



Competency-Based  
Competitive Events  
\*Written Exam\*

2023 HS ICDC  
Booklet Number \_\_\_\_\_

# Finance Cluster Exam

ACT – Accounting Applications Series Event

BFS – Business Finance Series Event

FCE – Financial Consulting Event

FTDM – Financial Services Team Decision Making Event

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

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1. Marcus is one of the earliest investors for a new teeth-whitening kit. Since then, he has convinced several other people to invest in the kit, allowing him and other early backers to profit from their investments. What type of investment scam is this scenario describing?
  - A. Viatical investment scam
  - B. Boiler room
  - C. Ponzi scheme
  - D. Predatory lending
  
2. Which of the following statements about insider trading is true:
  - A. It is always legal.
  - B. It is always illegal.
  - C. Information traded is public.
  - D. It can result in fines or jail time.
  
3. Which of the following is something that may be subject to a luxury tax:
  - A. Flat-screen TV
  - B. Commercial plane ticket
  - C. Smart phone
  - D. Mansion
  
4. A compliance department typically has five areas of responsibility. Which are two of those areas?
  - A. Identification and prevention
  - B. Resolution and investigation
  - C. Monitoring/detection and discipline
  - D. Advisory and complexity
  
5. Mina has a \$3,000 investment held for four years in her savings account with 10% interest paid annually. What is the future value of her money?
  - A. \$5,100
  - B. \$3,500
  - C. \$4,200
  - D. \$3,400
  
6. Virtual audits are different than traditional audits in that virtual audits
  - A. must offer printed copies of data.
  - B. cannot be done remotely.
  - C. don't rely on technology.
  - D. involve sharing documents online.
  
7. Which of the following is an advantage of using a virtual audit:
  - A. Increased efficiency
  - B. Longer implementation time
  - C. Decreased flexibility
  - D. Lack of rapport

8. The letter of the law refers to the \_\_\_\_\_ of the law, while the spirit of the law refers to the \_\_\_\_\_ of the law.
- A. intent; literal meaning
  - B. enforcement; intent
  - C. literal meaning; intent
  - D. literal meaning; enforcement
9. When a business is looking to employ communication styles appropriate for its target audience, which of the following should it do:
- A. Research the needs of the target audience beforehand
  - B. Avoid changing the message, no matter the reaction
  - C. Prioritize business needs over the target audience's needs
  - D. Tailor messages to the general public rather than the target audience
10. Which of the following statements best represents the Cornell Method of note-taking:
- A. Notes are separated and organized into boxes.
  - B. Information is organized into several columns.
  - C. The page is divided into three or four sections.
  - D. Notes are divided into branches and connected with arrows.
11. Max, the editor of a business magazine, wants his team to start sending daily emails to their subscribers to keep them engaged with their content. What type of professional writing should Max and his team use?
- A. Newsletter
  - B. Report
  - C. Business letter
  - D. Agenda
12. Which of the following is a true statement about financial advisors:
- A. They only help clients with investing and budgeting.
  - B. They help clients execute trades in the market.
  - C. They meet with their clients once.
  - D. They can only help wealthy people.
13. When a customer-centric business constantly strives to align its objectives and activities with customer needs by stressing innovation and technology, it is engaging in
- A. customer experience management.
  - B. continuous improvement.
  - C. business process management.
  - D. organizational structure.
14. A company utilizes customer relationship management data to
- A. increase profits and expenses.
  - B. weed out unreliable customers.
  - C. be more like its competition.
  - D. better understand its customers.

15. With an effective customer strategy, a business can increase revenues by
- A. providing products and services customers want.
  - B. prioritizing new customers over existing customers.
  - C. helping sales staff close deals at a slower pace.
  - D. prioritizing existing customers over new customers.
16. Which of the following statements best represents a seller's market:
- A. There is low demand, high supply, and low prices.
  - B. There is high demand, low supply, and rising prices.
  - C. Producers produce less and consumers buy more.
  - D. It is the best time for consumers to buy.
17. There are two basic ways a business can increase profit—decreasing its expenses and increasing its sales. Which of the following is most likely to help a business increase its sales:
- A. Change what it provides
  - B. Increase worker efficiency
  - C. Eliminate some free services
  - D. Avoid extra payroll expenses
18. Which of the following is an advantage of unions for businesses:
- A. They increase costs and decrease control.
  - B. They help with the recruitment of new employees.
  - C. They lead to higher wages and better benefits.
  - D. They improve working conditions for employees.
19. Economic activities can be impacted by \_\_\_\_\_ changes like droughts, floods, and blizzards.
- A. psychological
  - B. political
  - C. climatic
  - D. demographic
20. Which of the following statements about resistance is accurate:
- A. Resistance can occur at any point in the change process.
  - B. Resistance shouldn't be addressed when implementing change.
  - C. Resistance is a bad thing when leading change.
  - D. Resistance can only occur after a change has been made.
21. Samantha wants to make a more conscious effort of setting goals for herself. Which of the following is a tip that could help her set smart goals:
- A. Not tying goals to a timetable
  - B. Writing down her goals
  - C. Keeping them vague and qualifiable
  - D. Making them easily attainable

22. As a team member, you find motivational techniques such as saying “thank you” and giving verbal praise especially effective because they

- A. guarantee you a promotion.
- B. encourage fierce competition.
- C. are at virtually no cost to you.
- D. make your group members laugh.

23. When a discussion becomes emotionally heated or the other person does not like what you say, you can use \_\_\_\_\_ to shift the power.

- A. BATNA
- B. deadlines
- C. alternative planning
- D. silence

24. Rather than doing them all himself, Sam asked a classmate to create a few of the slides for their group presentation. Sam recognized that he could not do everything himself and instead decided to

- A. prioritize.
- B. delegate.
- C. overcommit.
- D. divulge.

25. Which of the following are two guidelines for using power appropriately:

- A. Maintain perspective and show respect
- B. Avoid commitments and maintain perspective
- C. Show respect and hold onto power
- D. Hold onto power and avoid commitments

26. Which of the following is a reason why businesses offer credit:

- A. To diminish convenience
- B. To encourage customers to save
- C. To increase interest rates
- D. To be competitive

27. When looking at a personal budget, which of the following is an example of something that may be included as an expense:

- A. Interest payment in savings account
- B. Cash birthday gift
- C. Bi-weekly paycheck
- D. Rent and utilities

28. Lyla recently earned her doctorate and wants to meet with a financial advisor to map out her financial future. Which of the following steps should she do first:

- A. Determine what type of financial advisor she needs
- B. Understand how financial advisors are compensated
- C. Check for complaints about the financial advisor
- D. Make sure the financial advisor has reputable credentials

29. Which of the following best explains the overall purpose of accounting:
- A. To control finances by keeping accurate financial information
  - B. To reduce financial uncertainty and make accidental loss manageable
  - C. To help a business make the most money possible
  - D. To identify external opportunities and threats
30. Which of the following is a consequence of noncompliance in the financial industry:
- A. Improved communication
  - B. Audits and damaged reputation
  - C. Rule violation prevention
  - D. Protection from lawsuits
31. To calculate the future value of money, you need the present value, the length of time, and the
- A. interest rate.
  - B. wage.
  - C. utility.
  - D. bottom line.
32. Which of the following statements about financial statements is true:
- A. They don't include a cash flow statement.
  - B. They include a mission statement.
  - C. They communicate an entity's financial activities.
  - D. They are presented in an unstructured manner.
33. Which of the following is an external source of corporate information that can aid an organization in understanding securities:
- A. Sales reports
  - B. Customer records
  - C. Accounts receivable
  - D. Investment research firms
34. If you want to find out the greatest price at which a stock was traded over the last year, what part of the stock table would provide this information?
- A. 52-week high
  - B. Ask price
  - C. Dividend yield
  - D. 52-week low
35. When looking at a particular stock on a stock table, what information does the volume section provide?
- A. The ratio between the stock's price and the company's earnings
  - B. The lowest price of the stock in the last 52 weeks
  - C. The amount of shares of the stock that were traded in that day
  - D. The change in the stock's price from the previous day's closing price

36. Which of the following statements about commercial banks is true:

- A. They are only available online.
- B. They do not offer credit cards.
- C. They are owned and operated by members.
- D. They offer checking and savings accounts.

37. An insurance company is different from a bank in that an insurance company

- A. insures its customers against certain risks.
- B. accepts short-term deposits and makes long-term loans.
- C. is part of a centralized clearing and payment system.
- D. is not considered a financial institution.

38. Which of the following statements about the equity market is true:

- A. Equity investments typically involve less risk than debt securities.
- B. It is where investors and traders buy and sell stock.
- C. Stocks are the most common form of debt investment.
- D. It is where investors and traders buy and sell bonds.

39. Which of the following best represents what happens in the spot market:

- A. Creation and sale of new securities
- B. Trade of financial instruments for immediate delivery
- C. Delivery of an asset and funds at a future date
- D. Purchase and sale of loans

40. If a company is looking to consolidate, it will \_\_\_\_\_ its assets.

- A. combine
- B. destroy
- C. increase
- D. sell

41. Which of the following are two indicators of a recession:

- A. Sales rise and income falls
- B. Sales fall and production rises
- C. Production and employment fall
- D. Employment and income rise

42. After 10 years of working for the same company, Marco was recently laid off due to budget cuts. Since then, he has struggled to find a new job. Which of the following is a result of Marco being unemployed:

- A. Less disposable income for his family
- B. Greater contribution to the economy
- C. Less work for his former colleagues
- D. Greater purchasing power

43. Which of the following factors can lead an investor to develop a home bias:
- A. Fewer barriers to entry in foreign markets
  - B. Higher risk associated with international investing
  - C. Less availability of domestic investments
  - D. Better familiarity with foreign markets
44. Which of the following sentences about equity statements is true:
- A. Companies need to prepare them once a month.
  - B. Companies are not required to prepare them.
  - C. Using them typically increases a company's equity.
  - D. They report changes in a company's equity.
45. Which of the following is the formula used to calculate retained earnings:
- A. Beginning period retained earnings – Net income (or loss) + Net dividends
  - B. Beginning period retained earnings + Net income (or loss) – Net dividends
  - C. Capital expenditures + Net income (or loss) – Net dividends
  - D. Operating cash flow – Capital expenditures + Net income (or loss)
46. Which of the following is considered a direct cost:
- A. Raw materials
  - B. Rent
  - C. Office supplies
  - D. Utilities
47. A large corporation decides to close one of its branches. The previous costs of running that branch—including rent, utilities, and equipment—would all be considered \_\_\_\_\_ costs.
- A. appraisal
  - B. employment
  - C. avoidable
  - D. mixed
48. Which of the following statements about marginal analysis is true:
- A. Marginal cost is often equal to fixed costs.
  - B. The goal is for costs to outweigh benefits.
  - C. It is not necessary when looking to expand.
  - D. Companies use it to maximize profits.
49. The goal of marginal analysis should be to ensure that
- A. marginal revenue exceeds marginal cost.
  - B. opportunity cost equals marginal revenue.
  - C. marginal cost equals opportunity cost.
  - D. marginal cost exceeds marginal revenue.

