

1. Brix Beauty Salon used a celebrity's name and photograph in a recent newspaper advertisement, even though the celebrity had not given Brix permission to use her name and likeness. What tort did Brix Beauty Salon commit?
 - A. Defamation
 - B. Wrongful interference
 - C. Appropriation
 - D. Conversion
2. Jake wanted to run his own business but was unsure that he had adequate business skills to be successful. Which type of business would give Jake the help he needs?
 - A. Business-format franchise
 - B. Sole proprietorship
 - C. Private corporation
 - D. Product trade-name franchise
3. Which of the following is an example of insider trading:
 - A. A senior manager tells a stakeholder that the government did not approve a new product because it did not meet safety standards.
 - B. A bank manager reveals to a customer that the interest rates for 30-year-mortgages have reached an all-time low.
 - C. A financial planner advises a client to invest a certain percentage of her/his money in a closed-end mutual fund.
 - D. A company's chief executive officer provides the company's financial auditor with material or financial information.
4. A public corporation's board of directors has the fiduciary responsibility to ensure that the company makes decisions that protect the financial interests of
 - A. government entities.
 - B. board members.
 - C. the community at large.
 - D. all shareholders.
5. Which of the following is a characteristic of the illegal practice of affinity fraud:
 - A. Fails to offer testimonials during sales pitches
 - B. Primarily involves buying and selling commodities
 - C. Targets identifiable groups of people
 - D. Pays a minimal dividend to encourage additional investment
6. The government does **not** tax the money placed in an individual retirement account (IRA) until it is withdrawn for its designated use. This money is an example of
 - A. dual taxation on earnings.
 - B. capital gains revenue.
 - C. tax-deferred income.
 - D. tax-exempt funds.
7. After finding several inconsistencies with its financial data, the MSV Company hired a compliance officer to monitor its financial processes and to ensure that the company is complying with regulations. What type of internal control has the business implemented?
 - A. Corrective
 - B. Preventative
 - C. Product
 - D. Conditional

8. What is an advantage to businesses of using virtual-auditor technology?
 - A. The capability of streamlining workflow
 - B. The ability to monitor competitors' strategies
 - C. The continuous inspection of transactional data
 - D. The unlimited access to credit information
9. Using technology applications to ensure compliance of financial information is beneficial to businesses because many of the applications can
 - A. evaluate compliance problems with data provided by competitors.
 - B. detect compliance inconsistencies across different jurisdictions.
 - C. correct human-resource problems.
 - D. improve product quality and satisfaction levels.
10. You can most effectively follow written directions by
 - A. completing steps in the order written.
 - B. reading the directions while you are distracted.
 - C. following steps in any order you choose.
 - D. completing the first step without reading the others.
11. Jacob was nervous about making his valedictorian speech, but when he stood up to walk to the podium, the audience cheered and gave him a standing ovation, which helped him relax and enjoy the moment. What was the audience doing?
 - A. Exhibiting unprofessional behavior
 - B. Mocking the speaker
 - C. Encouraging the speaker
 - D. Engaging in passive listening
12. An example of a physical communication barrier is
 - A. bias.
 - B. noise.
 - C. personal background.
 - D. emotional perceptions.
13. What should Isabella use to help her remember the most important points of her business presentations?
 - A. Note cards
 - B. Flash cards
 - C. Storyboards
 - D. Memo boards
14. Effective note-taking involves summarizing key concepts in ways that
 - A. make sense to the speaker.
 - B. reflect proper punctuation and grammar.
 - C. are meaningful to the notetaker.
 - D. include personal opinion and bias.
15. Which of the following is an example of a simple written report that a business might prepare on a regular basis:
 - A. Results of a research study
 - B. Minutes of a staff meeting
 - C. Findings of a major investigation
 - D. Analysis of a publicity campaign
16. Many businesses try to foster positive customer/client relations by encouraging employees to be
 - A. talkative.
 - B. friendly.
 - C. reserved.
 - D. authoritative.

17. Which of the following statements about customer relationship management (CRM) is true:
- A. A business has implemented a CRM program if it is providing good customer service.
 - B. A primary goal of CRM is to maximize the long-term value of customer relationships.
 - C. Price is the most important factor in building a long-term buyer/seller relationship.
 - D. Organizational culture has little effect on a customer's experiences with a business.
18. While Tobi is in the middle of an important meeting with some new clients, her assistant steps into the room to let Tobi know that her biggest customer, Mr. Williams, is on the phone with some questions about his account. It is 3:30 p.m. What should Tobi do?
- A. Ask her assistant to handle Mr. Williams' call and answer his questions
 - B. Ask the new clients to take a break so that she can take the call immediately
 - C. Ask her assistant to inform Mr. Williams that Tobi will return his call at 5:00 p.m.
 - D. Invite the new clients out for dinner and call Mr. Williams in the morning
19. Customer Relationship Management (CRM) data are sometimes called "perishable" data because the data
- A. often contain junk or garbage.
 - B. are often duplicated.
 - C. may be non-standardized or unformatted.
 - D. can become inaccurate over time.
20. For her best friend's birthday, Keisha is shopping for a unique item—no substitute will do, and price is no object. What type of item is Keisha shopping for?
- A. Shopping
 - B. Convenience
 - C. Specialty
 - D. Industrial
21. As a product's price decreases, the quantity demanded will generally
- A. increase.
 - B. decrease.
 - C. lessen.
 - D. stabilize.
22. One reason that businesses use a matrix organizational design is to
- A. share human resources.
 - B. improve employee productivity.
 - C. segment areas of expertise.
 - D. standardize business tasks.
23. Which of the following situations would most likely indicate the need to adapt to changes in the business environment:
- A. The business has experienced little employee turnover during the past year.
 - B. The number of your business's competitors has decreased.
 - C. The demand for your product is stable.
 - D. The supply of materials used in manufacturing a product has decreased.
24. A positive effect that productivity has on a business is helping it to
- A. determine the health of the country's economy.
 - B. increase the standard of living for consumers.
 - C. gain a competitive advantage over other businesses.
 - D. provide a wealth of goods and services to consumers.

25. Increased consumer spending indicates that the economy is stable and growing because increased spending leads to an increase in
- A. scarcity of resources.
 - B. interest rates.
 - C. unemployment levels.
 - D. demand for products.
26. Nations that buy and sell essential goods and services from and to each other are
- A. democratic.
 - B. isolationists.
 - C. interdependent.
 - D. competitors.
27. Which of the following actions is something a positive person would do:
- A. Listen and pay attention while a coworker speaks
 - B. Blame a mistake on a coworker
 - C. Complain about running into traffic on the way to work
 - D. Hold a grudge against a friend who messed up
28. Stacie doesn't give in to her impulses of anxiety or anger; instead, she directs and controls her emotions effectively. What component of emotional intelligence does Stacie demonstrate?
- A. Social awareness
 - B. Self-awareness
 - C. Self-management
 - D. Social management
29. A dream that has a chance of becoming a reality with hard work and determination is an example of a(n)
- A. mission.
 - B. idea.
 - C. goal.
 - D. vision.
30. Does political behavior within a business usually create negative outcomes?
- A. Yes. Employees tend to further their careers by using backstabbing tactics against coworkers.
 - B. No. Most organizations have policies that limit the use of political tactics in the workplace.
 - C. No. In many situations, groups can influence management to make positive changes.
 - D. Yes. Organizational politics usually lead to the formation of exclusive groups, which reduces efficiency and causes conflict.
31. Organizational culture is influenced by management's values and
- A. customers' actions.
 - B. shareholders' ideas.
 - C. employees' perceptions.
 - D. competitors' policies.
32. Which of the following statements about understanding your spending habits is true:
- A. The last step in creating a financial plan
 - B. A key aspect in exceeding financial goals
 - C. A key aspect of opening a bank account
 - D. The first step in creating a financial plan
33. Cheryl invested \$6,000 in the stock market. During year one, her \$6,000 grew to \$6,600. The year after that, her \$6,600 turned into \$7,260. Cheryl's monetary gains are the result of
- A. phishing.
 - B. compounding.
 - C. diversifying.
 - D. market timing.

34. Which of the following is a true statement about saving and investing:
- A. You typically earn more interest on savings accounts than long-term investments.
 - B. The need to save and invest is unrelated to the impact of inflation.
 - C. Your spending habits have a minimal impact on the amount of money that you save.
 - D. A key factor to long-term financial well-being is to start saving and investing early on.
35. Individuals can verify the accuracy of their credit histories by reviewing a _____ that is obtained from a _____.
- A. lending statement; tax agency
 - B. bank statement; financial institution
 - C. credit report; credit bureau
 - D. credit certificate; credit union
36. Which of the following statements about deposit-taking financial institutions is true:
- A. A deposit-taking institution's primary liabilities are checking accounts, savings accounts, money market accounts, and certificates of deposit.
 - B. When a saver deposits funds, s/he receives a claim on the individual or firm to whom the depository institution lends these funds.
 - C. The Small Business Administration and the Federal Housing Administration are examples of deposit-taking financial institutions.
 - D. Two types of commercial banks are mutual savings banks and savings and loan associations (S&Ls).
37. Frankfort and Sons, an American firm, is preparing to issue bonds overseas. Even though the bonds will be sold outside the U.S., they will be denominated in American dollars. These bonds are called
- A. Interbonds.
 - B. Yankee bonds.
 - C. Eurobonds.
 - D. Savings bonds.
38. Which of the following are common categories of commodities:
- A. Metals, grains, and consumer goods
 - B. Energy, metals, and consumer goods
 - C. Energy, grains, and consumer goods
 - D. Energy, metals, and grains
39. Which of the following is a drawback of convergence and consolidation in the finance industry:
- A. Increased liquidity constraints
 - B. Fewer different products
 - C. Fewer customer loans
 - D. Increased customer risk
40. Which of the following is an example of convergence in the finance industry:
- A. Independence Insurance Company acquires NetAutoInsurance.com.
 - B. Constitution Savings and Loan merges with Adams Community Bank.
 - C. United Federal Bank merges with Provincial Insurance Company.
 - D. Chase Schwartz Financial Consultants acquires Dollar-Wise Financial Services.
41. Under what circumstances would stock prices increase?
- A. When interest rates increase
 - B. During times of high unemployment
 - C. When consumer spending increases
 - D. During a bear market period

