



Competency-Based  
Competitive Events  
\*Written Exam\*

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

# Entrepreneurship Exam

ENT – Entrepreneurship Series Event

ETDM – Entrepreneurship Team Decision Making Event

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

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1. One disadvantage to sole proprietorship ownership is
  - A. certain life.
  - B. ease of opening.
  - C. unlimited liability.
  - D. unlimited capital.
  
2. Martha is fired from her job after filing a complaint regarding mistreatment by her superior. This is an example of wrongful termination on the grounds of
  - A. drug use.
  - B. retaliation.
  - C. discrimination.
  - D. refusing a polygraph.
  
3. Depending on what products it sells or what equipment it uses, a business may have to pay \_\_\_\_\_ taxes.
  - A. excise
  - B. progressive
  - C. income
  - D. payroll
  
4. Which of the following statements about maintaining good business credit is true:
  - A. It helps businesses obtain financing faster and easier.
  - B. It leads to a poor credit score and repayment terms with suppliers.
  - C. It can drastically hurt your personal credit score.
  - D. It makes it more challenging for businesses to obtain financing.
  
5. Which of the following is a proper channel of distribution for consumer goods:
  - A. Wholesaler to producer to retailer to consumer
  - B. Producer to wholesaler to retailer to consumer
  - C. Agent to producer to consumer to wholesaler
  - D. Producer to agent to consumer to retailer
  
6. Only one store in a geographic area sells an expensive brand of watches. What type of distribution is this an example of?
  - A. Exclusive
  - B. Intensive
  - C. Vertical
  - D. Selective
  
7. Every internal project proposal should include a(n) \_\_\_\_\_ section.
  - A. methods
  - B. institutional background
  - C. market size
  - D. personnel resumes

8. Company management is most likely to do which of the following activities:
- A. Review customer relations processes
  - B. Have personal conversations with clients
  - C. Measure customer satisfaction through data
  - D. Promote their company's products
9. Walmart and Kroger are examples of
- A. dissimilar firms.
  - B. unrelated businesses.
  - C. direct competitors.
  - D. regulated monopolies.
10. Darius buys a new pair of shoes for \$49.99, but when he goes to check out, his total comes to \$52.86. This added cost is due to \_\_\_\_\_ tax.
- A. property
  - B. excise
  - C. sales
  - D. payroll
11. Javier mumbles a half-hearted "Nice job" to his team after they win an important match in the semi-final. In this situation, Javier failed to
- A. match the effort.
  - B. be timely.
  - C. match the cultural background.
  - D. be public.
12. Teams function better when
- A. there is a high turnover rate.
  - B. there is increased absenteeism.
  - C. the team only listens to one person.
  - D. individuals know their strengths.
13. Stakeholder expectations will vary depending on
- A. government regulations.
  - B. social media trends.
  - C. their personal hobbies.
  - D. their connection to the project.
14. When it comes to building a strategic relationship, it is important to
- A. focus more on yourself and your needs.
  - B. be open to learning from others.
  - C. keep your ideas to yourself.
  - D. avoid asking questions.

15. What is a common way that entrepreneurship and entrepreneurial discovery contribute to society?
- A. Slower economic growth
  - B. Less efficient use of resources
  - C. Increased jobs and opportunities
  - D. Decreased productivity
16. A good strategy for staying up to date with business and market trends is to
- A. follow industry publications.
  - B. disregard what competitors are doing.
  - C. read encyclopedias.
  - D. watch movies about entrepreneurs.
17. The costs required to register a new business are also known as
- A. establishment fees.
  - B. inventory expenses.
  - C. incorporation fees.
  - D. research expenses.
18. Which of the following is an example of a financial risk associated with new ventures:
- A. Unemployment
  - B. Failing industry
  - C. Inflation
  - D. Competition
19. Which of the following is an ineffective strategy for protecting intellectual property:
- A. Avoiding joint ownership of IP rights
  - B. Requiring nondisclosure agreements
  - C. Sharing data with competitors
  - D. Applying for patents and copyrights
20. Which of the following statements about debt financing is true:
- A. Debt financing offers very limited control of capital allocation.
  - B. Debt financing is an incredibly long process.
  - C. There are limited types of debt financing.
  - D. Failed loan repayment may lead to asset seizure.
21. Rent and utilities are examples of business \_\_\_\_\_ expenses.
- A. capital
  - B. tax
  - C. wage
  - D. operating

