



SAMPLE EXAM

ENTREPRENEURSHIP

THE ENTREPRENEURSHIP EXAM IS USED FOR THE FOLLOWING EVENTS:

ENTREPRENEURSHIP SERIES

ENTREPRENEURSHIP TEAM DECISION MAKING

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

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1. After being fired from his job, Jack wrote blog posts in which he criticized his former company and all of its employees. He made many negative comments, most of which were untrue. What tort is Jack committing?
A. Battery
B. Invasion of privacy
C. Defamation
D. Negligence
2. Patents, trademarks, and copyrights are all methods used to protect
A. houses and apartments.
B. physical inventions.
C. intellectual property.
D. government secrets.
3. What types of businesses can be owned by thousands of stockholders?
A. General partnerships
B. Open corporations
C. Close corporations
D. Sole proprietorships
4. A business owner who prefers to maintain complete control of all business activities might consider structuring the venture as a(n)
A. sole proprietorship.
B. general partnership.
C. "S" corporation.
D. limited liability company.
5. Channels of distribution benefit businesses by
A. allowing them to avoid all channel tasks.
B. lowering the prices of all industrial goods.
C. raising their profits each year.
D. getting their products to consumers more efficiently.
6. A farmer with a produce stand in the yard is an example of a _____ distribution channel.
A. producer to consumer
B. producer to agent to consumer
C. producer to retailer to consumer
D. producer to wholesaler to consumer
7. The best way to evaluate the channel members in an international supply chain is often by using a(n)
A. global distribution center.
B. international monetary fund.
C. global industry benchmarking system.
D. international trade center.
8. The ultimate purpose of preparing a long, complex, business report is usually to
A. be well-organized.
B. present all views.
C. help with major decisions.
D. present accurate data.
9. Which of the following is an example of a brand promise:
A. Low credit terms are available for qualified customers until January 2025.
B. Leather sofas only \$499 this weekend—buy now at Fred's Furniture Warehouse.
C. Henderson Photography...uniquely capturing your special moments is our priority.
D. For your convenience, four Cup O' Joe locations are open in the greater metro area.
10. Which of the following statements is true about a mixed economy:
A. The government is the primary economic decision maker and also regulates individual and business behavior.
B. Individuals are the primary economic decision makers, and businesses control and regulate the system.
C. Businesses are the primary economic decision makers, and the government controls the system.
D. Individuals and businesses are the primary economic decision makers, and the government helps regulate the system.
11. Which of the following is an example of an operating expense for a business:
A. Cost of goods
B. Employees' withholding
C. Revenues
D. Utilities

12. Economies of scale are highly dependent on average
- A. marginal cost.
 - B. total cost.
 - C. revenue.
 - D. marginal revenue.
13. Which of the following causes the greatest number of cultural sensitivity issues:
- A. Communication
 - B. Level of comfort with uncertainty
 - C. Globalization
 - D. Relationships to time and space
14. Porter said to the group, "If we agree to proceed with this plan, the company's profitability will increase substantially. Because the company will be saving a lot of money, we are more likely to receive a higher pay increase next year." Porter is persuading the group members by
- A. expressing empathy.
 - B. promoting benefits.
 - C. exerting his authority.
 - D. arguing on minor points.
15. When employees demonstrate adaptability, they are able to be
- A. aggressive.
 - B. flexible.
 - C. honest.
 - D. creative.
16. One reason that an excellent business vision is general rather than specific is that
- A. employees must be told exactly what to do.
 - B. it must be short term.
 - C. everyone in the organization must be able to relate to it.
 - D. it must be compelling and energizing.
17. Gianna is attempting to build a strategic relationship with Nico, who is an influential member of the local business community. What is one technique Gianna could use to build the relationship?
- A. Establishing dominance and control
 - B. Finding a shared vision
 - C. Seeking a deal as quickly as possible
 - D. Focusing on Nico's shortcomings
18. Which of the following techniques is the best example of leveraging existing business relationships:
- A. Deleting negative client reviews
 - B. Avoiding meeting new people
 - C. Calling clients just to say hello
 - D. Sending holiday cards to clients
19. Which of the following businesses is the best example of an entrepreneurial venture:
- A. A juice bar decides to purchase trucks to sell juice on location during special events.
 - B. A veterinarian invents and sells a device to prevent horse water troughs from freezing.
 - C. A pumpkin farm offers pumpkin carving and costume contests to create more interest.
 - D. A bakery creates a "cretzel," a cross between a crescent and a pretzel, as a new product.
20. Which of the following attitudes should an entrepreneur have about new technological developments:
- A. New technologies should be applied to all business practices.
 - B. New technologies are overrated and should be avoided.
 - C. The impact of new technologies should always be evaluated.
 - D. The benefits of new technologies do not outweigh their high cost.
21. Which of the following statements regarding international trade is true:
- A. Companies shipping internationally must use freight-forwarding services.
 - B. Only large companies typically benefit from conducting international trade.
 - C. Internet-based companies can easily become involved in international trade.
 - D. Foreign language skills are required to conduct international trade.
22. One factor that an entrepreneur should consider when assessing a venture opportunity is whether it will
- A. involve complicated paperwork.
 - B. require employee loyalty.
 - C. lead to more opportunities.
 - D. satisfy vendors' needs.

23. Which of the following statements about feasibility studies is true:
- A. The feasibility study is essentially the written business model.
 - B. A feasibility study is not necessary if similar businesses already exist.
 - C. Each feasibility study must focus on only one potential business model.
 - D. The feasibility study is completed before the business plan is developed.
24. One-time startup costs often include _____ fees.
- A. website maintenance
 - B. shipping and postage
 - C. trade association
 - D. incorporation
25. Which of the following situations is an example of a social risk that is associated with starting a new business:
- A. When Nigel started his new business, he took out a bank loan and used his home as collateral.
 - B. As a new business owner, Cassidy is so worried about failing that she develops an ulcer.
 - C. Adam is working 14 hours a day at his new company and is not spending time with friends.
 - D. Julie, a successful businessperson, is willing to quit her job to start a new business.
26. Evan does not want the legal obligation of repaying a loan and is willing to share profits with others. Which of the following options is Evan most likely to select to fund a new venture:
- A. Community bank
 - B. Collateral savings
 - C. Trade credit
 - D. Private equity
27. Which of the following questions would Allison ask herself when deciding if she should hire an assistant for her growing business:
- A. Can I trust this person to get the work done on time?
 - B. How will I recruit applicants for the job?
 - C. Does the workload require a full-time or part-time employee?
 - D. Does this applicant meet my minimal educational requirements?
28. Although hiring a highly skilled employee is an added expense, a business owner benefits because the employee's activities increase the firm's overall productivity based on his/her
- A. attitude.
 - B. self-control.
 - C. expertise.
 - D. inability.
29. Because the MBC Company has one location that services the eastern part of the country and another location that services the western part of the country, the company's work flow is organized by
- A. territory.
 - B. work teams.
 - C. authority.
 - D. relationship.
30. Small-business owners often obtain ideas for new venture opportunities when they
- A. analyze their companies' sales reports.
 - B. talk with their customers and vendors.
 - C. apply for a commercial bank loan.
 - D. revise their operating budgets.
31. When Deanna, a small-business owner, allocates 6% of her company's profit to product development, she is investing which type of resource:
- A. Financial
 - B. Fundamental
 - C. Strategic
 - D. Structural
32. A car company has decided to invest less in its successful pickup truck and to use those funds instead on the development of its new hybrid vehicle. This is an example of
- A. risk mitigation.
 - B. a marketing plan.
 - C. a harvest strategy.
 - D. the discovery process.
33. Which of the following presents the first three steps in the accounting cycle in the correct order:
- A. Analyze, post, and journalize
 - B. Analyze, journalize, and post
 - C. Post, analyze and journalize
 - D. Post, journalize, and analyze

45. One of the benefits to the business of an effective employee selection procedure is a(n)
A. reduction in the need for orientation. C. appropriate match of employees to jobs.
B. rapid rate of employee turnover. D. good supply of employees to train.
46. What type of information about employees do most businesses maintain in their personnel records?
A. Family history C. Past work experience
B. Political affiliation D. Country of origin
47. When a supervisor must take disciplinary action, the supervisor should adopt a _____ attitude.
A. stern C. wait-and-see
B. critical D. nonjudgmental
48. Why is it important for businesses to obtain marketing information about economic conditions, political systems, and technological changes throughout the world?
A. To understand geography C. To import products
B. To remain competitive D. To eliminate trade quotas
49. Businesses need a great deal of information to make effective decisions and solve specific problems. This information is usually obtained through
A. marketing research. C. observation.
B. financial management. D. data analysis.
50. The marketing function that includes creating strategies to attract the target customer to a business is
A. market planning. C. marketing-information management.
B. pricing. D. channel management.
51. For the strategy of conducting customer surveys, with tactics including contacting customers and tabulating survey results, which of the following is the goal:
A. Improving this year's customer satisfaction by 7% over last year's ratings
B. Improving this year's telemarketing skills by 7% over last year's skills
C. Improving this year's proposal writing by 7% over last year's writing
D. Improving this year's sales training results by 7% over last year's results
52. A purpose of market identification is to focus the marketer's selling efforts on the _____ market.
A. retail C. target
B. consumer D. industrial
53. When analyzing market potential, businesses often look at consumer psychographic factors, such as personality characteristics and
A. occupation. C. income.
B. gender. D. lifestyles.
54. Which of the following is a factor that new businesses consider when conducting an analysis of competitors in a specific market:
A. Size and availability of space C. Cost of supplies and equipment
B. Product quality and price D. Industry research and training
55. One of the objectives in a business's marketing plan is to increase sales by 15% by reaching more customers. What dollar amount is 15% if the business currently has 250 customers who each spend \$10,000 per year?
A. \$425,000 C. \$375,000
B. \$250,000 D. \$515,000
56. Which of the following is a true statement about information:
A. It is simple to manage. C. It is the same thing as data.
B. It is data put into a useful form. D. It has no value for an organization.