42. What type of economic indicator are nominal interest rates?
- A. Countercyclic and lagging
 - B. Procyclic and coincident
 - C. Procyclic and lagging
 - D. Countercyclic and coincident
43. When an emerging market suffers an economic decline, foreign investors usually
- A. use the opportunity to invest more in the emerging market.
 - B. quickly withdraw their money from the emerging market.
 - C. help the emerging market to recover economically.
 - D. pay less for each transaction in the emerging market.
44. Financial globalization tends to cause an increase in
- A. investors' exposure to business cycle risks.
 - B. herd behavior among investors.
 - C. taxes on international transactions.
 - D. limits on foreigners' access to domestic markets.
45. Form 10-K is most like
- A. Form 10-Q.
 - B. the annual report.
 - C. the bottom line.
 - D. the cash flow statement.
46. Which financial statement should an investor use to quickly determine a company's "bottom line"?
- A. Income statement
 - B. Cash flow statement
 - C. Balance sheet
 - D. Statement of retained earnings
47. What might a dividend payout tell you about a company?
- A. It's trying to rid itself of cash.
 - B. It's a well-established company.
 - C. It's reinvesting its profits back into the business.
 - D. It's paying back a loan.
48. Which of the following is an advantage of a money market account over a savings account:
- A. Money market accounts provide corporate ownership rights.
 - B. You can often write checks from a money market account.
 - C. The rate of return is significantly better.
 - D. Money market accounts are insured by the FDIC.
49. Which of the following activities is part of accounting:
- A. Making decisions based on financial information
 - B. Creating financial information
 - C. Developing marketing campaigns based on financial information
 - D. Gathering financial information
50. Which of the following is one of the components of a business's cash payments:
- A. Interest from loans
 - B. Previous month's balance
 - C. Total credit sales
 - D. Cost of goods

51. Which of the following groups of people is most likely to be interested in the statement of changes in equity:
- A. Customers
 - B. Investors
 - C. Competitors
 - D. Employees
52. Lauren must determine which of two furniture suppliers is more cost-effective for her company. What type of cost should she analyze?
- A. Differential cost
 - B. Sunk cost
 - C. Indirect cost
 - D. Imputed cost
53. How can the owner of the Rainy Day Café figure out how much money she will make by adding a new salad to the menu?
- A. Discover sunk costs
 - B. Perform marginal analysis
 - C. Eliminate indirect costs
 - D. Determine labor costs
54. A managerial accountant can help a company market its products by
- A. developing a target market analysis.
 - B. determining whether to make or buy a component.
 - C. examining the relevant costs of advertising options.
 - D. creating a budget for hiring increases.
55. Which of the following examples best illustrates the purpose of variance analysis:
- A. Carter determined that storage costs exceeded the budgeted amount.
 - B. Shamaya figured out which product line would be most profitable.
 - C. Tariq made suggestions to his manager regarding pricing strategy.
 - D. Eileen informed her manager how much money was left for travel.
56. Kenneth is easily able to guide the actions of his employees by referring to his budget. This is an example of which function of budgets?
- A. Monitoring
 - B. Planning
 - C. Controlling
 - D. Directing
57. In managerial accounting, the number of hours that a business runs its machinery during the production process is classified as a(n)
- A. production output.
 - B. cost driver.
 - C. unexpected expense.
 - D. inflexible transaction.
58. What is a possible reason for not allocating costs?
- A. Costs are not high enough to be allocated.
 - B. A cost is fixed rather than variable.
 - C. The budget has already been exceeded.
 - D. A cost is not controlled by any department.

59. You received a check on your birthday for \$2,000. If you invest it at an annual rate of 3%, how much will it be worth in a year?
- A. \$6,000
 - B. \$2,000
 - C. \$2,060
 - D. \$2,600
60. Which of the following situations could be prevented through the use of a financial-information management system:
- A. A financial institution's server crashing and preventing employees from entering customer payments
 - B. Customer service sending brochures about the company's loans to people who've just taken out loans with the company
 - C. Different versions of a database application being incompatible so that financial information cannot be shared
 - D. Elimination of mergers and acquisitions in the finance industry
61. Which of the following is the most common flaw in financial-information management:
- A. Non-financial managers have difficulty accessing needed financial data.
 - B. Non-financial managers are bombarded with excess financial data.
 - C. Financial-information management personnel often maintain operational data instead of financial data.
 - D. Most large companies do not have a financial-information management system.
62. To guard against intentional ethical violations, such as deliberate financial data tampering, an organization should maintain
- A. hard copies of all documents.
 - B. audit trails of data changes.
 - C. an accounts receivable schedule.
 - D. daily balance sheets.
63. A business that has the ability to generate different types of financial reports from a single computer program is using _____ software applications.
- A. cost-based
 - B. integrated
 - C. spreadsheet
 - D. simulated
64. Which of the following is a benefit of financial-information management software:
- A. Provides users with faster, better access to data from multiple sources
 - B. Improves productivity by replacing automated activities with manual tasks
 - C. Lowers compliance costs by eliminating audit trails and economies of scale
 - D. Reduces risk and lowers confidence in the confidentiality and safety of data
65. Primary functions of basic budgeting software applications include forecasting and
- A. debt management.
 - B. materials allocation.
 - C. scheduling.
 - D. sequencing.
66. Which of the following statements regarding business budgeting software is true:
- A. Most budgeting software is appropriate for both business and personal use.
 - B. Creating line-item projections using budgeting software is extremely time-consuming.
 - C. Budgeting software makes it difficult to adapt to changing economic conditions.
 - D. Most budgeting software can be used to measure the impact of different actions on the budget.

67. Lawrence's manager asked him to prepare a visual representation of key performance indicators, including cash flow, liquidity, profitability, and liability. Lawrence should use his company's analytic software to create a(n)
- A. cost standard.
 - B. profit-and-loss statement.
 - C. financial scorecard.
 - D. operating agreement.
68. How can lean manufacturing most directly improve the financial status of an organization?
- A. Lead times are shorter and responses are quicker.
 - B. Quality of products is improved.
 - C. Improved customer service cuts expenses.
 - D. Reduced waste adds to profit.
69. Bonnie is responsible for determining whether her firm should extend credit to a potential business customer. The customer's trade reference information should include
- A. the current balance that the customer owes to each of its existing suppliers.
 - B. the name of the purchasing agent who buys from the business's suppliers.
 - C. the articles of incorporation for each of the suppliers.
 - D. a list of the items that the business typically purchases from each supplier.
70. Which of the following is an employee benefit of effective new-employee orientation:
- A. Increased compensation
 - B. Labor agreement
 - C. Added competition
 - D. Job satisfaction
71. Which of the following is the most common reason for businesses to search for ways to make their products better and cheaper:
- A. E-commerce
 - B. Publicity
 - C. Competition
 - D. Service marketing
72. Your friend tells you that reading books is more fun than watching television. This is a(n)
- A. criticism.
 - B. fact.
 - C. opinion.
 - D. statistic.
73. Companies are required to manage financial information in specific ways to
- A. lessen the effects of information overload.
 - B. enable employees to work remotely.
 - C. prioritize information in order of importance.
 - D. comply with government regulations.
74. A business is able to search the World Wide Web and jump from one page that is connected to another page by clicking on the
- A. symbol.
 - B. attachment.
 - C. banner.
 - D. hyperlink.

75. The purpose of data normalization is to
- A. improve data integrity.
 - B. increase data redundancy.
 - C. delete conforming data.
 - D. remove new types of data.
76. Which of the following is a primary reason why businesses keep payroll records:
- A. Because a governing agency will review the records
 - B. Because some employees leave their jobs
 - C. Because companies need to document wages paid
 - D. Because employees want to know the amounts
77. If Delia needs to determine the dollar amount of office supplies that her company purchases from the XRT Company each month, she should review
- A. sales reports.
 - B. production status reports.
 - C. customer invoices.
 - D. accounts-payable records.
78. A business report provides statistical data indicating that the demand for a specific type of product has been increasing between three and six percent over the past several months. This information is useful to companies to
- A. decrease costs.
 - B. identify trends.
 - C. reduce inventory.
 - D. achieve quotas.
79. Which of the following is a reason why it is important for employers to identify accident trends:
- A. To make changes
 - B. To record injuries
 - C. To fix blame
 - D. To process claims
80. A business is planning a major project that it estimates will take 1,380 hours to complete. If the business assigns three part-time employees who each work 25 hours a week and one full-time employee, how many weeks will it take those employees to complete the project?
- A. 14
 - B. 13
 - C. 12
 - D. 15
81. Which of the following is an example of continuous improvement?
- A. Following an annual self-assessment and improvement process
 - B. Minimizing defect levels to 3.4 per million units produced
 - C. Selecting the best possible supplier
 - D. Giving managers full responsibility for product quality
82. A small business owner receives notice that the business's monthly rent will increase next year. The owner should include this increase in an estimate of next year's
- A. projected income.
 - B. operating costs.
 - C. sales revenue.
 - D. inventory costs.

83. Careful handling of business equipment by employees helps to prevent damage and control
- A. overtime.
 - B. usage.
 - C. theft.
 - D. expenses.
84. Which of the following is **not** a reason for faster-than-average employment growth of financial analysts and personal financial advisors:
- A. Globalization of the securities markets makes investing more complicated.
 - B. Generally speaking, the U.S. population is better educated.
 - C. Generally speaking, the U.S. population is worse off financially than before.
 - D. A large segment of the population, namely Baby Boomers, is facing retirement.
85. What is a possible effect of insufficient corporate governance?
- A. Increased accountability
 - B. Increased risk of scandal
 - C. Positive public image
 - D. Easier decision-making
86. How can an accountant best contribute to an organization's governance objectives?
- A. Ensuring strong community relations
 - B. Minimizing risks associated with the objectives
 - C. Allocating funds for the objectives in the budget
 - D. Determining whether profit margins are shrinking
87. Internal audits are used by _____, while external audits are used by _____.
- A. management; stakeholders
 - B. stakeholders; employees
 - C. creditors; management
 - D. employees; competitors
88. An organization should include independent members on its board of directors because they
- A. are less likely to act unethically.
 - B. represent the interests of management.
 - C. understand the company's inner workings.
 - D. provide an objective perspective.
89. Which of the following examples best illustrates the relationship between governance and management:
- A. Wesley bases his management decisions on the strategies outlined by governance processes.
 - B. Jenna, a manager, provides the board of directors with a framework for determining goals.
 - C. A company's governance processes aim to place strict limits on managers.
 - D. Sapphire Axis, Inc. keeps its top executives and governance strictly separate.
90. Which of the following has proven to be an effective way to initiate a professional relationship with a vendor:
- A. Treating the person to a round of golf
 - B. Giving the vendor an expensive gift
 - C. Having salespeople talk to the vendor
 - D. Offering jobs to people on the vendor's staff
91. Hank would like to meet regularly in person with other financial planners in his geographic area to discuss trends and issues impacting their profession. Which of the following professional organizations would best meet Hank's needs:
- A. Federal Organization of Financial Planners
 - B. Local Society of Financial Planning Professionals
 - C. National Association of Professional Financial Advisors
 - D. International Financial Planning Association