22. Rather than continuing to advertise on TV and radio, a company decides to advertise exclusively online. As a result, the advertising budget drops by \$200. This change in advertising costs from TV and radio to online advertising is an example of what type of cost?
- A. Opportunity
  - B. Differential
  - C. Marginal
  - D. Sunk
23. Documents detailing standard operating procedures should provide
- A. quotes from employees.
  - B. complex theories.
  - C. clear instruction.
  - D. monetary incentives.
24. One way to calculate employee productivity is by quantifying their output through a predetermined UOS, or
- A. urgency of sales.
  - B. unit of service.
  - C. utility of stock.
  - D. unity of selection.
25. Harvest strategies are typically used on \_\_\_\_\_ products.
- A. new
  - B. digital
  - C. outdated
  - D. physical
26. Which of the following statements about entrepreneurial ventures is true:
- A. They focus on new, innovative offerings.
  - B. They deal with established products and services.
  - C. They face known risks.
  - D. They aim for limited growth.
27. If an entrepreneur is implementing an exit strategy, they are looking to \_\_\_\_\_ their business.
- A. close
  - B. sell
  - C. expand
  - D. open
28. Which of the following is a reason to conduct a feasibility study:
- A. Merging multiple businesses
  - B. Ordering office supplies
  - C. Hiring a new employee
  - D. Scheduling a meeting

29. Which of the following is an example of intensive distribution:
- A. Two grocery stores sell a particular brand of juice.
  - B. Three sporting goods stores sell a specific brand of sportswear.
  - C. Only one car dealership sells Lamborghinis.
  - D. Gum is available at every retailer and wholesaler.
30. Which of the following are two of the common criteria that banks consider when a potential borrower applies for a loan:
- A. Capacity and character
  - B. Conditions and competition
  - C. Collateral and convergence
  - D. Capital and consumption
31. Which of the following statements about subordination agreements is true:
- A. Lenders typically require lower interest rates as compensation.
  - B. Higher priority loans are riskier than subordinated debts.
  - C. They prioritize debts by ranking one behind another.
  - D. They are employed when one mortgage exists against multiple properties.
32. What is a common reason why a small company might not receive the funding it needs?
- A. Sufficient cash flow
  - B. Too early into the business
  - C. A high credit score
  - D. Not enough debt
33. A direct writer is different than an independent agent in that a direct writer
- A. is self-employed and makes money from commissions.
  - B. can sell policies from multiple companies.
  - C. is an employee of an insurance company.
  - D. can shop around to secure the best deal.
34. The last step in the budgeting process is to
- A. gather relevant data.
  - B. use the budget for financial planning and control.
  - C. evaluate and revise the budget as necessary.
  - D. plug in the data.
35. When analyzing a company's financial statements, using horizontal analysis is important because it
- A. compares items on one financial statement in relation to each other.
  - B. detects growth trends and patterns across different time periods.
  - C. compares line-item data to reveal insights about profitability.
  - D. differentiates financial ratios from other companies and industry standards.

36. Which of the following is an example of an intangible in a cost-benefit analysis:

- A. Employee morale
- B. Product pricing
- C. Salaries
- D. Shipping costs

37. Which of the following statements about profitability ratios is true:

- A. They measure a company's ability to make a profit.
- B. Lower ratio results indicate greater profit opportunities.
- C. They cannot be compared with efficiency ratios.
- D. Gross profit margin is the only profitability ratio.

38. During a job interview, the interviewer asks the applicant, "Suppose your manager asks you to fudge the numbers on a monthly report to make your department look good. What would you do?" This is an example of a \_\_\_\_\_ question.

- A. situation-based
- B. closed-ended
- C. behavior-based
- D. credential-verification

39. An important prerequisite to an employee performance review is that the employee

- A. documents all of their own accomplishments.
- B. has their ethical principles challenged.
- C. understands what is expected of them.
- D. knows what their manager will say.

