



## SAMPLE EXAM

### ENTREPRENEURSHIP

THE ENTREPRENEURSHIP EXAM IS USED FOR THE FOLLOWING EVENTS:

ENTREPRENEURSHIP SERIES

ENTREPRENEURSHIP TEAM DECISION MAKING

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

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1. Which of the following statements is true of legally binding contracts:
  - A. They are not valid unless written.
  - B. They are enforceable for legal and illegal acts.
  - C. Breaking one results in a lawsuit and possibly jail time.
  - D. They clearly outline both sides of an agreement.
  
2. John would like to be a business owner, has money to invest, and wants to limit his liability. He does not have time to participate in the day-to-day operations of the business. What type of business ownership would you recommend?
  - A. Close corporation
  - B. Open corporation
  - C. Sole proprietorship
  - D. General partnership
  
3. Why should partnerships develop a formal written agreement?
  - A. To meet the requirements of the law
  - B. To be able to sell stock
  - C. To prevent future problems
  - D. To pay less tax
  
4. Torts relating to misrepresented facts about a business's goods or services may be subject to a lawsuit on the basis of
  - A. intrusion.
  - B. assault.
  - C. defamation.
  - D. fraud.
  
5. Channel members add value to a product by
  - A. performing certain channel activities expertly.
  - B. making the product more costly.
  - C. making the product difficult for consumers to find.
  - D. pursuing individual goals.
  
6. Which of the following is an example of an industrial user:
  - A. A family buying weekly groceries
  - B. A construction company buying wood
  - C. A college student buying school supplies
  - D. An individual purchasing toothpaste
  
7. A manufacturer of dishwashing soap has just invented a new type of soap that cleans better. The manufacturer should choose to distribute the soap through \_\_\_\_\_ distribution.
  - A. intensive
  - B. inclusive
  - C. selective
  - D. exclusive

8. When responding to an official request for a formally solicited project, the writer creating the proposal should
- A. provide formal objectives to define the proposed project.
  - B. provide updates for the approved project.
  - C. explain why the project should be continued.
  - D. follow directions in the request for proposal document.
9. What is an important aspect of fulfilling a company's brand promise?
- A. To change the company's slogan on a regular basis
  - B. To use touchpoints to create positive customer experiences
  - C. To establish different policies for different types of customers
  - D. To develop different trade characters for different market segments
10. Government protects consumers by establishing
- A. requirements for product testing.
  - B. laws to monitor the growth of business.
  - C. a measure of effectiveness in government.
  - D. rules to generate competition.
11. In many places, trash pickup is legally controlled by just one company. This is known as
- A. a regulated monopoly.
  - B. nonprice competition.
  - C. price competition.
  - D. price discrimination.
12. To decrease its unit costs, Marti Mart has entered into long-term contracts with some of its vendors and has agreed to buy in bulk. This is an example of
- A. marginal cost.
  - B. a tying agreement.
  - C. economies of scale.
  - D. the law of diminishing returns.
13. Collette wants to fill out at least five job applications this week. What standard has she set for her success?
- A. Outperforming others
  - B. Improvement
  - C. Past performance
  - D. An objective measure
14. Associations with color are a cultural sensitivity issue that is most important for
- A. individuals.
  - B. travelers.
  - C. families.
  - D. businesses.

15. When selling your ideas to others, objections typically signify that
- A. your audience is unengaged.
  - B. your idea won't be accepted.
  - C. you haven't done enough research.
  - D. the audience is taking your idea seriously.
16. Internal and external controls, policies, and guidelines for reaching goals while meeting stakeholders' needs are all common elements of
- A. legal regulations for businesses.
  - B. corporate governance structures.
  - C. nondisclosure agreements.
  - D. public relations strategies.
17. Why is it important to share the best techniques for performing a job task with your coworkers?
- A. It builds good working relationships.
  - B. Your coworkers will consider you an expert.
  - C. It will convince your boss to promote you.
  - D. It can reduce your work responsibilities.
18. Zoey isn't sure which decision to make, so she decides to follow her intuition when responding to an ethical dilemma. Which step of the ethical dilemma response process is Zoey taking part in?
- A. Consider all your potential actions.
  - B. Check your gut feeling.
  - C. Figure out who's affected.
  - D. Get the facts.
19. What is the first step in entrepreneurial discovery?
- A. Analyzing the feasibility of an idea
  - B. Determining the risks and rewards
  - C. Identifying an unmet want or need
  - D. Screening the product ideas
20. Which of the following activities is most likely to help entrepreneurs recognize opportunities for new product and business ideas?
- A. Disagreeing
  - B. Observing
  - C. Informing
  - D. Persuading
21. Which of the following is a technological trend that impacts new business ventures:
- A. Cloud computing applications
  - B. Private enterprise movement
  - C. Liberal trade agreements
  - D. Environmental awareness initiatives

22. When generating ideas for new businesses, entrepreneurs often look for ways to
- A. rationalize spending.
  - B. control outcomes.
  - C. solve problems.
  - D. increase liability.
23. Olivia is assessing the risks associated with starting a new business. She is considering how her professional reputation will be affected if her new business is not successful. What type of risk is Olivia considering?
- A. Legal
  - B. Market
  - C. Career
  - D. Economic
24. The founder of a startup should think about hiring employees when they are
- A. willing to hire the first person interviewed.
  - B. not sure what a new employee will do.
  - C. turning down work due to limited capacity.
  - D. stressed about the amount of work to do.
25. Which of the following questions would Allison ask herself when deciding if she should hire an assistant for her growing business:
- A. Does this applicant meet my minimal educational requirements?
  - B. Does the workload require a full-time or part-time employee?
  - C. How will I recruit applicants for the job?
  - D. Can I trust this person to get the work done on time?
26. Which of the following is an example of a capital resource:
- A. Credit card
  - B. Granite
  - C. Conveyer belt
  - D. Pencils
27. A small-business owner is trying to decide whether to rent or buy office furniture. The monthly rental is \$275 per person, and there are six people who will need furniture. The cost of buying the furniture is \$6,500 per person. What would you advise the small-business owner to do?
- A. Buy the furniture because rental costs will be less than the purchase price in 2.2 years.
  - B. Buy the furniture because rental costs will exceed the purchase price in 1.97 years.
  - C. Rent the furniture because rental costs are much less a year than the purchase price on an annual basis.
  - D. Rent the furniture because rental costs will be less than the purchase price for 3.4 years.
28. Why is it important for new businesses to use resources productively?
- A. It builds brand loyalty.
  - B. It improves marketing efforts.
  - C. Investors expect immediate returns.
  - D. Resources are often limited.

29. When should an entrepreneur start plotting their exit strategy?

- A. After contacting a potential buyer
- B. When they start to lose money
- C. After leaving the company
- D. When writing the business plan

30. Which of the following is an example of entrepreneurship:

- A. Raul invests his money in the stock market.
- B. Penelope asks her boss for a pay raise.
- C. Elissa starts a company when she develops a new app.
- D. Wesley starts working for his mother's accounting firm.

31. Ariana wants to promote her handcrafted jewelry in several different countries. Promoting her products in multiple countries is most likely to result in

- A. fewer cultural barriers.
- B. fewer compliance challenges.
- C. reduced financial risk.
- D. exposure to new markets.

32. Employees who are paid fairly for a job well done are more likely to

- A. experience job dissatisfaction.
- B. stay engaged in their jobs and their company.
- C. feel resentment toward management.
- D. leave the company for another job.

33. When trying to raise capital, an existing business that is owed a large amount of money as accounts receivable may turn them into cash by selling them to a(n)

- A. investor.
- B. creditor.
- C. factor.
- D. friend.

34. A business may review its accounting information to learn

- A. the size of its competitors' debts.
- B. how its products are being shipped.
- C. what industry trends to expect for next year.
- D. what its sales revenues are.

35. A liability is

- A. an item that adds value to the business.
- B. a claim a creditor has against a business's assets.
- C. a sign that a business is in financial trouble.
- D. the portion of the business that belongs to its owners.

36. Which of the following is true of income statements:

- A. They forecast the business's future.
- B. They are used primarily by a business's customers.
- C. They typically have at least five categories.
- D. They are also known as ratio statements.

37. Rebuilding the budget for each new budgeting period is a strategy known as \_\_\_\_\_ budgeting.

- A. zero-based
- B. long-term
- C. fixed
- D. incremental

38. Which of the following is a component of a profit-and-loss statement:

- A. Interest rate
- B. Petty cash
- C. Book value
- D. Gross margin

39. Which of the following methods of financial analysis displays all information as percentages and is particularly useful for comparing companies within their industries:

- A. Common-sized statements
- B. Vertical analysis
- C. Horizontal analysis
- D. Trend analysis

40. Which of the following is a benefit that a business may include in a cost-benefit analysis:

- A. Decreased market share
- B. Increased expenses
- C. Decreased efficiency
- D. Increased productivity

41. Which of the following financial statements contains the company's "bottom line," which represents net profit:

- A. Income statement
- B. Balance sheet
- C. Statement of cash flows
- D. Statement of changes in equity

42. Which of the following can legally be asked on a job application:

- A. Military experience
- B. Number of children
- C. Date of birth
- D. Height and weight

43. Why should a manager seek employee input when considering solutions to an employee complaint?

- A. Employees may already have a solution to the problem.
- B. It's the easiest way for the manager to resolve the complaint.
- C. It's the best way to get an objective view of the situation.
- D. Employees usually know the real cause of the problem.

44. Which of the following is a true statement about the effects of remedial action:

- A. Behavior that is rewarded rarely gets repeated by employees.
- B. Studies indicate that remedial action causes great psychological damage.
- C. The results of punishing undesirable behavior are unpredictable.
- D. Once remedial action is taken, employees do not commit rule violations.