92. Which of the following is most likely to be an unethical risk management activity:
- A. Withholding pertinent information from insurance underwriters
 - B. Paying a share of the loss exposures pooled through insurance
 - C. Reporting that an employee is embezzling from the organization
 - D. Securing fair, favorable premium rates from insurers
93. A business that makes employee ethics training a priority is more likely to
- A. operate with fewer rules.
 - B. encourage a variety of viewpoints about ethical behavior.
 - C. experience tax audits by government agencies.
 - D. maintain a positive public image.
94. Companies use risk-matrix software applications to
- A. determine the amount of their insurance premiums.
 - B. prevent identity-theft activities and eliminate external risks.
 - C. organize their financial data in secure locations.
 - D. identify and prioritize their primary business risks.
95. It is important for business to update firewalls and other protective computer software to reduce risks associated with
- A. distribution procedures.
 - B. security breaches.
 - C. research processes.
 - D. data consistency.
96. To reduce the risk of future legal problems, a company might require its business partners to sign a formal
- A. invoice.
 - B. contract.
 - C. premium.
 - D. warrant.
97. When RWQ Corporation could not obtain insurance coverage to cover a specific type of risk from commercial insurance companies, it formed an insurance company to provide coverage for the risk. This is an example of a company managing its risk through a(n)
- A. organic entity.
 - B. captive insurer.
 - C. generic provider.
 - D. lending institution.
98. To control its risk of financial loss of business assets, such as buildings, equipment, and inventory, the CNP Company should
- A. borrow funds to reduce the need for insurance.
 - B. pay insurance premiums on a quarterly basis.
 - C. purchase additional disability insurance.
 - D. obtain adequate property insurance.
99. Which of the following is a true statement regarding enterprise risk management (ERM):
- A. ERM focuses on the combined impact of all risks.
 - B. All risks considered in ERM are negative.
 - C. ERM can make achieving goals more difficult.
 - D. Risks usually relate to relationships between employees.

100. Which of the following levels of management usually is responsible for working directly with employees:
- A. Executive
 - B. Supervisory
 - C. Regional
 - D. Regulatory



KEY

Test Number 1157

Finance Exam

Accounting Event

Banking Financial Services Event

Corporate Finance Event

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1. C

Appropriation. Torts are civil wrongdoings that cause harm or injury to another party. Appropriation, wrongful interference, defamation, and conversion are four kinds of torts. Appropriation, which Brix Beauty Salon committed, involves a business or person who uses—without permission—another person's name, likeness, and other unique characteristics for the benefit or gain of the user. Brix Beauty Salon used the celebrity's name and picture to attract customers to the salon. Unfortunately, Brix had not obtained permission to use the celebrity's name or likeness. As a result, the celebrity could sue Brix for appropriation. Wrongful interference consists of predatory behavior undertaken by a business to draw either customers or employees away from a competitor. Defamation involves making false, malicious statements about a person or organization. Conversion occurs when personal property is taken from the owner and given to someone else to use.

SOURCE: BL:069

SOURCE: National Paralegal College. (2003-2016). *Appropriation of plaintiff's name or likeness*.

Retrieved December 6, 2016, from

https://nationalparalegal.edu/public_documents/courseware_asp_files/torts2/InvasionofPrivacy/AppropriationOfPlaintiffsNameOrLikeness.asp

2. A

Business-format franchise. A business-format franchise is a franchise agreement in which the franchisee must operate under the trade name of the parent company that provides continuous assistance in setting up and operating the business. This kind of business arrangement would give Jake more assistance than any of the other alternatives. A sole proprietorship is a form of business ownership in which the business is owned by one person who takes all of the risk and responsibility. A private corporation is a type of corporation owned by a few people that does not offer its shares for sale to the public. A product trade-name franchise is based on an independent sales relationship between a franchisor and a franchisee to stock and sell a specific line of goods.

SOURCE: BL:003

SOURCE: BL LAP 1—Own It Your Way (Types of Business Ownership)

3. A

A senior manager tells a stakeholder that the government did not approve a new product because it did not meet safety standards. When a group of people has access to non-public information (material information) and makes trades based on this knowledge, those individuals have an unfair advantage over others. If the insider (senior manager) gives this information to others (stakeholders) so they can make trades based on the knowledge, both parties could be prosecuted for insider trading. In the example, the company's stock values are likely to be affected by the problems with a new product. When an employee shares material information with a person outside the company and who can act on the knowledge before it is revealed to the general public, it is an example of illegal insider trading. On the other hand, officers and board members of a company who buy or sell their own company's securities and report the trades to the SEC are not conducting illegal insider trading activities. Advising customers about mortgage rates, giving financial advice to a client, and providing an auditor with the company's material or financial information are not examples of insider trading.

SOURCE: BL:133

SOURCE: Reh, F. (2016, June 16). *Understanding the issue and implications of insider trading*.

Retrieved December 6, 2016, from

https://nationalparalegal.edu/public_documents/courseware_asp_files/torts2/InvasionofPrivacy/AppropriationOfPlaintiffsNameOrLikeness.asp

4. D

All shareholders. Fiduciary responsibility involves acting in the best interest of a client or benefactor and making wise financial decisions on his/her behalf. A corporation's board of directors consists of individuals who are appointed or elected to make decisions on behalf of the shareholders—the company's owners. Board members, local community members, and government officials may or may not be shareholders.

SOURCE: BL:133

SOURCE: Garber, J. (2016, May 30). *What is a fiduciary?* Retrieved December 13, 2016, from<https://www.thebalance.com/what-is-a-fiduciary-3505114>

5. C

Targets identifiable groups of people. Affinity fraud often takes the form of a Ponzi or pyramid scheme and involves targeting members who belong to the same group such as a church, senior citizen's social club, or civic organization. Because the scammer claims an association with the group and often lures group leaders or respected group members into investing in the scheme, other group members may believe that they can trust the scammer, which prompts them to hand over their money for "investment." The leaders or respected group members who fall prey to the scheme may provide testimonials to encourage investment. Group members who invest later in the scam often do not see any return on their investment. Affinity fraud does not primarily involve buying and selling commodities.

SOURCE: BL:133

SOURCE: North American Securities Administrators Association. (n.d.). *Affinity fraud: Beware of swindlers who claim loyalty to your group*. Retrieved December 6, 2016, from <http://www.nasaa.org/7157/affinity-fraud-beware-of-swindlers-who-claim-loyalty-to-your-group/>

6. C

Tax-deferred income. Certain types of investments or funds are not taxed until the money is being used, such as money in an individual retirement account (IRA) that retirees use for living expenses. Capital gains refers to the difference between the purchase price and selling price of an investment. For example, the capital gains on a house purchased for \$250,000 and sold for \$300,000 is \$50,000. Dividends are subject to dual taxation—both the company and the shareholder pay tax on stock earnings. Tax-exemption involves money that is not taxed, such as certain types of charitable donations.

SOURCE: BL:134

SOURCE: Investing Answers. (2016). *Tax deferred*. Retrieved December 6, 2016, from <http://www.investinganswers.com/financial-dictionary/tax-center/tax-deferred-2477>

7. A

Corrective. Corrective controls are initiatives taken to fix a problem that has already been detected. Hiring a compliance officer to monitor financial processes is a corrective action because someone had already detected data inconsistencies. Preventative controls involve actions to keep something from happening before it occurs. Product controls are activities the business uses to manage the processes, quality, and quantity of goods and services. Conditional controls allow certain actions to occur within a specific set of circumstances.

SOURCE: BL:148

SOURCE: CFO Career Planning Tools. (2013, October 16). *Manage risks with preventive, detective, and corrective controls*. Retrieved December 6, 2016, from <http://www.cfocareer.com/manage-risks-preventive-detective-corrective-controls/>

8. C

The continuous inspection of transactional data. A virtual auditor is a type of compliance technology that uses multiple reasoning processes to help the business identify errors and compliance violations. The advantage to using virtual-auditor technology is that it is continuously inspecting and reviewing financial transactions and processes in real time, so the business can identify and correct problems quickly. A business does not use virtual-auditor technology to monitor competitors' activities or to allow unlimited access to confidential credit information. A business might use project-management software to streamline and track the workflow of a project.

SOURCE: BL:149

SOURCE: Chaudhuri, A. (2011, January 11). *Virtualization benefits and security audit of virtual IT systems*. Retrieved December 13, 2016, from <http://www.isaca.org/Journal/Blog/Lists/Posts/Post.aspx?ID=45>

9. B

Detect compliance inconsistencies across different jurisdictions. Businesses use compliance software to aid them in detecting financial transaction problems. Because interstate and international commerce involves following different regulations in different locations, advanced compliance technologies can scan or audit the data to ensure their compliance with different jurisdictions' regulations and rules. The purpose of compliance software is not to evaluate a competitor's compliance, correct human-resource problems, or improve product quality and satisfaction levels.

SOURCE: BL:149

SOURCE: Capterra. (2016). *Top compliance software products*. Retrieved December 6, 2016, from <http://www.capterra.com/compliance-software/>

10. A

Completing steps in the order written. It's important to complete steps in the order written when you are following written directions. You should read directions when you can focus on them, not when you are distracted. You should follow directions in the correct order, not in any order you choose. Read every step of the written instructions before completing the first step.

SOURCE: CO:056

SOURCE: eHow. (1999-2016). *How to follow written instructions*. Retrieved December 6, 2016, from http://www.ehow.com/how_2251998_follow-written-instructions.html

11. C

Encouraging the speaker. In many cultures, a standing ovation is the ultimate show of support for a speaker. It indicates the audience's respect for the speaker, and its desire to hear what the speaker has to say. Because cheering provides positive feedback, the audience was not mocking or insulting the speaker. Some cultures might view the audience's behavior as unruly or disrespectful; however, this situation involves a school event, rather than a business event, so the audience isn't exhibiting unprofessional behavior. Because Jacob has not started speaking, the audience is not actively listening to what he is saying.

SOURCE: CO:082

SOURCE: Bovée, C.L., & Thill, J.V. (2008). *Business communication today* (9th ed.) [p. 101]. Upper Saddle River, NJ: Pearson Prentice Hall.