57. Which of the following is a specification that a business might establish for selecting spreadsheet software programs:
- A. Regularly organize customer information
 - B. Electronically communicate data
 - C. Graphically display financial information
 - D. Digitally produce marketing data
58. Trent was reviewing a business record that did not reflect updated information. The quality of the business record was compromised because it was
- A. irrelevant.
 - B. unavailable.
 - C. unorganized.
 - D. inaccurate.
59. Company B's management has determined that it must downsize. Three persons in the customer service department will lose their jobs. Which of the following records can management use to help them determine which employees to keep:
- A. Human resources records
 - B. Production records
 - C. R&D records
 - D. Inventory records
60. Running out of inventory can result in
- A. more satisfied customers.
 - B. higher taxes.
 - C. higher productivity.
 - D. lost sales.
61. Which of the following is an example of a safety procedure that a business might require its employees to follow:
- A. Review products to ensure quality standards are met.
 - B. Place equipment in front of the business's emergency exits.
 - C. Wear protective headgear when working in hazardous areas.
 - D. Store supplies in the facility's offices, closets, and aisles.
62. An important consideration when coordinating sequential tasks with team members is
- A. timing.
 - B. durability.
 - C. pricing.
 - D. credibility.
63. Planning the quantities to produce is an important part of production planning because it helps
- A. prevent losses to the business.
 - B. sequence the steps in production.
 - C. increase consumer demand for the product.
 - D. locate the resources needed for the product.
64. Which of the following is a true statement regarding operating costs:
- A. Only some businesses have them.
 - B. They are fixed expenses.
 - C. They occur once or twice a year.
 - D. They are not directly related to production.
65. Service contract A costs \$1,500 yearly and includes 12 service calls each year. Service contract B costs \$600 yearly and charges \$70 per call up to 12 calls each year. Which contract is less expensive and by what amount?
- A. Contract A by \$80
 - B. Contract B by \$50
 - C. Contract B by \$60
 - D. Contract A by \$70
66. One tool a business can use to control expenses is a(n)
- A. ratio.
 - B. balance sheet.
 - C. budget.
 - D. income statement.
67. Which of the following must occur for supply chain management to be successful:
- A. Few people should be involved in operations.
 - B. Producers should be in contact with final customers.
 - C. Emphasis should be placed on internal activities.
 - D. Goods and communication should flow both ways.

68. Luke is reviewing several internal and external reports to compare his company's sales and market share in relation to those of other companies in the industry. What type of business analysis is Luke conducting?
- A. Promotional
B. Competitive
C. Financial
D. Productivity
69. Which of the following is an example of business process thinking?
- A. A company strives to fix its method of internal communications.
B. The marketing department and finance department avoid interacting.
C. Whenever a customer complains about slow service, servers are fired.
D. A company prioritizes product promotions over product development.
70. Stress and fatigue are _____ factors that can affect business process design.
- A. technological
B. human
C. regulatory
D. government
71. A business process change would likely be required if a company
- A. plans a meeting for Friday.
B. goes out of business.
C. merges with another company.
D. has a profitable quarter.
72. How does supply chain management increase customer satisfaction?
- A. Reduces the time it takes for goods to reach consumers
B. Integrates information throughout an organization
C. Improves cash flow
D. Enhances data quality
73. Bernard's business is more successful than his competitors' because he is innovative, which gives him a(n) _____ advantage.
- A. competitive
B. creative
C. absolute
D. administrative
74. Corporate governance is primarily concerned with _____ desires.
- A. CEO
B. stakeholder
C. vendor
D. competitor
75. A top-level executive is removed from his position on the Golden Ray Corporation's board of directors due to a personal scandal. The board then releases a detailed, professional statement to its stakeholders so they are aware of the situation. By doing this, Golden Ray Corporation is
- A. lacking accountability.
B. demonstrating transparency.
C. following regulatory guidelines.
D. measuring internal performance.
76. Which of the following business activities is most likely to impact an organization's governance structures:
- A. Raising prices on consumer goods
B. Hiring a new sales representative
C. Developing a marketing strategy
D. Borrowing money from a bank
77. Performance standards should be
- A. extremely challenging.
B. subjective.
C. informally discussed.
D. measurable.
78. The determination of an exchange price acceptable to both the buyer and the seller of a product is called
- A. product decision.
B. promotion.
C. place decision.
D. pricing.
79. Which of the following is not a factor that affects selling price:
- A. Government regulation
B. Supply and demand
C. Competition
D. Profit control

80. Which of the following would be most useful to a business that is evaluating customer experience:
- A. Online customer reviews
 - B. Sales data
 - C. Consumer trends
 - D. Kiosks
81. A fast-food company offers burgers, chicken nuggets, pizza, and french fries. Eventually, the company realizes that the pizzas are not profitable and decides to stop selling them. Which product-mix strategy is the company using?
- A. Trading down
 - B. Trading up
 - C. Alteration
 - D. Contraction
82. Customer services that all retailers should provide include
- A. delivery service and play areas for children.
 - B. convenient store hours and receipts for purchases.
 - C. merchandise repair and restaurants.
 - D. alterations and fashion shows.
83. Your target market is "poor" college students, so you base your unique selling proposition (USP) on value pricing. This is an example of a USP that is
- A. meaningful to the customer.
 - B. difficult to communicate.
 - C. desirable and urgent.
 - D. fulfillable.
84. Pat's Pizza Place has introduced a new, low-fat pizza crust. In its advertising, management not only describes how tasty the crust is, but it also tells readers that the crust is low-fat and healthy. Pat's Pizza Place is using which of the following promotional communication characteristics:
- A. Relevance
 - B. Repetitious
 - C. Factual
 - D. Persuasive
85. Which of the following plans includes procedures for dealing with events that threaten to shut down business operations for an extended period of time:
- A. Safety plan
 - B. Continuity plan
 - C. Business plan
 - D. Asset security plan
86. What is an example of an amplified word-of-mouth strategy?
- A. A customer shares her opinion of a new product with a friend.
 - B. Fans share the release date for a new product on Facebook.
 - C. Customers post comments about a company on Twitter.
 - D. A company asks customers to share product reviews on a website.
87. The primary cost factors that marketers must consider when developing a direct advertising campaign include list acquisition, delivery, and
- A. research.
 - B. inventory.
 - C. production.
 - D. follow-up.
88. Ben recently purchased a cell phone. The manufacturer provided a form and a special code with the phone's packaging. Ben completed the form, copied his sales receipt, and mailed these items back to the manufacturer along with the part of the packaging that contained the special code. Within six weeks, Ben received a \$50 check from the phone manufacturer. What type of sales-promotion technique was used?
- A. Sweepstakes
 - B. Coupon
 - C. Rebate
 - D. Warranty
89. An important activity performed by a business's public relations staff is
- A. territory development.
 - B. market segmentation.
 - C. crisis management.
 - D. talent acquisition.

90. Which of the following is a situation indicating a problem with product durability:
A. A customer complains that her/his new cell phone battery quit working after one week.
B. A customer returns a recently purchased sweater because it is the wrong size.
C. A customer complains to a restaurant server that his/her steak is too rare.
D. A customer returns a software package because it does not work with her/his computer.
91. A risk management program helps _____ risk, which makes it easier to organize and handle them.
A. categorize
B. encourage
C. prevent
D. process
92. Why has enterprise risk management developed?
A. The elimination of certain insurance plans
B. An increasingly diverse array of risks
C. Reduced government regulation
D. Declining quality standards
93. Which of the following is an example of a tangible item that can be sold?
A. Computer
B. Car wash
C. Haircut
D. Lawyer's advice
94. Who is usually responsible for developing and promoting an ethical atmosphere in a business?
A. Consultants
B. Employees
C. Attorneys
D. Managers
95. Which of the following are components generally included in a company's business plan?
A. Marketing plan, summary, and franchise agreement
B. Company description, financial plan, and marketing plan
C. Management plan, licensing contract, and annual report
D. Summary, operating plan, and sales report
96. A business should consider the impact that changes in the environment will have on the business's marketing mix because
A. government regulations can increase costs.
B. most businesses want to be reactive.
C. the marketing mix is affected by technology.
D. the business can change its marketing mix.
97. When an advertiser sends postage-paid sweepstakes entry forms to individuals, the advertiser is using _____ direct mail advertising.
A. utility
B. informative
C. reminder
D. persuasive
98. How does a business's gross profit compare to the industry standard of 30% if it has annual sales of \$400,000 and cost of goods sold is \$260,000?
A. 35% higher
B. 5% lower
C. 35% lower
D. 5% higher
99. Which of the following factors is associated with innovative organizations:
A. Leadership gaps
B. Change avoidance
C. Adaptability
D. Fear motivated
100. Antonio has been tasked with helping the accounting staff at his company make the transition to a new recordkeeping software. He has been instructed to facilitate training sessions, answer employee questions, and show the staff how the new software will help make their jobs easier. Antonio is performing _____ management.
A. change
B. inventory
C. operations
D. supply chain

1. C

Defamation. Defamation is the publication of an untrue statement that subjects an entity to ridicule or contempt. Jack is publishing untrue information about his former employer out of spite, so he is committing defamation. Invasion of privacy occurs when a person's personal life is exposed unnecessarily. Battery is intentionally touching another in a harmful or offensive way without justification. Negligence includes situations in which harm is caused accidentally. None of these three types of torts apply to Jack.