45. As the manager of Gray's Sporting-Goods Store, Jay makes an effort to communicate company information to employees on a regular basis, treat all employees respectfully, reward good performance, and encourage a team-oriented attitude. This is an example of a manager

- A. encouraging a competitive mindset.
- B. supporting groupthink behavior.
- C. creating a positive work environment.
- D. implementing consensus strategies.

46. True or false: All employees make an impact on a business.

- A. True; all employees make either a positive or negative impact on a business.
- B. False; only executives and board members make an impact on a business.
- C. False; only managers and supervisors make an impact on a business.
- D. True; all employees make a positive impact on a business.

47. A shoe company wants to keep up with changing trends in the shoe industry, so it conducts marketing research.

The company wants to be sure its marketing research is as effective as possible, so the researchers try to keep their own opinions and biases hidden so that their research will be

- A. subjective.
- B. objective.
- C. timely.
- D. invalid.

48. Which of the following is an example of data that marketers could gather from the company's sales team:

- A. What products competitors are currently offering
- B. The prices of raw materials
- C. How actual sales compare to sales goals
- D. The latest market research studies

49. Which of the following is an example of how sales promotion tactics can impact marketing goals:

- A. Samuel purchases a new car after viewing a commercial.
- B. Fatima convinces customers that her software is superior to competitors.
- C. A soft drink company hosts a press conference to discuss its new flavor.
- D. Erica goes to a coffee shop every day in hopes of winning a contest.

50. Which of the following is an example of a marketing goal:
- A. Increase sales by 5%
  - B. Reduce prices
  - C. Create a new website
  - D. Send out an email newsletter
51. Busy parents have been identified as frequent consumers of energy drinks. This is an example of behavioral market segmentation based on
- A. economic status.
  - B. loyalty response.
  - C. rate of use.
  - D. occasion response.
52. What is a potential strength that a manager might identify in a SWOT analysis?
- A. Large inventories
  - B. Market leadership
  - C. New foreign markets
  - D. Market saturation
53. A business has a 30% share of an \$845,500 market. What should it forecast in sales for next year's marketing plan if it expects to obtain an additional 5% of the market?
- A. \$270,560
  - B. \$295,925
  - C. \$253,650
  - D. \$236,740
54. Why do advertisers develop customer profiles?
- A. They can become more profitable by selling customer profiles to other companies.
  - B. They want to understand more about their customers' interests, activities, and concerns.
  - C. They can recognize each individual's information once they have gathered profile information.
  - D. They want to make record keeping more efficient by condensing customer information.
55. Which of the following is the first question that a new business owner should ask when determining the venture's technology needs:
- A. Where should I purchase my supplies?
  - B. What software programs will help the business operate efficiently?
  - C. How will I legally structure my new business's technology department?
  - D. Is it necessary to maintain computer hardware?
56. Which of the following is a true statement about the term "environment":
- A. It applies to individuals, not businesses.
  - B. It consists of your surroundings.
  - C. It has no affect on your performance.
  - D. It refers only to the earth and its resources.

57. A company analyzing data from past holiday sales periods to make decisions concerning release dates for new products is using \_\_\_\_\_ analytics.
- A. prescriptive
  - B. big data
  - C. descriptive
  - D. predictive
58. Which of the following methods of data mining, often used in market segmentation, involves placing observable data into naturally occurring groups:
- A. Cluster analysis
  - B. Forecasting
  - C. Prediction
  - D. Market basket analysis
59. An effective fire-prevention program requires that the business's employees know the exact location of all
- A. fire extinguishers.
  - B. hazardous materials.
  - C. electrical outlets.
  - D. emergency services.
60. Coral owns a gymnastic studio that teaches children and young adults to do gymnastics. Coral's business produces
- A. retail goods.
  - B. industrial services.
  - C. tangible outputs.
  - D. intangible outputs.
61. When creating a quality assurance program, it is important that a manager first
- A. puts together a quality committee.
  - B. implements corrective action.
  - C. creates standards.
  - D. trains staff.
62. How can a business sell more goods to increase profit quickly but do so without increasing expenses?
- A. Set lower prices
  - B. Plan special events
  - C. Hire additional staff
  - D. Purchase extra stock
63. Which of the following provides the most economical way for a new business to obtain office space if it has limited cash flow:
- A. Make a \$50,000 down payment on a 30-year mortgage
  - B. Pay a \$2,000 security deposit to lease a facility
  - C. Negotiate a 9.5% interest rate to purchase a building
  - D. Obtain a 10% discount by paying a year's rent in advance

64. An operations manager must determine the sequence materials will take through the production process. This activity is known as
- A. expense control.
  - B. routing.
  - C. site selection.
  - D. scheduling.
65. To effectively manage a supply chain, companies should
- A. ignore underperforming suppliers and distributors.
  - B. monitor the performance of all supply chain partners.
  - C. introduce frequent changes to the production process.
  - D. launch new products through multiple suppliers.
66. A business often compares its similar financial information from different time periods to
- A. influence buying behavior.
  - B. detect trends.
  - C. evaluate competitors.
  - D. control markets.
67. Which of the following is the only true source of income for every member of a supply chain:
- A. Investments and loans used to finance the supply chain
  - B. Raw materials used in manufacturing at the beginning of the supply chain
  - C. Profit generated from one supply chain member selling to another
  - D. Final customers who buy the supply chain's end product
68. How does process thinking help organizations?
- A. Assists them in separating work between departments
  - B. Enables them to find out who to blame for issues
  - C. Lets them know why they succeeded or failed
  - D. Helps them avoid documenting workflow
69. Human, regulatory, technological, and environmental factors are most likely to influence the design of
- A. employee leave policies.
  - B. project due dates.
  - C. office visitation guidelines.
  - D. business processes.
70. Improved performance, reduced costs, increased profitability, and competitive advantage are most likely to be reasons why a business may choose to engage in
- A. business process change.
  - B. human resources management.
  - C. community outreach.
  - D. anti-harassment training.

71. Which of the following is a top priority for supply chain managers:
- A. Developing overseas markets
  - B. Producing an appealing corporate image
  - C. Controlling costs
  - D. Gaining leverage in negotiations
72. Bernard's business is more successful than his competitors' because he is innovative, which gives him a
- A. competitive advantage.
  - B. creative advantage.
  - C. creative destruction.
  - D. competitive destruction.
73. Which of the following statements accurately describes the relationship between ethics and corporate governance:
- A. Organizations that consistently behave ethically have no need for corporate governance.
  - B. Corporate governance seeks to maximize profits at the expense of transparency and being ethical.
  - C. Corporate governance seeks to minimize unethical behavior, reduce risk, and avoid mismanagement.
  - D. Companies with effective corporate governance generally make more unethical decisions.
74. What is the relationship between shareholders and the board of directors?
- A. The board of directors holds the shareholders accountable.
  - B. The board of directors represents the shareholders.
  - C. The shareholders pay dividends to the board of directors.
  - D. The shareholders make decisions for the board of directors.
75. When monitoring progress in achieving organizational goals, it's important to evaluate objectives that are
- A. vague.
  - B. implied.
  - C. flexible.
  - D. measurable.
76. Which of the following statements is true regarding stakeholder expectations:
- A. Stakeholder expectations are always financially driven.
  - B. All stakeholders want to exert authority over employees.
  - C. Stakeholder expectations always come second to customer needs.
  - D. Each group of stakeholders has different needs and expectations.
77. Who typically has the greatest influence on a company's corporate governance?
- A. Board of directors
  - B. Shareholders
  - C. HR director
  - D. Chief financial officer

78. When Mariah sets prices for her company, she strives to maximize profit, which is considered a(n)

- A. transportation choice.
- B. product strategy.
- C. advertising goal.
- D. pricing objective.

79. Which of the following is a profit-oriented pricing objective:

- A. Increasing market share
- B. Creating an image for the business
- C. Becoming more competitive
- D. Earning return on investment

80. A company decides to stop manufacturing one of its products because the necessary raw materials have become too difficult to find and purchase. The company is using a(n) \_\_\_\_\_ product-mix strategy.

- A. expansion
- B. trading-up
- C. contraction
- D. alteration

81. A restaurant allows customers to order via its website and pay via tablet computers at each table. The restaurant is using \_\_\_\_\_ to provide excellent customer service.

- A. competition
- B. cross-training
- C. internal service
- D. technology

82. "We are the most affordable gym in town!" This unique selling proposition relates to the

- A. sales copy.
- B. placement.
- C. pricing strategy.
- D. guarantee.

83. Putnam Incorporated expects its employees to respond to its customers' phone requests within 24 hours. This is an example of a

- A. customer-defined service goal.
- B. company-defined service standard.
- C. company-defined technical audit.
- D. customer-defined technical expectation.

84. A business's promotion can present facts in a creative way, but it must remain

- A. literal.
- B. honest.
- C. positive.
- D. competitive.

85. Which element of the promotional mix is being used by a business that builds a display to show a new line of products?
- A. Personal selling
  - B. Advertising
  - C. Publicity
  - D. Sales promotion
86. A benefit to a business of using cable television for promotions is that it provides
- A. a select group of stations that reach special markets.
  - B. the most requested programs in any television market.
  - C. 24-hour programming on a minimum of 40 stations.
  - D. unique access to major international events.
87. Which of the following is an advantage of using the internet for direct marketing:
- A. It is a relatively affordable form of marketing.
  - B. It eliminates the need for other types of marketing.
  - C. It is less flexible than other forms of marketing.
  - D. It involves face-to-face contact with customers.
88. A company released a video game that depicts the game's characters using a certain brand of equipment. What type of sales promotion is the business using?
- A. Bonus packaging
  - B. Cooperative selling
  - C. Advergaming
  - D. Bloggertainment
89. What do many businesses often use to promote products and increase awareness?
- A. Marketing research
  - B. Cause-related advertising
  - C. Public relations activities
  - D. Creative thinking
90. Which of the following is a process that weeds out defective products after they've been created:
- A. Quality assurance
  - B. Quality improvement
  - C. Quality control
  - D. Quality command
91. A risk management program helps \_\_\_\_\_ risk, which makes it easier to organize and handle.
- A. encourage
  - B. prevent
  - C. process
  - D. categorize

92. Which of the following is a true statement regarding enterprise risk management (ERM):

- A. ERM can make achieving goals more difficult.
- B. Risks usually relate to relationships between employees.
- C. All risks considered in ERM are negative.
- D. ERM focuses on the combined impact of all risks.