12. B

Noise. Noise in the background can distract the listener. Emotional perceptions are the ways in which people interpret things. They are usually created or influenced by the background, or upbringing, of the individual, and they can create emotional barriers to communication. Bias is opinion based on feeling or hearsay, rather than fact. It can also create an emotional barrier.

SOURCE: CO:147

SOURCE: Bovée, C.L., & Thill, J.V. (2008). *Business communication today* (9th ed.) [p. 12]. Upper Saddle River, NJ: Pearson Prentice Hall.

13. A

Note cards. Speakers often write brief notes on small cards to help them remember to discuss important points they want to present to the audience. Flash cards contain important information; however, they are most often used to help someone study or retain information for a test or exam. Storyboards are pieces of paper with frames containing script information for television or radio commercials. People place important information that they need to remember on memo boards. Memo boards are often placed near workstations or telephones, and are not tools that speakers use during a presentation.

SOURCE: CO:025

SOURCE: Write-out-loud.com. (2006-2016). *Cue cards: how to make and use them effectively*. Retrieved December 6, 2016, from <http://www.write-out-loud.com/cue-cards.html>

14. C

Are meaningful to the notetaker. Effective note-taking involves writing down the most important information or key points for future reference. Writing or typing key phrases, words, or symbols that are meaningful to the notetaker are ways of capturing the most important information. Because the notes are for personal use, they do not need to reflect proper punctuation and grammar or make sense to the speaker. Notes do not always include personal opinion and bias.

SOURCE: CO:085

SOURCE: North Shore Community College Student Support Center. (n.d.). *Effective listening and notetaking*. Retrieved December 6, 2016, from http://www.northshore.edu/support_center/pdf/listen_notes.pdf

15. B

Minutes of a staff meeting. Simple written reports are often intended to provide information to the business's employees. An example of a simple written report that a business might prepare on a regular basis is the minutes of a staff meeting. Businesses often have routine staff meetings and prepare a brief summary to distribute to all employees. This serves to remind employees of the topics discussed and provide that information to employees who may have been unable to attend. Results of a research study, findings of a major investigation, and analysis of a publicity campaign are examples of complex written reports.

SOURCE: CO:094

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2012). *Marketing essentials* (pp. 204-205). Columbus, OH: Glencoe/McGraw-Hill.

16. B

Friendly. Positive customer/client relations are important to the success of the business because they help to create repeat business. Many businesses encourage employees to adopt a friendly, helpful attitude toward customers as part of their efforts to create positive relations. Being reserved could prevent employees from offering appropriate help and might be interpreted as coldness. Being talkative may offend customers or prevent employees from identifying their needs. Being authoritative is only appropriate when providing the customer with technical or factual information.

SOURCE: CR:003

SOURCE: CR LAP 1—Accentuate the Positive (Nature of Customer Relations)

17. B

A primary goal of CRM is to maximize the long-term value of customer relationships. Customer relationship management (CRM) involves the use of strategies, processes, technology, and people to build, maintain, and maximize the long-term value of customer relationships. Although one aspect of effective CRM is providing excellent customer service, customer service is not the only factor that affects a customer's loyalty to a business. A business can provide excellent customer service without having a formal CRM program in place. Other aspects that affect CRM include the business's organizational culture. It is important that employees adopt the business's customer-relationship philosophy to facilitate positive relationships with customers. Price is one factor that may affect the long-term buyer/seller relationship, but is not the most important factor to all customers. Customers also consider factors such as convenience and product quality.

SOURCE: CR:016

SOURCE: CR LAP 2—Know When to Hold 'Em (Nature of Customer Relationship Management)

18. C

Ask her assistant to inform Mr. Williams that Tobi will return his call at 5:00 p.m. An important factor in retaining clients is returning their calls in a timely fashion. By personally responding to Mr. Williams' questions promptly instead of calling him back in the morning or having her assistant answer his questions, Tobi shows him that he is important to her. At the same time, though, Tobi needs to show the new clients that she respects them and their time. For that reason, Tobi should finish her meeting with them prior to speaking with Mr. Williams.

SOURCE: CR:012

SOURCE: SIClytics. (2016). *The importance of promptly returning all of your phone calls*. Retrieved December 6, 2016, from <http://siclytics.com/the-importance-of-promptly-returning-all-of-your-phone-calls/>

19. D

Can become inaccurate over time. Customer Relationship Management (CRM) data are often referred to as “perishable” data because while the data are true at the time they are recorded, the data are likely to become inaccurate over time. For example, someone's address or phone number may change as the result of a move. CRM data are sometimes duplicated, non-standardized, unformatted, junk, or garbage, but those characteristics alone do not make them perishable.

SOURCE: CR:024

SOURCE: WhatIs.com. (2016). *Perishable data*. Retrieved December 6, 2016, from <http://whatIs.techtarget.com/definition/perishable-data>

20. C

Specialty. Specialty goods are consumer goods with special or unique characteristics that consumers are willing to exert special efforts to obtain. The specialty item Keisha desires will take a lot of money and effort to acquire. A shopping good is a consumer good purchased after consumers compare goods and stores in order to get the best quality, price, and/or service. Keisha is not concerned with price. A convenience good is a consumer good purchased quickly and without much thought or effort. Keisha has put a lot of thought into this purchase. Industrial goods are purchased for resale, not consumer usage.

SOURCE: EC:002

SOURCE: EC LAP 10—Get the Goods on Goods and Services (Economic Goods and Services)

21. A

Increase. The law of demand is the economic principle which states that the quantity of a good or service that people will buy varies inversely with the price of the good or service. As prices decrease, the quantity demanded will generally increase because consumers increase their consumption. Lowering prices does not decrease, lessen, or stabilize demand.

SOURCE: EC:006

SOURCE: EC LAP 12—When More Is Less (Functions of Price)

22. A

Share human resources. The matrix organizational structure involves integrated departmental functions with product or project orientation. For example, a technology specialist, a marketing researcher, a financial advisor, and a manufacturing line supervisor are members of different departments but often work together to develop a product or improve a process. The advantage to businesses of using this organizational structure is that the business is applying its resources efficiently because a representative from each of the major departments provides a unique set of skills and knowledge to achieve the business's goals. Often, workers have two or more supervisors in the matrix organizational design. The matrix organizational design may improve the business's overall efficiency, but it does not always improve an individual's productivity. Departmental organizational design segments employees by their areas of expertise (e.g., accounting, sales, and production). Policies and procedures are developed to standardize various business activities and tasks in all types of organizational designs.

SOURCE: EC:103

SOURCE: Griffin, R.W., & Moorhead, G. (2010). *Organizational behavior: Managing people and organizations* (9th ed.) [pp. 453-455]. Mason, OH: South-Western Cengage Learning.

23. D

The supply of materials used in manufacturing a product has decreased. Businesses must be alert to changes occurring in their environments so that they can be proactive in making changes rather than being reactive once changes have taken place. A reduction in the supply of materials used in manufacturing the business's products indicates that the business will be paying higher prices for the materials, or the business should find substitute materials to replace those currently used. Stable demand and little employee turnover indicate stability and would not require changes. The business may or may not need to make adjustments if the number of their competitors decreases.

SOURCE: EC:107

SOURCE: Fields, J. (2011). *Adapt or die: Selling into a falling market*. Retrieved December 7, 2016, from <http://www.jonathanfields.com/blog/adapt-or-die-selling-into-a-falling-market/>

24. C

Gain a competitive advantage over other businesses. Competition is affected in a variety of ways by productivity. A business must be highly productive in order to compete successfully. The business that can produce goods or services efficiently can sell them to consumers at more competitive prices. This gives the business a competitive advantage over other businesses in the marketplace. Helping to increase the standard of living and providing a wealth of goods and services from which to choose are effects that productivity has on workers and society. The health of a country's economy can be determined by measuring its productivity, but this is not an effect on business.

SOURCE: EC:013

SOURCE: EC LAP 18—Make the Most of It (Productivity)

25. D

Demand for products. When the economy is stable and growing, people have confidence in the future of the economy and increase spending. An increase in spending leads to an increase in demand for products, which also leads to an increase in production. When production increases, more people have jobs and money to spend, which also increases demand for products. This situation stimulates a continued growth in the economy. An increase in interest rates and unemployment levels often leads to a decrease in consumer spending. Increased spending does not lead to an increase in the scarcity of resources.

SOURCE: EC:081

SOURCE: Investopedia. (2016). *Consumer spending*. Retrieved December 6, 2016, from <http://www.investopedia.com/terms/c/consumer-spending.asp?lgl=no-infinite>

26. C

Interdependent. Since nations have an unequal distribution of economic factors, they are dependent on other nations. Each nation may need something that another has in abundance. Nations are interdependent because they need imports that are essential to the welfare of their citizens, and they need exports to provide opportunities for increased employment. When nations buy from and sell to each other, they are not competitors. Isolationists do not trade with other nations. Democratic is a type of political system.

SOURCE: EC:016

SOURCE: EC LAP 4—Beyond US (Global Trade)

27. A

Listen and pay attention while a coworker speaks. Positive people are respectful, and this includes listening and paying attention to the people around them. Positive people accept responsibility for their mistakes instead of blaming them on others. They don't complain about problems, disappointments, or unexpected setbacks. Positive people are also understanding and accepting of others, so they will forgive a friend instead of holding a grudge.

SOURCE: EI:019

SOURCE: EI LAP 3—Opt for Optimism (Positive Attitude)

28. C

Self-management. Stacie is demonstrating self-management. Self-management is the ability to direct and control one's emotions in a way that is purposeful. Self-awareness is a person's knowledge of his/her own emotions. Social awareness is the ability to know and understand others' emotions. Social management is the ability to respond effectively to others' emotions.

SOURCE: EI:009

SOURCE: EI LAP 16—Lead the Way (Concept of Leadership)

29. D

Vision. A vision is a dream that with hard work and determination over a long period of time has every chance of becoming a reality. However, a vision is more than just a dream because it requires effort to accomplish the dream. People who have a vision often accomplish change for the good because they can see a better future. An idea is a formulated thought resulting from a representation of a concept within the mind. A goal is an objective to achieve. A mission is what someone wants to do.

SOURCE: EI:063

SOURCE: Heathfield, S. (2016, July 3). *Create your personal vision statement*. Retrieved December 6, 2016, from <https://www.thebalance.com/create-your-personal-vision-statement-1919208>

30. C

No. In many situations, groups can influence management to make positive changes. Political relationships involve influencing others to take a certain course of action. Political relationships form at different levels of a business for different reasons. Political groups tend to form when employees share similar concerns or ideas about a single issue. The group may last for a limited time to accomplish a specific goal. For example, several employees may have a common goal to improve a production process so they can perform their jobs more efficiently. Once the improvements have been made, the group would likely dissolve. Employees may engage in backstabbing practices to advance their careers, but this is not normal behavior for most workers. Exclusive groups can form in any type of group or organization, but do not always result in inefficiencies or conflict. Conflict or disagreement is unavoidable in business—the way the conflict is handled influences the outcome.