50. As opposed to financial accountants, managerial accountants primarily
- A. hire externally.
  - B. report externally.
  - C. hire internally.
  - D. report internally.
51. Which of the following is most likely to impact a company's corporate governance:
- A. Suppliers
  - B. Board of directors
  - C. Global citizens
  - D. Auditors
52. Shemar is doing a quantitative study into the difference between planned and actual behavior. In other words, he is conducting a(n) \_\_\_\_\_ analysis.
- A. environmental
  - B. break-even
  - C. cash flow
  - D. variance
53. Cost accounting is an activity used mainly in \_\_\_\_\_ accounting.
- A. managerial
  - B. forensic
  - C. financial
  - D. electric
54. Companies that effectively allocate costs
- A. improve short-term and hurt long-term decision-making.
  - B. increase profits and expenses.
  - C. spread costs among departments.
  - D. determine one department to cover all costs.
55. Employee payroll is an example of a(n) \_\_\_\_\_ cost.
- A. direct
  - B. indirect
  - C. manufacturing
  - D. utility
56. Which of the following is an advantage for a company that implements a financial management information system:
- A. Decreased efficiency
  - B. Less capacity to plan
  - C. More inaccuracies
  - D. Better decision-making

57. Which of the following statements about accounting information systems is true:
- A. They typically avoid the use of internal controls.
  - B. They help a company's different departments work together.
  - C. They use software, but not hardware, to store and retrieve data.
  - D. They collect data to be used only by accountants.
58. Following ethical financial accounting practices often leads to
- A. receiving fines or sanctions.
  - B. maintaining public faith.
  - C. losing revenue.
  - D. pushing away investors.
59. A financial organization is most likely to have which of the following standards in its code of ethics:
- A. Share confidential information and data
  - B. Provide people with subjective information
  - C. Disclose positive and negative information
  - D. Welcome conflicts of interest
60. By reviewing an income statement to see how every line item compares to revenue, Anna conducted a \_\_\_\_\_ analysis.
- A. horizontal
  - B. vertical
  - C. break-even
  - D. SWOT
61. Which of the following statements about ethics and risk management is true:
- A. Ethical risk management starts at the bottom.
  - B. Ethical codes of conduct can support and go above and beyond legal compliance.
  - C. Only management must be concerned about promoting ethics in risk management.
  - D. It's helpful to reward unethical behavior.
62. By using a central data repository for financial information, companies receive
- A. up-to-date data.
  - B. slower responses to queries.
  - C. less predictability.
  - D. inconsistent data.
63. Just before the beginning of the year, Audrey is working with a management team to develop a budget forecasting the revenues and expenses expected for the coming year. What type of budget is Audrey's company using?
- A. Cash budget
  - B. Operating budget
  - C. Promotional budget
  - D. Long-term budget

64. Nathan develops a budget for his business and runs it past the different members of his management team. He wants to make sure they understand and agree with its details before implementation, because this will help the company coordinate its efforts to meet financial goals. This example demonstrates the importance of \_\_\_\_\_ in the development of an effective budget.
- A. rewards
  - B. accuracy
  - C. company-wide support
  - D. long-term motivation
65. Zach wants to better understand how his company compares to its competition. He intends to run financial analyses to compare the business practices and standards between firms in his industry. What strategy is Zach using?
- A. Smishing
  - B. Benchmarking
  - C. Forecasting
  - D. Exporting
66. Which of the following statements about the use of technology in financial analysis is true:
- A. Its use is declining within certain industries.
  - B. It is reserved for legal corporations.
  - C. It only supports outdated methodologies.
  - D. It helps inform and support decision-making.
67. Which of the following methodologies focuses most on eliminating waste to maximize value:
- A. Licensing
  - B. Six Sigma
  - C. Sustainability
  - D. Lean
68. A cell phone company is focusing its marketing efforts on communicating with customers and putting its products in an accessible location. What two marketing elements is the company prioritizing?
- A. Promotion and product
  - B. Promotion and place
  - C. Place and price
  - D. Price and product
69. Which of the following statements about creating a basic web page is true:
- A. Finding a host for the page isn't necessary.
  - B. You should learn basic HTML code.
  - C. You will not need a web editor.
  - D. Previewing your page is a waste of time.

70. If you want to explore a topic in depth through a group discussion, which of the following procedures for obtaining information would you use:

- A. Survey group
- B. Focus group
- C. Observation
- D. Interview

71. When ethics are part of information management,

- A. personal files can be corrupted.
- B. personal privacy can be invaded.
- C. piracy is more likely.
- D. information is better protected.

72. Data normalization involves creating a(n) \_\_\_\_\_ for all data within an organization.

- A. anomaly set
- B. search query
- C. group command
- D. standard format

73. Brody uses Benford's Law when reviewing a financial statement because it helps

- A. predict financial performance.
- B. locate the break-even point.
- C. detect the possibility of fraud.
- D. disseminate information.

74. If there is an accident in the workplace, in what time frame should a manager complete an initial incident report?

- A. 3 weeks
- B. 24 hours
- C. 10 days
- D. 1 week

75. Phil typically works at his office from 9 a.m. to 5 p.m. Although he is a valuable member of his team, he spends at least 1 hour of every workday playing games on his phone. When he records his time, he consistently logs 8 hours, even though he typically only works 7. Phil is guilty of

- A. time theft.
- B. impartiality.
- C. misusing company equipment.
- D. unethical inventory management.

76. During a one-on-one meeting with his boss, Joe learned important information about a high-profile client. His boss asked him not to share the information with anyone so it would remain

- A. on the record.
- B. public.
- C. confidential.
- D. personal.

77. Russell, the manager of a department store, is known for his organization skills and has a habit of planning projects. Russell tends to set smaller project goals for his team members that contribute to the long-term goals of the project. As a result, his team is very organized and works diligently to achieve these short-term goals. This is an example of how planning is
- A. influenced by the potential risks.
  - B. impacted by the project's leadership.
  - C. emphasized by the political environment.
  - D. affected by the project's budget.
78. Two of Toby's close friends get into a fight. Toby doesn't want to get involved, but both friends are demanding that he hear their perspective and resolve the matter. This is an example of a \_\_\_\_\_ problem.
- A. school
  - B. work
  - C. peer
  - D. personal
79. A claims adjuster is most likely to work within which of the following areas of the finance industry:
- A. Securities and investments
  - B. Corporate finance
  - C. Insurance
  - D. Banking services
80. Which of the following job tasks is most likely to fall within the finance industry:
- A. Investigating fraud
  - B. Advertising products
  - C. Planning a vacation
  - D. Growing a business
81. Which of the following statements about professional associations in the finance industry is true:
- A. The financial services industry only has national associations.
  - B. Financial advisors are required to join a professional association.
  - C. Professional associations are uniform in cost, size, and history.
  - D. Joining a professional association can help with networking.
82. Which of the following policies encourages a healthy work-life balance for employees:
- A. No paid leave rollover
  - B. Restrictive maternity leave
  - C. A flexible work schedule
  - D. Working weekends
83. Corporate governance is important because it
- A. often results in scandals and bankruptcy.
  - B. produces noncompliant financial documents.
  - C. balances the interests of different stakeholders.
  - D. makes it difficult to oust ineffective leaders.

84. A possible consequence of poorly-executed corporate governance is
- A. limited profitability.
  - B. increased ethics.
  - C. decreased risk.
  - D. greater payroll.
85. Generally, a company's board of directors makes decisions on behalf of the company as a(n)
- A. president.
  - B. actuary.
  - C. fiduciary.
  - D. consumer.
86. A company's board of directors frequently provides timely, accurate, and clear information about the business's anticipated risks and financial performance. What ethical principle is demonstrated in this example?
- A. Fairness
  - B. Respect
  - C. Accountability
  - D. Transparency
87. What is a benefit of setting organizational goals?
- A. It is easier to assess organizational progress.
  - B. Organizations will be unable to make changes.
  - C. There is no need for channel management.
  - D. Organizations will have fewer expenses.
88. How do employees benefit from being involved in achieving governance objectives?
- A. Increased job satisfaction
  - B. Reduced communication
  - C. Limited union support
  - D. Greater profits
89. A company budgeted \$20,000 for its monthly sales, but only earned \$16,000 by the end of the month. When conducting a variance analysis, what is the variance in this situation?
- A. \$4,000
  - B. \$36,000
  - C. \$16,000
  - D. \$20,000
90. Many companies aim for excellent corporate governance, because for many stakeholders, it is often not enough for a company to simply be profitable. The company must also
- A. appoint government officers.
  - B. facilitate the lowering of capital.
  - C. demonstrate social responsibility.
  - D. increase the chance of corruption.

91. Lyudmila's company uses the McKinsey 7-S model for its strategic planning because it helps the company identify where it excels and where it needs improvement. Which of the following S-components would most likely assess the company's management functions:

- A. Skills
- B. Shared values
- C. Strategy
- D. Structure

92. Corporate governance can greatly impact company decision-making because governance processes act as \_\_\_\_\_ reaching company goals.

- A. a framework for
- B. stakeholders
- C. brainstorming before
- D. a bulwark against

93. Lena is deciding whether to purchase flood insurance for her company. On one hand, she is putting the company and its employees at risk if there is no insurance. On the other hand, the insurance is costly and isn't technically required by law. This is an example of a(n) \_\_\_\_\_ issue in risk management.

- A. political
- B. financial
- C. technological
- D. ethical

94. Emi wants to better understand her company's financial performance over several years. To best compare historical data over a number of accounting periods, Emi should use \_\_\_\_\_ analysis.

- A. break-even
- B. horizontal
- C. SWOT
- D. vertical

95. Which of the following helps businesses predict risk for a given strategy or initiative:

- A. Risk checklist
- B. Retroactive risk
- C. Risk tolerance
- D. Risk model

96. Which of the following is a possible legal result of effective risk management:

- A. Decreased compliance with laws
- B. Increased workplace safety
- C. Reduced liability exposure
- D. Improved operational efficiency

97. Which of the following is an example of external risk:

- A. Ineffective leadership
- B. Union strikes
- C. Changes in import laws
- D. Outdated technology

98. Which of the following is an example of internal risk:

- A. Changes in export laws
- B. An economic downturn
- C. Injured employees
- D. An earthquake

99. Which of the following is the best way to describe enterprise risk management:

- A. Traditional strategy
- B. Bottom-up approach
- C. Divisive approach
- D. Firmwide strategy

100. A company implementing enterprise risk management has placed a keypad at the entry of a sensitive area as an internal control measure. This is an example of \_\_\_\_\_ control.