40. What is one way a human resources department can help a business reach its goals?

- A. Maximizing costs in benefits packages
- B. Training employees
- C. Hiring and firing employees
- D. Avoiding compliance management

41. Which of the following is considered a capital resource for a marketing firm:

- A. Sales representatives
- B. Gas to heat the office
- C. The company's CEO
- D. Laptops for each desk

42. Which of the following characteristics best describe effective marketing research:

- A. Thorough, inopportune, valid
- B. Objective, inexact, systematic
- C. Systematic, accurate, timely
- D. Reliable, timely, subjective

43. Which of the following is best described as a fact:

- A. Forecasts about the future
- B. Verifiable data
- C. A point of view or belief about a topic
- D. Approximations or educated guesses

44. Which of the following is a major factor that directly affects buying behavior:

- A. Consumer perception
- B. Shareholder value
- C. Copyright laws
- D. Currency exchange rates

45. During a recent meeting, a company's sales staff decided to strive to increase sales by 3% this quarter. Then, they developed a plan that would help them achieve this increase in sales. In this scenario, the plan is a

- A. tactic.
- B. goal.
- C. strategy.
- D. marketing concept.

46. Which of the following statements is an advantage of mass marketing:

- A. It communicates a detailed message to a smaller audience.
- B. It is cost-effective because it produces one product for everyone.
- C. It provides the most possibilities for success at a high cost.
- D. It markets several products to several target markets.

47. A marketing department is trying to identify its target market. It opts to divide consumers by looking at their lifestyles, interests, personalities, and values. What market segmentation method is the department using?

- A. Behavioral
- B. Geographic
- C. Psychographic
- D. Demographic

48. When conducting a market analysis, which of the following should marketers do first:

- A. Pinpoint target customers
- B. Put the analysis into action
- C. Determine the purpose of the analysis
- D. Research and compare the competition

49. Carly's cake shop is across the street from a popular cafe that sells baked goods. The competing business is a(n)

- A. strength.
- B. weakness.
- C. opportunity.
- D. threat.

50. Which of the following statements about marketing plans is true:
- A. They are not necessary for developing a marketing program.
  - B. They are more effective when they are more expensive.
  - C. They should not be changed after they are implemented.
  - D. They should be able to be redirected and adapted.
51. Carmen works in the finance department for her company. She handles and processes salaries and other forms of employee compensation. Carmen is responsible for maintaining the company's \_\_\_\_\_ records.
- A. payroll
  - B. asset
  - C. personnel
  - D. promotional
52. Gabriel evaluates the relationship between different data sets to learn more about impacts and drivers of a business. This is an example of a \_\_\_\_\_ analysis.
- A. classification
  - B. correlation
  - C. regression
  - D. feature
53. Which of the following statements about an efficient business operating system is true:
- A. Lower-level employees create it to make sure everyone understands their roles.
  - B. It can lead to a stronger and more structured work environment.
  - C. It is likely that it can lead to more employee turnover.
  - D. The goal is to unify teams, clarify communication, and avoid a shared vision.
54. A business's travel expenses are an example of \_\_\_\_\_ expenses.
- A. fixed
  - B. capital
  - C. mixed
  - D. variable
55. When a business and its client negotiate a service and maintenance contract, it is important to
- A. delay talks about payment until after completion.
  - B. not define the scope and specifications.
  - C. create an expectation of one-time improvement.
  - D. focus on mutual benefits and partnership.
56. Which of the following actions can lead to a potential safety issue in the workplace:
- A. Turning up the heat on a cold winter day
  - B. Locking the door when you are the last to leave
  - C. Plugging a frayed electrical cord into a power strip
  - D. Powering down your computer at the end of the day

57. Which of the following scenarios is most likely to lead to a security issue:

- A. Leyla clicks a link in an unusual email she received.
- B. Jasmine changes all of her passwords regularly.
- C. Stephen closes his laptop when he leaves for his lunch break.
- D. Terry's boss sends their weekly email about Tuesday's meeting.

58. The purpose of a break-even analysis is to determine the

- A. level at which liabilities are less than assets.
- B. level at which revenues equal total costs.
- C. potential risks and challenges of a project.
- D. amount of cash a business has at any given time.

59. Which of the following statements about supply chain management is true:

- A. The focus of a supply chain is on getting a finished product to a warehouse.
- B. Many supply chains in today's world are not global in scale.
- C. Efficient supply chain management leads to a slower production cycle.
- D. Functions of a supply chain include product development and marketing.

60. The unique selling proposition "We are the most affordable gym in town" relates to the

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

61. A SWOT analysis is used to

- A. analyze and plan the aim of an organization.
- B. identify key drivers of change in the business environment.
- C. generate ideas and identify solutions to problems.
- D. assess an organization's strengths and weaknesses.