SOURCE: EI:034

SOURCE: Rawes, E.M. (2016). *Power, influence, & politics in the workplace*. Retrieved December 6, 2016, from <http://smallbusiness.chron.com/power-influence-politics-workplace-19058.html>

31. C

Employees' perceptions. Organizational culture is the standards, rituals, attitudes, and belief systems that create the workplace environment and influence the interactions within it. In business, management defines the culture through its actions and leadership, which is based on the management team's collective values (belief systems), expectations, and goals. The employees contribute to the organizational culture with their unique skills and experiences and perceptions (points of view). Shareholders, customers, and competitors are external factors that can affect the workplace environment in a variety of ways.

SOURCE: EI:064

SOURCE: Watkins, M. (2013, May 15). *What is organizational culture and why should we care?* Retrieved December 7, 2016, from <https://hbr.org/2013/05/what-is-organizational-culture>

32. D

The first step in creating a financial plan. Knowing how you spend your money—understanding your spending habits—is the first step in creating a financial plan. Knowing your spending habits does not guarantee that you will exceed your financial goals. Although it's helpful to know how many checks you expect to write in a month, you don't need to understand your spending habits to open a bank account.

SOURCE: FI:065

SOURCE: Hovey, J. (2010, February 1). *8 steps to creating a smart financial plan*. Retrieved December 6, 2016, from <http://www.investinganswers.com/personal-finance/retirement-planning/8-steps-creating-smart-financial-plan-1022>

33. B

Compounding. The magic of compounding is earning interest upon interest. Compounding takes place any time you earn interest, but its effects are most dramatic when you're investing. Key factors involved in compounding growth are the amount of money invested, how long the money is invested, and how much the investment grows each year. With the stock market's average yearly gain of 10 percent, after one year, Cheryl's \$6,000 was \$6,600. With the same 10 percent return the next year, Cheryl's \$6,600 turned into \$7,260. She earned interest on her interest. Phishing is an online identity-theft scam that fools its victims into believing they are submitting sensitive personal information to a legitimate website. To diversify means to spread out your investment dollars among a number of different securities. Market timing is a form of the "buy low and sell high" trading strategy, in which investors purchase securities at low prices and sell them at high prices to profit from the difference. There is no indication that Cheryl's profit is the result of phishing, diversifying, or market timing.

SOURCE: FI:270

SOURCE: Investopedia. (2016). *Compound interest*. Retrieved December 6, 2016, from <http://www.investopedia.com/terms/c/compoundinterest.asp?lgl=no-infinite>

34. D

A key factor to long-term financial well-being is to start saving and investing early on. Getting started early is the key to successful investing. The sooner you begin to take advantage of the compounding growth of the stock market, the more money you will have long-term. Inflation is an increase in the cost of goods and services. Over the years, the value of money declines. If you begin to save and invest when you are young, your interest compounds more, making the overall impact of inflation less dramatic. If you have extravagant spending habits, you will not have as much money to save and invest. Investments tend to yield higher returns than interest earned on a savings account.

SOURCE: FI:270

SOURCE: Fisher, G. (2013, March 11). *Savings: start early*. Retrieved December 6, 2016, from <http://www.forbes.com/sites/greggfisher/2013/03/11/savings-start-early/#4da1cb2e5f20>

35. C

Credit report; credit bureau. Because businesses often base their decisions about extending credit or providing a loan on credit history, it is important for individuals and businesses to periodically check and ensure that their credit information is accurate. Credit history is provided in the form of a credit report. By reviewing the credit report, individuals and businesses can determine if there are any problems (e.g., identity theft) or discrepancies on the report that need resolved. Credit reports are available through recognized credit bureaus or agencies, which maintain files of credit information on individuals and businesses. Credit histories are not documented on bank statements, lending statements, or credit certificates. The primary purpose of financial institutions, tax agencies, and credit unions is not to maintain comprehensive credit histories for individuals and businesses.

SOURCE: FI:072

SOURCE: Credit.com. (1996-2016). *Credit report basics*. Retrieved December 7, 2016, from http://www.credit.com/credit_information/credit_report/Credit-Report-Basics.jsp

36. A

A deposit-taking institution's primary liabilities are checking accounts, savings accounts, money market accounts, and certificates of deposit. Deposit-taking institutions such as commercial banks are one type of financial institution. Deposit-taking institutions serve as financial intermediaries. Savers deposit their funds in depositary institutions, and then these deposit-taking institutions lend the funds to individuals and firms who need to borrow money. Checking accounts, savings accounts, money market accounts, and certificates of deposit are liabilities for deposit-taking institutions. Essentially, the funds deposited in these accounts are loans made to the institution by individuals, firms, and the government. When a saver deposits funds in a deposit-taking institution, s/he receives a claim on his/her bank account, not the individual or firm who borrows those funds from the bank. The Small Business Administration and the Federal Housing Administration are examples of government and semigovernment financial institutions. Mutual savings banks and savings and loan associations are types of thrifts, not commercial banks.

SOURCE: FI:336

SOURCE: Szulczyk, K. (2016). *A bank's balance sheet*. Retrieved December 6, 2016, from <https://www.boundless.com/users/233416/textbooks/money-banking-and-international-finance/the-banking-business-10/the-banking-business-31/a-bank-s-balance-sheet-99-15197/>

37. C

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

SOURCE: FI:337

SOURCE: Investopedia. (2016). *Eurobond*. Retrieved December 6, 2016, from <http://www.investopedia.com/terms/e/eurobond.asp?lgl=no-infinite>

38. D

Energy, metals, and grains. Commodities are raw, primary products commonly categorized as energy, metals, and agricultural products, which are often further divided into grains, livestock, and softs. Energy commodities include different types of fuel, including natural gas, crude oil, heating oil, etc. Metals commodities include precious and industrial metals such as gold, silver, and copper. Grains are probably the most popular of the commodities and include corn, soybeans, wheat, etc. Livestock include cattle and hogs, while softs are food and fiber commodities such as cocoa, cotton, orange juice, etc. Consumer goods (tangible items produced for personal use) are finished goods, not raw, primary products; therefore, they are not referred to as commodities.

SOURCE: FI:337

SOURCE: Kowalski, C. (2016, August 6). *The commodities you can trade on U.S. exchanges*. Retrieved December 13, 2016, from <https://www.thebalance.com/what-commodities-can-you-trade-809384>

39. D

Increased customer risk. While convergence and consolidation in the finance industry have created a "one-stop shopping" environment for customers, they have also increased the risk that many customers face. If a customer relies upon a single financial firm to satisfy all of her/his financial needs, there is a higher chance that the customer will suffer if and when the firm experiences financial and/or legal difficulties. Because of convergence and consolidation, financial providers are able to provide a wider variety of products. The convergence and consolidation of multiple financial companies usually result in more liquid capital for all companies involved. As a result, companies that previously had limited funds to lend may now have more capital available to offer in the form of loans.

SOURCE: FI:573

SOURCE: MBA Research and Curriculum Center. (2009). *Introduction to finance course guide* (pp. 5-106-5-107). Columbus, OH: Author.

40. C

United Federal Bank merges with Provincial Insurance Company. Convergence is the merging of financial providers from different financial sectors. An example of convergence is a retail bank (e.g., United Federal Bank) merging with an insurance company (Provincial Insurance Company) to form a single entity. Consolidation is the merging of financial providers within the same institutional category. For example, consolidation occurs when two banks merge to form one bank; two insurance companies merge to form one insurance company; or two financial consulting companies merge to form one financial consulting company.

SOURCE: FI:573

SOURCE: MBA Research and Curriculum Center. (2009). *Introduction to finance course guide* (pp. 5-106 - 5-107). Columbus, OH: Author.

41. C

When consumer spending increases. Increased consumer spending usually indicates that the economy is growing and unemployment is low. Because more people are working, they have more money to invest in the financial markets. Higher interest rates make it more expensive for businesses to obtain the funds they need to expand their operations and typically cause stock prices to decrease. A bear market exists when stock prices decrease, and a bull market exists when the stock prices increase.

SOURCE: FI:574

SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (p. 220). South-Western Cengage Learning.

42. B

Procyclic and coincident. Nominal interest rates are interest rates that have not been adjusted for inflation. In other words, nominal interest rates include both the real interest rate and inflation. Like inflation, nominal interest rates are procyclic and coincident economic indicators. They move in the same direction as the general economy, and they move at the same time as the general economy. Countercyclic economic indicators, such as the unemployment rate, move in the opposite direction of the economy. Lagging economic indicators change several months after the economy begins to improve or worsen.

SOURCE: FI:574

SOURCE: Moffatt, M. (2016, May 12). *A beginner's guide to economic indicators*. Retrieved December 13, 2016, from http://economics.about.com/cs/businesscycles/a/economic_ind.htm

43. B

Quickly withdraw their money from the emerging market. When an emerging market suffers an economic decline, market prices are likely to decline as well. Rather than investing more in the emerging market at the lowered prices and helping the emerging market to recover, foreign investors are typically self-interested. Therefore, they are likely to withdraw their money from the emerging market and invest the funds in more stable markets elsewhere in the world. The loss of foreign investors' funds often wreaks even more havoc on the emerging market. An economic decline is not likely to reduce transaction costs in the emerging market.

SOURCE: FI:575

SOURCE: MBA Research and Curriculum Center. (2009). *Introduction to finance course guide* (pp. 5-156, 5-157, 5-158). Columbus, Ohio: Author.

44. B

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

SOURCE: FI:575

SOURCE: MBA Research and Curriculum Center. (2009). *Introduction to finance course guide* (pp. 5-156-5-158). Columbus, OH: Author.

45. B

The annual report. Form 10-K is the annual report that a company must file with the SEC. It is less attractive than the annual report that companies send to their shareholders. Form 10-Q is a quarterly report. The bottom line and cash flow statements appear in 10-Ks.