SOURCE: BL:069

SOURCE: Miller, R.L. (2020). *Business law today: The essentials* (12th ed.) [p. 108]. Boston, MA: Cengage Learning, Inc.

2. C

Intellectual property. Intellectual property refers to the ownership of ideas. Unlike tangible assets such as cars or computers, intellectual property is a collection of ideas and concepts. In many countries, there are three ways to protect intellectual property: patents, trademarks, and copyrights. Patents protect processes, methods, and inventions. Trademarks protect brand names—including words and symbols that are used to identify a product or company. A copyright will protect the following categories of work: literary works; musical works; dramatic works; choreographic works; pictorial, graphic, and sculptural works; motion pictures; sound recordings; architectural works; and computer programs and websites. Patents, trademarks, and copyrights do not protect physical inventions, houses and apartments, or government secrets.

SOURCE: BL:051

SOURCE: Entrepreneur. (2017). *Intellectual property*. Retrieved September 6, 2019, from <https://www.entrepreneur.com/encyclopedia/intellectual-property>

3. B

Open corporations. Individuals who invest their money in an open, or public, corporation are known as stockholders, or shareholders, because what they actually purchase are shares of stock in the corporation. This gives the investors the opportunity to share in the growth and possible profits of the corporation. General partnerships are owned by two or more partners. A close corporation is owned by a few people and does not offer its shares for sale to the general public. A sole proprietorship is owned by one person.

SOURCE: BL:003

SOURCE: LAP-BL-001—Own It Your Way (Business Ownership)

4. A

Sole proprietorship. Owners of sole proprietorships bear all the responsibility and decision-making for the business. Since there is one owner, the sole proprietor maintains control of every aspect of the business. General partnerships, "S" corporations, and LLCs have more owners; therefore, each owner generally has less control over business activities.

SOURCE: BL:006

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

5. D

Getting their products to consumers more efficiently. Channels of distribution benefit businesses by getting their products to consumers more efficiently. This may help raise profits, but it is not a guarantee. Channels may lower the prices of some but not *all* industrial goods. Channels allow businesses to share channel tasks, but they will not be able to avoid all channel tasks—every channel member contributes.

SOURCE: CM:001

SOURCE: LAP-CM-002—Chart Your Channels (Channel Management)

6. A

Producer to consumer. When goods are sold directly from the producer to the consumer, this is a direct channel of distribution. All of the other alternatives involve one or more intermediaries between the producer and the consumer. These are examples of indirect channels of distribution.

SOURCE: CM:003

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

7. C

Global industry benchmarking system. A global system provides a standard rating system with which to evaluate the effectiveness of international channel members. Because of the cultural, social, and political differences that exist outside of a company's national boundaries, the company's norm may not apply in these cases. A neutral third party familiar with international expectations may be a better judge of the channel member's effectiveness. The International Monetary Fund deals with exchange rates and differences in international currency. International trade centers and global distribution centers are examples of international channel members.

SOURCE: CM:011

SOURCE: Wisner, J.D., Tan, K., & Leong, G.K. (2019). *Principles of supply chain management* (5th ed.) [Lesson 14-3]. Boston, MA: Cengage Learning, Inc.

8. C

Help with major decisions. A complex business report is a well-organized presentation of accurate information gathered to help with major business decisions. It summarizes the most important data, but it may not present all views on the subject. In most cases, it includes recommendations for action or suggested solutions for problems.

SOURCE: CO:009

SOURCE: Guffey, M.E., & Loewy, D. (2019). *Essentials of business communication* (11th ed.) [Lesson 10-1a]. Boston, MA: Cengage Learning, Inc.

9. C

Henderson Photography...uniquely capturing your special moments is our priority. The brand promise is a company's agreement (spoken or unspoken) with customers that it will consistently meet their expectations and deliver on its brand characteristics and values. Henderson Photography tells you exactly what you can expect every time you purchase its services—unique photos to capture special moments. Fred's Furniture is offering sale prices for a limited time. The business offering credit terms to qualified customers has also placed time restrictions on its offer and has limited the offer to some rather than all customers. Rather than a brand promise, the businesses are using promotion. Cup O' Joe is communicating the convenience of having four locations.

SOURCE: CR:001

SOURCE: Hinge. (2016, January 4). *Elements of a successful brand 4: Brand promise*. Retrieved September 6, 2019, from
http://hingemarketing.com/library/article/elements_of_a_successful_brand_4_brand_promise/?pivot/archive/2007-06/index.html

10. D

Individuals and businesses are the primary economic decision makers, and the government helps regulate the system. A private enterprise system is an economic system in which individuals and groups, rather than the government, own or control the means of production. A private enterprise system is considered a mixed economy because individuals and businesses are the primary economic decision makers, while the government helps regulate and control the system. The government's activities serve to promote a fair competitive buying and selling environment. In a command economic system (communism), the government controls the economic system and does not allow private ownership of the means of production and distribution.

SOURCE: EC:009

SOURCE: LAP-EC-015—People Power (The Private Enterprise System)

11. D

Utilities. Operating expenses are those expenses necessary to keep the business running on a daily basis. They include utilities, rent, payroll, insurance, taxes, and supplies. Cost of goods is a separate category of expense, not part of operating expenses. Revenues are all categories of income that bring money into the business. Employees' withholding taxes are paid by the employees, not by the business.

SOURCE: EC:010

SOURCE: LAP-EC-002—Risk Rewarded (Factors Affecting Profit)

12. B

Total cost. The average total cost curve is what a manager should be looking at when s/he thinks about increasing or decreasing company size, because it shows the average total cost to the company per unit produced. The average marginal cost per unit produced would not give an accurate picture of the company's financial situation because it only shows the cost incurred per each additional unit produced. Analysis of the average revenue and average marginal revenue would only show how much the company is profiting on average, respectively, in terms of total average output and per each additional unit produced. This information by itself gives no insight into the cost incurred by the company in the production process.

SOURCE: EC:077

SOURCE: Gottheil, F.M. (2013). *Principles of economics* (7th ed.) [pp. 190-193]. Mason, OH: South-Western Cengage Learning.

13. A

Communication. Communication, both verbal and nonverbal, causes the greatest number of cultural sensitivity issues. Level of comfort with uncertainty and relationships to time and space also cause cultural sensitivity issues, but not as many as communication does. Globalization is a trend that is making the world seem a lot smaller—it offers proof that diversity is inevitable.

SOURCE: EI:033

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

14. B

Promoting benefits. Persuasion is the ability to get people to see things your way, to do things your way, and to agree with you. Persuasion often involves appealing to others' wants and needs, and presenting information in such a way that it encourages them to support the idea or action. In the example, Porter discussed the benefit of a pay raise. Empathy is the ability to identify with another person's thoughts, feelings, values, and actions. There is no indication that Porter holds a position of authority or that he is arguing with someone on minor points.

SOURCE: EI:012

SOURCE: LAP-QS-010—Win Them Over (Persuade Others)

15. B

Flexible. Flexibility is the ability to adapt to changes as they occur. When employees are demonstrating adaptability, they are able to be flexible and adjust to changing conditions. When employees demonstrate adaptability, they are not necessarily being aggressive, honest, or creative.

SOURCE: EI:006

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

16. C

Everyone in the organization must be able to relate to it. One reason that an excellent business vision is general rather than specific is that everyone in the organization must be able to relate to it. Team members should be able to relate the team vision to their own personal visions for what they want to accomplish in their own careers and also for the organization. Excellent visions are meant for the long term. Employees don't always need to be told exactly what to do. Excellent visions are compelling and energizing, but this does not relate to them being general or specific.

SOURCE: EI:060

SOURCE: LAP-EI-060—Vision Quest (Enlisting Others in Vision)

17. B

Finding a shared vision. Strategic relationships are successfully formed when both sides share a common vision that they can work toward together. Both parties will be equally motivated to succeed. Establishing dominance and control, seeking a deal as quickly as possible, and focusing on Nico's shortcomings will hinder Gianna from building a strategic relationship with Nico.