- A. quality
- B. preventative
- C. self
- D. detective

## 1. C

Ponzi scheme. A Ponzi scheme is an investment scam that lures in new investors by promising high rates of return with little to no risk. In a Ponzi scheme, high rates of returns are paid to initial investors out of funds from later investors. Because Marcus and other early backers are profiting from investments made by new backers, this scenario is an example of a Ponzi scheme. Predatory lending is when lenders pressure a consumer into signing loan agreements that aren't in the consumer's best interest. A viatical investment scam is when companies convince investors to buy interests in the death benefits provided for in life insurance policies of terminally ill patients. Boiler rooms are high-pressure sales tactics (cold calls, fast talking, etc.) used in an effort to persuade investors to purchase securities.

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

SOURCE: New York State Office of the Attorney General. (n.d.). *Common investment scams*. Retrieved December 27, 2022, from <https://ag.ny.gov/investor-protection/common-investment-scams>

## 2. D

It can result in fines or jail time. Insider trading is when a company's owners, directors, key management, or employees trade its stock or other securities with non-public, material information about the company. Insider trading can be legal or illegal. It is illegal when trading information that is not disclosed to the public. This can result in fines or even jail time. Insider trading is legal as long as it conforms to established rules and regulations, meaning that it reports the trade to the necessary agency in a timely manner, thus making the non-public information public. For example, in the United States, companies must report trades to the Securities and Exchange Commission.

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

SOURCE: Ganti, A. (2022, March 7). *What is insider trading, and when is it legal?* Retrieved December 27, 2022, from <https://www.investopedia.com/terms/i/insidertrading.asp>

## 3. D

Mansion. Luxury tax is a sales tax or transfer tax that is only imposed on specific goods. Products that are luxury taxed are considered non-essential or affordable only to the wealthiest consumers. A mansion is something that may be subject to a luxury tax, as it is considered non-essential and is typically only affordable to wealthy people. A commercial plane ticket, a smart phone, and a flat-screen TV are items that are often affordable to people in varying socioeconomic classes. As a result, these items would not be subject to a luxury tax.

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

SOURCE: Kagan, J. (2022, July 19). *What is a luxury tax? Definition, how it works, and example*. Retrieved December 27, 2022, from [https://www.investopedia.com/terms/l/luxury\\_tax.asp](https://www.investopedia.com/terms/l/luxury_tax.asp)

## 4. A

Identification and prevention. Compliance is fulfilling the requirements of the law. A compliance department ensures that a business or organization adheres to external rules and internal controls. In addition, it identifies risks that the business may face and advises it how to address or avoid them. A compliance department typically has five areas of responsibility—identification, prevention, monitoring and detection, resolution, and advisory. Industry regulators authorize and supervise compliance through investigation, but investigation is not an area of responsibility of a compliance department. These industry regulators determine risk within an organization by considering factors such as complexity, diversity, volume, and scale, among others. Discipline is not an area of responsibility for a compliance department.

SOURCE: BL:148 Discuss the nature and scope of compliance in the finance industry

SOURCE: Hargrave, M. (2022, October 31). *Compliance department: Definition, role, and duties*. Retrieved December 27, 2022, from <https://www.investopedia.com/terms/c/compliancedepartment.asp>

## 5. C

\$4,200. Future value refers to the value of a current asset at some point in the future. The formula for future value is: Future value = Investment amount X (1 + [Interest rate X Number of years]). In this scenario, the investment amount is \$3,000, the interest rate is 10% (or 0.10), and the number of years is four. When inserted into the formula, you get: Future value = \$3,000 X (1 + (0.10 X 4)) = \$3,000 X (1 + 0.4) = \$3,000 X 1.4 = \$4,200.

SOURCE: FI:238 Calculate the time value of money

SOURCE: Chen, J. (2022, December 30). *Future value: Definition, formula, how to calculate, example, and uses*. Retrieved January 9, 2023, from <https://www.investopedia.com/terms/f/futurevalue.asp>

## 6. D

Involve sharing documents online. An audit is the process by which an organization's accounts and records are verified. Virtual audits have the same goal as a traditional audit; however, virtual audits occur via virtual means rather than in person. Because virtual audits typically occur online, businesses or organizations must share the necessary documents with the auditor(s) via the internet, allowing the auditors to access them. Because auditors will have digital access to the data and documents, they do not need printed copies. Virtual audits can be done remotely, and they rely on technology.

SOURCE: BL:149 Describe the use of technology in compliance

SOURCE: Stefan, A. (2021, December 2). *What is a virtual audit and how are they done? An in-depth look*. Retrieved December 27, 2022, from <https://floqast.com/blog/what-is-a-virtual-audit-and-how-are-they-done>

## 7. A

Increased efficiency. An audit is the process by which an organization's accounts and records are verified. Virtual audits have the same goal as a traditional audit; however, virtual audits occur via virtual means rather than in person. When it comes to compliance, there are several advantages of using a virtual audit, including increased efficiency and flexibility, as well as better alignment with remote work. Lack of rapport and longer implementation time are both potential disadvantages of virtual audits.

SOURCE: BL:149 Describe the use of technology in compliance

SOURCE: Stefan, A. (2021, December 2). *What is a virtual audit and how are they done? An in-depth look*. Retrieved December 27, 2022, from <https://floqast.com/blog/what-is-a-virtual-audit-and-how-are-they-done>

## 8. C

Literal meaning; intent. The letter of the law refers to the literal meaning of a law, as it is written, word for word. However, the spirit of the law refers to the intent of the law. It is the social and moral consensus of how to interpret the law. The spirit of the law might go beyond the exact wording. Regulations are standards and rules that dictate how laws will be enforced.

SOURCE: BL:163 Comply with the spirit and intent of laws and regulations

SOURCE: LAP-BL-163—Laying Down the Law (Complying With the Spirit and Intent of Laws and Regulations)

## 9. A

Research the needs of the target audience beforehand. When a business is looking to employ communication styles appropriate for its target audience, it is important to research the needs of its target audience beforehand. By knowing the target audience and its needs, a business can tailor its messages accordingly. The business should prioritize the target audience's needs over its own when looking to employ communication styles appropriate for its target audience. Businesses should be willing to change and adapt their message if the target audience does not have the intended reaction. When trying to reach the target audience, businesses should avoid tailoring their message to the general public, as it will be broader in nature. Businesses shouldn't be afraid to be specific with their messages to their target audience.

SOURCE: CO:084 Employ communication styles appropriate to target audience

SOURCE: Lewis, J. (n.d.). *Tips on knowing your target audience when communicating within an organization*. Retrieved September 9, 2022, from <https://smallbusiness.chron.com/tips-knowing-target-audience-communicating-within-organization-36023.html>

## 10. C

The page is divided into three or four sections. The Cornell Method of note-taking is unique from other methods due to the page layout. The page is divided into three or four sections. One section is an optional row at the top for the title and date, while another section is a row at the bottom used as a summary. There are two columns in the center, one on the left that is about 30% width of the middle space, and one on the right that is about 70%. The right column is used for the main notes, while the left column is used for keywords and questions. The boxing method of note-taking separates and organizes notes into boxes. The charting method organizes information into several columns. The mapping method divides notes into branches and connects them with arrows.

SOURCE: CO:085 Utilize note-taking strategies

SOURCE: GoodNotes. (2018, May 9). *The best note-taking methods*. Retrieved September 12, 2022, from <https://medium.goodnotes.com/the-best-note-taking-methods-for-college-students-451f412e264e>

## 11. A

Newsletter. Newsletters are messages that provide information of interest to particular groups. Newsletters are often sent via email and aim to keep customers/subscribers engaged with a business, its happenings, and its content. A report is a document that archives and communicates information. A business letter is a letter from one company to another, typically used to convey company information. An agenda is a list of items to be discussed in a formal meeting.

SOURCE: CO:088 Select and utilize appropriate formats for professional writing

SOURCE: Outranking. (2021, December 30). *Types of professional writing: From fiction to memos*. Retrieved September 12, 2022, from <https://www.outranking.io/types-of-professional-writing>

## 12. B

They help clients execute trades in the market. A financial advisor helps their clients make decisions about what to do with their money. This includes helping to execute trades in the market, constructing personalized financial plans, and offering advice for saving, budgeting, investing, and tax strategies. Financial advisors can help anyone with their financials, not just wealthy people. Financial advisors don't just meet with their clients once; rather, they check in with clients on a regular basis. Financial advisors aren't limited to helping clients with just investing and budgeting.

SOURCE: CR:012 Explain the responsibilities of finance professionals in providing client services

SOURCE: Fontinelle, A. (2022, November 23). *What does a financial advisor do?* Retrieved December 29, 2022, from <https://www.investopedia.com/articles/personal-finance/050815/what-do-financial-advisers-do.asp>

## 13. C

Business process management. When a customer-centric business constantly strives to align its objectives and activities with customer needs by stressing innovation and technology, it is engaging in business process management. Continuous improvement refers to continuously evaluating business processes to make them more efficient and effective. A business's organizational structure refers to its configuration of employees for accomplishing specific business tasks. Customer experience management includes the strategies, processes, and policies a business uses to meet or exceed customer expectations and to provide customers with outstanding experiences at every touchpoint.

SOURCE: CR:016 Discuss the nature of customer relationship management

SOURCE: LAP-CR-016—Know When to Hold 'Em (Nature of Customer Relationship Management)

## 14. D

Better understand its customers. Customer relationship management (CRM) refers to the strategies, processes, technology, and people a business uses to build, maintain, and maximize the long-term value of customer relationships. A strong CRM strategy uses several pieces of information about customers and market trends to help the company better market and sell their products and services while meeting customers' needs. Essentially, CRM helps companies to better understand their customers. Rather than weeding out unreliable customers, data from CRM will help a company better understand its customers so that it can meet their needs. A company will not use the data from a CRM to be more like its competition. While a company may implement CRM strategies to increase profits, it will typically not look to increase its expenses.

SOURCE: CR:024 Use Customer Relationship Management (CRM) technology

SOURCE: Fruhlinger, J., & Wailgum, T. (2018, August 13). *What is CRM? Software for managing customer data*. Retrieved December 29, 2022, from <https://www.cio.com/article/272365/customer-relationship-management-crm-definition-and-solutions.html>

## 15. A

Providing products and services customers want. Customer relationship management (CRM) refers to the strategies, processes, technology, and people a business uses to build, maintain, and maximize the long-term value of customer relationships. A strong CRM strategy uses several pieces of information about customers and market trends to help the company better market and sell their products and services while meeting customers' needs. An effective CRM strategy can increase a business's revenues because CRM helps businesses identify customers' needs, thus making it easier to provide products and services that are exactly what customers want. CRM strategies can help businesses retain their existing customers and discover new ones, not prioritize one group over the other. CRM can help businesses increase revenues by helping its sales staff close deals faster, not slower.

SOURCE: CR:024 Use Customer Relationship Management (CRM) technology

SOURCE: Fruhlinger, J., & Wailgum, T. (2018, August 13). *What is CRM? Software for managing customer data*. Retrieved December 29, 2022, from <https://www.cio.com/article/272365/customer-relationship-management-crm-definition-and-solutions.html>

## 16. B

There is high demand, low supply, and rising prices. A seller's market is the result of excess demand and is the best time for producers to sell. A seller's market is characterized by large demand, small supply, and high prices. In times of excess demand, consumers are willing to pay more to get what they want, so prices increase. Producers respond to higher prices by increasing the supply. Excess demand is eliminated when the price reaches a point where the quantity that consumers will buy is equal to the quantity that producers have to sell. A buyer's market is the best time for consumers to buy and is characterized by low demand, high supply, and low prices. In a buyer's market, consumers will buy more (and eliminate the excess) as the prices go down, but producers will produce less.