SOURCE: FI:274

SOURCE: Accounting Coach. (2016). *What is form 10-K?* Retrieved December 6, 2016, from <http://www.accountingcoach.com/blog/form-10k>

46. A

Income statement. Some investors believe the income statement is the most important document to review because it shows the company's "bottom line," a term that refers to net income. The income statement shows a company's profitability over a specific period of time. You read an income statement from top to bottom. The top line shows the revenues. Each line below the first line deducts expenses, until you get to the bottom line that shows the net income. A cash flow statement tracks the money that comes into and flows back out of a company. A balance sheet gives a summary of a company's financial health at a specific point in time. A statement of retained earnings indicates the amount of profit that is being retained in the business, as well as the dividends paid by the company during a specific period of time.

SOURCE: FI:274

SOURCE: Investopedia. (2016). *Income statement*. Retrieved December 6, 2016, from <http://www.investopedia.com/terms/i/incomestatement.asp?lgl=no-infinite>

47. B

It's a well-established company. Typically, well-established companies are the ones that pay dividends. Companies that are still growing tend to put their profits back into their companies and, therefore, do not pay dividends. Whether or not a company is trying to rid itself of cash, or is paying back a loan, cannot be determined by the numbers in the dividend column of a stock table.

SOURCE: FI:275

SOURCE: Investopedia. (2016). *Dividend payout ratio*. Retrieved December 6, 2016, from <http://www.investopedia.com/terms/d/dividendpayoutratio.asp?lgl=no-infinite>

48. B

You can often write checks from a money market account. Money market accounts and savings accounts are very similar. One advantage of a money market account over a savings account, however, is that you can often write checks from your money market account (something savings accounts don't allow). Stocks, not money market accounts, provide corporate ownership rights. The rate of return for money market accounts is currently just about the same as the rates for savings accounts. Both types of accounts are insured by the FDIC.

SOURCE: FI:077

SOURCE: FI LAP 77—Invest for Success (Types of Investments)

49. D

Gathering financial information. Accounting is the process of gathering, recording, organizing, and reporting financial data. Accountants do not create the data they gather, nor do they make decisions based on the data—they simply gather, record, organize, and report it. Marketers develop marketing campaigns, not accountants.

SOURCE: FI:579

SOURCE: FI LAP 9—By the Numbers (The Need for Financial Information)

50. D

Cost of goods. Cash payments are the specific sources of money flowing out of a business. Cash payments include cost of goods, variable expenses, and fixed expenses. Cost of goods is the amount of money a business pays for the products it will sell and often is a sizeable expense. Previous month's balance is the amount of cash a business has left at the end of the previous month. Total credit sales equal the amount of purchases that customers make on credit and will pay later. Interest from loans is income, often from credit sales.

SOURCE: FI:091

SOURCE: FI LAP 6—Count the Cash (Cash Flow Statements)

51. B

Investors. A statement of changes in equity provides information about shareholders' ownership and how it has changed during a period of time. Therefore, investors of an organization would be interested to know how their accounts have changed over time. Customers, competitors, and employees would be less interested in changes in equity because they do not necessarily hold equity in the company.

SOURCE: FI:630

SOURCE: Jan, O. (2011-2013). *Statement of changes in shareholders' equity*. Retrieved December 1, 2016, from <http://accountingexplained.com/financial/statements/changes-in-shareholders-equity>

52. A

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

SOURCE: FI:658

SOURCE: Accounting for Management. (2015). *Differential, opportunity and sunk costs*. Retrieved December 1, 2016, from <http://www.accountingformanagement.org/differential-opportunity-and-sunk-costs/>

53. B

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

SOURCE: FI:659

SOURCE: Ross, S. (2015, April 23). *How is marginal analysis used in making a managerial decision?* Retrieved December 1, 2016, from <http://www.investopedia.com/ask/answers/042315/how-marginal-analysis-used-making-managerial-decision.asp>

54. C

Examining the relevant costs of advertising options. Managerial accountants can use techniques such as relevant cost analysis to assist marketers in making decisions regarding advertising options. They can determine which will have the lowest and highest costs. Determining whether to buy or make a component is not necessarily a marketing decision. Developing a target market analysis would generally not be a task for a managerial accountant. Creating a budget for hiring increases is not directly related to marketing products.

SOURCE: FI:660

SOURCE: Freedman, J. (2016). *Why management accounting is important in decision-making*.Retrieved December 1, 2016, from <http://smallbusiness.chron.com/management-accounting-important-decisionmaking-53947.html>

55. A

Carter determined that storage costs exceeded the budgeted amount. Variance analysis helps managerial accountants see the difference between actual costs and standard costs. They can then isolate the areas where costs are causing problems and adjust accordingly. Carter can use variance analysis to determine that a certain cost, such as storage, is causing the organization to go over its budget. Figuring out which product line would be most profitable, making pricing suggestions, and informing a manager about the amount of money left for travel are all tasks of managerial accountants, but not necessarily related to variance analysis.

SOURCE: FI:661

SOURCE: Tutor2u. (n.d.) *Accounting and finance: Variance analysis*. Retrieved December 1, 2016, from <http://www.tutor2u.net/business/presentations/accounts/varianceanalysis/default.html>

56. D

Directing. Budgeting involves setting goals, executing those goals, and comparing results to those goals. Kenneth is executing his goals by directing his employees' actions with the help of his budget. Planning is setting goals. Controlling is comparing performance to expectations. Monitoring is tracking progress. They are all functions of budgets, but they are not specifically related to Kenneth's example.

SOURCE: FI:662

SOURCE: Warren, C.S., Reeve, J.M., & Duchac, J. (2014). *Managerial accounting* (12th ed.) [p. 230]. Mason, OH: South-Western, Cengage Learning.

57. B

Cost driver. A factor that causes a change in the cost of an activity is called a cost driver. Changes such as the amount of labor used, the number of machines used, the power used to run the machinery, and the number of hours that the machinery is operated are cost drivers. Increases in these activities increase the costs of making outputs (products), while decreases in these activities decrease the costs of making the outputs. Cost drivers are not unexpected expenses or inflexible transactions.

SOURCE: FI:657

SOURCE: Investopedia. (2016). *Activity cost driver*. Retrieved December 7, 2016, from <http://www.investopedia.com/terms/a/activity-cost-driver.asp>

58. D

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

SOURCE: FI:663

SOURCE: Bragg, S. (2016). *What is cost allocation?* Retrieved December 1, 2016, from <http://www.accountingtools.com/questions-and-answers/what-is-cost-allocation.html>

59. C

\$2,060. The formula for calculating future value is $\text{Future Value} = \text{Present Value} \times (1 + \text{Discount Rate})$. To determine how much your investment will be worth in a year, convert the annual rate to a decimal ($3\% = 0.03$), and add one ($1 + 0.03 = 1.03$). Finally, multiply that sum by the original amount of your investment ($\$2,000 \times 1.03 = \$2,060$).

SOURCE: FI:238

SOURCE: Carther, S. (2016, October 20). *Understanding the time value of money*. Retrieved December 1, 2016, from <http://www.investopedia.com/articles/03/082703.asp>

60. B

Customer service sending brochures about the company's loans to people who've just taken out loans with the company. Financial-information management systems tie financial transaction data with non-financial transaction data so that money is not wasted on promoting financial products to those who've just obtained the financial product. They encompass both processes and technologies to manage data about finances, internal operational information, and external market and competitive indicators. Use of a financial-information management system will not keep a company's computer from crashing, nor will it keep different versions of a database application from being incompatible. Mergers and acquisitions present a challenge to the finance industry in terms of financial-information management; however, its use will not eliminate mergers and acquisitions from happening.

SOURCE: FM:002

SOURCE: Acevedo, L. (n.d.). *What are the benefits of a financial information management system?* Retrieved October 25, 2013, from http://www.ehow.com/facts_5031791_benefits-financial-management-information-system.html

61. A

Non-financial managers have difficulty accessing needed financial data. Because financial data are often housed in disparate data structures, it is sometimes difficult to extract these data into warehouses that individuals outside the finance department can access and utilize. As a result, rather than being bombarded with excess financial data, many non-financial managers suffer from a lack of financial data. Financial-information management personnel typically maintain financial data, operational data, market and competitive indicators, etc. Although some large companies do not have effective financial-information management systems, most of them do have some sort of financial-information management system in place.

SOURCE: FM:002

SOURCE: Rouse, M. (2016). *Financial data management*. Retrieved December 6, 2016, from <http://searchfinancialapplications.techtarget.com/definition/financial-data-management>

62. B

Audit trails of data changes. An organization should maintain audit trails to record the details of any financial data tampering and/or erasures. After the organization discovers tampering and/or erasures, the data in question can be recovered and/or restored to its original state. It is not necessary to keep hard copies of every document. An accounts receivable schedule and daily balance sheets do not guard against deliberate financial data tampering or erasures.

SOURCE: FM:003

SOURCE: Beal, V. (2016). *Audit trail*. Retrieved December 6, 2016, from http://www.webopedia.com/TERM/A/audit_trail.html

63. B

Integrated. Integrated software applications consist of two or more related computer programs that work together to record data or perform specific business tasks or functions. Accounting tasks involve keeping and interpreting financial records, such as monitoring accounts receivable and payable, processing payroll, and tracking cash-flow. Each of these accounting activities requires different types of reports, and by using integrated software, a business can retrieve raw data from a central location and transform them into meaningful information using related software functions. Spreadsheet applications may be one function that is included in integrated software packages. Cost-based refers to a budgeting or pricing strategy. Simulation software applications are programs designed to reflect real situations and are often used in training environments.

SOURCE: FM:011

SOURCE: Visma. (2016). *Software for finance, logistics, payroll, and accounts*. Retrieved December 13, 2016, from <http://www.visma.com/Software/What-we-offer/>

64. A

Provides users with faster, better access to data from multiple sources. Financial-information management software has a number of benefits. It provides users with faster, better access to data, even from multiple sources. It also improves productivity by replacing tasks that used to be completed by hand with automated activities. It lowers compliance costs, but it does so by increasing audit trails and economies of scale, not eliminating them. Finally, it reduces risk and increases users' confidence in the confidentiality, safety, and integrity of data.

SOURCE: FM:011

SOURCE: Cole-Ingait, P. (2016). *What are the benefits of a financial management information system?* Retrieved December 6, 2016, from <http://smallbusiness.chron.com/benefits-financial-management-information-system-71943.html>

65. A

Debt management. The primary function of budgeting software is to help a business forecast and monitor income and expenses for all of its functions including sales, promotion, production, payroll, etc. Advanced software can generate different types of reports by integrating financial data from a variety of sources (e.g., cash flows, "what if" scenarios) to help the business make decisions about how to best manage its debt (expenses). Businesses often use production-management or project-management software for scheduling and sequencing and for allocating materials for production or a project.