SOURCE: EI:114

SOURCE: McKay, K. (2014, June 3). *How to create strategic partnerships that are a win-win*. Retrieved September 6, 2019, from <https://www.entrepreneur.com/article/234425>

18. D

Sending holiday cards to clients. "Leveraging" means making the most out of something. In business, leveraging a relationship means maximizing the benefits of the relationship for your company. Leveraging business relationships is important for retaining current customers and continuing to obtain new customers. One example of leveraging an existing business relationship is sending holiday cards to clients. Sending a card is a thoughtful gesture that says to the client, "We care about you." Avoiding meeting new people would not help an individual leverage his/her existing relationships. Calling clients just to say hello would be unwise, since many customers are annoyed by unexpected and unimportant phone calls. Deleting negative client reviews is not only unethical, but would also not help leverage an existing relationship.

SOURCE: EI:116

SOURCE: Wayshak, M. (2018). *7 ways to leverage existing customers for more sales*. Retrieved September 6, 2019, from <https://www.entrepreneur.com/article/281492>

19. B

A veterinarian invents and sells a device to prevent horse water troughs from freezing. Creating a product to solve a problem and selling that product is a good example of an entrepreneurial venture because a need has been identified and met; the product solves a problem for consumers, while the resulting sales benefit the veterinarian. A juice bar selling juice on location during special events expands its business but does not represent a new idea or problem solved. A pumpkin farm offering pumpkin carving and costume contests to create more interest is not creating something new or solving a problem. A "cretzel" might be a new creative pastry, but there is no indication that it meets an identified consumer need.

SOURCE: EN:039

SOURCE: Allen, K.R. (2020). *Launching new ventures: An entrepreneurial approach* (8th ed.) [p. 5]. Boston, MA: Cengage Learning, Inc.

20. C

The impact of new technologies should always be evaluated. An entrepreneur should always evaluate the potential impact that new technologies could have on business opportunities and competition. While the application of technology to business practices often has huge benefits, it is not always feasible or wise to apply them to every business practice. While the benefits of new technologies may be expensive or overrated sometimes, their impact and business potential should always be evaluated.

SOURCE: EN:040

SOURCE: Kokemuller, N. (2019, July 29). *Why is technology important in business?* Retrieved September 6, 2019, from <https://bizfluent.com/about-6320228-technology-important-business-.html>

21. C

Internet-based companies can easily become involved in international trade. A company that has a website can easily be found by people in foreign countries, and online services like eBay make international transactions easy to conduct. Small businesses represent a large majority of international trade. Freight-forwarding services are often used by companies, but they are not required. Foreign language skills may be helpful, but they are not required to conduct international trade since people in many countries speak more than one language and translation services exist.

SOURCE: EN:041

SOURCE: Katz, J., & Green, R. (2011). *Entrepreneurial small business* (3rd ed.) [pp. 351-356]. New York, NY: McGraw-Hill/Irwin.

22. C

Lead to more opportunities. A circumstance that presents itself as a favorable means to become a business is referred to as a venture opportunity. When an entrepreneur assesses the venture opportunity, s/he determines the chances of success. One factor the entrepreneur considers during the assessment is the potential for the venture opportunity to create more opportunities. These other opportunities might include the ability to develop additional products, appeal to different market segments, and expand via multi-units or franchising efforts. When an entrepreneur hires employees, s/he usually expects employee loyalty, regardless of the type of venture s/he is starting. The government requires all businesses to complete paperwork (e.g., tax forms), which is often complex. Therefore, paperwork is not a primary consideration, nor is satisfying its vendors' needs.

SOURCE: EN:005

SOURCE: Ray, L. (2018, October 17). *5 steps to evaluating business opportunities*. Retrieved September 6, 2019, from <http://smallbusiness.chron.com/5-steps-evaluating-business-opportunities-44673.html>

23. D

The feasibility study is completed before the business plan is developed. A feasibility study can be used to determine the viability of several business alternatives, regardless of whether similar businesses already exist. The feasibility study pinpoints the strengths and weaknesses of each alternative so that the business idea that seems to have the best chance of success can be selected. After the most viable alternative is chosen, then a business plan, which is essentially the written business model for that alternative, can be developed.

SOURCE: EN:038

SOURCE: Profitable Venture Magazine Ltd. (2009-2019). *Feasibility study vs. Business plan - What's the difference*. Retrieved September 6, 2019, from <https://www.profitableventure.com/feasibility-study-business-plan/>

24. D

Incorporation. Some of the expenses that an entrepreneur must pay during the startup phase are one-time costs, while other costs are ongoing. An example of a one-time cost is an incorporation fee, which an entrepreneur must pay if s/he chooses to incorporate the new business. Trade association membership fees, shipping and postage costs, and website maintenance are typically routine, ongoing expenses that the business must pay on a regular basis.

SOURCE: EN:009

SOURCE: SmallBusiness.com. (2018, October 13). *Starting a small business*. Retrieved September 6, 2019, from http://wiki.smallbusiness.com/wiki/Starting_a_small_business

25. C

Adam is working 14 hours a day at his new company and is not spending time with friends. There are many types of risks when starting a new business. Because many new business owners focus their attention on their businesses, they often neglect relationships with family and friends. This is social risk because there is a possibility of losing personal relationships when people do not spend time together in social situations. Another type of risk is physical risk. This occurs when a new business owner is under stress and develops an illness or physical ailment, such as an ulcer. Obtaining a bank loan is a financial risk, while quitting a job may present a career risk.

SOURCE: EN:010

SOURCE: Loesch, B. (2012, April 3). *6 commonly overlooked risks when starting a new business*. Retrieved September 6, 2019, from <http://www.business2community.com/startups/6-commonly-overlooked-risks-when-starting-a-new-business-0158188#acXI2uBTHM3aV2gM.97>

26. D

Private equity. When a startup business owner obtains money in a way that s/he does not have debt, it is called private equity. This may include using personal savings, receiving money from friends and relatives, or soliciting support from private investors. Private investors generally expect a financial return on their investment. Credit and banks are debt-based ways to finance a business because these options involve repaying a loan. Collateral savings is a fictitious term.

SOURCE: EN:016

SOURCE: Riley, J. (2019). *Sources of finance for a startup or small business*. Retrieved September 6, 2019, from <https://www.tutor2u.net/business/reference/sources-of-finance-for-a-startup-or-small-business>

27. C

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

SOURCE: EN:018

SOURCE: Katz, J., & Green, R. (2011). *Entrepreneurial small business* (3rd ed.) [pp. 607-615]. New York, NY: McGraw-Hill/Irwin.

28. C

Expertise. Resources are the items or people that a business uses to accomplish a goal or to make a product. Small-business owners must consider both the costs and the benefits in obtaining the resources they need to operate their companies. When a business needs special knowledge to operate or expand, the owner may need to hire someone with a specific set of skills or expertise, which can be a substantial payroll expense. Self-control and a good attitude are good traits to have, and the company may benefit from them; but the employee must have the knowledge and skills to have the ability to perform tasks that others in the company cannot.

SOURCE: EN:021

SOURCE: Bamford, C.E., & Bruton, G.D. (2011). *Entrepreneurship: A small business approach*. (pp. 34, 78). New York, NY: McGraw-Hill.

29. A

Territory. Work flow is the order in which information is shared, tasks are performed, and decisions are made in relation to activities that keep a business running. A business organizes its work flow in a manner that best suits the nature of the business and its goals. One way to organize work flow is to divide work-related tasks by geographic location, such as territory or region. When a business organizes groups to do specific short- or long-term projects, work flow is organized in work teams. Authority and relationship are not widely used terms that businesses use to describe work flow organization methods.

SOURCE: EN:027

SOURCE: Bamford, C.E., & Bruton, G.D. (2011). *Entrepreneurship: A small business approach* (pp. 159-161). New York, NY: The McGraw-Hill Companies, Inc.

30. B

Talk with their customers and vendors. An opportunity is a circumstance that presents itself as a favorable means to meet an objective. Many small-business owners are entrepreneurs—individuals who look for opportunities to start businesses and then take action to make the opportunities actualize. There are many ways to look for business opportunities, such as watching trends; attending trade shows; and talking with friends, customers, vendors, and business associates. Although an opportunity can present itself at any time, it doesn't usually happen while doing tasks such as analyzing sales reports or revising operating budgets. After deciding to start the business, a small-business owner might apply for a commercial bank loan to finance a new venture.

SOURCE: EN:031

SOURCE: Longenecker, J.G., Petty, J.W., Palich, L.E., & Hoy, F. (2020). *Small business management: Launching and growing entrepreneurial ventures* (19th ed.) [pp. 59-63]. Boston, MA: Cengage Learning, Inc.

31. A

Financial. As a business grows, the owner often needs to invest in additional resources to efficiently operate. A resource is a person or item that is needed to accomplish an objective. A profit is the money left over after paying expenses, which is a financial resource. Fundamental, strategic, and structural are not common terms that business owners use to describe types of resources.

SOURCE: EN:032

SOURCE: QuickBooks. (2019). *3 ways small businesses can re-invest profits*. Retrieved September 6, 2019, from <https://quickbooks.intuit.com/r/cash-flow/3-ways-small-businesses-can-re-invest-profits/>

32. C

A harvest strategy. A harvest strategy is the way an entrepreneur or investor extracts money from a business or product after it has become successful in order to invest it in something else. For example, if a car company's pickup truck is already successful, it does not need the same level of funding that it once did. Those funds can be extracted and put into a new product, such as hybrid vehicles. This is not an example of a marketing plan, risk mitigation, or the discovery process.