SOURCE: EC:006 Describe the functions of prices in markets

SOURCE: LAP-EC-906—When More Is Less (Functions of Prices)

17. A

Change what it provides. By changing what it provides, a business can increase its sales. For example, providing a different flavor of milkshake or a new style of clothing can attract new or additional buyers. Increasing worker efficiency, eliminating some free services, and avoiding extra payroll expenses are all ways a business can decrease its expenses.

SOURCE: EC:010 Identify factors affecting a business's profit

SOURCE: LAP-EC-910—Risk Rewarded (Factors Affecting Profit)

18. B

They help with the recruitment of new employees. Although workers and employees tend to benefit from unionism more than businesses do, there are some advantages for businesses. One of these advantages is that unions help businesses with the recruitment of new employees. The security of a labor contract is also an advantage for businesses. Higher wages, better benefits, and improved working conditions for employees are all advantages for workers, not businesses. Increased costs and decreased control are disadvantages of unionism for businesses, not advantages.

SOURCE: EC:015 Explain the concept of organized labor and business

SOURCE: LAP-EC-915—Get United (Organized Labor)

19. C

Climatic. Climatic changes can impact economic activities, especially agriculture and construction. Droughts, floods, and blizzards can affect many economic activities. While economic activities can be impacted by political, demographic, and psychological changes, they are not necessarily related to droughts, floods, or blizzards.

SOURCE: EC:018 Determine the impact of business cycles on business activities

SOURCE: LAP-EC-918—Boom or Bust (Impact of Business Cycles)

20. A

Resistance can occur at any point in the change process. You will almost always face some type of resistance when leading change, and dealing with it is an important skill to develop. Although addressing resistance to the change is the fourth step in the process of leading change, resistance can occur at any point in the change process. You need to be ready to address resistance at any time, not just after a change has been made. Resistance is not always a bad thing, as it can help you build a stronger case for the change or iron out any kinks in your plan. Resistance should be addressed when implementing change, as doing it properly means that you help the resistant people overcome whatever is holding them back from being committed to the change.

SOURCE: EI:005 Lead change

SOURCE: LAP-EI-005—Start the Revolution (Leading Change)

21. B

Writing down her goals. One tip that could help Samantha set smart goals is by writing them down. Seeing your goals written out every day makes them much harder to forget about. Writing goals down has a tendency to make them feel more solid and real, giving you greater motivation to work toward them. In addition, crossing a goal off once you've achieved it can be a great feeling. Goals should not be easily attainable; rather, they should be difficult but possible. Goals should be specific and quantitative, not vague and qualifiable. Goals should be tied to a timetable.

SOURCE: EI:027 Develop an achievement orientation

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

## 22. C

Are at virtually no cost to you. Saying “thank you” and giving verbal praise are examples of motivational techniques that are effective ways to boost morale and productivity at no cost to you. Motivating your peers or coworkers does not necessarily guarantee a promotion, nor does it guarantee laughter, because the primary goal is to inspire others and encourage productivity among the group. Rather than encourage competition, these techniques should promote a friendly atmosphere where people are encouraged to try their best.

SOURCE: EI:059 Motivate team members

SOURCE: LAP-EI-059 —Raise Them Up (Motivating Others)

## 23. D

Silence. When the discussion becomes emotionally heated or the other person does not like what you say, you can use silence to shift the power. When a conversation grows heated, deadlines will likely increase the tension. Alternative planning is a strategy for expecting the unexpected, which would not necessarily work best in this scenario. BATNA is best alternative to a negotiated agreement, and presenting your walk away point during a heated conversation can also increase tension.

SOURCE: EI:062 Demonstrate negotiation skills

SOURCE: LAP-EI-062—Make It a Win-Win (Negotiation in Business)

## 24. B

Delegate. Delegating is the act of assigning your tasks and work to other people, usually subordinates. Delegating is important because one person cannot do everything alone. It is a great solution when you have overcommitted yourself or when you are struggling to meet deadlines. Overcommitting means committing to more than what is possible, necessary, or desirable. Prioritizing means determining the order for completion of activities based on their importance. To divulge means to reveal or make known to others.

SOURCE: EI:077 Manage commitments in a timely manner

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

## 25. A

Maintain perspective and show respect. There are many techniques for using power appropriately and effectively. To avoid abusing their power, leaders should maintain perspective, communicate effectively, and show respect. Leaders should also share power (not hold onto it) and follow through on (rather than avoid) commitments.

SOURCE: EI:135 Use power appropriately

SOURCE: LAP-EI-135—Power Play (Using Power Appropriately)

## 26. D

To be competitive. There are several very important reasons for businesses to offer credit, and among those reasons is to be competitive. Businesses must compete with each other for scarce customer dollars. If two businesses offer similar products, one of those businesses may decide to offer credit as an added attraction. Being able to buy now and pay later is often the deciding factor in the customer's choice of which company to do business with. Other reasons businesses offer credit are to gain new customers, to encourage customers to buy, to foster customer loyalty, and to use as a marketing-information tool. Increasing interest rates and diminishing convenience are not reasons why businesses offer credit. Interest rates are costs that businesses and individuals pay for using credit. Businesses offer credit because it is convenient for consumers.

SOURCE: FI:002 Explain the purposes and importance of credit

SOURCE: LAP-FI-002—Give Credit Where Credit Is Due (Credit and Its Importance)

27. D

Rent and utilities. A budget is an estimate of income and expenses for a specific period of time. Income is money received by a business or an individual from outside sources, while an expense is money that a business or individual spends. Rent and utilities are money that a business or individual spends. Bi-weekly paychecks, interest payments in savings accounts, and a cash birthday gift are all examples of potential incomes that could be included on a budget.

SOURCE: FI:066 Develop personal budget

SOURCE: Ganti, A. (2022, May 27). *Budget definition: Corporate & personal budgets*. Retrieved September 12, 2022, from <https://www.investopedia.com/terms/b/budget.asp>

28. A

Determine what type of financial advisor she needs. Before she starts researching individual financial advisors, Lyla needs to determine what type of financial advisor she needs. There are many types of financial advisors that have different focuses—financial planning services, investments, retirement income planning, wealth accumulation, etc. To find the best financial advisor, Lyla needs to know what type of financial advice she needs and what services a potential advisor provides. Once she determines the type of financial advisor she needs, she can focus on finding an advisor with reputable credentials, understand how they are compensated, ask questions, check for complaints, learn how to spot fraud risks, and verify credentials, among other things.

SOURCE: FI:076 Discuss considerations in selecting a financial-services provider

SOURCE: Anspach, D. (2022, May 28). *7 steps for finding the best financial advisor*. Retrieved September 12, 2022, from <https://www.thebalancemoney.com/how-to-find-the-best-financial-advisor-in-7-easy-steps-4032070>

29. A

To control finances by keeping accurate financial information. Accounting is the process of keeping financial records. Businesses cannot be successful and make good financial decisions unless they maintain control of their money. That's the overall purpose of accounting—to control finances by keeping accurate financial information. Although accounting tracks a business's performance and helps it plan for the future, its overall purpose isn't necessarily to help a business make the most money possible. Identifying external opportunities and threats is the purpose of environmental scanning—collecting information about the environment surrounding your business. Reducing financial uncertainty and making accidental loss manageable is the purpose of insurance—a contractual agreement in which one company (insurer) will pay for specified losses incurred by the other company (insured) in return for installment payments (premium).

SOURCE: FI:085 Explain the concept of accounting

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

30. B

Audits and damaged reputation. Noncompliance refers to when a business or organization fails to fulfill its compliance requirements and responsibilities. There are several consequences a business may face for noncompliance, including audits, damaged reputation, financial penalties, suspension or termination of the business, and even imprisonment. A company that is guilty of noncompliance is susceptible to audits, which will draw closer inspection of a business's processes and financials. In addition, noncompliance can hurt customer and investor confidence and can make lenders wary of providing financing to the business, all of which can hurt the business's reputation. Rule violation prevention, protection from lawsuits, and improved communication are benefits of compliance in the finance industry.

SOURCE: BL:148 Discuss the nature and scope of compliance in the finance industry

SOURCE: Akalp, N. (2019, December 26). *The consequences of noncompliance in business*. Retrieved December 27, 2022, from <https://www.corpnet.com/blog/the-consequences-of-noncompliance-in-business>

31. A

Interest rate. The future value of money is calculated by the equation  $FV = PV \times (1 + i)^n$  where "FV" is future value, "PV" is present value, "i" is the interest rate, and "n" is the period of time. The bottom line is the net income of a business or the net result of a project or event. Utility and wage are business terms that are not relevant to the calculation of the time value of money.

SOURCE: FI:238 Calculate the time value of money

SOURCE: Carther Heyford, S. (2022, May 23). *Understanding the time value of money*. Retrieved January 10, 2023, from <https://www.investopedia.com/articles/03/082703.asp>

32. C

They communicate an entity's financial activities. A financial statement is a summary of accounting information. A key component of accounting, financial statements are essentially records that show a business's financial activities. Financial statements are presented in a structured manner, with conventions accepted by regulatory and accounting personnel. A financial statement typically includes four components: a balance sheet, an income statement, a cash flow statement, and a statement of changes in equity. They do not include a mission statement.

SOURCE: FI:274 Describe sources of securities information

SOURCE: Course Hero. (2023). *Introducing financial statements*. Retrieved January 4, 2023, from <https://www.coursehero.com/study-guides/boundless-finance/introducing-financial-statements>

33. D

Investment research firms. In financial terms, a security is a fungible and negotiable financial instrument that has monetary value of some sort. External sources of corporate information that can aid an organization in understanding securities include investment research firms, analysts, news sources, and magazines. Sales reports, customer records, and accounts receivable (the payments a business receives) are all examples of an organization's internal data.

SOURCE: FI:274 Describe sources of securities information

SOURCE: Milano, S. (n.d.). *Internal sources of finance that a firm can utilize*. Retrieved January 4, 2023, from <https://smallbusiness.chron.com/internal-sources-finance-firm-can-utilize-74895.html>

34. A

52-week high. If you want to find out the highest price at which a stock was traded over the last year, you will need to look at the 52-week high, which is the highest price at which a stock has traded over the last 52 weeks. The 52-week low is the lowest price at which a stock has traded over the previous 52 weeks. The dividend yield is the percentage paid out per share on an annual basis relative to the share price. The ask price refers to the price a seller is willing to accept for a security.