SOURCE: FM:013

SOURCE: Centage Corporation. (2016). *Compare Budget Maestro budgeting software products*. Retrieved December 13, 2016, from <http://centage.com/Products/Editions/Budget-Maestro-Compare.asp>

66. D

Most budgeting software can be used to measure the impact of different actions on the budget. Budgeting software, which is generally much more sophisticated than standard spreadsheet software, allows business owners and managers to study each item in a budget individually as well as together as a whole. Owners and managers can see the impact that different actions have on a business's budget, both before and after these actions take place. The software also allows them to pinpoint business units/products that are underperforming and helps them to determine suitable corrective action. Creating line-item projections using standard spreadsheet software can be extremely time-consuming, but budgeting applications shorten the process considerably. Spreadsheet software also makes it difficult to adapt to unexpected events and changing economic conditions, while budgeting software is much more nimble. Therefore, budgets prepared with budgeting-specific software are much easier and simpler to modify. While some budgeting software is appropriate for both business and personal use, many programs are designed to be used solely by a business or an individual, not both.

SOURCE: FM:013

SOURCE: Plunkett, N. (2013, February 28). *Advantages of using budgeting and forecasting software*. Retrieved December 6, 2016, from <http://choosingfinancialsoftware.blogspot.com/2013/02/advantages-of-using-budgeting-and.html>

67. C

Financial scorecard. Many financial analysis applications include the capability to create financial scorecards containing key financial indicators and up-to-date financial information. Cash flow, liquidity, profitability, and liability are examples of metrics that are often included on a financial scorecard. Rather than simply listing data on the scorecard, business employees can use financial analysis applications to develop charts and graphs that present the data in much more readily understandable ways. A profit-and-loss statement is a summary of business transactions that shows net profit before and after taxes by analyzing sales, purchases, cost of goods sold, and operating expenses for a specified period. While Lawrence's financial scorecard probably contains information that also appears on the company's profit-and-loss statement, the financial scorecard presents additional financial metrics. Cost standards are established specifications used to measure how much a project or product costs. An operating agreement is a written document signed by members of a limited liability partnership or limited liability company that specifies the terms of the business arrangement.

SOURCE: FM:014

SOURCE: iDashboards. (2004-2014). *Scorecards*. Retrieved December 6, 2016, from <http://www.idashboards.com/Solutions/For-Your-Function/Scorecards.aspx>

68. D

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

SOURCE: FM:016

SOURCE: Lean Enterprise Institute, Inc. (2000-2016). *What is lean?* Retrieved December 2, 2016, from <http://www.lean.org/whatslean/>

69. A

The current balance that the customer owes to each of its existing suppliers. Businesses often analyze customer financial information to determine their customers' creditworthiness. If a potential business customer applies for a loan or line of credit, the creditor is likely to review the customer's bank information, financial statements, and trade references. These trade references should come from three or four of the customer's existing suppliers who have already extended credit to the customer. Each trade reference should provide information such as the customer's credit line, high balance, current balance, and payment history. Reviewing this information will help the company to determine whether it wants to extend credit to the customer, too. The name of the customer's purchasing agent, each supplier's articles of incorporation, and a list of the items that the business typically purchases from each supplier are not usually needed when determining whether to extend credit to a potential customer.

SOURCE: FM:009

SOURCE: CreditGuru.com. (1999-2016). *Trade references*. Retrieved December 7, 2016, from <http://www.creditguru.com/TradeRef.htm>

70. D

Job satisfaction. Employees who go through orientation programs usually have greater job satisfaction because they are comfortable with their work environment and understand what is expected of them. Many businesses have extensive orientation programs designed to familiarize new employees with their jobs, coworkers, and aspects of the business. Orienting new employees helps them to better understand the business and to more effectively perform their assignments. Labor agreements are the result of negotiations between labor and management. Employee orientation does not increase competition. Increased compensation is an employee benefit but not a direct result of orientation.

SOURCE: HR:360

SOURCE: Noe, R.A., Hollenbeck, J.R., Gerhart, B., & Wright, P.M. (2010). *Human resource management: Gaining a competitive advantage* (7th ed.) [pp. 335-336]. New York: McGraw-Hill/Irwin.

71. C

Competition. Marketing encourages competition among businesses. Consequently, businesses consistently search for ways to make their products better and cheaper than their competitors'. Publicity is any nonpersonal presentation of ideas, goods, or services that is not paid for by the company or individual that benefits from or is harmed by it. E-commerce is the buying and selling of goods online. Service marketing involves providing services, which are intangible activities performed by other people for money, to satisfy needs and wants.

SOURCE: MK:001

SOURCE: MK LAP 4—Have It Your Way! (Nature of Marketing)

72. C

Opinion. An opinion is a person's point of view or belief about a topic. A person's preference is an opinion. A fact is a true statement. This is not an example of criticism or a statistic.

SOURCE: NF:077

SOURCE: Gunsch, J., Gilchrist, J., & Harris, B. (2014, December 4). *What is the difference between fact and opinion?* Retrieved December 7, 2016, from <http://www.wisegeek.org/what-is-the-difference-between-fact-and-opinion.htm>

73. D

Comply with government regulations. Governments regulate the ways in which companies record, maintain, and store various types of business information. For example, in the United States, corporations must comply with the laws detailed in the Sarbanes-Oxley Act of 2002. These laws were put in place to increase transparency and reduce questionable recordkeeping practices related to business financial information. If companies do not comply with these rules, they may be subject to fines and other legal repercussions. Working remotely, prioritizing the information, and lessening the effects of information overload are not primary reasons why businesses are required to manage financial information in specific ways.

SOURCE: NF:110

SOURCE: NF LAP 3—In the Know (Nature of Information Management)

74. D

Hyperlink. Many pages on the World Wide Web are connected by hyperlinks. A business's home page may include hyperlinks that users can click on to jump to other pages on the business's website. Some businesses include hyperlinks from their websites to other related sites. For example, a business searching government agencies might be able to jump from the FBI's site to the CIA's site by clicking on the hyperlink for that agency. An attachment is an electronic file attached to an email message. A banner is a type of online ad that appears at the side or bottom of the web page. A symbol is a representation of something.

SOURCE: NF:006

SOURCE: Bovée, C.L., & Thill, J.V. (2008). *Business communication today* (9th ed.) [pp. 164, 405]. Upper Saddle River, NJ: Pearson Prentice Hall.

75. A

Improve data integrity. Data normalization is a process that improves data integrity by reducing data redundancy, removing anomalies, and making it easier to accommodate new types of data. The purpose of data normalization is not to increase data redundancy, delete conforming data, or remove new types of data.

SOURCE: NF:124

SOURCE: Ambyssoft Inc. (2002-2013). *Introduction to data normalization: A database "best" practice*. Retrieved December 2, 2016, from <http://agiledata.org/essays/dataNormalization.html>

76. C

Because companies need to document wages paid. Businesses typically keep payroll records so they can document what they've paid their employees—including wages earned and deductions made. Businesses do not keep payroll records because employees might quit, a governing agency might ask to see them, or employees might ask questions about the deductions made. They keep them for documentation purposes and, if the records happen to be useful in other situations, that's an added benefit.

SOURCE: NF:001

SOURCE: NF LAP 1—Record It (Business Records)

77. D

Accounts-payable records. Accounts payable are the monies that a business owes to others (e.g., vendors). Because the accounts-payable function or department of a business is responsible for tracking and paying expenses, Delia can obtain information about a specific vendor by obtaining an accounts-payable report or by reviewing copies of the vendor's invoices. Production status reports, customer invoices, and sales reports will not provide Delia with the information she needs regarding the business's purchases from a specific vendor.

SOURCE: NF:014

SOURCE: Shoreline Records Management. (2016). *AP automation—AP scanning and workflow solutions*. Retrieved December 7, 2016, from <http://www.shorelinerecordsmanagement.com/departamental-records-management/accounts-payable/>

78. B

Identify trends. Statistics are information presented in numerical form. Statistics can be used to identify trends. Trends indicate the general direction in which people or events are moving. If numerical data show that the demand for a product has been steadily increasing for several months, then the trend indicates that more people want or need the product. By analyzing this information, the business can determine if it wants to enter a new market. Or, if the business already sells the product, it can use the information to decide if the business should increase its production of or inventory levels for the product. Although statistics are used to analyze costs, inventory, and quotas, the information provided cannot be used to assess those situations.

SOURCE: NF:093

SOURCE: WhatIs.com. (2016). *Statistical analysis*. Retrieved December 7, 2016, from <http://whatIs.techtarget.com/definition/statistical-analysis>

79. A

To make changes. Businesses use the information from accident report forms to identify accident trends, such as the areas of the workplace that tend to have the highest number of accidents, the time of day during which accidents occur, types of injuries, and ages of victims. Businesses use this information to make changes in the workplace that will improve safety and help prevent accidents in the future.

Recording injuries, processing claims, and fixing blame are not purposes of identifying accident trends.

SOURCE: OP:009

SOURCE: United States Department of Labor. (2016). *Commonly used statistics*. Retrieved December 7, 2016, from <https://www.osha.gov/oshstats/commonstats.html>

80. C

12. During the project planning process, businesses usually estimate the time it will take to complete projects. This is an important step because businesses must assign employees to work on the project. Major projects usually require a significant amount of time to complete, which means that several employees need to work on the project. In this example, the business assigns three part-time employees who each work 25 hours a week and one full-time employee. To calculate how many weeks it will take to complete a 1,380-hour project, first determine the total number of hours the employees work each week (25 hours a week X 3 employees = 75 hours a week, plus one full-time employee at 40 hours a week = 115). Then, divide the number of hours needed to complete the project by the total weekly hours ($1,380 \div 115 = 12$).

SOURCE: OP:001

SOURCE: Larson, E. (2012, May 17). *10 steps to creating a project plan*. Retrieved December 7, 2016, from <https://www.projecttimes.com/articles/10-steps-to-creating-a-project-plan.html>

81. A

Following an annual self-assessment and improvement process. Continuous improvement involves always moving forward to make improvements. An annual process guides an organization to steadily improve. While minimizing defects is important to quality, setting a minimum level does not mean continuous improvement, especially when that minimum is met. Likewise, selecting the best supplier is not a continuous process. Giving managers responsibility does not necessarily mean they will work to continually improve.