93. Which of the following is an example of a tangible product:

- A. An insurance policy
- B. A haircut
- C. A pizza
- D. Cooking lessons

94. Ethical managers have the ability to make impartial judgments about employees and their actions without

- A. being emotional.
- B. showing favoritism.
- C. expressing criticism.
- D. feeling inferior.

95. A new business owner can identify incorrect assumptions and faulty forecasts by comparing the business's performance against the company's

- A. sales receipts.
- B. mission statement.
- C. business plan.
- D. management plan.

96. What is an example of a broad goal that management might develop for a business?

- A. Conduct training programs
- B. Replace damaged equipment
- C. Hire an advertising agency
- D. Reduce operating expenses

97. Which of the following is a promotion-related question that a business might ask to adjust its marketing mix in response to environmental changes:

- A. To whom should we offer discounts?
- B. Is our product aimed at a specific market?
- C. What laws affect our advertising?
- D. Which channels of distribution will we use?

98. One of William's business goals is to increase customer satisfaction by 15%. What is one measure that William could use to assess his progress toward that goal?

- A. Number of product returns
- B. Cost of marketing efforts
- C. Level of employee turnover
- D. Number of touchpoints

99. Which of the following best describes the relationship between learning and innovation:
- A. The ability to innovate is essential for learning.
  - B. Innovation is stifled by continuous learning.
  - C. The ability to learn is essential for innovation.
  - D. Learning and innovation are essentially the same.
100. The ADKAR model, which stands for Awareness, Desire, Knowledge, Ability, and Reinforcement, is a strategy that businesses use for
- A. change management.
  - B. project management.
  - C. project initiation.
  - D. programmed thinking.



KEY

Test Number 1268

# Entrepreneurship Exam

ENT – Entrepreneurship Series Event

ETDM – Entrepreneurship Team Decision Making Event

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**1. D**

They clearly outline both sides of an agreement. Legally binding contracts are meant to clearly outline an agreement. This way, disputes and litigation can hopefully be avoided. Legally binding contracts don't actually have to be written; they can still be valid if they're verbal, but they're much easier to prove if they are in writing. Breaking a contract doesn't always result in a lawsuit or jail time. In fact, most people avoid lawsuits at all costs since they tend to be expensive and lengthy. Contracts are only enforceable for legal acts.

SOURCE: BL:002 Describe the nature of legally binding contracts

SOURCE: Laurence, B.K. (2014, October 30). *Contracts 101: Make a legally valid contract*. Retrieved August 30, 2022, from <https://www.nolo.com/legal-encyclopedia/contracts-101-make-legally-valid-30247.html>

**2. B**

Open corporation. Open corporations sell stock to the general public. By buying stock in an open corporation, John can become a business owner without daily involvement in the business. In addition, shareholders in an open corporation are only liable for the amount they invest in the company. Sole proprietorship is a form of ownership that requires owner participation. General partnership combines the capital, experience, and abilities of two or more people. Sole proprietorships and general partnerships involve unlimited liability. A close (private) corporation does not offer stock for sale to the general public. In many cases, the shareholders manage and operate the business, which means the owners participate in the day-to-day activities of the business.

SOURCE: BL:003 Explain types of business ownership

SOURCE: LAP-BL-003—Own It Your Way (Types of Business Ownership)

**3. C**

To prevent future problems. Individuals who are partners in a business should have a partnership agreement, even though it is not required by law, because it does help the partners prevent future problems. It should include such points as the rights, responsibilities, and contributions of each partner; the division of authority and profit for each partner; the length of the partnership agreement; and the actions to take if a partner dies or becomes unable to continue the business. Stock is sold for corporations, not for partnerships. The partnership agreement does not affect taxes.

SOURCE: BL:006 Select form of business ownership

SOURCE: LAP-BL-006—Taking Care of Business (Select Forms of Business Ownership)

**4. D**

Fraud. A tort is a private wrongdoing against another person. Businesses can be held responsible in a variety of torts. For example, suppose a business's employee intentionally provides misleading product information to a customer to make a sale. Then, the customer purchases and is injured by the product based on the employee's misleading information. The customer may file a civil lawsuit against the business, and in some situations, the business's employee for fraudulent behavior. Assault and intrusion are criminal acts that are addressed in the criminal court system rather than the civil court system. Defamation is a tort that involves harm to an individual's or business's reputation.

SOURCE: BL:069 Identify the basic torts relating to business enterprises

SOURCE: Laws.com. (2020, September 12). *A brief overview of tort law*. Retrieved August 18, 2022, from <https://tort.laws.com/tort-law>

## 5. A

Performing certain channel activities expertly. Channel members add value to a product by performing certain channel activities expertly. Moving the product smoothly through the channel benefits all channel members. Channels are not meant to make products more costly or more difficult for consumers to find. Channels work best and deliver value-added products when channel members work together toward common goals.

SOURCE: CM:001 Explain the nature and scope of channel management

SOURCE: LAP-CM-001—Chart Your Channels (Channel Management)

## 6. B

A construction company buying wood. An industrial user is a business that buys materials, services, or goods that will be used to make other goods or used in the operation of the company. A construction company, for instance, must buy lumber, steel, and other materials needed to build homes and offices. An ultimate consumer, on the other hand, is anyone who personally uses a good or service to satisfy their own needs or wants. We are all ultimate consumers of many different goods and services. Examples of ultimate consumers include an individual buying toothpaste, a family buying groceries, and a student buying school supplies.

SOURCE: CM:003 Explain the nature of channels of distribution

SOURCE: LAP-CM-003—Channel It (Channels of Distribution)

## 7. A

Intensive. Producers of consumer goods, such as dishwashing soap or candy, should use intensive distribution to make their product as available to consumers as possible. Exclusive distribution would make this product less available to the everyday consumer, as in the case of upscale cars or clothing, and is impractical for this type of product. Inclusive distribution is not a recognized distribution strategy. Selective distribution is a balance between intensive and exclusive distribution, such as the sale of certain power tools only through one or two retailers, and like exclusive distribution, it is impractical for dishwashing soap.

SOURCE: CM:010 Select channels of distribution

SOURCE: Indeed. (2022, April 2). *What is intensive distribution? Definition and examples*. Retrieved August 18, 2022, from <https://www.indeed.com/career-advice/career-development/intensive-distribution>

## 8. D

Follow directions in the request for proposal document. A formally solicited project provides the writer with a request for proposal document (RFP) that provides directions on how to prepare and write the proposal. Since a formally solicited project is already defined by the client, there is no need for the writer to provide any type of objectives to define a proposed project. Updates are provided for ongoing projects. Explanations for continuing a project are given for renewal project proposals.

SOURCE: CO:062 Write proposals

SOURCE: Mulholland, B. (2021, September 17). *13 types of project proposals that get approved (and how to write them)*. Retrieved August 18, 2022, from <https://www.process.st/project-proposal/>

## 9. B

To use touchpoints to create positive customer experiences. The brand promise is a company's agreement (spoken or unspoken) with customers that it will consistently meet their expectations and deliver on its brand characteristics and values. To build and maintain customer relationships, a company's brand promise should strive to create positive experiences for customers—experiences that will encourage them to return to the business again and again. Companies use various touchpoints to create these experiences for their customers. Touchpoints are all of the opportunities that a company has to connect with its customers and reinforce its brand value. Touchpoints may include the company's employees, product attributes and packaging, and technological systems (e.g., phone, website). A slogan (tag line) is a phrase that is easy to remember, such as "Nationwide is on your side." A trade character is a symbol that is personified (e.g., Tony the Tiger). Businesses often use slogans and trade characters as elements of their brands. Changing slogans frequently or developing different trade characters may confuse customers, which may reduce brand recognition. One reason that businesses establish certain types of policies (e.g., sales, service) is to ensure that customers are treated fairly. Establishing different policies for different customers is not treating customers fairly, and in some circumstances, such actions are illegal.

SOURCE: CR:001 Identify company's brand promise

SOURCE: Patel, S. (2022, February 15). *What are customer journey touch points? (and how to optimize them)*. Retrieved August 18, 2022, from <https://www.revechat.com/blog/customer-touchpoints>

## 10. A

Requirements for product testing. The government has passed many laws intended to protect consumers. In addition to requiring product testing, these laws prohibit false advertising and deceptive labeling, make food inspection mandatory, and set standards of safety in building construction. None of these laws are intended to monitor business growth or to generate competition. Making government effective does not necessarily protect consumers.

SOURCE: EC:008 Determine the relationship between government and business

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

## 11. A

A regulated monopoly. These companies are allowed to exist when legislators believe that one large company can more efficiently serve consumers than several small ones. Price discrimination is an illegal activity in which a business charges customers different prices for similar products. Price competition occurs when businesses use prices to attract scarce customer dollars. Nonprice competition occurs when businesses compete on a basis other than price.

SOURCE: EC:012 Explain the concept of competition

SOURCE: LAP-EC-912—Ready, Set, Compete! (Competition)

## 12. C

Economies of scale. Economies of scale occur when unit costs are reduced as the scale of something in the business increases. In this case, buying in bulk is what has increased in scale. Marginal cost is the change in total cost that occurs when the quantity produced changes by one unit. The law of diminishing returns indicates that as more and more units of an input are added to production, the per person output decreases. With a tying agreement, a vendor ties the sale of one good to a customer agreeing to buy a second good. No evidence is provided that a tying agreement has been set up.