62. A common way that companies protect their digital assets is by

- A. giving all employees full access to digital assets.
- B. avoiding two-factor authentication when logging in.
- C. educating all employees on cybersecurity.
- D. hesitating to update software and applications.

63. Which of the following is considered a benefit of process thinking:

- A. It prevents tasks from being completed quickly.
- B. It ignores past and future events.
- C. It helps people focus on the bigger picture.
- D. It breaks down large tasks into smaller pieces.

64. An organization benefits by properly utilizing business process design because it
- A. helps employees contribute in a more meaningful way.
  - B. hides all redundancies and inefficiencies.
  - C. avoids implementing key performance indicators.
  - D. prevents standardization throughout the organization.
65. Which of the following is considered an advantage of effective enterprise risk management:
- A. It creates more guided direction for handling hazards.
  - B. It is time-intensive and requires company resources.
  - C. It is limited in identifying future risks not yet known.
  - D. It increases the number of unexpected risks.
66. Which of the following is a potential impact that efficient supply chains can have on customers:
- A. Faster delivery times
  - B. Better quality control
  - C. Decreased customer satisfaction
  - D. Higher profits
67. Which of the following statements about time is true:
- A. Time is something that not everyone has access to.
  - B. Time management increases procrastination.
  - C. Time management can increase your stress levels.
  - D. Time is valuable, free, and equally distributed.
68. Two basic principles of corporate governance are
- A. fairness and viability.
  - B. liability and accountability.
  - C. responsibility and leadership.
  - D. transparency and risk management.
69. An external audit is different from an internal audit because an external audit is
- A. conducted throughout the year.
  - B. conducted by a company employee.
  - C. used by a company's management.
  - D. conducted by an independent accountant.
70. Which of the following statements about internal control mechanisms in corporate governance is true:
- A. They can be imposed on organizations in the form of union contracts.
  - B. They have objectives such as debt management and legal compliance.
  - C. They are controlled by those outside an organization.
  - D. They monitor an organization's progress and activities.

71. Which of the following is the primary force influencing a company's corporate governance:

- A. Board of directors
- B. Chief Executive Officer
- C. Accountants
- D. President

72. Which of the following change management strategies should a company first implement if employees are intimidated by and afraid of change:

- A. Reflect on change
- B. Create a climate for change
- C. Avoid making changes
- D. Enable and sustain change

73. Cory recently opened his first business. At the beginning, he was in a hurry to open his doors and get started, so he didn't give much thought to the pricing of his products. Now, he's realizing that there is more to making pricing decisions than he originally thought. To make effective and intentional pricing decisions moving forward, Cory needs to establish

- A. pricing objectives.
- B. price supports.
- C. unit pricing.
- D. even pricing.

74. A business using sales-oriented pricing might achieve which of the following benefits:

- A. Decreasing market share
- B. Maximizing profits
- C. Earning a return on investment
- D. Creating an image for the business

75. Which of the following best represents a business with a narrow product mix:

- A. It offers significant variation of its products.
- B. It offers a limited number of product lines.
- C. It offers many product lines.
- D. It offers few variations within the product line.

76. Elena wants to get to know her business's customers and figure out what she can do to provide them with great customer service. She should

- A. encourage her employees to cooperate.
- B. give her employees more authority to make decisions.
- C. cross-train her employees so they can perform other tasks.
- D. put comment boxes in easy-to-see locations throughout the building.

77. Which of the following best describes a benefit of building a corporate brand:

- A. It helps you stand out among the competition.
- B. It improves your return on investment.
- C. It increases customer morale.
- D. It allows you to diversify your sources of income.

78. Which of the following best describes the distribution element of supply chain management:

- A. Coordinating the specifics of day-to-day operations for the company
- B. Coordinating communications to ensure effective and timely results
- C. Sourcing materials, products, and goods needed to create products
- D. Ensuring commodities end up where they are supposed to be

79. A potential result from effective promotion is

- A. increased employee layoffs.
- B. decreased sales.
- C. lower customer loyalty.
- D. more satisfied customers.

80. Which of the following is an example of social media advertising:

- A. Facebook ad in a magazine
- B. Television commercial for a streaming service
- C. Cell phone ad in your Instagram feed
- D. Clothing line ad on your local newspaper's website

81. When Rose was on a news website, she noticed an advertisement across the top of the page for a streaming service. This is an example of a \_\_\_\_\_ ad.