SOURCE: FI:275 Interpret securities table

SOURCE: Desjardins Online Brokerage. (n.d.). *How to read a stock table/quote*. Retrieved January 5, 2023, from <https://www.desnat.com/en/learning/trading-basics/stock-basics/how-to-read-a-stock-tablequote>

35. C

The amount of shares of the stock that were traded in that day. The volume section of a stock table refers to the amount of shares of the stock that were traded in that day. For example, if only 75 shares are traded in a day, the trading volume is 75. The lowest price of the stock in the last 52 weeks is the 52-week low. The ratio between the stock's price and the company's earnings is the price-to-earnings ratio. The change in the stock's price from the previous day's closing price is the net change.

SOURCE: FI:275 Interpret securities table

SOURCE: Dummies. (2021, July 1). *How to read a stock table*. Retrieved January 5, 2023, from <https://www.dummies.com/article/business-careers-money/personal-finance/investing/investment-vehicles/stocks/how-to-read-a-stock-table-198363>

36. D

They offer checking and savings accounts. A commercial bank is a full-service bank offering a variety of banking services including checking and savings accounts, secured and unsecured loans, installment credit, and bank credit cards. Commercial banks typically offer online banking options for their consumers, but they are not limited to online banking. Internet banks are banks that offer the same products and services as conventional banks, but they do so through online platforms rather than brick-and-mortar locations. A credit union is created, owned, and operated by its members.

SOURCE: FI:336 Describe the role of financial institutions

SOURCE: Horton, M. (2021, April 29). *What are the 9 major types of financial institutions?* Retrieved January 3, 2023, from <https://www.investopedia.com/ask/answers/061615/what-are-major-categories-financial-institutions-and-what-are-their-primary-roles.asp>

37. A

Insures its customers against certain risks. An insurance company is a financial institution that insures its customers against certain risks. In return for the insurance of these risks, such as a car accident or house fire, their customers pay regular insurance premiums. Banks and insurance companies are both considered financial institutions. Banks, not insurance companies, accept short-term deposits and make long-term loans. Banks are part of a centralized clearing and payment system, whereas insurance companies are not.

SOURCE: FI:336 Describe the role of financial institutions

SOURCE: Thangavelu, P. (2021, June 19). *Insurance companies vs. banks: What's the difference?* Retrieved January 3, 2023, from <https://www.investopedia.com/articles/personal-finance/070715/insurance-companies-vs-banks-separate-and-not-equal.asp>

38. B

It is where investors and traders buy and sell stock. The equity market, also known as the stock market, is the market in which stocks are bought and sold. The debt market, also known as the bond market, is where investors and traders buy and sell bonds. Equity investments typically involve more risk than debt securities, as the equity market is viewed as inherently risky while having potential to lead to a high return on other investments. Bonds, rather than stocks, are the most common form of debt investment.

SOURCE: FI:337 Explain types of financial markets (e.g., money market, capital market, insurance market, commodities markets, etc.)

SOURCE: Maverick, J.B. (2021, December 13). *Debt market vs. equity market: What are the differences?* Retrieved January 3, 2023, from <https://www.investopedia.com/ask/answers/071415/what-are-differences-between-debt-and-equity-markets.asp>

39. B

Trade of financial instruments for immediate delivery. The spot market is where financial instruments are traded for immediate delivery. Financial instruments can include commodities, securities, and currencies. A futures market is based on the delivery of an asset and funds at a future date. A primary market is where securities are created, while a secondary market is where those securities are traded by investors. The debt market, also known as the bond market, is where investors and traders buy and sell bonds.

SOURCE: FI:337 Explain types of financial markets (e.g., money market, capital market, insurance market, commodities markets, etc.)

SOURCE: Smith, T. (2021, September 29). *Spot market: Definition, how they work, and example.* Retrieved January 3, 2023, from <https://www.investopedia.com/terms/s/spotmarket.asp>

40. A

Combine. Consolidation refers to combining the assets, liabilities, and other financial items of two or more entities into one. In financial accounting, consolidation refers to the combining of financial statements of more than one company for a parent company's report. Increasing, destroying, and selling assets is not the goal of consolidation.

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

SOURCE: Kenton, W. (2020, November 27). *Consolidate: What it means in business and finance*. Retrieved January 4, 2023, from <https://www.investopedia.com/terms/c/consolidate.asp>

41. C

Production and employment fall. Business cycles are periods of expansion and contraction (or recession) in economic activities. A recession is a state of economic decline, which sees production, employment, income, and sales fall. A recession begins when an expansion peaks (or ends). A recession ends at the end of the trough of the business cycle, where the next expansion begins. An expansion is characterized by increased spending and borrowing, increased demand for goods and services, increased employment rates, and decreased interest rates on loans. This all leads to rises in production, employment, income, and sales.

SOURCE: FI:574 Describe the relationship between economic conditions and financial markets

SOURCE: Achuthan, L. (2022, June 15). *Business cycle: What it is, how to measure it, the 4 phases*. Retrieved January 4, 2023, from <https://www.investopedia.com/terms/b/businesscycle.asp>

42. A

Less disposable income for his family. The unemployment rate is the percentage of the labor pool that is currently seeking but unable to find work. When workers are unemployed, they and their families lose wages and, thus, have less disposable income. As a result of decreased disposable income, the overall economy loses contribution to the economy in terms of goods and services that could have been purchased. Unemployed workers also have less purchasing power—the financial ability to buy products and services—due to not having a reliable source of income. When a company lays off an employee, the workers that remain with the company typically will have to make up for the work that was previously done by the laid off employee.

SOURCE: FI:574 Describe the relationship between economic conditions and financial markets

SOURCE: Picardo, E. (2022, March 23). *How the unemployment rate affects everybody*. Retrieved January 4, 2023, from <https://www.investopedia.com/articles/economics/10/unemployment-rate-get-real.asp>

43. B

Higher risk associated with international investing. Home bias refers to an investor's preference to invest mainly in domestic equities while ignoring the benefits of diversifying into foreign equities. There are several factors that can lead an investor to favor domestic investments. One of these factors is that there is higher risk associated with international investing. This is because investors with home bias tend to stick with investments with which they're familiar and comfortable. Other factors that can lead an investor to develop a home bias include greater availability of domestic investments, unfamiliarity with foreign markets, lack of transparency, and greater barriers to entry in foreign markets, among others. Less availability of domestic investments, better familiarity with foreign markets, and fewer barriers to entry in foreign markets are not reasons an investor may develop a home bias.

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

SOURCE: Chen, J. (2022, May 17). *Understanding home bias*. Retrieved January 4, 2023, from <https://www.investopedia.com/terms/h/homebias.asp>

## 44. D

They report changes in a company's equity. An equity statement (also known as a statement of owner's equity or statement of changes in equity) is a financial statement that reports changes in a company's equity.

Companies are required to prepare equity statements along with other important financial documents at the end of the financial year. Equity statements are not a monthly responsibility of companies. Using equity statements will not increase the equity of a company.

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

SOURCE: Corporate Finance Institute. (2022, December 12). *Equity statement*. Retrieved January 5, 2023, from <https://corporatefinanceinstitute.com/resources/accounting/equity-statement>

## 45. B

Beginning period retained earnings + Net income (or loss) – Net dividends. Retained earnings are the cumulative net profits of a company after accounting for dividend payments. Retained earnings are calculated by adding net income to (or subtracting net losses from) the beginning period retained earnings then subtracting any net dividend(s) paid to shareholders. Net dividends usually refer to cash dividends or stock dividends. The formula looks like: Retained earnings = Beginning period retained earnings + Net income (or loss) – Net dividends. Subtracting capital expenditures from operating cash flow calculates free cash flow. Capital expenditures and operating cash flow are not used when calculating retained earnings.

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

SOURCE: Fernando, J. (2022, August 1). *Retained earnings in accounting and what they can tell you*. Retrieved January 5, 2023, from <https://www.investopedia.com/terms/r/retainedearnings.asp>

## 46. A

Raw materials. A direct cost is an expense that a company can connect to a specific cost objective, such as a product, project, or contract. Raw materials and labor costs are each considered direct costs. Utilities, rent, and office supplies are each considered indirect costs, which are expenses involved with maintaining and running a company.

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

SOURCE: Spielman, E. (2022, November 28). *Direct costs vs. indirect costs: What are they, and how are they different?* Retrieved January 9, 2023, from <https://www.businessnewsdaily.com/5498-direct-costs-indirect-costs.html>

## 47. C

Avoidable. Avoidable costs are costs that can be eliminated by no longer engaging in a certain business or operational activity. In this case, the corporation is eliminating the costs previously associated with running the closed branch. Mixed costs are costs that are fixed until the company reaches a certain level of production. While it is possible that the costs associated with the branch could have become variable given a certain degree of productivity, the fact that these costs have been eliminated indicates that they are more likely avoidable costs. Appraisal costs are the costs associated with inspecting and catching defective products as quickly as possible. Employment costs are the costs associated with compensating employees for their work.

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

SOURCE: AccountingTools. (2022, November 23). *Avoidable cost definition*. Retrieved January 10, 2023, from <https://www.accountingtools.com/articles/what-is-an-avoidable-cost.html>

48. D

Companies use it to maximize profits. A marginal analysis compares the additional benefits and the additional costs of a specific activity. Companies use marginal analysis as a decision-making tool to help them maximize their potential profits. The goal of a marginal analysis is to determine if the costs associated with an activity will lead to a benefit that is great enough to offset them. Essentially, companies hope that either the costs of an activity equal the benefits, or the benefits outweigh the costs. When a company is looking to expand its operations, a marginal analysis of the costs and benefits is necessary. To perform a marginal analysis, companies should first understand the fixed and variable costs. Due to fixed costs not being likely to change, the marginal cost is often equal to variable expenses.

SOURCE: FI:659 Describe marginal analysis techniques and applications

SOURCE: Hayes, A. (2023, January 4). *Marginal analysis in business and microeconomics, with examples*. Retrieved January 9, 2023, from <https://www.investopedia.com/terms/m/marginal-analysis.asp>

49. A

Marginal revenue exceeds marginal cost. The primary purpose of marginal analyses is to make sure that businesses are profiting. Businesses profit when their marginal revenue (the increase in revenue that results from the sale of an additional unit of output) is greater than the marginal cost (the costs required to produce an additional unit of output). If marginal cost exceeds marginal value, then the company is taking a loss on the production of that good or service. Opportunity costs are the gains or benefits that are lost when a business decides not to invest resources into a certain activity or product. If the opportunity costs are at the same level as marginal revenue or marginal cost, then the company is likely not profiting from that endeavor.

SOURCE: FI:659 Describe marginal analysis techniques and applications

SOURCE: Hayes, A. (2023, January 4). *Marginal analysis in business and microeconomics, with examples*. Retrieved January 10, 2023, from <https://www.investopedia.com/terms/m/marginal-analysis.asp>

50. D

Report internally. While financial accounting is mainly focused on reporting financial transactions to outside entities such as investors, lenders, and governing organizations, managerial accounting is focused on reporting financial information internally to aid decision-making. Managerial accountants do not play a significant role in the hiring of employees, regardless of whether they are internal or external hires.

