCE: RM:058 Discuss the nature of risk control (i.e., internal and external)
SOURCE: Beers, B. (2021, June 28). *How companies can reduce internal and external business risk*. Retrieved August 6, 2021, from <https://www.investopedia.com/ask/answers/050115/how-can-companies-reduce-internal-and-external-business-risk.asp>
99. A
A risk inventory. A risk inventory is a listing of all of an organization's critical enterprise-wide risks. A risk assessment is a tool used in risk management, but it does not necessarily list a company's every critical enterprise-wide risk. Enterprise risk management allows a company to plan, organize, lead, and control the risk in every level of an organization. A risk control is a tactic to mitigate a perceived risk.
SOURCE: RM:062 Discuss the nature of enterprise risk management (ERM)
SOURCE: CCL. (2021). *Preparation of risk inventory*. Retrieved August 6, 2021, from <https://www.cclcompliance.com/services/compliance-advisory/risk-management/preparation-of-risk-inventory/>

100. C

Narrow span of control. An organization with a narrow span of control is one in which managers have a small number of direct reports. Liz only has two employees reporting to her, so she is a manager with a narrow span of control. A wide span of control means that the organization has managers with a large number of direct reports. A wide span of control creates a flat structure or organization. There is no indication that Liz's organization has a hands-off approach.

SOURCE: SM:100 Explain factors that affect management

SOURCE: OrgChart. (2015, December 2). *Importance of span of control & organizational structure*. Retrieved August 6, 2021, from <https://www.orgchartpro.com/span-of-control-and-organizational-structure/>