- A. sidebar
- B. banner
- C. pop-up
- D. bumper

82. An advantage of direct marketing is that it

- A. causes consumer overload.
- B. avoids personal interaction.
- C. is cost-effective.
- D. must follow legal regulations.

83. Which of the following is an example of word-of-mouth marketing:

- A. Alannah receives an unannounced call promoting a new product.
- B. Leroy tells his friends about a new flavor of soda he likes.
- C. A marketer emails Julia about their company's services.
- D. A company mails a catalog to Rodell to promote its business.

84. A coupon is different from a rebate in that a coupon

- A. requires a customer to act following a purchase.
- B. can only be used online.
- C. offers an immediate discount.
- D. offers a discount after making a purchase.

85. Which of the following is a potential disadvantage associated with public relations campaigns:

- A. They are considered a credible form of promotion.
- B. There is a lack of control over a message's content.
- C. Information may spread quickly.
- D. They may be cheaper than other methods.

86. Which of the following best represents the public relations activity known as paid advertising:

- A. Influencing legislative and regulatory decisions in government
- B. Connecting with journalists/influencers to help promote messages
- C. Purchasing and placing messages in media to further interest
- D. Making monetary and resource contributions to charities

87. A company measures its products against industry standards after they are created. What aspect of quality management does this best describe?

- A. Quality conformance
- B. Quality assurance
- C. Quality improvement
- D. Quality control

88. Which of the following is an example of a location risk:

- A. A kitchen fire burns down the office.
- B. Carbon monoxide is detected.
- C. A hurricane damages the office.
- D. Hundreds of company files are stolen.

89. Which of the following is considered a best practice that most companies can use to implement enterprise risk management strategies:

- A. Defining risk philosophy
- B. Circumventing creativity
- C. Maintaining inflexibility
- D. Avoiding the use of metrics

90. If an organization launched a business process redesign to reduce costs, what might result?

- A. Improved efficiency
- B. Fewer layoffs
- C. Increased spending
- D. Opening more offices

91. Evaluating risk is essential for any business that undertakes a new project or venture. Which of the following is the final step for a business when assessing risks:

- A. Estimate the likelihood of a loss occurring.
- B. Identify as many risks as possible.
- C. Decide if the business can withstand a loss.
- D. Reduce or eliminate each identified risk.

92. Which of the following is a tangible product:

- A. Massage
- B. Potted plant
- C. Haircut
- D. Dry cleaning

93. Leah, a high-level manager at a marketing agency, works with department heads to restructure the firm's hierarchy and assign new responsibilities. What management function is being described in this scenario?

- A. Organizing
- B. Staffing
- C. Directing
- D. Controlling

94. Which of the following is an advantage of a SWOT analysis:

- A. It increases an organization's threats.
- B. It informs strategic planning.
- C. It builds an organization's weaknesses.
- D. It can lead to a price increase.

95. Which of the following sections are typically included in a business plan:

- A. Cover page and contingency plan
- B. Cover letter and market analysis
- C. Executive summary and financial plan
- D. Appendices and fundamental analysis

96. Which of the following is an internal factor influencing a company's management:

- A. Technology
- B. Employees
- C. Societal values
- D. Laws

97. A system failure within a business's computer database is an example of a(n) \_\_\_\_\_ risk.

- A. operational
- B. hazard
- C. financial
- D. strategic

98. What is the best way to describe the difference between learning and knowledge?

- A. Knowledge is for humans, while learning is for artificial intelligence.
- B. Learning is a process, while knowledge is the result of that process.
- C. Learning is for humans, while knowledge is for artificial intelligence.
- D. Knowledge is a process, while learning is the result of that process.

99. Which of the following best describes change management:

- A. It is preparation for when change occurs.
- B. It aims to organize changes in staffing.
- C. It seeks to avoid change at all costs.
- D. It is a reactive response if change happens.

100. Which of the following statements about the importance of corporate governance is true:

- A. It creates a system of rules that determines how a company operates.
- B. It aims to align the interests of some of its stakeholders.
- C. It leads to ethical business practices, which can push away investors.
- D. It results in unethical and profitable business practices.