SOURCE: EC:077 Describe the concept of economies of scale

SOURCE: Kenton, W. (2022, June 11). *Economies of scale: What are they and how are they used?* Retrieved August 30, 2022, from <https://www.investopedia.com/terms/e/economiesofscale.asp>

13. D

An objective measure. Collette has set an objective measure for her success—filling out five job applications this week. If she fills out fewer than five, she will not consider her goal to have been achieved. In this case, she is not basing her success standard on past performance, improvement, or outperforming others.

SOURCE: EI:027 Develop an achievement orientation

SOURCE: LAP-EI-027—High Hopes (Developing an Achievement Orientation)

14. D

Businesses. Associations with color are an especially important cultural sensitivity issue for businesses. When a company does international business, it must be careful to consider the connotations of the colors it uses on packaging, labels, etc., in the cultures that will be affected. Associations with color tend to be a less important issue for individuals, families, and travelers.

SOURCE: EI:033 Exhibit cultural sensitivity

SOURCE: LAP-EI-033—Getting To Know You (Cultural Sensitivity)

15. D

The audience is taking your idea seriously. After presenting an idea, it's normal to encounter some objections from the audience. Objections typically signify that the audience is listening and taking your idea seriously. Objections do not signify that your audience is unengaged, that your idea won't be accepted, or that you haven't done enough research. If handled correctly, you can overcome objections and gain the acceptance of your audience.

SOURCE: EI:108 "Sell" ideas to others

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

16. B

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

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

SOURCE: Davoren, J. (2017, November 21). *Three types of corporate governance mechanisms*. Retrieved August 18, 2022, from <https://smallbusiness.chron.com/three-types-corporate-governance-mechanisms-66711.html>

17. A

It builds good working relationships. Helping your coworkers builds trust and teamwork, which improves your working relationships. Employees who share their knowledge build a stronger team and a positive work environment. Being helpful doesn't necessarily cause your coworkers to view you as an expert or convince your boss to promote you. When you teach your coworkers the best techniques, your team is likely to work more efficiently, but it doesn't reduce your work responsibilities.

SOURCE: EI:115 Share best practices with key individuals and groups

SOURCE: Indeed. (2022, August 5). *How to build good working relationships at work*. Retrieved August 30, 2022, from <https://www.indeed.com/career-advice/starting-new-job/how-to-build-good-working-relationships>

18. B

Check your gut feeling. Using a logical, step-by-step process is a great way to be sure you're responding correctly to an ethical dilemma. However, it's still important to check in with your gut feelings. If Zoey is following her intuition, she is checking in with her gut feeling to see what is right. Considering all your potential actions, figuring out who's affected, and getting the facts are other steps of the process.

SOURCE: EI:125 Recognize and respond to ethical dilemmas

SOURCE: LAP-EI-125—Make the Right Choice (Recognizing and Responding to Ethical Dilemmas)

19. C

Identifying an unmet want or need. Entrepreneurial discovery is the process of detecting and matching product and market opportunities with one another in a manner that satisfies the market and the business. This requires the entrepreneur or small-business owner to conduct research to discover what the market needs or wants. Screening ideas and analyzing the feasibility of an idea are steps that occur after identifying a want or need. Determining risks and rewards are considerations when conducting a feasibility analysis.

SOURCE: EN:001 Explain the need for entrepreneurial discovery

SOURCE: Wood, U. (2016, December 23). *How to grow your market by identifying unmet needs*. Retrieved August 30, 2022, from <https://www.bizjournals.com/bizjournals/how-to/marketing/2016/12/how-to-grow-your-market-by-identifying-unmet-needs.html>

20. B

Observing. Entrepreneurial discovery is the process of detecting and matching product and market opportunities with one another in a way that satisfies both the market and the business. Many successful entrepreneurs discover product or business ideas by being observant. They make a point of watching people and situations to detect a problem or unfulfilled need. Then, the entrepreneurs work to develop a product or process to solve the problem or fulfill the need. Persuading, disagreeing, and informing are not activities that typically help entrepreneurs recognize product and business ideas.

SOURCE: EN:002 Discuss entrepreneurial discovery processes

SOURCE: Cote, C. (2022, April 5). *How to identify business & market opportunities*. Retrieved August 18, 2022, from <https://online.hbs.edu/blog/post/how-to-identify-business-opportunities>

21. A

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

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

SOURCE: Sylvester, C. (2018, January 16). *8 important technology trends that will impact small businesses in 2018*. Retrieved August 18, 2022, from <https://www.networkdepot.com/8-important-technology-trends-will-impact-small-businesses-2018/>

22. C

Solve problems. An entrepreneur is a person who starts and assumes the risk for a business. Sometimes, entrepreneurs generate ideas for products that may solve a specific problem for a market. Entrepreneurs do not usually look for ways to increase their liability, rationalize their spending, or control outcomes when they are generating business ideas.

SOURCE: EN:006 Generate venture ideas

SOURCE: Entrepreneur. (2017, October 30). *Entrepreneurs solve problems differently than other professionals. Really! Here are the 6 ways.* Retrieved August 30, 2022, from <https://www.entrepreneur.com/article/303407>

23. C

Career. When starting a new business, there is always risk—the possibility of loss or failure. When an entrepreneur leaves a successful career with a reputable company to start a business, there is the risk that the entrepreneur may unintentionally do something to damage their reputation. A poor reputation may hinder the entrepreneur's ability to go back to the career if the new venture fails. Olivia is not considering market, economic, or legal risks. Market risks relate to the business's customers or target market and may involve considerations such as product acceptance. Economic risks relate to factors that affect the business cycle (e.g., interest rates and unemployment rates). Legal risks relate to government regulations.

SOURCE: EN:010 Assess risks associated with venture

SOURCE: VanDeren, J. (2016, October 6). *Career risks: What they are and why we have to take them.* Retrieved August 18, 2022, from <https://blogs.cfainstitute.org/investor/2016/10/06/career-risks-what-they-are-and-why-we-have-to-take-them/>

24. C

Turning down work due to limited capacity. If a startup is turning down work because it doesn't have the capacity to take on new clients, then its leader should think about hiring new employees to help expand the startup's capacity. If the startup remains stagnant, it misses out on potential growth and profit opportunities. Hiring should be a strategic, well-planned decision and should not be done when the employer is stressed. Being willing to hire the first person interviewed or lacking an understanding of what the new employee will do are not reasons to hire a new employee.

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

SOURCE: Boitnott, J. (2018, April 24). *5 signs it's time to hire your first employee.* Retrieved August 18, 2022, from <https://www.inc.com/john-boitnott/5-signs-its-time-to-hire-your-first-employee.html>

25. B

Does the workload require a full-time or part-time employee? A business owner considers many factors when determining if they should hire an employee. An important factor to consider is the nature of the work that the owner needs to have done—bookkeeping, purchasing, ad placement, etc. The owner must also consider how often certain tasks are performed (e.g., weekly, monthly). After determining what skills are needed, the owner must decide if there is enough work for a full-time employee or if a part-time employee could handle the workload. The business owner recruits applicants after determining the necessary skills and approximate workload. Therefore, the business owner cannot answer the remaining questions until they determine the type and amount of work they need the employee to do.

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

SOURCE: Allegiance Staffing. (2020, August 18). *When should I hire additional employees?* Retrieved August 18, 2022, from <https://www.allegiancestaffing.com/blog/hire-additional-employees/>

26. C

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

SOURCE: EN:020 Identify capital resources needed for the venture

SOURCE: Tatum, M. (2022, August 7). *What is a capital resource?* Retrieved August 18, 2022, from  
<https://www.wisegeek.com/what-is-a-capital-resource.htm>

27. B

Buy the furniture because rental costs will exceed the purchase price in 1.97 years. To determine whether to rent or buy office furniture, the small-business owner needs to first calculate the annual cost of renting the furniture. To do this, multiply the monthly rate of \$275 by the number of employees needing furniture (6). This provides the total monthly rental expense:  $\$275 \times 6 = \$1,650$ . Next, multiply the total monthly rental expense by 12, the number of months in a year:  $\$1,650 \times 12 = \$19,800$ . Now, determine how much the small-business owner would pay if they bought the furniture. Multiply the furniture cost per person by the number of people needing furniture:  $\$6,500 \times 6 = \$39,000$ . Finally, divide the furniture's total cost by the annual rental rate to determine how many years it would take for the cost of the rented furniture to exceed the cost of the purchased furniture:  $\$39,000 / \$19,800 = 1.97$  years. In a little less than two years, the cost of the rental furniture will exceed the cost of the purchased furniture. If the small-business owner has the money, it would be worthwhile for them to buy rather than rent the office furniture.

SOURCE: EN:021 Assess the costs/benefits associated with resources

SOURCE: Hanson, M. (2010). *Business math* (17th ed.) [p. 350]. Mason, OH: South-Western Cengage Learning.

28. D

Resources are often limited. When a venture is first starting out, resources are usually limited because the company is not yet making a profit or generating revenue. Therefore, it's important to use resources productively to keep the venture going. Investors do not necessarily expect immediate returns. Using resources productively does not necessarily build brand loyalty or improve marketing efforts.

SOURCE: EN:030 Explain the impact of resource productivity on venture success

SOURCE: Glauer, M. (2017, February 15). *How these 5 entrepreneurs used their limited resources to grow their business into a successful venture.* Retrieved August 18, 2022, from  
<https://www.entrepreneur.com/slideshow/281277#0>

29. D

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

SOURCE: EN:037 Develop exit strategies

SOURCE: Richards, D. (2020, January 3). *How to write a business exit plan.* Retrieved August 30, 2022, from  
<https://www.thebalance.com/writing-a-business-plan-planning-your-exit-strategy-1200841>

30. C

Elissa starts a company when she develops a new app. Elissa is an entrepreneur because she identifies an opportunity to create new value, develops and offers a unique product, assumes the risks of starting and building a business, focuses on the improvement and growth of that business, and receives personal and financial rewards for her efforts. Working for someone else's accounting firm, investing money, and asking for a raise are not examples of entrepreneurship.