SOURCE: EN:035

SOURCE: Kenton, W., & Abbott, B. (2019, April 20). *Harvest strategy*. Retrieved September 6, 2019, from <https://www.investopedia.com/terms/h/harvest-strategy.asp>

33. B

Analyze, journalize, and post. The major steps of the accounting cycle—in their proper order—are analyzing financial transactions, journalizing transactions, posting to ledgers, balancing the books, preparing financial statements, and closing the books.

SOURCE: FI:085

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

34. C

\$8,555. Businesspeople prepare cash flow statements to estimate when, where, and how much money will flow into and out of a business during a certain period of time. The information in the cash flow statement can help the business plan financially. To determine the amount of cash that is available to operate the business, subtract the expenses from the total amount of cash (\$36,200 - \$27,645 = \$8,555).

SOURCE: FI:092

SOURCE: Warren, C.S., & Taylor, W.B. (2020). *Managerial accounting* (15th ed.) [Lesson 15-1]. Boston, MA: Cengage Learning, Inc.

35. D

Under stockholders' equity. Retained earnings are represented under stockholders' equity because they are monies reinvested back into the business by the stockholder(s). Assets are considered resources owned by the company, not monies invested or reinvested into the business. Contributed capital refers to monies invested into the company by the owner or other investors, rather than profits or earnings that are reinvested into the company. Revenue refers to earnings from the sales of goods or services and is dealt with on income statements, not balance sheets.

SOURCE: FI:093

SOURCE: Bienias, C., Gilbertson, C.B., Lehman, M.W., & Gentene, D. (2019). *Century 21 accounting: Multicolumn journal* (11th ed.) [Lesson 16-3]. Boston, MA: Cengage Learning, Inc.

36. D

Repay a loan. Creditors are responsible for deciding whether a business should be given a loan. The income statement helps creditors assess the business's creditworthiness and the risk of extending credit to the business. It provides the evidence needed to prove that the business can pay back the loan. Expanding operations, developing new products, and increasing staff are some of the reasons why a business might apply for a loan and need to provide creditors with its income statement.

SOURCE: FI:094

SOURCE: LAP-FI-004—Watch Your Bottom Line (Income Statements)

37. B

Managerial accounting. Managerial accounting involves using information to create budgets or to make business decisions, typically by analyzing the cost of future business activities and evaluating the business's current costs and performance. Financial accounting involves recording and classifying business transactions, as well as preparing financial statements that report on actual business activities. Forensic accounting techniques are used to investigate legal claims, fraud, and other similar matters. Internal auditing involves testing a company's internal controls to determine if they are appropriate and followed correctly.

SOURCE: FI:657

SOURCE: Accounting Verse. (2019). *Types of accounting*. Retrieved September 6, 2019, from <http://www.accountingverse.com/accounting-basics/types-of-accounting.html>

38. A

Collateral. Collateral is anything of value belonging to the business that is pledged to the lender to guarantee that the loan will be repaid. Banks usually require that businesses put up acceptable collateral, such as inventory or buildings, which equal the amount of the loan. If the business is unable to repay the loan, the bank takes the collateral. Technology is scientific applications to business objectives or the methods used to attain those objectives. Promotion is the communication of information about goods, services, images, and/or ideas to achieve a desired outcome. Compensation is salary or wages.

SOURCE: FI:023

SOURCE: Warren, C.S. (2017). *Survey of accounting* (8th ed.) [Lesson 8-1i]. Boston, MA: Cengage Learning, Inc.

39. B

They will have to pay interest on the borrowed amount. A downside of acquiring capital through debt financing is that the borrower must pay interest on the money borrowed. This means that John and Damien will end up owing more than the amount of money they initially borrowed. In equity financing, stocks are sold to shareholders and those shareholders own a stake in the company. Damien and John would not be required to repay the money immediately.

SOURCE: FI:340

SOURCE: Katz, J., & Green, R. (2011). *Entrepreneurial small business* (3rd ed.) [pp. 483-495]. New York, NY: McGraw-Hill/Irwin.

40. D

Increased convenience. Increased convenience is an intangible benefit that might be included in a cost-benefit analysis. It's called an intangible because it is difficult to measure in financial terms. Decreased expenses, reduced employee turnover, and increased profits are all benefits that can be measured more easily in dollar amounts.

SOURCE: FI:357

SOURCE: LAP-FI-011—Running the Numbers (Cost-Benefit Analysis)

41. A

Jury of executive opinion. The jury of executive opinion method uses predictions by a company's top executives that are averaged for a composite sales forecast. The Delphi technique uses the opinions of the company's executives and outside expert opinions combined. The sales force composite method is based upon the predictions of the members of the sales force and combined into a composite forecast. The survey of buyer intentions method uses the customers and their plans to purchase for the coming year.

SOURCE: FI:096

SOURCE: Business Dictionary. (2019). *Jury of executive opinion*. Retrieved September 6, 2019, from <http://www.businessdictionary.com/definition/jury-of-executive-opinion.html>

42. B

Assets = Liabilities + Owner's Equity. A balance sheet is a financial statement that captures the financial condition of the business at that particular moment. Three main elements are included on the balance sheet—assets, liabilities, and owner's equity. Available cash is one part of the business's total assets. If the assets do not equal the liabilities when the liabilities are added to the owner's equity (Assets = Liabilities + Owner's Equity), information on the balance sheet is incorrect.

SOURCE: FI:335

SOURCE: Peavler, R. (2019, August 15). *What is the accounting formula?* Retrieved on September 6, 2019, from <https://www.thebalance.com/the-accounting-equation-392966>

43. D

"Edit company newsletter." Editing the company newsletter is a task that would be listed in an official job description. A job description is an explanation of the specific responsibilities associated with a certain job. A job specification, on the other hand, is an explanation of the skills, knowledge, and characteristics required for a job. Having 10-15 years of experience, being able to work closely with others, and possessing an associate's degree or higher are all examples of what might be listed in a job specification.

SOURCE: HR:410

SOURCE: LAP-HR-035—People Pusher (Nature of Human Resources Management)

44. C

Employee to customer ratio. Businesses usually consider a variety of factors when determining hiring needs because they want to hire the right number of employees. One important factor is the employee to customer ratio, particularly for businesses that interact directly with customers. For example, a business decides that it should have one employee per 10 customers. As the business estimates its rate of growth, it realizes it will need to hire additional employees to maintain the desired ratio. The type of application is not a factor. Bonuses for outstanding performance are given to employees rather than customers. The business's sampling plan, which typically guides the selection of a truly representative sample for marketing research purposes, is not a consideration in determining hiring needs.

SOURCE: HR:353

SOURCE: Snell, S., & Morris, S. (2019). *Managing human resources* (18th ed.) [Lesson 2.4e]. Boston, MA: Cengage Learning, Inc.

45. C

Appropriate match of employees to jobs. An effective employee selection procedure screens applicants carefully and selects those who are best qualified to do the job. This benefits the business because the new hires need little or no training and are soon able to achieve good levels of productivity. Effective selection does not reduce the need to orient employees to their new place of employment. A rapid rate of turnover and having a number of employees who need training would not benefit the business.

SOURCE: HR:356

SOURCE: Snell, S., & Morris, S. (2019). *Managing human resources* (18th ed.) [Lesson 6.1]. Boston, MA: Cengage Learning, Inc.

46. C

Past work experience. Businesses maintain a variety of information about employees in personnel records. One type of information is past work experience. This information may be used when considering employees for promotions or for assignment to special projects. The work experience information tells a business if an employee has the necessary background and qualifications. Businesses do not maintain information about an employee's political affiliation, family history, or country of origin.

SOURCE: HR:359

SOURCE: Society for Human Resources Management. (2018, April 4). *Complying with employment record requirements*. Retrieved September 6, 2019, from <https://www.shrm.org/resourcesandtools/tools-and-samples/toolkits/pages/complyingwithemploymentrecordrequirements.aspx>

47. D

Nonjudgmental. In general, a disciplinary situation would be approached in a nonjudgmental manner, with all facts gathered completely and accurately. Poor handling of a discipline problem may result in additional discipline, lower productivity, and morale problems. Adopting a harsh or critical attitude can destroy or damage an employee's self-esteem, which frequently affects productivity. A wait-and-see attitude often allows a problem time to develop into a more serious situation.

SOURCE: HR:369

SOURCE: Snell, S., & Morris, S. (2019). *Managing human resources* (18th ed.) [Lesson 13.2]. Boston, MA: Cengage Learning, Inc.

48. B

To remain competitive. Today's business environment is becoming more global in nature. To remain competitive in this environment, businesses need up-to-date marketing information about a variety of issues such as economic conditions, political systems, and technological changes throughout the world. Frequently, businesses in one part of the world make decisions that affect their customers in other parts of the world. To be able to make the right decisions and stay competitive, the businesses need marketing information about conditions in those areas. Businesses do not gather marketing information about conditions throughout the world to understand geography, import products, or eliminate trade quotas.