SOURCE: FI:660 Explain the nature of managerial accounting

SOURCE: CFI Team. (2022, December 1). *Managerial accounting*. Retrieved January 10, 2023, from <https://corporatefinanceinstitute.com/resources/accounting/managerial-accounting/>

51. B

Board of directors. A company's corporate governance is the system by which directors handle their responsibility toward shareholders. There are many factors that impact corporate governance structures, such as company size, company bylaws, and the influence of those on the board of directors (a group of people chosen to govern the activities of a corporation). Suppliers (businesses from which other businesses buy goods or services), auditors (accountants who verify financial data), and global citizens (those whose identity transcends political borders) are not likely to greatly impact a company's corporate governance.

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

SOURCE: Chen, J. (2022, August 18). *Corporate governance definition: How it works, principles, and examples*. Retrieved December 21, 2022, from <https://www.investopedia.com/terms/c/corporategovernance.asp>

52. D

Variance. Variance is the difference between a budgeted or planned amount and an actual amount. Businesses often conduct variance analyses when they want to identify the causes of disparities in planned and actual costs or revenue. A cash flow analysis is the process of determining the amount of cash a business has to work with at any given time. A break-even analysis is a study that determines the level at which revenues equal total costs. An environmental analysis is the study of external forces that influence a business's success. While these other studies are relevant to financial analyses, they are not related to the identification of differences between planned and actual behavior.

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

SOURCE: AccountingTools. (2022, May 1). *Variance analysis definition*. Retrieved January 11, 2023, from <https://www.accountingtools.com/articles/what-is-variance-analysis.html>

53. A

Managerial. Cost accounting is the process of assessing variable and fixed costs with the goal of determining a company's cost of production. This activity operates within a business and is mainly for internal use. Therefore, it is a form of managerial accounting, which is the preparing and reporting of financial data to internal users in order to make operational and business decisions. Financial accounting is the preparation and reporting of financial data to external users who are not directly involved in business operations. Cost accounting is meant for users who are directly involved in business operations; therefore, it does not fall in this category. Forensic accounting is a type of accounting used for investigating financial crimes. Electric accounting is not a real type of accounting.

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

SOURCE: Tuovila, A. (2022, September 28). *Cost accounting: Definition and types with examples*. Retrieved January 11, 2023, from <https://www.investopedia.com/terms/c/cost-accounting.asp>

54. C

Spread costs among departments. Cost allocation refers to the process of identifying, assigning, and accumulating costs to a company's cost objects. Cost objects are any activity or item to which a company assigns costs, which can be a product or product line, a project, or a department. Cost allocation helps a company determine which parts of a business are responsible for which costs by spreading costs among departments (not just one department). This process can help a company make better-informed decisions, both in the short term and the long term. Companies that effectively allocate costs typically increase their profits and lower their expenses. They do this by determining which cost objects are most profitable. If a cost object is not profitable and is causing the business to pay more expenses, then the company would do further evaluations on it.

SOURCE: FI:663 Discuss the nature of cost allocation

SOURCE: Corporate Finance Institute. (2022, December 5). *Cost allocation*. Retrieved January 9, 2023, from <https://corporatefinanceinstitute.com/resources/accounting/cost-allocation>

55. B

Indirect. Indirect costs are expenses that are not directly related to the production of a good or service, such as payroll, office supplies, or marketing campaigns. Direct costs are expenses that are directly related to a product or service. Manufacturing costs are expenses associated with the physical manufacturing of products sold, such as warehouse and machinery costs. Utilities are the charges for the use of electrical, gas, water, and waste services.

SOURCE: FI:663 Discuss the nature of cost allocation

SOURCE: AccountingTools. (2022, June 12). *Cost allocation definition*. Retrieved January 11, 2023, from <https://www.accountingtools.com/articles/what-is-cost-allocation.html>

56. D

Better decision-making. An advantage for a company that implements a financial management information system is that it can lead to better decision-making. A financial management information system is used to help a business or organization meet its financial obligations. This includes accumulating financial data and analyzing it to help make better decisions. Information collected from a financial management information system is often timely, reliable, accurate, and verifiable, which helps make the decision-making process easier and faster. Other advantages of financial management information systems include improved planning, increased accuracy, increased efficiency, and easier integration process. Less capacity to plan, more inaccuracies, and decreased efficiency are not advantageous results of a financial management information system.

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

SOURCE: LaMarco, N. (2019, February 13). *What are the benefits of a financial management information system?* Retrieved January 6, 2023, from <https://smallbusiness.chron.com/benefits-financial-management-information-system-71943.html>

57. B

They help a company's different departments work together. An accounting information system (AIS) is used by businesses to collect, store, manage, process, retrieve, and report financial data. An AIS helps different departments in a company work together. Although accountants use the data collected by an AIS, they aren't the only ones to use the data. Consultants, business analysts, tax agencies, chief financial officers, regulators, auditors, and managers also use the information. An AIS uses both hardware and software to store and retrieve data. An AIS does use internal controls, as they protect an AIS from computer viruses, hackers, and other threats.

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

SOURCE: Fontinelle, A. (2022, March 18). *Introduction to accounting information systems (AIS)*. Retrieved January 6, 2023, from <https://www.investopedia.com/articles/professionaleducation/11/accounting-information-systems.asp>

58. B

Maintaining public faith. Following ethical financial accounting practices often leads to gaining or maintaining public faith. Financial accounting ethics are used to ensure that accountants conduct their duties objectively and with integrity. Financial accounting ethics form the basis for legal and regulatory requirements. In fact, they include issues related to maintaining public trust. Companies that provide clear explanations about their accounting methods appear to be more ethical and trustworthy than those who do not provide such information. As a result, these companies are more likely to attract investors, rather than push them away. In addition, companies that follow ethical financial accounting are more likely to avoid fines and sanctions. Unethical or deceptive financial practices can lead to a company losing revenue.

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

SOURCE: Carty, S-L. (n.d.). *What are the advantages of financial accounting ethics?* Retrieved January 6, 2023, from <https://smallbusiness.chron.com/advantages-financial-accounting-ethics-32960.html>

59. C

Disclose positive and negative information. In financial management, the role of ethics is to balance, preserve, and protect stakeholders' interests. A typical standard found in a code of ethics in finance is to disclose positive and negative information. It is the responsibility of financial professionals to provide people with accurate, relevant, objective (not subjective), and understandable information. This relevant information includes positive and negative information in an effort to present the most accurate picture possible. Financial professionals should avoid conflicts of interest and should not share confidential information and data.

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

SOURCE: Sherman, F. (2019, November 5). *Business ethics for a finance manager*. Retrieved January 6, 2023, from <https://smallbusiness.chron.com/business-ethics-finance-manager-20490.html>

60. B

Vertical. A vertical analysis is a financial analysis technique that reviews line items (such as those found on an income statement) as a proportion of revenue. In other words, analysis occurs by looking up and down (vertically) a financial document. A horizontal analysis is a financial analysis technique that looks at the year-over-year (YoY) change in each line item—looking left and right (horizontally) to conduct analyses. A SWOT analysis is a marketing tool that investigates a business's strengths, weaknesses, opportunities, and threats. A break-even analysis is the process of determining the level at which revenues equal total costs.

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

SOURCE: Corporate Financial Institute. (2022, December 5). *Analysis of financial statements*. Retrieved January 4, 2023, from <https://corporatefinanceinstitute.com/resources/accounting/analysis-of-financial-statements/>

61. B

Ethical codes of conduct can support and go above and beyond legal compliance. People might be resistant to include ethics in risk management if they feel that it is just another set of rules that they must follow. One way to eliminate this barrier is to use ethical codes to not only meet legal requirements, but to also go above and beyond them. Risk management professionals are already focused on compliance with the law. If ethics support and encourage adherence to the spirit of the law, they will make compliance easier rather than complicating it. It's helpful to reward ethical behavior. Ethical risk management starts at the top. Leaders need to set the precedent by acting ethically and encouraging the importance of ethics in risk management. That being said—the entire organization needs to be involved in promoting ethics in risk management. Risk management is most successful when everyone in an organization is informed and on board with the process.

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

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

62. A

Up-to-date data. A central data repository is a singular storage location for all of an organization's data. Companies use central data repositories for their financial information because it provides benefits to consistency, collaboration, and visibility. Central data repositories have several benefits for companies, including keeping data up-to-date and consistent, faster responses to queries, better predictability, and improved analysis. Inconsistent data, slower responses to queries, and less predictability are not intended results of a central data repository.

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

SOURCE: Novak, S. (n.d.). *8 benefits of a central data repository*. Retrieved January 6, 2023, from <https://www.premier-international.com/articles/8-benefits-of-a-central-data-repository>

63. B

Operating budget. An operating budget helps companies forecast expected revenues and expenses for a period of time, often a year. Operating budgets are often developed by a management team just prior to the beginning of a determined fiscal period. There is no evidence Audrey's budget is a promotional budget, which outlines the amount of money a business plans to spend on promoting its goods and services during a certain period of time. A long-term budget typically covers a time period of more than a year, such as 3, 5, or 10 years. A cash budget looks specifically at cash inflows and outflows over a period of time, such as weekly, monthly, quarterly, or annually.

SOURCE: FM:013 Demonstrate budgeting applications

SOURCE: AccountingTools. (2022, November 8). *Operating budget definition*. Retrieved January 5, 2023, from <https://www.accountingtools.com/articles/operating-budget>

64. C

Company-wide support. A budget is an estimate of income and expenses for a specific period of time. Effective budgets should be realistic, empowering, motivating, coordinated, and supported by members across an organization. When a budget has company-wide support, it is more likely to be implemented effectively in different departments as they work toward shared company goals. This example does not demonstrate accuracy, motivation, or rewards.

SOURCE: FM:013 Demonstrate budgeting applications

SOURCE: Virginia Credit Union. (2023). *10 characteristics of the best budgets*. Retrieved January 5, 2023, from <https://www.vacu.org/learn/financial-management/budgeting/10-characteristics-of-the-best-budgets>

65. B

Benchmarking. Benchmarking is a financial analysis tool that helps companies see how they compare to their competition in the same industry, using standards—or benchmarks—as points of reference for comparison and evaluation. Financial forecasting uses a company's historical performance data to predict its financial future. Exporting is the process of selling goods and services to individuals, businesses, or governments in other countries. Similar to phishing, smishing is an illegal activity that involves posing as a financial institution or other business and sending fraudulent text messages requesting personal information such as account numbers and passwords.

SOURCE: FM:014 Demonstrate financial analysis applications

SOURCE: Wealthspire Advisors. (2023). *Benchmark*. Retrieved January 4, 2023, from <https://www.wealthspire.com/financial-dictionary/benchmark/>

66. D

It helps inform and support decision-making. Financial analysis is the process of planning, maintaining, monitoring, controlling, and reporting the use of financial resources. The use of technology is instrumental in the facilitation of timely, efficient financial analysis because it helps companies organize and glean information from large sets of data. As a result, technology informs and supports decision-making by company leadership. The use of technology does not only support outdated methodologies and is not reserved for legal corporations, as technology is used—usually increasingly—in financial analysis by companies regardless of size or industry.