SOURCE: OP:163

SOURCE: ASQ. (n.d.). *Continuous improvement*. Retrieved December 7, 2016, from <http://www.asq.org/learn-about-quality/continuous-improvement/overview/overview.html>

82. B

Operating costs. The costs of doing business, such as paying rent and utilities, are known as operating costs. Most businesses try to project what their operating costs will be to know how much money will be needed to run the business. Projected income is an estimate of the amount of money the business owner expects to earn. Inventory costs involve the amount of money a business owner must spend to purchase goods for resale. Sales revenue is income from sales.

SOURCE: OP:024

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2009). *Marketing essentials: Teacher wraparound edition* (p. 767). Woodland Hills, CA: Glencoe/McGraw-Hill.

83. D

Expenses. Damage to equipment can be expensive to businesses in terms of repair or replacement costs. Employees who carefully handle equipment help control business expenses by preventing damage to equipment that would cost businesses additional money. Carefully handling business equipment does not control usage, overtime, or theft.

SOURCE: OP:025

SOURCE: NCSU. (n.d.). *Managers departmental checklist for employee safety training*. Retrieved December 7, 2016, from <http://www.ncsu.edu/ehs/safetyplan/newemplo.pdf>

84. C

Generally speaking, the U.S. population is worse off financially than before. One of the reasons there will be increased demand for financial analysts and personal financial advisors is that, generally speaking, the U.S. population is better, not worse, off than before. Other reasons for increased demand include a large segment of the population, namely Baby Boomers, is facing retirement; generally speaking, the U.S. population is better educated; and globalization of securities markets makes investing more complicated.

SOURCE: PD:152

SOURCE: PD LAP 20—Career Opportunities in Finance

85. B

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

SOURCE: PD:213

SOURCE: Klazema, A. (2014, May 14). *The importance of corporate governance*. Retrieved December 2, 2016, from <https://blog.udemy.com/importance-of-corporate-governance/>

86. C

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

SOURCE: Safetrac. (2016). *Achieving good corporate governance*. Retrieved December 2, 2016, from <http://www.safetrac.com.au/achieving-good-corporate-governance/>

87. A

Management; stakeholders. Internal audits are performed for management within a company to analyze practices and examine risks. External audits are done by outside firms and are used by stakeholders such as investors, creditors, and lenders. External audits are generally not used by employees, management, or competitors. Internal audits are not used by stakeholders or creditors.

SOURCE: PD:214

SOURCE: Bragg, S. (2015, October 30). *The difference between internal and external audits*. Retrieved December 2, 2016, from <http://www.accountingtools.com/questions-and-answers/the-difference-between-internal-and-external-audits.html>

88. D

Provide an objective perspective. An organization's board of directors should include both inside and independent members. Inside members are high-level executives, shareholders, or stakeholders in the organization. Independent members are not involved with the organization. They provide an objective view, keep the board transparent, and help to balance out the power of the board. They do not represent the interests of management. They also do not necessarily understand the company's inner workings, at least not as well as inside members. Independent members are not necessarily any less likely to act unethically than inside members.

SOURCE: PD:302

SOURCE: Knowledge @ Wharton. (2015, June 16). *How independent directors bridge the information gap*. Retrieved December 2, 2016, from <http://knowledge.wharton.upenn.edu/article/how-independent-directors-bridge-the-information-gap/>

89. A

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

SOURCE: PD:303

SOURCE: World Bank. (n.d.). *Governance and management*. Retrieved December 2, 2016, from http://siteresources.worldbank.org/EXTGLOREGPARPROG/Resources/grpp_sourcebook_chap12.pdf

90. A

Treating the person to a round of golf. Something as simple as four hours of golf gives you the opportunity to get to know a vendor better. It gives you an opportunity to learn the person's interests and to talk business in a casual environment. Giving the vendor an expensive gift might be construed as a bribe. Although having salespeople talk to the vendor is helpful, it doesn't foster a professional relationship with you. Offering jobs to people on the vendor's staff would create conflict rather than helping to build a positive, professional relationship.

SOURCE: PD:153

SOURCE: Hoban, S. (n.d.). *Building business relationships*. Retrieved December 7, 2016, from <http://www.ccim.com/cire-magazine/articles/building-business-relationships>

91. B

Local Society of Financial Planning Professionals. If Hank is interested in meeting other area financial planners in person regularly to discuss trends and issues impacting financial planning, he would be wise to join a local organization such as the Local Society of Financial Planning Professionals. Since the members work in close proximity to each other, they are more likely to hold face-to-face meetings on a regular basis. A national or international professional organization may not necessarily have a chapter in Hank's area.

SOURCE: PD:153

SOURCE: Curtis, G. (2016). *Financial professionals: The benefits of joining an association*. Retrieved December 13, 2016, from <http://www.investopedia.com/articles/financialcareers/06/professionalorganization.asp#axzz1oGTyWB7r>

92. A

Withholding pertinent information from insurance underwriters. While withholding pertinent information from or misrepresenting information to insurance underwriters may help risk managers to obtain unfairly favorable premium rates from insurers in the short-term, doing so is highly unethical and likely to cause problems in the long-term, such as when the company attempts to renew the policy. However, securing fair, favorable premium rates from insurers through ethical, honest actions is acceptable. Companies are typically required to pay a share of the loss exposures pooled through insurance. Embezzling from the organization is unethical, but reporting that someone within the company is embezzling is good, ethical risk management.

SOURCE: RM:041

SOURCE: Carton, B. (2011, October 20). *The role of compliance and ethics in risk management*. Retrieved December 7, 2016, from https://www.complianceweek.com/blogs/enforcement-action/the-role-of-compliance-and-ethics-in-risk-management#.WEgj7_krKUK

93. D

Maintain a positive public image. The purpose of an ethics-training program is to advise employees about the business's expectations in relation to workplace behavior. When employees have a clear understanding of the business's expectations, they are less likely to engage in behavior that may be unethical. This, in turn, lowers the business's risks of noncompliance or financial losses and helps the business maintain a positive public image. Tax audits are routine for certain types of business; however, if the government suspects noncompliance or fraudulent activity, the business may be subject to additional audits. An effective ethics program provides clear rules about ethical behavior regarding all aspects of the business.

SOURCE: RM:041

SOURCE: McNamara, C. (n.d.). *Complete guide to ethics management: An ethics toolkit for managers*. Retrieved December 13, 2016, from <http://managementhelp.org/ethics/ethxgde.htm#anchor41892>

94. D

Identify and prioritize their primary business risks. Risk-matrix software applications help businesses evaluate different categories of risk such as information security, investments, development costs, etc. The purpose of the risk-matrix software application is not to organize financial data in secure locations or determine the amount of their insurance premiums. Risk-matrix software applications do not eliminate external risks such as identity theft.

SOURCE: RM:042

SOURCE: Chittoor, A. (2013, April 14). *What is a risk matrix?* Retrieved December 7, 2016, from <http://network.projectmanagers.net/profiles/blogs/what-is-a-risk-matrix>

95. B

Security breaches. Because security breaches pose substantial risks for businesses, it is important to update firewalls and other security-oriented programs to lower risks associated with hacking activities and computer viruses. Security software vendors are constantly making changes to their security programs to combat new viruses and worms that attack computer systems. Therefore, it is vital for businesses to keep up with these changes to lower risks of these types of attacks. The purpose of updating security-oriented computer software is not to reduce risks associated with distribution processes, research processes, or data consistency.

SOURCE: RM:042

SOURCE: Mohamed, A. (n.d.). *Risk management software—Essential guide*. Retrieved December 13, 2016, from <http://www.computerweekly.com/feature/Risk-Management-Software-Essential-Guide>

96. B

Contract. A contract is an agreement between two or more parties stating that one party is to do something in return for something provided by the other party. By putting the terms of an agreement or business arrangement in a written contract that both parties sign, the business reduces the risk of misunderstanding about what is expected and what will be provided. When agreements are not documented and a problem occurs, legal action may be required, which can be costly to the business. An invoice is a bill. A premium is a fee for an insurance policy. A warrant is a legal document issued by authorities that requires an individual or business to take a certain action.

SOURCE: RM:043

SOURCE: Beatty, J.F., & Samuelson, S.S. (2008). *Essentials of business law* (3rd ed.) [p. 214]. Mason, OH: Thomson/South-Western.

97. B

Captive insurer. When businesses cannot obtain commercial insurance to cover a risk, they may legally form insurance companies as subsidiaries or sister companies to cover the losses associated with the risk. These insurance companies are called captive insurers because they exist only to serve a specific purpose—they are held "captive" by their parent companies. Lending institutions loan money to individuals and businesses. Generic provider and organic entity are not types of insurance providers.

SOURCE: RM:043

SOURCE: Captive.com. (2016). *What is captive insurance?* Retrieved December 7, 2016, from <http://www.captive.com/resources/captive-insurance-basic-information-index/what-is-captive-insurance>

98. D

Obtain adequate property insurance. Businesses purchase various types of insurance to transfer risk. To minimize its risk, a business must ensure that it obtains adequate insurance coverage. For one premium amount, a business can obtain comprehensive property insurance that covers losses associated with building damage and equipment and inventory theft or damage. Businesses can select the appropriate coverage based on their specific needs. If the business does not purchase enough insurance, the insurance payout amount may not cover all of the business's losses, which would be more costly to the business. To maintain insurance coverage, businesses need to pay premiums when they are due, which may be on a monthly, quarterly, or annual basis. Disability insurance is a type of insurance that pays a percentage of employees' salaries if they are unable to work for an extended period of time. Lenders often require that businesses carry certain types and levels of insurance before they will loan them money.

SOURCE: RM:058

SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (pp. 312-313). Mason, OH: South-Western Cengage Learning.

99. A

ERM focuses on the combined impact of all risks. Enterprise risk management takes into account all of the risks that an organization may face and looks at their combined impact. Not all risks are negative; risk can be positive, and positive risks must be considered as well as negative risks. Enterprise risk management does not make it more difficult to achieve goals; in fact, it can help an organization achieve its goals. Risks are not usually related to relationships between employees; there are many types of risk related to all aspects of an organization.

SOURCE: RM:062

SOURCE: Investopedia. (2015, March 17). *What is enterprise risk management and why is it important?* Retrieved December 2, 2016, from <http://www.investopedia.com/ask/answers/031715/what-enterprise-risk-management-and-why-it-important.asp>

100. B

Supervisory. First-line management is made up of the supervisors who work directly with the employees who carry out the business's routine work. Supervisors are involved in hands-on management because they are responsible for the day-to-day activities of workers. Executives are top-level managers who are responsible for the entire company. Regional managers are mid-level managers who serve as links between top-level and supervisory level management. Regulatory is not a level of management.

SOURCE: SM:001

SOURCE: SM LAP 3—Manage This! (Concept of Management)