SOURCE: EN:039 Describe the nature of entrepreneurship

SOURCE: AmosWEB. (2000-2022). *Entrepreneurship*. Retrieved August 18, 2022, from  
[http://www.amosweb.com/cgi-bin/awb\\_nav.pl?s=wpd&c=dsp&k=entrepreneurship](http://www.amosweb.com/cgi-bin/awb_nav.pl?s=wpd&c=dsp&k=entrepreneurship)

31. D

Exposure to new markets. When a business expands internationally, it often gains exposure to new markets for its products. When international customers discover and enjoy that new business's products, sales often increase. A business operating in several different countries will have more cultural barriers to deal with because customer preferences, traditions, and trends vary from country to country. When a business operates in many countries, it faces more compliance challenges since it must deal with a greater number of and more types of regulations imposed by different countries (e.g., ingredients and packaging used for products). Business expansion into international markets exposes a business to more financial risk since different currencies, tariffs, and shipping fees often reduce profits.

SOURCE: EN:041 Describe small-business opportunities in international trade

SOURCE: Arthur, L. (2019, January 28). *The advantages & disadvantages of international franchises*. Retrieved August 18, 2022, from <https://smallbusiness.chron.com/advantages-disadvantages-international-franchises-22488.html>

32. B

Stay engaged in their jobs and their company. It may seem appealing to underpay workers while a new company gets on its feet—but it sure isn't ethical! Employees who are paid fairly for a job well done are more likely to stay engaged in their jobs and on board with their company's mission. Workers who aren't paid well, on the other hand, probably won't stick around for long—forcing the company to go through the expensive process of recruiting all over again. Underpaid workers are also likely to feel resentment toward management and experience serious job dissatisfaction.

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

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

33. C

Factor. A factor is a finance company or bank that will pay cash for the accounts receivable of a firm for a charge of 0.5-2.75% of the outstanding accounts. The factor may also assume responsibility for collecting the accounts receivable. Businesses usually do not raise capital by selling accounts receivable to friends, creditors, or investors.

SOURCE: FI:031 Explain sources of financial assistance

SOURCE: Barone, A. (2022, March 31). *Factor*. Retrieved August 30, 2022, from  
<https://www.investopedia.com/terms/f/factor.asp>

34. D

What its sales revenues are. A business may review its accounting information to learn what its sales revenues are. Internal accounting records will not reveal the size of competitors' debts or provide insights into industry trends. Accounting records do not typically include information about shipping.

SOURCE: FI:085 Explain the concept of accounting

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

## 35. B

A claim a creditor has against a business's assets. A liability is a debt the business must pay, or a claim a creditor has against the business's assets. Most businesses have liabilities—it is not necessarily a sign that a business is in financial trouble unless the business has more liabilities than it can reasonably pay. Liabilities do not add value to the business; rather, they subtract value. Owner's equity is the portion of the business that belongs to its owners or stockholders.

SOURCE: FI:093 Explain the nature of balance sheets

SOURCE: LAP-FI-093—The Right Balance (The Nature of Balance Sheets)

## 36. C

They typically have at least five categories. Although some income statements include other categories as well, they should all have at least five basic categories. These categories include revenue, cost of goods sold/cost of sales, gross profit, operating expenses, and net income/profit. Income statements summarize a business's income and expenses over a period of time, and while this information can be used to make decisions about the future, it doesn't forecast a business's future. Income statements are analyzed primarily by a business's top executives and managers, creditors, and investors, but not customers. Ratio statement is not another name for income statements. Income statements are sometimes referred to as earnings statements, operating statements, and profit-and-loss statements.

SOURCE: FI:094 Describe the nature of income statements

SOURCE: LAP-FI-094—Watch Your Bottom Line (Income Statements)

## 37. A

Zero-based. Rebuilding the budget for each new budgeting period is a strategy known as zero-based budgeting. It's the answer to traditional incremental budgeting, which only makes slight changes to the budget based on the results from the last budgeting period. Long-term and fixed are types of budget formats, not budgeting strategies.

SOURCE: FI:099 Develop company's/department's budget

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

## 38. D

Gross margin. Businesses calculate gross margin to prepare a profit-and-loss statement. Gross margin is the amount of money a business has left after subtracting the cost of merchandise sold from the net sales figure. Gross margin is the figure from which total operating expenses are subtracted to determine net income or net loss. Book value is the true value of a company's assets including its stock. Interest rate is the price rate for the use of money. Petty cash is a small amount of money kept on hand by a business for business purchases.

SOURCE: FI:102 Interpret financial statements

SOURCE: Anwah, S.G. (2022, August 30). *How to interpret financial statements*. Retrieved August 30, 2022, from <https://www.thebalancesmb.com/interpreting-the-cash-flow-statement-1200760>

39. A

Common-sized statements. Common-sized statements use percentages for the purposes of comparing one company to another within an industry or one company to overall industry averages. Percentages are used for comparison purposes because the relative sizes of companies can make it difficult to use dollar figures, for example. Horizontal analysis is also used for comparison, but it is most often used to compare the same pieces of information as they have changed from one period to another within a single company. Percentages are also often used in vertical analysis, but they are used to show what percentage of a general category is made up of a single item (e.g., what percentage of total assets are long-term assets). These percentages can then be compared across time but are not as often used to compare businesses to one another. Trend analysis is a method that uses data from the past to predict future data. This is often used in analyzing stock prices.

SOURCE: FI:334 Describe types of financial statement analysis (e.g., ratio analysis, trend analysis, etc.)

SOURCE: Warren, C.S., Jones, J.P., & Taylor, W.B. (2020). *Financial and managerial accounting* (15th ed.) [Lesson 14-2]. Boston, MA: Cengage Learning, Inc.

40. D

Increased productivity. A business may include many different benefits in a cost-benefit analysis, including increased productivity. Decreased market share, decreased efficiency, and increased expenses are disadvantages to a business, not benefits.

SOURCE: FI:357 Describe the nature of cost-benefit analysis

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

41. A

Income statement. A company's net profit is presented on the final row of the income statement and is often referred to as the company's "bottom line." While profitability analysis typically uses information from both the income statement and the balance sheet to calculate profitability ratios, the income statement displays the net profit for a given accounting period. The statement of cash flows, which is not helpful in calculating profitability ratios, is used by investors in evaluating investment risk. The statement of changes in equity uses net profit in certain calculations but does not display this figure on its bottom line.

SOURCE: FI:542 Monitor business's profitability

SOURCE: Tuovila, A. (2021, April 18). *Bottom line*. Retrieved August 18, 2022, from  
<https://www.investopedia.com/terms/b/bottomline.asp>

42. A

Military experience. The courts do not view asking for an applicant's military experience as discriminatory. Asking an applicant's date of birth may be considered age discrimination, while asking for number of children may discriminate against women. Height and weight can only be asked when they are bona fide occupational qualifications; otherwise, they cannot legally be asked, because they can be used to discriminate against women and certain nationalities.

SOURCE: HR:356 Select and hire new employees

SOURCE: Williams, E. (2022, February 2). *What is legal to ask in a job application?* Retrieved August 18, 2022, from <https://work.chron.com/legal-ask-job-application-15948.html>

43. A

Employees may already have a solution to the problem. Managers should try to obtain employee input when resolving a complaint because the employees may already have a solution to the problem, and they tend to support what they help create. Managers must keep in mind that employees may not be objective about a situation in which they are involved and that they have their own best interests at heart. Since many factors are usually involved in a problem, the employees may know the results, or effects, of the problem without knowing its true cause. Asking for employee input in resolving a problem is not always the easiest way to handle it and may create additional problems, rather than quickly resolving the initial problem.

SOURCE: HR:366 Handle employee complaints and grievances

SOURCE: Lucas, S. (2019, September 6). *6 tips for handling employee complaints*. Retrieved August 18, 2022, from <https://www.thebalancecareers.com/best-handle-employee-complaints-1917594>

44. C

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

SOURCE: HR:369 Explain the nature of remedial action

SOURCE: Assad, A. (n.d.). *The effects of punishment on employee behavior*. Retrieved August 18, 2022, from <https://smallbusiness.chron.com/effects-punishment-employee-behavior-14302.html>

45. C

Creating a positive work environment. A business's overall work environment is affected by the work culture, which is the way the organization operates with regard to its treatment of employees and those outside the business. Owners and managers who treat employees respectfully, listen to their feedback, communicate openly, and reward good performance tend to foster a positive work culture. In a positive work culture, employees are more willing to work together to meet the business's goals. Competition is a rivalry. Consensus is a decision-making outcome that requires the substantial agreement of each group member. Groupthink is an extreme form of group cohesiveness that emphasizes the group's best interests and discourages independent thinking. In the situation described, Jay is not encouraging a competitive mindset, implementing consensus strategies, or supporting groupthink behavior.

SOURCE: HR:403 Foster a right environment for employees

SOURCE: Huntington, S. (2019, December 11). *Creating a positive work environment*. Retrieved August 30, 2022, from <https://articles.bplans.com/creating-positive-work-environment>

46. A

True; all employees make either a positive or negative impact on a business. A good employee in a certain job position can boost a company's productivity, help create profit, and contribute to a pleasant working environment. The wrong employee in that same position may not only cause a company to miss out on these benefits, but can also create negative results in their place. Not all employees make a positive impact. Managers, supervisors, executives, and board members are not the only people who make an impact on a business.

SOURCE: HR:410 Discuss the nature of human resources management

SOURCE: LAP-HR-410—People Pusher (Nature of Human Resources Management)

47. B

Objective. Researchers must keep their own opinions out of the way when they are gathering data. If a researcher's biases are obvious to research respondents, then the respondents may give answers that they think the researcher wants to hear rather than what they actually believe or know to be true. If marketing research is to be effective, researchers must be as objective (not subjective) as possible. Although marketing research does need to be timely, this isn't illustrated in this example. Effective marketing research is valid research.