SOURCE: IM:012

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

49. A

Marketing research. Marketing research is the systematic gathering, recording, and analyzing of data about a specific problem. Businesses use the information that is obtained through marketing research in decision-making and problem-solving. Data analysis is usually a part of the research process that involves interpreting the information that has been collected. Observation is a marketing-research method that gathers data by watching consumers. Financial management is the decision-making involved in allocating funds.

SOURCE: IM:010

SOURCE: Babin, B., Zikmund, W. (2016). *Essentials of marketing research* (6th ed.) [pp. 4-6]. Boston, MA: Cengage Learning, Inc.

50. A

Market planning. Market planning aims to create strategies to attract the target customer to a business. Market planning includes determining activities, goals, objectives, and procedures necessary to carry out those strategies. Pricing is determining and adjusting prices to maximize return and meet customers' perceptions of value. Marketing-information management involves gathering, accessing, synthesizing, evaluating, and disseminating information. Channel management involves identifying, selecting, monitoring, and evaluating sales channels, also known as channels of distribution.

SOURCE: MK:002

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

51. A

Improving this year's customer satisfaction by 7% over last year's ratings. The strategy of conducting customer surveys supports the goal of improving this year's customer satisfaction ratings. It does not support improving sales training results, which is about making sure the company's salespeople are performing their roles appropriately. It does not support improving telemarketing skills, either, because telemarketing skills belong to the caller—not to the customers who are surveyed. In addition, it does not support improving proposal writing because, of course, the writers are not customers.

SOURCE: MP:001

SOURCE: LAP-MP-002—Pick the Mix (Nature of Marketing Strategies)

52. C

Target. A target market is a group of customers who have similar wants and needs. By identifying such a group, businesses can focus their marketing efforts on meeting the needs of the businesses or individuals in the group. These may be retail businesses, industrial businesses, or individual consumers.

SOURCE: MP:003

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

53. D

Lifestyles. Psychographic segmentation is the division of a market on the basis of consumers' lifestyles and personalities. Gender, income, and occupation are elements of demographic segmentation, which is the division of a market on the basis of its physical and social characteristics.

SOURCE: MP:005

SOURCE: Babin, B., & Zikmund, W. (2016). *Exploring marketing research* (11th ed.) [p. 168]. Boston, MA: Cengage Learning, Inc.

54. B

Product quality and price. Analyzing competitors in a specific market involves evaluating the quality and price of their products. As the result of such an analysis, a new business might find that the competition offers products of medium quality at limited prices. This indicates that a need might exist for higher and lower quality products in various price ranges. Armed with this information, a new business has a better chance to provide products that customers want and need and to compete successfully in a specific market. Before locating in a community, a new business would consider the size and availability of space, and the cost of supplies and equipment. However, these are not factors involved in analyzing competitors. Industry research might be useful, but the training that the industry provides is not a factor in analyzing the competition.

SOURCE: MP:012

SOURCE: Pride, W.M., & Ferrell, O.C. (2020). *Marketing 2020* (20th ed.) [Lesson 3-2c]. Boston, MA: Cengage Learning, Inc.

55. C

\$375,000. The objectives in a marketing plan are intended to lead to sales and an increase in revenue. When preparing its marketing plan, a business develops specific objectives to follow that should be clear and measurable, such as increasing sales by 15%. If a business increases sales by 15%, it will probably increase revenue, also. To determine the amount of increase in this example, first determine the current level of sales by multiplying the amount each customer spends by the number of customers ($\$10,000 \times 250 = \$2,500,000$). Then, multiply current sales by the projected increase ($\$2,500,000 \times 15\% \text{ or } .15 = \$375,000$). Therefore, if the business achieves the objective in its marketing plan, it will increase sales by \$375,000.

SOURCE: MP:018

SOURCE: Berry, T. (2014). *How to forecast sales*. Retrieved September 6, 2019, from <https://leanplan.com/how-to-forecast-sales/>

56. B

It is data put into a useful form. Data and information are not the same thing. Data are the necessary facts and figures, but information is what you get when data are in a useful form. Information is something an organization values, and it is not always simple to manage.

SOURCE: NF:110

SOURCE: LAP-NF-110—In the Know (Nature of Information Management)

57. C

Graphically display financial information. Businesses establish specifications for selecting spreadsheet software in order to obtain the type of programs that will meet their needs. This is important because not all spreadsheet software programs have the same capabilities, such as graphically displaying financial information. Some businesses may need only simple graphics in the form of graphs or charts, while others need sophisticated graphics that will display financial information in a variety of visual formats. Communications software is used to electronically communicate data. Database software is used to regularly organize customer information. Word processing and graphic design programs are used to produce marketing data.

SOURCE: NF:091

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2012). *Marketing essentials* (pp. 214-215). New York, NY: Glencoe/McGraw-Hill.

58. D

Inaccurate. Quality business records should be retrievable, reliable, and accurate. When a business does not update information (e.g., inventory status), it runs the risk of making poor business decisions by using inaccurate information. The example does not indicate that the information is unavailable, unorganized, or irrelevant.

SOURCE: NF:001

SOURCE: LAP-NF-001—Record It (Business Records)

59. A

Human resources records. A company's human resources records include employee attendance as well as notes (positive or negative) about each employee's performance. Production records would not be helpful in evaluating customer service employees because those employees do not work in the part of the company that produces the products. R&D records are not helpful because customer service employees do not work in research and development. Inventory records track the products in the warehouse, which is not the responsibility of the customer service department.

SOURCE: NF:014

SOURCE: Management Study Guide. (2019). *Personnel records*. Retrieved September 6, 2019, from <https://www.managementstudyguide.com/personnel-records.htm>

60. D

Lost sales. Running out of inventory can result in lost sales, lowered productivity, unhappy customers, and a decrease in profits. These are known as stockout costs, and businesses try to avoid them as much as possible. Running out of inventory should not increase a business's taxes.

SOURCE: OP:189

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

61. C

Wear protective headgear when working in hazardous areas. Businesses develop safety policies, which are guidelines that employees follow to reduce the risk of injury in the workplace. Safety policies vary by industry and business, but the purpose of the policies is to keep employees safe while on the job. For example, a business might require employees to wear protective headgear when they are working in a warehouse or in dangerous areas where items or debris may fall from high shelves. Businesses should keep aisles clear of equipment and supplies to reduce the risk of falls, which can cause injuries. Exit doors should always be accessible, so employees can vacate the building if an emergency (e.g., fire) occurs. Reviewing or inspecting products are product/service management issues rather than workplace safety concerns.

SOURCE: OP:012

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

62. A

Timing. When tasks need to be completed in sequential order, one team member cannot start his/her task until another team member has completed her/his task. If one team member runs behind, it affects all other team members who must complete tasks after that team member. This can create bottlenecks and can cause delays and missed deadlines. Therefore, it is important to coordinate tasks so that sufficient time is allocated to complete each task. Durability and pricing may be factors when coordinating certain types of projects; however, these factors may or may not be tied to the tasking sequence. Credibility is believability.

SOURCE: OP:230

SOURCE: Gido, J., Clements, J., & Baker, R. (2018). *Successful project management* (7th ed.) [Lesson 5-4]. Boston, MA: Cengage Learning, Inc.

63. A

Prevent losses to the business. A business should try to produce only as much as it can produce well. If production quantities exceed consumer demand, the business will lose money on unsold products. If the business does not produce enough to meet consumer demand, it will lose sales to competitors. Planning production quantities does not help increase demand, locate resources, or sequence production steps.

SOURCE: OP:017

SOURCE: LAP-OP-017—Can You Make It? (Nature of Production)

64. D

They are not directly related to production. Operating costs are the ongoing, day-to-day expenses of running a business that are not related to production. They consist of both fixed and variable expenses, and they are ongoing—not just occurring once or twice a year. All businesses incur operating expenses.

SOURCE: OP:024

SOURCE: LAP-OP-009—Watch Your (Over) Head (Operating Costs)

65. C

Contract B by \$60. Service contracts often provide businesses the option of including a certain number of service calls in the yearly price or paying a flat rate for service and then an additional fee for each call. Depending on the type of service that a business needs, it might be more cost effective to pay for each call if the business does not expect to need many repairs. To calculate the yearly cost of contract B if the company needs 12 calls, first multiply the price per call by 12 ($\$70 \times 12 = \840). Then, add that amount to the base price ($\$840 + \$600 = \$1,440$). Subtract the cost of contract B from the cost of contract A to determine the savings ($\$1,500 - \$1,440 = \$60$). The business will save even more if it does not need 12 calls a year.

SOURCE: OP:027

SOURCE: Harness, J. (2018, November 5). *What is a service contract agreement?* Retrieved September 6, 2019, from <https://bizfluent.com/info-7959728-service-contract-agreement.html>

66. C

Budget. Budgets provide a business with projections of expenses or standards for spending that help the business allocate funds and control expenses. An income statement compares actual income against actual expenses for a fiscal period. A balance sheet is a statement that shows a firm's assets in relation to its liabilities and owner's equity. A ratio is the relationship between two numbers.