SOURCE: FM:014 Demonstrate financial analysis applications

SOURCE: TechFunnel. (2022, April 18). *What is financial analysis? 6 reasons it is important*. Retrieved January 5, 2023, from <https://www.techfunnel.com/fintech/financial-analytics/>

67. D

Lean. Lean production, often referred to simply as “lean,” is a quality-control method that focuses on maximizing customer value while minimizing waste. Six Sigma is a popular quality-management methodology that relies on a five-step approach to improve any business process. Lean Six Sigma is an offshoot of traditional Six Sigma methodology that nevertheless prioritizes waste elimination. Sustainability is the successful long-term management of an organization’s financial, social, and environmental risks, opportunities, and obligations. Licensing involves issuing a government permit that allows an individual or a business to function in the marketplace.

SOURCE: FM:016 Discuss non-traditional uses for financial information (e.g., lean, sustainability reporting, activity-based costing [ABC], six sigma)

SOURCE: Purdue University. (2021, June 7). *Six sigma vs lean six sigma: What's the difference?* Retrieved January 5, 2023, from <https://www.purdue.edu/leansixsigmaonline/blog/six-sigma-vs-lean-six-sigma/>

68. B

Promotion and place. The cell phone company is prioritizing the marketing elements of promotion and place. Promotion is a marketing function needed to communicate information about goods, services, images, and/or ideas with customers to achieve a desired outcome. The company focusing its marketing efforts on communicating with others demonstrates the use of promotion. Place is focused on considerations in getting a selected product in the right place at the right time. The company focusing on putting its products in an accessible location demonstrates the use of the place marketing element. Product refers to what goods, services, or ideas a business will offer its customers, while price is the amount of money marketers will ask in exchange for their products. There aren't any indications that the cell phone company is using the product or price marketing elements.

SOURCE: MK:001 Explain marketing and its importance in a global economy

SOURCE: LAP-MK-901—Have It Your Way! (Nature of Marketing)

69. B

You should learn basic HTML code. HTML is the building block of web pages, as it is the code that makes the web page work. A basic understanding of HTML will help you build and maintain your pages. You will need a web editor to build a web page, as you type HTML into the web editor. From there, you can build your page in the web editor and save it to a hard drive, where you will then upload your page to a host. A host is necessary, as a web page cannot exist without one. It is important to preview your web page before you save it and before you make the web page live, as you want to make sure there aren't any mistakes or inconsistencies on your page.

SOURCE: NF:042 Create and post basic web page

SOURCE: Kyrnin, J. (2020, January 30). *How to build your first web page*. Retrieved February 2, 2023, from <https://www.thoughtco.com/how-to-build-a-web-page-3466384>

70. B

Focus group. A focus group is a group formed for the purpose of discussing a specific topic. Focus groups can be an efficient way to receive a range and depth of information in a short period of time. Observation, interviews, and surveys are other procedures that can be used for obtaining information, but none are necessarily conducted in a group discussion. A survey group is a fictitious term.

SOURCE: NF:078 Obtain needed information efficiently

SOURCE: McNamara, C. (2022, January 18). *Overview of basic methods to collect information*. Retrieved September 12, 2022, from <https://managementhelp.org/businessresearch/methods.htm>

71. D

Information is better protected. Personal privacy is one of the main ethical issues in information management. When ethics are considered and followed in information management, it is more likely your information will be better protected. In addition, it is less likely your personal privacy will be invaded, your personal files will be corrupted, or piracy will occur. Invasion of personal privacy, piracy, and corruption of personal files are all unethical actions in information management.

SOURCE: NF:111 Explain the role of ethics in information management

SOURCE: GeeksforGeeks. (2020, January 27). *Ethical issues in information technology (IT)*. Retrieved September 12, 2022, from <https://www.geeksforgeeks.org/ethical-issues-in-information-technology-it>

72. D

Standard format. Data normalization involves creating a standard format for all data within an organization. By standardizing the format of all data, businesses can conduct more accurate and efficient information analyses. Data normalization can also lead to more space being available within a database, faster answers to questions, and better segmentation. Data normalization does not typically involve creating a search query, group command, or anomaly set for all data within an organization.

SOURCE: NF:124 Demonstrate advanced database applications

SOURCE: Watts, S. (2020, April 21). *What is data normalization?* Retrieved January 4, 2023, from <https://www.bmc.com/blogs/data-normalization/>

73. C

Detect the possibility of fraud. Benford's Law explores the distribution of digits in a large, randomly-generated set of natural numbers. In this data set, the most frequent leading digit is 1, followed by 2, 3, 4, etc., exponentially decreasing until the least frequent leading digit, 9. When applied to data analytics and financial statements, this law helps identify possible deviations from this pattern, which could indicate fraudulently manufactured numbers. Benford's Law does not necessarily locate the break-even point, predict financial performance, or disseminate information.

SOURCE: NF:124 Demonstrate advanced database applications

SOURCE: Sarkar, T. (2018, October 25). *What is Benford's Law and why is it important for data science?* Retrieved January 4, 2023, from <https://towardsdatascience.com/what-is-benfords-law-and-why-is-it-important-for-data-science-312cb8b61048>

74. B

24 hours. If there is an accident in the workplace, an initial report should be completed and sent to the necessary individuals within 24 hours of the incident. Once the initial report is completed, a follow-up report that details recommended action should be started within 48 hours and completed within 30 days. In terms of filing an initial report, 1 week, 10 days, and 3 weeks are all too long to wait to complete it.

SOURCE: OP:010 Handle and report emergency situations

SOURCE: CBIA. (2015, October 13). *Responding to workplace accidents.* Retrieved September 14, 2022, from <https://www.cbia.com/resources/hr-safety/responding-to-workplace-accidents>

75. A

Time theft. Time theft occurs when an employee spends company time on personal matters, such as texting or playing games, when they should be working. Time theft causes a loss in productivity and, eventually, profitability as well. Phil is not guilty of unethical inventory management or misusing company equipment. Phil playing games on his phone doesn't demonstrate impartiality.

SOURCE: OP:190 Discuss the role of ethics in operations

SOURCE: LAP-OP-190—Above Board (Ethics in Operations)

76. C

Confidential. Confidential information is meant to be held in confidence, meaning that there is an expectation that the information will only be shared when authorized and with authorized individuals. Confidential information typically cannot be shared without the express consent of the client. Joe's boss asked him not to share important client information so it would remain with only authorized individuals and, therefore, be confidential. Public information is information that is widely available. On the record information is that which is used in reference to the making of an official or public statement. Personal information is information that can be used to distinguish or trace an individual's identity. Personal information doesn't necessarily have to be confidential.

SOURCE: OP:441 Explain information privacy, security, and confidentiality considerations in business

SOURCE: Findlaw. (2020, March 18). *Is there a difference between confidentiality and privacy?* Retrieved September 14, 2022, from <https://www.findlaw.com/criminal/criminal-rights/is-there-a-difference-between-confidentiality-and-privacy.html>

77. B

Impacted by the project's leadership. Whoever is in charge of the project has an impact on how it is planned. Russell is known for his organization skills, has a habit of planning ahead on projects, and tends to set smaller project goals for his team members. As a result, his team's plans are in line with his, as they work diligently to achieve these short-term goals, which helps the long-term plans of the project. This is not an example of how planning is influenced by the potential risks, affected by the project's budget, or emphasized by the political environment.

SOURCE: OP:519 Plan project

SOURCE: LAP-OP-519—Plan On It! (Planning Projects)

78. C

Peer. Toby's dilemma with his feuding friends is a peer problem. Problems with peers occur among people who are similar in age and background. This type of problem can range from a simple misunderstanding to a full-blown conflict. Although Toby's problem may affect his personal life, life at school, or life at work, it is a peer problem at its core.

SOURCE: PD:077 Demonstrate problem-solving skills

SOURCE: LAP-PD-077—No Problem (Demonstrating Problem-Solving Skills)

79. C

Insurance. There are many potential careers within the insurance industry, which exists to protect individuals and businesses from financial losses. The insurance industry delivers "products" that transfer risk from an individual or business to an insurance company. Positions within the insurance industry include benefits consultant, underwriter, actuary, and claims adjuster. People who work in corporate finance are in charge of finding money for their company and then making sure that money is managed correctly. Banking services careers are primarily concerned with accepting deposits, lending funds, and extending credit, but they also deal with things like cash management, short-term investments, mortgages and other loans, credit cards, and bill payment. The securities and investments industry supports the flow of funds from investors to companies and institutions. A claims adjuster would not work within corporate finance, banking services, or securities and investments.

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

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

80. A

Investigating fraud. Any job that involves the management of money is considered a finance job. When you're working in finance, you might investigate fraud, help someone with their taxes, or handle the finances of a large company. Entrepreneurs, rather than those within the finance industry, are often responsible for growing a business, sometimes from small operations to organizations that employ thousands of workers. Advertising products is a task that typically falls to those with careers in marketing. Planning a vacation—as well as helping guests at a resort and working at a restaurant, for example—are responsibilities within the hospitality and tourism industry.

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

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

81. D

Joining a professional association can help with networking. Professional organizations, including those in the finance industry, offer many benefits, including quality networking, help with continuing education, and industry support. Those working in the financial industry—such as financial advisors—are not required to join a professional association, but they are likely to benefit from doing so. No professional associations are the same, so even those within the finance industry will vary by cost, size, history, and specialty. The finance industry offers many associations at different levels, including national, regional, state, etc.

SOURCE: PD:153 Discuss opportunities for building professional relationships in finance

SOURCE: Cussen, M.P. (2022, October 31). *4 associations financial advisors should join*. Retrieved January 4, 2023, from <https://www.investopedia.com/articles/financial-advisors/121515/4-professional-associations-advisors-should-join.asp>

82. C

A flexible work schedule. Policies such as flexible start and end times, allowing for remote days, and a reduced workweek help encourage a healthy work-life balance. Restricting maternity leave, making employees work weekends, and not allowing paid leave to roll over into the next year do not encourage a healthy work-life balance, because these policies often require employees to work with little time for life outside of work.

SOURCE: PD:179 Balance personal and professional responsibilities

SOURCE: Heathfield, S. (2020, January 1). *How to encourage work-life balance for employees*. Retrieved September 15, 2022, from <https://www.liveabout.com/top-ways-to-encourage-employee-work-balance-1919353>

83. C

Balances the interests of different stakeholders. A company's corporate governance is the system by which directors handle their responsibility toward shareholders. Corporate governance is important because it helps balance the interests of different stakeholders in the efficient running of a company. Effective corporate governance helps avoid scandals and bankruptcy. It also helps companies cooperate with auditors, leading to the publication of compliant financial documents, as well as makes it easier to oust ineffective leaders on the board of directors.