SOURCE: IM:010 Explain the nature of marketing research

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

48. C

How actual sales compare to sales goals. The data in sales reports from a company's sales team can allow marketers to view how actual sales compare to sales goals. The latest market research studies would not come from the sales team, but from trade journals or market research firms. The prices of raw materials are data that come from a company's vendors. Data regarding competitors' products come from observing what competitors are doing.

SOURCE: IM:012 Describe the need for marketing data

SOURCE: LAP-IM-012—Data Do It (Need for Marketing Data)

49. D

Erica goes to a coffee shop every day in hopes of winning a contest. Sales promotion includes promotional tactics such as contests like the one Erica is hoping to win. The contest is an effective marketing strategy that helps boost sales and reach marketing goals. A commercial is an example of advertising, not sales promotion. A press conference is publicity rather than sales promotion. Fatima's interaction with customers is selling, not sales promotion.

SOURCE: MK:002 Describe marketing functions and related activities

SOURCE: LAP-MK-001—Work the Big Seven (Marketing Functions)

50. A

Increase sales by 5%. Marketing goals are objectives that marketers plan to fulfill. Increasing sales by 5% is what the company plans to achieve. Reducing prices is a strategy, or plan of action for achieving a goal or objective. Creating a new website and sending out an email newsletter could be considered tactics, or ways a company could carry out its strategy.

SOURCE: MP:001 Explain the concept of marketing strategies

SOURCE: LAP-MP-001—Pick the Mix (Nature of Marketing Strategies)

51. C

Rate of use. Busy parents have been identified as frequent consumers or users of energy drinks; their rate of use is an example of shared behavior. Loyalty response refers to a consumer's preference for a particular brand. Occasion response refers to purchases that occur at specific times (e.g., birthdays, holidays). Economic status refers to a person's wealth.

SOURCE: MP:003 Explain the concept of market and market identification

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

52. B

Market leadership. Market leadership is a potential strength that a manager might identify as a result of conducting a SWOT (strengths, weaknesses, opportunities, threats) analysis. New foreign markets are an example of a potential opportunity. Large inventories is an example of a potential weakness. Market saturation is an example of a potential threat.

SOURCE: MP:010 Conduct SWOT analysis for use in the marketing planning process

SOURCE: LAP-MP-010—Analyze This! (SWOT Analysis)

53. B

\$295,925. Businesses often forecast sales in dollar amounts. In this example, the business currently has a 30% share of the market but expects to obtain an additional 5% next year. Therefore, next year's market share is expected to be 35% of an \$845,500 market. To calculate that amount, multiply the dollar value of the market by the market share ( $\$845,500 \times .35 = \$295,925$ ).

SOURCE: MP:014 Forecast sales for marketing plan

SOURCE: Indeed. (2021, May 25). *Formula for a sales forecast and how to calculate it*. Retrieved August 22, 2022, from <https://www.indeed.com/career-advice/career-development/formula-for-sales-forecast>

54. B

They want to understand more about their customers' interests, activities, and concerns. The more advertisers know about their customers, the more they can effectively target their audiences. Advertisers go beyond demographic information and are continually trying to find ways to learn more behavioral information about their customers. Having increasingly large amounts of information about customers makes record keeping a greater challenge, necessitating the use of databases. Some advertisers sell customer information to other companies, but an increasing number recognize this practice as an invasion of their customers' privacy. Most companies of any size will not be able to recognize each and every one of their customers. The best they can do is to understand various groups of customers in terms of their behavior, interests, and preferences.

SOURCE: MP:031 Develop customer profile

SOURCE: Robinson, S. (2020, July 8). *How to create customer profiles with examples*. Retrieved August 18, 2022, from <https://www.techtarget.com/searchcustomerexperience/tip/How-to-create-customer-profiles-with-examples>

55. B

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

SOURCE: NF:012 Determine venture's information technology needs

SOURCE: Duggan, T. (n.d.). *How to identify business IT needs*. Retrieved August 19, 2022, from <https://smallbusiness.chron.com/identify-business-needs-351.html>

56. B

It consists of your surroundings. The term "environment" refers to your surroundings. This could mean anything—your living room, a classroom, the mall, etc. Although the term is often used to refer to the earth and its resources, its true meaning is much broader. Your environment has an effect on your performance and your decisions. Businesses exist within environments just as individuals do.

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

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

57. D

Predictive. Predictive analytics is used to analyze trends in past consumer behavior to predict future behavior. Descriptive analytics is used to condense big data into smaller, more useful pieces of information. Big data analytics refers to analyzing large amounts of data to discover patterns or trends and is not likely to describe specific holiday sales period data. Prescriptive analytics is used to go beyond descriptive and predictive models by recommending one or more courses of action and showing the likely business result of each decision.

SOURCE: NF:139 Explain the principles of data analysis

SOURCE: insightsoftware. (2021, February 17). *Comparing descriptive, predictive, prescriptive, and diagnostic analytics*. Retrieved August 18, 2022, from <https://insightsoftware.com/blog/comparing-descriptive-predictive-prescriptive-and-diagnostic-analytics>

58. A

Cluster analysis. Cluster analysis is intended to group data points into groups or clusters. The goal here is to allow observable data to naturally collect into groups that are largely homogenous, share a set of characteristics, and are unlike the data in other groups or clusters. These clusters, when used to sort consumers, create market segments that can be targeted with marketing. Market basket analysis focuses on establishing links between data points that tend to occur together. This is often used in determining which items tend to be purchased together (placed in a “market basket” together). Prediction analysis, such as regression analysis, involves using independent or predictor variables to anticipate a response of a dependent variable. Forecasting analysis seeks to make predictions about specific time periods based on historical observations and other considerations.

SOURCE: NF:148 Discuss the nature of data mining

SOURCE: Camm, J.D., Cochran, J.J., Fry, M.J., Ohlmann, J.W., Anderson, D.R., Sweeney, D.J., & Williams, T.A. (2019). *Business analytics* (3rd ed.) [Lesson 4.1]. Boston, MA: Cengage Learning, Inc.

59. A

Fire extinguishers. Businesses should keep fire extinguishers on the premises and make sure that all employees know where they are located. In the event that a fire breaks out, employees should be able to find the extinguishers quickly and attempt to put out the fire while another employee calls the fire department. Knowing where the fire extinguishers are and reacting quickly often prevents a fire from spreading and reduces the amount of damage. Fire-prevention programs do not require employees to know the location of all electrical outlets or hazardous materials. Employees should have easy access to the phone numbers of emergency services, rather than knowing the location of those services.

SOURCE: OP:012 Establish safety policies and procedures

SOURCE: Clark, B., Basteri, C.G., Gassen, C., & Walker, M. (2014). *Marketing dynamics* (3rd ed.) [pp. 687-688]. Tinley Park, IL: Goodheart-Willcox.

60. D

Intangible outputs. A service business produces an intangible output. Outputs are goods or services produced as the result of combining inputs. Coral's outputs are intangible because they have no physical presence. Coral does not produce tangible outputs, retail goods, or industrial services.

SOURCE: OP:017 Explain the concept of production

SOURCE: AmosWeb. (2000-2022). *Production*. Retrieved August 18, 2022, from [https://www.amosweb.com/cgi-bin/awb\\_nav.pl?s=wpd&c=dsp&k=production](https://www.amosweb.com/cgi-bin/awb_nav.pl?s=wpd&c=dsp&k=production)

61. C

Creates standards. Management can help work toward the achievement of quality by implementing a quality assurance plan. The first step of putting together a quality assurance plan is to create quality standards. These standards help define quality and give the program a basis for functioning. Before a manager implements corrective action, trains staff, or puts together a quality committee, they need to create quality standards.

SOURCE: OP:020 Describe the role of management in the achievement of quality

SOURCE: Gartenstein, D. (2019, March 27). *How to build a quality assurance program*. Retrieved August 30, 2022, from <https://smallbusiness.chron.com/build-quality-assurance-program-12955.html>

62. A

Set lower prices. Businesses need to consider how many products they can sell at certain prices to select the most appropriate selling price. It might seem that a business would always choose the highest selling price. However, a business might decide that setting a lower price would increase sales, thereby recovering costs and making a profit more quickly. Hiring additional staff, purchasing extra stock, and planning special events might cost the business more money without increasing sales.

SOURCE: OP:024 Explain the nature of overhead/operating costs

SOURCE: LAP-OP-024—Watch Your (Over) Head (Overhead/Operating Costs)

63. B

Pay a \$2,000 security deposit to lease a facility. Many new businesses have limited amounts of cash available to cover the costs of purchasing property, which usually include a down payment, closing costs, taxes, etc. On the other hand, the initial cash expense for leasing is often limited to a security deposit and the first rent payment. When cash is limited, it is usually more economical for new businesses to pay a \$2,000 security deposit to lease rather than buy a facility because it saves them money. If businesses have sufficient cash, it is more economical in the long run to negotiate a 9.5% interest rate and make a \$50,000 down payment to buy rather than lease. Paying a year's rent in advance is not economical for a business that has limited cash flow.

SOURCE: OP:028 Negotiate lease or purchase of facility

SOURCE: Ellis, L. (2018, April 24). *Buying vs. leasing a commercial property (Pros & cons)*. Retrieved August 30, 2022, from <https://aquilacommercial.com/learning-center/buying-vs-leasing-a-commercial-property-pros-cons/>

64. B

Routing. Determining the sequence of materials through the production process is an activity known as routing. Scheduling means determining when materials will arrive at a certain destination and how long they will stay there. Site selection means choosing a location for the business facility. Expense control refers to keeping an eye on the bottom line.

SOURCE: OP:189 Explain the nature of operations

SOURCE: LAP-OP-189—Smooth Operations (Nature of Operations)

65. B

Monitor the performance of all supply chain partners. To ensure the efficient production and distribution of products, companies should monitor the performance of all supply chain partners on a consistent basis. Companies should not ignore underperforming vendors—they should work with them to resolve the problem(s) or else replace them. Companies must be careful when introducing new innovations or changes to the production process. Introducing change too quickly can overwhelm the supply chain, resulting in failure to meet production quotas. Companies should stick with a single supplier when launching a new product to avoid overcomplicating the process.