SOURCE: OP:029

SOURCE: Pride, W.M., Hughes, R.J., & Kapoor, J.R. (2019). *Foundations of business* (6th ed.) [Lesson 16-3a]. Boston, MA: Cengage Learning, Inc.

67. D

Goods and communication should flow both ways. In a supply chain, goods and information should flow back and forth among all supply chain members, rather than merely going in one direction. Producers should not necessarily be in contact with the final consumer. Emphasis is placed more on internal activities in operations management, rather than in supply chain management. Finally, there is no set number of people that should be involved in operations; it depends on the nature of the company.

SOURCE: OP:303

SOURCE: Bozarth, C.C., & Handfield, R.B. (2013). *Introduction to operations and supply chain management* (3rd ed.) [pp. 6-7]. Upper Saddle River, NJ: Pearson Education, Inc.

68. B

Competitive. Companies analyze many business functions to determine if they are achieving their organizational goals. Companies analyze their activities in relation to their competitors' activities to determine how well they are performing in the marketplace. If a competitive analysis reveals that a company has lost some of its market share, the company will need to attract new markets or develop new products to improve its market share. Luke will likely review the competition's promotional, financial, and production processes as part of the competitive analysis if the information is available.

SOURCE: OP:327

SOURCE: Entrepreneur. (2019). *Competitive analysis*. Retrieved September 6, 2019, from <http://www.entrepreneur.com/encyclopedia/competitive-analysis>

69. A

A company strives to fix its method of internal communications. Processes are sets of steps used to reach an outcome. Process thinking means keeping processes in mind throughout a project or business venture. An example of a process is a method for communicating internally in an organization. If a company strives to fix its method of internal communications, it is focused on process thinking. Business process thinking involves departments working together, rather than avoiding interaction. Firing employees rather than fixing the overall customer service process is not an example of business process thinking. Finally, prioritizing product promotions over product development is not related to business process thinking.

SOURCE: OP:474

SOURCE: Business Enterprise Mapping. (2017, May 10). *Why process thinking enables performance improvement*. Retrieved September 6, 2019, from <http://www.businessmapping.com/blog/why-process-enables-performance-improvement/>

70. B

Human. Business process design is influenced by human factors, such as stress and fatigue. A business process may not work if it causes stress to employees, or if they are too fatigued to complete their work properly. These are not examples of technological, regulatory, or government factors.

SOURCE: OP:475

SOURCE: Taylor, H. (1999-2015). *Factors that affect process design*. Retrieved September 6, 2019, from http://www.ehow.com/list_7444011_factors-affect-process-design.html

71. C

Merges with another company. An alteration to a company's current business process is considered a business process change. If a company undergoes a significant change, such as merging with another company, it requires a change in business procedures. Planning a meeting for Friday and having a profitable quarter are not reasons to change a business process. If a company goes out of business, it would no longer have business processes.

SOURCE: OP:476

SOURCE: Holmes, T., & Everett, W. (2017, August 12). *What is business process change?* Retrieved September 6, 2019, from <http://www.wisegeek.com/what-is-business-process-change.htm>

72. A

Reduces the time it takes for goods to reach consumers. Supply chain management allows customers to more quickly get the products into their hands, which improves their satisfaction. Integrating information throughout an organization, improving cash flow, and enhancing data quality do not directly increase customer satisfaction.

SOURCE: OP:477

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

73. A

Competitive. A competitive advantage is the edge achieved by businesses that offer something better than their competitors. An absolute advantage is the advantage achieved when a nation can produce a good or service at a lower cost than another nation. Creative advantage and administrative advantage are not terms typically used in discussions about innovation.

SOURCE: PD:126

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

74. B

Stakeholder. Corporate governance is the system of rules and practices that control the company. Corporate governance revolves around balancing the desires of the stakeholders in a company. Corporate governance is not just concerned with CEO or vendor desires; instead, it focuses on the desires of *all* stakeholders, including customers, financiers, the community, the government, and managers. Corporate governance is not necessarily concerned with competitor desires.

SOURCE: PD:213

SOURCE: Chen, J. (2019, April 18). *Corporate governance definition*. Retrieved September 9, 2019, from <http://www.investopedia.com/terms/c/corporategovernance.asp>

75. B

Demonstrating transparency. Transparency involves maintaining open and truthful communications. For corporate governance to be effective, it must be transparent with stakeholders so they are aware of what is going on and can make decisions accordingly. Golden Ray Corporation is being transparent by releasing a statement about its former board member's personal scandal. Golden Ray Corporation is not necessarily lacking accountability, following regulatory guidelines, or measuring internal performance.

SOURCE: PD:214

SOURCE: Pearse Trust Blog. (2014, February 19). *The core principles of good corporate governance*. Retrieved September 6, 2019, from <https://www.pearse-trust.ie/blog/bid/108866/The-Core-Principles-Of-Good-Corporate-Governance>

76. D

Borrowing money from a bank. Banks often require an organization with a loan to follow external control mechanisms that impact its governance structures. Hiring employees, developing a marketing strategy, and raising prices are all common business activities that are not likely to impact an organization's governance structures.

SOURCE: PD:302

SOURCE: Davoren, J. (2019). *Three types of corporate governance mechanisms*. Retrieved September 6, 2019, from <http://smallbusiness.chron.com/three-types-corporate-governance-mechanisms-66711.html>

77. D

Measurable. When an organization is developing performance standards, it should ensure that those standards are measurable so that they can actually be used to evaluate performance. Performance standards should be objective rather than subjective. They also should be clearly stated in writing rather than informally discussed. Finally, performance standards should be realistic rather than extremely challenging.

SOURCE: PD:256

SOURCE: U.S. Office of Personnel Management. (n.d.). *Performance management: Performance management cycle*. Retrieved September 6, 2019, from <https://www.opm.gov/policy-data-oversight/performance-management/performance-management-cycle/planning/developing-performance-standards>

78. D

Pricing. Pricing is the determination of an exchange price at which the buyer and seller perceive optimum value for a good or service. Promotion stimulates demand for products by informing customers of the products' availability. Place decision is the marketing element focusing on considerations in getting a selected product in the right place at the right time. Product decision refers to what goods, services, or ideas a business will offer its customers.

SOURCE: PI:001

SOURCE: LAP-PI-002—The Price is Right (Nature of Pricing)

79. D

Profit control. While there may be times when a business will select a low selling price that generates little or no profit for the business, this would not be regular practice. Businesses generally use prices that will give them maximum profits and still be accepted by customers. These prices are affected by the prices of competitors, government regulation in certain aspects of pricing, and supply and demand for the product(s) being sold.

SOURCE: PI:002

SOURCE: LAP-PI-003—Make Cents (Factors Affecting Selling Price)

80. A

Online customer reviews. Reviews written by customers can provide a wealth of information about a business's customer experience. Although negative comments about the business usually outnumber the positive ones, reviews can be quite revealing. By reading customer reviews, a business can find out what is good about its customer experience and what needs to be improved. Sales data would not be useful in evaluating customer experience. Consumer trends can help a business understand the direction in which consumer purchasing is going, but they can't be used to evaluate customer experience either. Kiosks are stand-alone structures located in public places that are designed to provide information and sell products, not gather information about customer experience.

SOURCE: PM:138

SOURCE: Lamb, C.W., Hair, Jr., J.H., & McDaniel, C. (2019). *MKTG* (12th ed.) [Lesson 6-2b]. Boston, MA: Cengage Learning, Inc.

81. D

Contraction. Contraction of the product mix means removing, or deleting, product items or lines from the product mix. A company may decide to do this if a product is no longer profitable. Trading down is a product-mix strategy in which a business adds a lower priced product or line to its product mix. Trading up is a product-mix strategy in which a business adds a higher priced product or line to its product mix. Alteration is a product-mix strategy in which a business makes changes to its product or product lines.

SOURCE: PM:003

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

82. B

Convenient store hours and receipts for purchases. Stores must be open when it is convenient for customers to shop. All stores should provide the customers with receipts for the purchases. The receipts are used for accounting and stockkeeping purposes as well as for customer convenience and satisfaction. Free delivery services are unnecessary for cash and carry stores. Play areas for children are unnecessary in stores where shoppers seldom bring children. Not all businesses can afford the time, space, and employees needed to offer repair services. Restaurants or snack bars can be a valuable service in stores where customers shop for long periods of time, but food-selling areas could often be more profitably used for selling other items. Alterations would be offered in some specialty shops, and fashion shows are provided by apparel retailers.

SOURCE: PM:036

SOURCE: Boone, L.E., & Kurtz, D.L. (2019). *Contemporary marketing* (18th ed.) [Lesson 16-1a]. Boston, MA: Cengage Learning, Inc.

83. A

Meaningful to the customer. A unique selling proposition (USP) that is specific to its target market's needs is meaningful to the customer. Most college students are looking for affordable, value-priced products. This USP is not necessarily difficult to communicate. USPs should be desirable and urgent as well as fulfillable, but this USP does not necessarily illustrate those characteristics.

SOURCE: PM:272

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

84. D

Persuasive. To be a success, promotional messages should be persuasive and convince buyers that the product that is being sold can meet their needs. Relevance is when the promotional message is relevant to the audience that it is intended to target—the people that are the most likely to buy the product. Repetitious refers to the message being repeated, not heard just one time. Factual refers to the fact that the promotional message should be based on facts, not statements that will mislead the person receiving the message.