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

SOURCE: Chen, J. (2022, August 18). *Corporate governance definition: How it works, principles, and examples*. Retrieved December 21, 2022, from <https://www.investopedia.com/terms/c/corporategovernance.asp>

84. A

Limited profitability. A company's corporate governance is the system by which directors handle their responsibility toward shareholders. Governance processes can act as a framework for reaching company goals and objectives, as corporate governance is part of nearly all areas of management and strategy, and it greatly impacts decision-making. Therefore, poorly-executed corporate governance can result in negative consequences for a business, such as limiting its profitability. Increased ethics, decreased risk, and greater payroll are not typically consequences of poorly-executed corporate governance.

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

SOURCE: Chen, J. (2022, August 18). *Corporate governance: How it works, principles, and examples*.

Retrieved January 4, 2023, from <https://www.investopedia.com/terms/c/corporategovernance.asp>

85. C

Fiduciary. A company's board of directors—a group of people chosen to govern the activities of a corporation—make decisions on behalf of the company as a fiduciary. A fiduciary is an entity that acts on behalf of another, putting that client's interests ahead of their own. A board of directors is responsible for making decisions that will benefit the company and its stakeholders (and not simply themselves). A company's board of directors does not act as president or consumers. An actuary is a person who assesses risk.

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, April 14). *Board of directors: What it is, what its role is*. Retrieved December 21, 2022, from <https://www.investopedia.com/terms/b/boardofdirectors.asp>

86. D

Transparency. Transparency involves maintaining open and honest communications, which establishes trustworthiness. When the company's board of directors provides timely, accurate, and clear information, it is being transparent about the status and performance of the company. Transparency is an important component of a well-governed company. Fairness is the ability to make judgments and act without favoritism or self-interest. Accountability is accepting responsibility for decisions. Respect is honoring the rights, freedoms, views, and property of others. Fairness, accountability, and respect are important elements of corporate governance, but they are not demonstrated in this example.

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). *Corporate governance definition: How it works, principles, and examples*. Retrieved December 21, 2022, from <https://www.investopedia.com/terms/c/corporategovernance.asp>

87. A

It is easier to assess organizational progress. Setting clear, overarching goals allows organizations to have a coherent and united vision and monitor their progress toward achieving those goals over time. Having organizational goals does not necessarily mean that organizations will have fewer expenses in their day-to-day operations. Having organizational goals does not mean that organizations cannot change or shift directions if needed. Channel management is still needed for most companies, regardless of their organizational goals.

SOURCE: PD:254 Determine the nature of organizational goals

SOURCE: Gartenstein, D. (2019, February 12). *Why is goal setting important in organizations?* Retrieved September 15, 2022, from <https://smallbusiness.chron.com/goal-setting-important-organizations-2509.html>

88. A

Increased job satisfaction. Governance objectives are company goals that serve as the foundation for company culture and decision-making. It's important to involve employees in achieving governance objectives, as this can lead to increased job satisfaction and a positive attitude. Union support is a strategy used to increase employee involvement in the achievement of governance objects, rather than a benefit or consequence of it. Greater profits are a benefit experienced by the company rather than individual employees. Involving employees in achieving governance objectives often leads to greater, not reduced, communication.

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

SOURCE: Kinsey, A. (2020, July 13). *How to align employees with company goals*. Retrieved January 4, 2023, from <https://smallbusiness.chron.com/align-employees-company-goals-11667.html>

89. A

\$4,000. A variance is the difference between a budgeted amount and an actual amount. A variance analysis is the quantitative investigation of the difference between a planned outcome and the actual outcome. When conducting a variance analysis in this situation, \$4,000 is the variance, as the difference between \$20,000 and \$16,000 is \$4,000.

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

SOURCE: Bragg, S. (2022, May 1). *Variance analysis definition*. Retrieved January 9, 2023, from <https://www.accountingtools.com/articles/what-is-variance-analysis.html>

90. C

Demonstrate social responsibility. A company's corporate governance is the system by which directors handle their responsibility toward shareholders. The company's main responsibility toward shareholders is to be profitable—but many stakeholders want companies to be socially responsible, too. Corporate social responsibility is the duty of businesses to contribute to the well-being of society, such as through environmental awareness and ethical behavior. Corporate governance can facilitate the raising (not lowering) of capital, and it should not increase the chance of corruption. Appointing government officers is not a responsibility of companies.

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

SOURCE: Chen, J. (2022, August 18). *Corporate governance definition: How it works, principles, and examples*. Retrieved December 21, 2022, from <https://www.investopedia.com/terms/c/corporategovernance.asp>

91. D

Structure. The McKinsey 7-S model is used for strategic planning and involves seven S-components: strategy, structure, systems, shared values, skills, style, and staff. The structure component of the McKinsey 7-S model assesses the company's organizational hierarchy (e.g., the chain of command, managerial configuration, and employee responsibilities). Therefore, the structure component is mostly likely to assess the company's management functions. The shared values component (norms within the company), strategy component (the company's long-term plan), and skills component (staff's abilities) are less likely to assess the company's management functions.

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

SOURCE: Kenton, W. (2021, August 14). *How to use the McKinsey 7-S Model for strategic planning*. Retrieved December 21, 2022, from <https://www.investopedia.com/terms/m/mckinsey-7s-model.asp>

92. A

A framework for. A company's corporate governance is the system by which directors handle their responsibility toward shareholders. Governance processes can act as a framework for reaching company goals and objectives, as corporate governance is part of nearly all areas of management and strategy, and it greatly impacts decision-making. Governance processes do not act as a bulwark (protection) against reaching company goals; instead, they help companies achieve them. Governance processes also do not serve as stakeholders or brainstorming activities.

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

SOURCE: Chen, J. (2022, August 18). *Corporate governance definition: How it works, principles, and examples*. Retrieved December 21, 2022, from <https://www.investopedia.com/terms/c/corporategovernance.asp>

93. D

Ethical. Insurance is one significant aspect of risk management, and dealing with insurance companies presents a whole new array of ethical issues. One of these is the decision whether to purchase certain types of insurance that are not required by law, such as flood insurance. Insurance is costly, so management might be tempted to avoid any unnecessary costs. However, managers expose the business to risk when doing so. In general, risk managers must look out for the best interests of the employees and companies rather than shirking their responsibilities. This scenario is not an example of technological, political, or financial issues in risk management.

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

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

94. B

Horizontal. A horizontal analysis is a financial analysis technique that looks at data over multiple periods, such as year-over-year (YoY). In other words, horizontal analysis occurs by looking left and right (horizontally) across a collection of company financial statements over time. A vertical analysis is a financial analysis technique that reviews line items (such as those found on an income statement) as a proportion of revenue. It occurs by looking up and down (vertically) a financial document. A SWOT analysis is a marketing tool that investigates a business's strengths, weaknesses, opportunities, and threats. A break-even analysis is the process of determining the level at which revenues equal total costs.

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

SOURCE: Tuovila, A. (2022, December 14). *Horizontal analysis: What it is vs. vertical analysis*. Retrieved January 5, 2023, from <https://www.investopedia.com/terms/h/horizontalanalysis.asp>

95. D

Risk model. A risk model is a tool used to help businesses predict risk for a given strategy or initiative. By inputting certain data or goals into a system, the risk model then provides a prediction (e.g., investment analysis or operational patterns) that helps leadership with decision-making. Retroactive risks are those that have previously occurred. A risk checklist is a standardized list of risks that a business faces on a regular basis used to speed up the risk-identification process. Risk tolerance is a measure of how much risk an investor is willing to accept in exchange for potentially high returns.

SOURCE: RM:042 Describe the use of technology in risk management

SOURCE: Meinert, K. (2016). *Risk modeling: What to know about risk models*. Retrieved December 21, 2022, from <https://www.hni.com/blog/risk-modeling-what-to-know-about-risk-models>

96. C

Reduced liability exposure. One risk that many companies face is liability associated with their products. Many products carry the risk of harming or injuring customers. Risk management is concerned with protecting companies from being liable if their products cause harm, and effective risk management helps reduce a company's liability exposure. It also increases, not decreases, an organization's compliance with laws. Effective risk management can lead to improved operational efficiency and increased workplace safety, but those are not necessarily legal results.

SOURCE: RM:043 Discuss legal considerations affecting risk management

SOURCE: Tucci, L. (2021, October 12). *What is risk management and why is it important?* Retrieved December 21, 2022, from <https://www.techtarget.com/searchsecurity/definition/What-is-risk-management-and-why-is-it-important>

97. C

Changes in import laws. No matter how big or small an organization is, it will face many types of risks, both external and internal. External risk factors include economic risk (e.g., changes in market conditions), natural risk (e.g., natural disasters), and political risk (e.g., changes in import and export laws). Internal risk factors include human-factor risk (e.g., union strikes and ineffective leadership), technological risk (e.g., outdated technology), and physical risk (e.g., damage to company assets).

SOURCE: RM:058 Discuss the nature of risk control (i.e., internal and external)

SOURCE: Beers, B. (2022, November 28). *How companies can reduce internal and external business risk.* Retrieved December 21, 2022, from <https://www.investopedia.com/ask/answers/050115/how-can-companies-reduce-internal-and-external-business-risk.asp>

98. C

Injured employees. No matter how big or small an organization is, it will face many types of risks, both internal and external. Internal risk factors include human-factor risk (e.g., injured or dishonest employees), technological risk (e.g., outdated technology), and physical risk (e.g., damage to company assets). External risk factors include economic risk (e.g., an economic downturn), natural risk (e.g., an earthquake), and political risk (e.g., changes in import and export laws).

SOURCE: RM:058 Discuss the nature of risk control (i.e., internal and external)

SOURCE: Beers, B. (2022, November 28). *How companies can reduce internal and external business risk.* Retrieved December 21, 2022, from <https://www.investopedia.com/ask/answers/050115/how-can-companies-reduce-internal-and-external-business-risk.asp>

99. D

Firmwide strategy. Enterprise risk management is a firmwide, top-down business strategy that involves planning, controlling, preventing, and procedures used by management to limit company losses. This nontraditional approach considers risk management from the perspective of the entire organization rather than by distinct business units. Given its comprehensiveness, enterprise risk management is not typically described as divisive.

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

SOURCE: Hayes, A. (2022, September 7). *Enterprise risk management (ERM): What is it and how it works.* Retrieved December 21, 2022, from <https://www.investopedia.com/terms/e/enterprise-risk-management.asp>

100. B

Preventative. Enterprise risk management is a firmwide, top-down business strategy that involves planning, controlling, preventing, and procedures used by management to limit company losses. As part of their enterprise risk management implementation, companies typically conduct control activities to help mitigate risk. Control activities (or internal controls) can be preventative, which means stopping something before it happens (e.g., placing a keypad at the entry of a sensitive area). Or, internal controls can be detective, which means recognizing when something has happened (e.g., setting an alarm to sound when a sensitive area has been breached). Quality control is a process businesses use to check for defects after products have been produced. Self-control is the restraint of feelings, words, and actions.

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

SOURCE: Hayes, A. (2022, September 7). *Enterprise risk management (ERM): What is it and how it works.* Retrieved December 21, 2022, from <https://www.investopedia.com/terms/e/enterprise-risk-management.asp>