SOURCE: OP:303 Discuss the nature of supply chain management

SOURCE: Schiff, J. (2016, February 17). *13 ways to improve your supply chain management*. Retrieved August 18, 2022, from <https://www.enterpriseappstoday.com/research/13-ways-to-improve-your-supply-chain-management.html>

66. B

Detect trends. Business analysis is the process of investigating and evaluating a business issue, problem, process, or approach. Businesses analyze financial data to evaluate the financial well-being of their operations at any given time. By comparing the same type of financial information from different consecutive time periods, a business can detect trends. By detecting trends, the business can determine if it needs to make changes. For example, if the business notices a substantial increase in sales-dollar volume over a three-month period, trends indicate an increase in spending. The business may decide to conduct further analysis to determine what customers are purchasing, and decide if it needs to increase the production or inventory levels of certain products. Businesses analyze markets for many reasons, but they cannot control market activity. To analyze its competitors, a business needs to obtain and review external data. Comparing internal financial data cannot influence buying behavior.

SOURCE: OP:327 Discuss the nature of business analysis

SOURCE: Queensland Government. (2017, July 17). *Trend analysis for business improvement*. Retrieved August 22, 2022, from <https://www.business.qld.gov.au/running-business/growing-business/trend-analysis>

67. D

Final customers who buy the supply chain's end product. The sales revenue generated by customers purchasing a supply chain's end product is the only true income source for an entire supply chain. As a result, customer satisfaction is one of the most important factors in supply chain management. Profit generated from purchases made within the supply chain does not add income to the supply chain. The only source for any money that is generated through participation in a supply chain must come from the ultimate sale of the end product. Without this sale, no supply chain member will be able to receive revenues. Raw materials used in manufacturing play into the expenses side of the supply chain, but there are more expenses than just the raw materials. Because the only revenue created must come from the final customer, many aspects of supply chain management involve limiting expenses up to the point where the customers' expectations for the final product are still being met, but not beyond. Neither investments nor loans are commonly considered income for a business.

SOURCE: OP:443 Explain the concept of supply chain

SOURCE: Wisner, J.D., Tan, K., & Leong, G.K. (2019). *Principles of supply chain management* (5th ed.) [Lesson 1-1]. Boston, MA: Cengage Learning, Inc.

68. C

Lets them know why they succeeded or failed. Processes are sets of steps used to reach an outcome. Process thinking means keeping processes in mind throughout a project or business venture. Process thinking helps organizations know why they succeeded or failed because they can look back at and assess the process that was used, which is usually the cause of success or failure. Process thinking does not enable organizations to find out who to blame for issues, because it shifts the focus from people to processes. Process thinking encourages documentation, rather than helping organizations avoid it. Finally, process thinking encourages collaboration between departments, rather than keeping work separate.

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

SOURCE: Pitagorsky, G. (2016, August 3). *The importance of process thinking*. Retrieved August 22, 2022, from <https://www.projecttimes.com/articles/the-importance-of-process-thinking/>

69. D

Business processes. The design of business processes can be influenced by many types of factors. Human factors that can influence business process design include stress, employee morale, and fatigue. Regulatory and environmental factors include governmental regulations and the political or social environment surrounding an organization. Technological factors include the cost of necessary equipment or technology. While human, regulatory, technological, and environmental factors can individually impact office visitation guidelines, leave policies, and project due dates, the combination of all four factors is most likely to influence the design of business processes.

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

SOURCE: Taylor, H. (2017, September 26). *Factors that affect process design*. Retrieved August 18, 2022, from <https://bizfluent.com/list-7444011-factors-affect-process-design.html>

70. A

Business process change. There are several reasons why a company may choose to engage in business process change, including the need to improve performance, reduce costs, increase profits, or regain a competitive advantage. These benefits are not necessarily results of anti-harassment training, human resources management, or community outreach.

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

SOURCE: The Hackett Group. (2022, March 3). *Enabling business process change*. Retrieved August 30, 2022, from <https://www.thehackettgroup.com/business-process-change/>

71. C

Controlling costs. Controlling costs is the top priority of many supply chain managers. In fact, some might argue that controlling costs is the driving force of supply chain management. It is also likely the area where supply chain managers have the most control. Controlling costs has many secondary benefits as well, such as creating value, contributing to profit maximization, and aiding in organizational stability. Developing overseas markets and producing an appealing corporate image are unlikely to be the direct results of supply chain management. Gaining leverage in negotiations is a possible outcome for supply chain managers but is not likely to be a top priority and will not apply to all supply chain managers.

SOURCE: OP:477 Explain the impact of supply chain on business performance

SOURCE: Wisner, J.D., Tan, K., & Leong, G.K. (2019). *Principles of supply chain management* (5th ed.) [Lesson 1-2]. Boston, MA: Cengage Learning, Inc.

72. A

Competitive advantage. A competitive advantage is the edge achieved by businesses that offer something better than their competitors. Creative destruction is a term coined by Joseph Schumpeter to describe how new goods and services can hurt existing products. Creative advantage and competitive destruction are not terms typically used in discussions about innovation.

SOURCE: PD:126 Explain the need for innovation skills

SOURCE: LAP-PD-126—Ideas in Action (Innovation Skills)

73. C

Corporate governance seeks to minimize unethical behavior, reduce risk, and avoid mismanagement. Good corporate governance systems seek to reduce unethical decision-making and decrease the risk of corruption and mismanagement. Corporate governance should not seek to maximize profits at the expense of ethical behavior. Corporate governance should be in place in every organization, regardless of whether the organization consistently acts ethically or not. Companies with effective corporate governance in place generally make more ethical decisions, not more unethical decisions.

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

SOURCE: Juneja, P. (n.d.). *Corporate governance - Definition, scope and benefits*. Retrieved August 30, 2022, from <https://www.managementstudyguide.com/corporate-governance.htm>

74. B

The board of directors represents the shareholders. A company's board of directors represents the interests of the shareholders through the board's management of the company. The shareholders often have a role in electing the board members. The shareholders do not pay dividends to the board of directors. The shareholders also do not make decisions for the board members; rather, board members make decisions on behalf of the shareholders. The board of directors does not hold the shareholders accountable; rather, the shareholders hold the board of directors accountable.

SOURCE: PD:214 Describe the components of a well-governed company (e.g., board of directors, reporting, transparency, internal and external audit functions)

SOURCE: Chen, J. (2022, August 18). *What is corporate governance?* Retrieved August 30, 2022, from <https://www.investopedia.com/terms/c/corporategovernance.asp>

75. D

Measurable. When monitoring progress in achieving organizational goals, it's important to evaluate objectives that are measurable. In business, what gets measured gets managed. Objectives that are vague, flexible, or implied will make it difficult to monitor and measure progress.

SOURCE: PD:257 Monitor progress in achieving organizational goals

SOURCE: Robbins, S. (2017, October 16). *How to measure progress and achieve goals*. Retrieved August 30, 2022, from <https://www.quickanddirtytips.com/productivity/project-management/how-to-measure-progress-achieve-goals>

76. D

Each group of stakeholders has different needs and expectations. Stakeholders are people who are affected by a project's or business's success or failure. The needs and expectations of different groups of stakeholders depend on the individual perspectives of those stakeholders. Stakeholder expectations are not always financially driven. Not all stakeholders necessarily want to exert authority over employees; furthermore, employees are stakeholders. Stakeholder expectations do not always come second to customer needs; customers are stakeholders, and their expectations are considered alongside other stakeholders.

SOURCE: EI:113 Determine stakeholder expectations

SOURCE: Pandey, S. (2022, May 24). *How to manage expectations during your project?* Retrieved August 30, 2022, from <https://www.projectcentral.com/blog/manage-expectations/>

77. A

Board of directors. Corporate governance includes the controls, policies, and guidelines needed to reach organizational goals while meeting stakeholders' needs. While many people are affected by corporate governance structures, the board of directors is the primary influence on corporate governance. The board is selected by shareholders and has the responsibility of making important decisions for the business. Shareholders, the chief financial officer (and most other executives), and the HR director do not hold greater influence than the board on a company's corporate governance.

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

SOURCE: Chen, J. (2022, August 18). *What is corporate governance?* Retrieved August 30, 2022, from <https://www.investopedia.com/terms/c/corporategovernance.asp>

78. D

Pricing objective. Company goals that influence how marketers make pricing decisions are called pricing objectives. One possible pricing objective is maximizing profit. Advertising goals would influence a company's promotional decisions. Transportation choices are involved with the place decision. Product strategies may involve researching and developing new goods or services.

SOURCE: PI:001 Explain the nature and scope of the pricing function

SOURCE: LAP-PI-001—The Price Is Right (Nature of Pricing)

79. D

Earning return on investment. Profit-oriented pricing objectives focus on creating profits for the business. The other category of pricing objectives is sales-oriented pricing, which focuses on increasing the total amount of income from sales. Becoming more competitive, creating an image for the business, and increasing market share are sales-oriented objectives.

SOURCE: PI:002 Explain factors affecting pricing decisions

SOURCE: LAP-PI-902—Make Cents (Factors Affecting Selling Price)

80. C

Contraction. Contraction means removing product items or lines from the product mix. A business might decide to delete a product from its mix because its production has become a problem. Alteration involves making changes in the company's products or lines. Expansion occurs when a business expands its product mix by adding additional product items or lines. When a company decides to add a higher-priced product or line to its mix, it is using a trading-up strategy.

SOURCE: PM:003 Explain the concept of product mix

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

81. D

Technology. Technology itself is not customer service; instead, it is a tool for supporting and serving customers. A website that allows customers to order and tablets that allow customers to pay are technological conveniences that help provide great customer service. The restaurant is not using competition, cross-training, or internal service to provide excellent customer service.