SOURCE: PR:001

SOURCE: LAP-PR-002—Razzle Dazzle (Nature of Promotion)

85. B

Continuity plan. A continuity plan describes strategies to deal with a potential shut down of business operations. A safety plan describes strategies to help prevent employee injury during daily operations and in emergency situations. A business plan describes the overall business goals of a company. A continuity plan often includes an asset security plan that describes strategies to protect valuable assets during a shutdown.

SOURCE: SM:012

SOURCE: Lazzari, Z. (2018, August 25) *What is a business contingency plan?* Retrieved September 6, 2019, from <http://smallbusiness.chron.com/business-contingency-plan-1081.html>

86. D

A company asks customers to share product reviews on a website. Amplified word-of-mouth strategy involves a business asking others to help spread the word about its products, such as requesting customers to share product reviews on a website. Customers sharing the release date for a new product on Facebook, posting comments about a company on Twitter, and sharing their opinions of a new product with a friend are examples of organic word-of-mouth because they were created by consumers, not the company.

SOURCE: PR:247

SOURCE: Warren, M. (2019). *Word of mouth marketing for 2019: How to create a strategy for social media buzz & skyrocket referral sales.* Retrieved September 6, 2019, from <https://www.bigcommerce.com/blog/word-of-mouth-marketing/#what-is-word-of-mouth-marketing>

87. C

Production. The development or production of the direct advertising campaign might include the layout and printing costs of a brochure or catalog. Production needs are often outsourced to other companies and can be very expensive. Therefore, production costs are primary considerations when developing a direct advertising campaign. Inventory refers to the product that a company has available in stock.

Research is the act of collecting information. Although research may cost a company money in terms of locating vendors (e.g., printers), this is not usually as costly as production. Therefore, research is not a primary cost. Follow-up is the determination of a customer's satisfaction with a good or service after a sales presentation regardless of whether or not a sale was made.

SOURCE: PR:089

SOURCE: Bruce, J. (2017, July 31). *How much does direct mail marketing cost?* Retrieved September 6, 2019, from <http://www.mediaspacesolutions.com/blog/how-much-does-direct-mail-marketing-cost>

88. C

Rebate. Sales-promotion techniques are activities other than advertising, selling, and personal selling that stimulate customer purchases. A rebate is a sales-promotion technique in which a business (manufacturer) returns part of the price that a customer (Ben) pays for a good (cell phone) or service. Rebates stimulate sales because customers want to receive money back for their purchases. Couponing involves the use of printed certificates that entitle the holder to a reduced purchase price. Coupons are generally processed at the point of sale. Sweepstakes involve a game of chance in which a customer wins a prize. A warranty is a promise made by the seller to the customer that the seller will repair or replace a product that does not perform as expected. A warranty is a benefit of purchase rather than a sales-promotion technique.

SOURCE: PR:249

SOURCE: Boone, L.E., & Kurtz, D.L. (2019). *Contemporary marketing* (18th ed.) [Lesson 18-6a]. Boston, MA: Cengage Learning, Inc.

89. C

Crisis management. Crisis management is a public relations strategy that involves the ongoing managing, planning, and coordinating of resources to handle undesirable situations or circumstances. Market segmentation is the process of dividing a total market into smaller, specific groups. Territory development refers to the expansion of a selling area. Talent acquisition is the process of finding and hiring employees.

SOURCE: PR:252

SOURCE: Lamb, C.W., Hair, Jr., J.H., & McDaniel, C. (2019). *MKTG* (12th ed.) [Lesson 16-5a]. Boston, MA: Cengage Learning, Inc.

90. A

A customer complains that her/his new cell phone battery quit working after one week. Quality management is the coordination of resources to ensure the degree of excellence of a process, good, or service. If customers complain that goods are breaking or not working after a short period of time (e.g., cell phone batteries), there may be a product-durability problem. After a problem is detected, the business can determine why the problem is occurring and then take steps to fix the problem, which will restore or improve the quality of the product. Returning a sweater that is a wrong size, complaining about the way a steak has been prepared, and returning a software package because it does not work with a computer are examples of compatibility issues.

SOURCE: QM:001

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

91. A

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

SOURCE: RM:045

SOURCE: Educba. (2016, July 19). *6 basic steps to develop a project risk management plan*. Retrieved September 6, 2019, from <https://www.educba.com/project-risk-management-plan/>

92. B

An increasingly diverse array of risks. In the past, risks were managed through the purchase of insurance. However, companies have begun to manage many different types of risks that need to be managed on a broader level. Enterprise risk management is now a plan-based strategy that is incorporated throughout an organization. Enterprise risk management has not developed due to the elimination of certain insurance plans, reduced government regulation, or declining quality standards.

SOURCE: RM:062

SOURCE: Kenton, W. (2019, July 2). *Enterprise risk management*. Retrieved September 4, 2019, from <https://www.investopedia.com/terms/e/enterprise-risk-management.asp>

93. A

Computer. A computer has the characteristics of a tangible item. Tangible items are those that can be touched, smelled, tasted, and/or seen. A car wash, a haircut, and a lawyer's advice are all services.

SOURCE: SE:017

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

94. D

Managers. A business's managers are the ones who set the example and create an ethical environment. If managers behave in an ethical way and make it clear that unethical behavior will be punished, employees will follow the lead. On the other hand, if managers behave unethically, employees will often do the same because they think such behavior is acceptable. Attorneys and consultants are outside the business and do not influence the business's ethical atmosphere.

SOURCE: SM:002

SOURCE: Universal Class. (1999-2019). *Your legal and ethical responsibilities as a manager in the workplace*. Retrieved September 6, 2019, from <https://www.universalclass.com/articles/business/your-legal-and-ethical-responsibilities-as-a-manager.htm>

95. B

Company description, financial plan, and marketing plan. A comprehensive business plan consists of many elements including detailed financial, marketing, product, service, management, operating, and legal plans. The company description defines the type and purpose of the business. The summary is an overview that highlights the main points of the various plans. Although some businesses might include information such as franchise agreements, annual reports, and sales reports, these items are not always applicable to the business and, therefore, are not always components that are included in a business plan.

SOURCE: SM:007

SOURCE: LAP-SM-007—Plan Now, Succeed Later (Nature of Business Plans)

96. D

The business can change its marketing mix. While the business cannot control the external factors in the environment that affect the business, the business can change its marketing mix (price, place, product, promotion) to reflect any shifts in the environment. That is why most businesses prefer to be proactive by planning ways to cope with expected changes. Government regulations can increase the costs of doing business, and the marketing mix may be affected by technology, but those are not reasons the business should consider the impact of changes on the marketing mix.

SOURCE: SM:011

SOURCE: Riley, J. (2019). *External environment: Introduction (GCSE)*. Retrieved September 6, 2019, from <https://www.tutor2u.net/business/reference/external-environment-introduction>

97. D

Persuasive. Persuasive direct mail makes consumer response easy by including stamped, self-addressed envelopes or toll-free telephone numbers. This encourages immediate action. The goal of informative direct mail is to provide consumers with background information on a good or service. Reminder direct mail's main purpose is to make the consumer stop to consider the product being offered. Utility mailings are a functional part of mailing such as a business reply postcard.

SOURCE: PR:007

SOURCE: LAP-PR-003—Types of Promotional Media

98. D

5% higher. Businesses often compare their income from sales and the cost of buying those goods to the industry standard to determine if they are spending too much based on the profit earned. If the industry standard is 30% gross profit, a business wants to make sure that it is earning that amount. In order to calculate the percent of gross profit, first subtract the cost of goods sold from annual sales to determine gross profit ($\$400,000 - \$260,000 = \$140,000$). Then, divide that figure by annual sales ($\$140,000 / \$400,000 = .35$). Convert that figure to a percentage by multiplying by 100 (.35 X 100 = 35%). In this case, the business is earning 35% gross profit which is 5% higher than the industry standard.

SOURCE: SM:005

SOURCE: Hayes, A. (2019, April 18). *Gross profit definition*. Retrieved September 6, 2019 from <https://www.investopedia.com/terms/g/grossprofit.asp>

99. C

Adaptability. Innovation requires change and learning to be successful. Organizations that encourage adaptability and know how to accept change are much more likely to innovate successfully. Organizations that avoid change are likely less equipped for innovation. Organizations that lack leadership or that motivate with fear are not necessarily better equipped for innovation.

SOURCE: SM:094

SOURCE: Decision Innovation. (2009-2019). *Managing change and innovation—Getting the most from the innovation funnel*. Retrieved September 6, 2019, from <http://www.innovation-management.org/managing-change-and-innovation.html>

100. A

Change. Change management is a set of strategies designed to ensure that changes in an organization are smoothly and thoroughly implemented. By helping the accounting staff make the transition to a new software, Antonio is engaging in change management. He is not performing inventory management, operations management, or supply chain management.

SOURCE: SM:095

SOURCE: Mind Tools. (1996-2019). *Change management*. Retrieved September 6, 2019, from https://www.mindtools.com/pages/article/newPPM_87.htm