SOURCE: PM:013 Explain the role of customer service in positioning/image

SOURCE: LAP-PM-913—Customer Service Supersized (The Role of Customer Service in Positioning/Image)

82. C

Pricing strategy. This unique selling proposition (USP) relates to the pricing strategy—the gym's marketers are highlighting the gym's unique benefit as being the most affordable gym in town. Placement refers to where a product is distributed. Guarantee refers to an assurance marketers give that customers will like the product. Sales copy refers to words used in the selling process.

SOURCE: PM:272 Identify company's unique selling proposition

SOURCE: LAP-PM-272—Stand Out (Unique Selling Proposition)

83. B

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

SOURCE: PM:273 Identify internal and external service standards

SOURCE: Lotich, P. (2019, August 14). *Example customer service standards*. Retrieved August 30, 2022, from <https://thethrivingsmallbusiness.com/customer-service-standards/>

84. B

Honest. A business's promotion can present facts in a creative way, but it must remain honest. Promotions must be truthful and factual. They may or may not be competitive or positive. Being honest does not always mean being literal—sometimes exaggerated promotions can be creative, as long as they are still factual.

SOURCE: PR:001 Explain the role of promotion as a marketing function

SOURCE: LAP-PR-901—Razzle Dazzle (Nature of Promotion)

85. D

Sales promotion. Sales promotion is the promotional activities other than advertising, personal selling, and publicity that stimulate customer purchases. Publicity is any nonpersonal presentation of ideas, goods, or services that is not paid for by the company that benefits from or is harmed by it. Advertising is a paid form of nonpersonal presentation of ideas, images, goods, or services. Personal selling is planned, personalized communication used to influence purchase decisions and enhance future business opportunities.

SOURCE: PR:003 Identify the elements of the promotional mix

SOURCE: LAP-PR-001—Spread the Word (Nature of the Promotional Mix)

86. A

A select group of stations that reach special markets. Cable television stations have highly specific programming—ESPN for sports, CNN for news, and TNN for country music. These are not available on noncable television. Offering 24-hour programming is determined by a network or station, not by a cable system. Networks and stations also determine which programs are carried. Access to international events is not uniquely available on cable. Many noncable stations have access to the same events as are found on a cable system. Cable television does not necessarily have the most requested programs in any television market.

SOURCE: PR:007 Explain types of advertising media

SOURCE: LAP-PR-007—Ad-quipping Your Business (Types of Advertising Media)

87. A

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

SOURCE: PR:089 Explain the nature of direct marketing channels

SOURCE: Kalb, I. (2016, November 7). *Direct marketing: Perhaps the most effective way to do marketing on a budget*. Retrieved August 18, 2022, from [https://www.huffpost.com/entry/direct-marketing-perhaps\\_b\\_8502364](https://www.huffpost.com/entry/direct-marketing-perhaps_b_8502364)

88. C

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

SOURCE: PR:249 Identify communications channels used in sales promotion

SOURCE: Barton, Z. (2017, September 21). *The evolution of advergames: Top 3 examples of marketing in gaming*. Retrieved August 18, 2022, from <https://medium.com/@zbbarton0706/the-evolution-of-advergames-top-3-examples-of-marketing-in-gaming-3e688aad6884>

89. C

Public relations activities. Public relations is a function of business designed to establish good relations between the business and the public. One of the uses of public relations is to promote products and increase awareness of the products and of the business. To do this, businesses use a variety of public relations activities to communicate with the public and provide positive information. Creative thinking is thinking in a creative way, using the creative-thinking process. Marketing research is the systematic gathering, recording, and analyzing of data about problems relating to the marketing of goods and services. The purpose of cause-related advertising is to create awareness about social causes (e.g., poverty) rather than to promote products.

SOURCE: PR:252 Identify types of public-relations activities

SOURCE: Hayes, A. (2022, July 4). *Public relations (PR)*. Retrieved August 30, 2022, from <https://www.investopedia.com/terms/p/public-relations-pr.asp>

90. C

Quality control. Quality control is a process that weeds out defective products after they've been created. It is sometimes referred to as quality inspection. Quality assurance is an organization-wide system that businesses use to ensure that products meet quality standards; it includes quality control, but its scope is much bigger than just that. Quality improvement involves an organization's willingness to change and adapt for the purpose of maintaining quality. Quality command is not a common aspect of quality management.

SOURCE: QM:001 Explain the nature of quality management

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

91. D

Categorize. A risk management plan helps separate risks into categories, which helps them be properly organized and easier to manage. Risk management programs do not necessarily encourage, prevent, or process risk.

SOURCE: RM:045 Develop a risk management program

SOURCE: Shethna, J. (2022, August 6). *Project risk management plan*. Retrieved August 18, 2022, from <https://www.educba.com/project-risk-management-plan/>

92. D

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; risks 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 risks related to all aspects of an organization.

SOURCE: RM:062 Discuss the nature of enterprise risk management (ERM)

SOURCE: Hayes, A. (2021, June 2). *Enterprise risk management (ERM)*. Retrieved August 18, 2022, from <https://www.investopedia.com/terms/e/enterprise-risk-management.asp>

93. C

A pizza. Pizza is a tangible product because it can be detected by the senses. Tangible products can be touched, smelled, tasted, seen, or heard. An insurance policy, cooking lessons, and a haircut are all intangible products because they are services you could pay someone else to perform. You cannot detect intangible objects through the senses.

SOURCE: SE:017 Explain the nature and scope of the selling function

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

94. B

Showing favoritism. Ethics are the basic principles that govern a person's behavior. A manager who shows impartiality and has the ability to make judgments without showing favoritism or demonstrating self-interest is exhibiting fair and ethical behavior. In other words, the manager is able to use the same criteria to judge all employees rather than give special consideration to a few. Being emotional, feeling inferior, and expressing criticism usually do not impact the ability to behave ethically.

SOURCE: SM:002 Explain the nature of managerial ethics

SOURCE: Mintz, S. (2016, November 2). *Unethical employee behaviors in the workplace*. Retrieved August 22, 2022, from <https://www.workplaceethicsadvice.com/2016/11/unethical-employee-behaviors-in-the-workplace.html>

95. C

Business plan. A new business owner can evaluate the success of their business by comparing the business's performance against assumptions and forecasts contained in the company's business plan. Sales receipts help a company evaluate its actual business performance. A company's management plan is used to develop an overall approach to leading an organization. A mission statement is a philosophy or business principle that's used to develop a company's goals and business strategies.

SOURCE: SM:006 Track performance of business plan

SOURCE: McQuerry, L. (n.d.). *How to monitor & control your business plan*. Retrieved August 30, 2022, from <https://smallbusiness.chron.com/monitor-control-business-plan-41401.html>

96. D

Reduce operating expenses. Broad goals are general outcomes that a business hopes to achieve. Top management usually develops broad goals that a business plans to accomplish over a period of time. Reducing operating expenses is an example of a broad goal because it doesn't specify a certain percentage of decrease to achieve during a designated time period. Hiring an advertising agency, replacing damaged equipment, and conducting training programs are examples of specific objectives that businesses might set.

SOURCE: SM:008 Develop company goals/objectives

SOURCE: McKay, M. (n.d.). *The importance of setting goals for a business*. Retrieved August 19, 2022, from <https://smallbusiness.chron.com/importance-setting-goals-business-834.html>

97. C

What laws affect our advertising? This is a promotion-related question because advertising is a form of promotion. All businesses need to be familiar with the laws forbidding deceptive practices in advertising. Asking to whom we should offer discounts is a price-related question. Asking whether the product is aimed at a specific market is a product-related question. Asking what channels of distribution will be used is a place-related question.

SOURCE: SM:011 Explain external planning considerations

SOURCE: tutor2u. (2021, March 22). *External environment: Introduction (GCSE)*. Retrieved August 30, 2020, from <https://www.tutor2u.net/business/reference/external-environment-introduction>

98. A

Number of product returns. An organization's balanced scorecard should include multiple business goals and measures that can be used to assess progress toward those goals. If one of those goals is to increase customer satisfaction by 15%, an effective measure of progress toward that goal is the number of product returns. As the business increases its customers' satisfaction with its goods and services, the number of product returns should decrease—because satisfied customers are happy with their purchases and less likely to return or exchange the items. Although increased marketing efforts, more touchpoints, and less employee turnover may increase customer satisfaction, they are not effective measures of the resulting customer satisfaction.

SOURCE: SM:027 Identify and benchmark key performance indicators (e.g., dashboards, scorecards, etc.)

SOURCE: Twin, A. (2022, August 17). *What are KPIs?* Retrieved August 30, 2022, from <https://www.investopedia.com/terms/k/kpi.asp>

99. C

The ability to learn is essential for innovation. Organizations with a focus on learning are places where people expand their knowledge, develop new ways of thinking, and obtain new skills. Learning is essential for innovation, which is the creation or discovery of something new, such as a new product, strategy, or process. The ability to innovate is not necessarily essential for learning. Innovation is not stifled by continuous learning. Learning and innovation are not essentially the same.

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

SOURCE: Steelcase. (2017, November 14). *Creating the link between learning and innovation*. Retrieved August 18, 2022, from <https://www.steelcase.com/research/articles/creating-link-learning-innovation-learning-principles/>

100. A

Change management. ADKAR is a change management model that involves five key steps: building awareness of the reasons for change, fostering a desire to participate in the change, educating people about how to implement and adjust to the change, enabling people to actually execute the change, and reinforcing the change once it has been successfully implemented. ADKAR is not used in programmed thinking, which is a process used to solve problems and generate ideas in logical, analytical, organized ways. ADKAR is not typically used in project initiation or project management.

SOURCE: SM:095 Explain the nature of change management

SOURCE: Prosci. (n.d.). *The Prosci ADKAR model*. Retrieved August 18, 2022, from  
<https://www.prosci.com/methodology/adkar>