**1. C**

Unlimited liability. One disadvantage to sole proprietorship ownership is unlimited liability. As a sole proprietor, you bear all the risks and you are personally responsible for all of your business's debt. An advantage of sole proprietorship is the ease of opening. Sole proprietors have access to limited capital and often have a difficult time obtaining large amounts of capital from lenders, who consider them to be a high-risk investment. Sole proprietors deal with uncertain life; if they become ill and cannot work, they might need to close their business.

SOURCE: BL:006 Select form of business ownership

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

**2. B**

Retaliation. A retaliatory termination is when an employee is fired for lodging a complaint against the company. This type of termination is illegal and could incur significant legal penalties for the company. Wrongful termination on the grounds of discrimination is when an employee is fired based on their characteristics (e.g., race, religion, gender). Martha is not being fired based on her characteristics (discrimination); she is being fired due to her filing a complaint against the company (retaliation). While being fired for refusing a polygraph test would be an example of wrongful termination, there is no evidence that Martha refused a polygraph or lie detector test. Being fired for drug use is not necessarily an example of wrongful termination.

SOURCE: BL:007 Explain the nature of human resources regulations

SOURCE: FindLaw. (2022). *Wrongful termination laws: Illegal reasons*. Retrieved September 16, 2022, from <https://www.findlaw.com/smallbusiness/employment-law-and-human-resources/wrongful-termination-laws-illegal-reasons.html>

**3. A**

Excise. Excise taxes are taxes imposed on various goods, services, or activities. Depending on a business's operations and/or products, they will likely pay a variety of excise taxes. A business will pay income taxes regardless of their specific business activities. A progressive is a specific method of taxation where the tax rate increases from low to high. A payroll tax is a percentage withheld from an employee's salary and is not directly related to business activities.

SOURCE: BL:009 Explain the nature of tax regulations on business

SOURCE: IRS. (2022). *Business taxes*. Retrieved November 10, 2022, from <https://www.irs.gov/businesses/small-businesses-self-employed/business-taxes>

**4. A**

It helps businesses obtain financing faster and easier. Business credit shows lenders, suppliers, and other vendors how financially risky a business is. Simply, it shows how well a business is able to repay its debts on time. Businesses that maintain good credit are more likely to obtain financing faster and easier. A business that maintains poor credit will find it challenging to obtain financing. Businesses that maintain good credit will have a good credit score and can secure better repayment terms with suppliers. As a result of maintaining good credit, suppliers will view the business as a trustworthy client and may offer more flexible payment structures. Maintaining good business credit can help protect (not hurt) your personal credit score. By using business credit for business expenses, your personal credit will not be impacted. Business owners should avoid using personal credit for business expenses, as large business expenses using personal credit can increase your credit utilization ratio, which can hurt your personal credit score.

SOURCE: FI:023 Explain the purposes and importance of obtaining business credit

SOURCE: Driven. (2021, September 19). *3 reasons why business credit is important*. Retrieved November 21, 2022, from <https://www.driven.ca/resources/why-business-credit-is-important>

## 5. B

Producer to wholesaler to retailer to consumer. Every basic channel of distribution begins with the producer and ends with the consumer. The five basic channels of distribution for consumer goods are: producer to consumer; producer to retailer to consumer; producer to wholesaler to retailer to consumer; producer to agent to retailer to consumer; and producer to agent to wholesaler to retailer to consumer.

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

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

## 6. A

Exclusive. The three main types of distribution are intensive, selective, and exclusive distribution. Exclusive distribution is selling a product through just one middleman in a geographic area. Because the brand of watches is sold only at one store in a geographic area, this is an example of exclusive distribution. Intensive distribution is a distribution pattern in which a producer sells a product through every available wholesaler and retailer in a geographic area where consumers might look for it. Selective distribution is when a producer sells a product through a limited number of middlemen in a geographic area. Vertical distribution is a fictitious term.

SOURCE: CM:009 Explain the nature of channel strategies

SOURCE: Bhasin, H. (2020, May 2). *Distribution definition – What is distribution?* Retrieved October 4, 2022, from <https://www.marketing91.com/distribution-definition/>

## 7. A

Methods. Internal project proposals are written within businesses when a department, project team, or individual are looking to start a new project. Every internal project proposal should detail how the project will be implemented, otherwise known as the methods section. Detailing the market size is only necessary if that information is relevant to the project itself—for example, if the project involves developing a new product or diverting resources toward a new market, then that information would be pertinent. For internal project proposals, institutional background and personnel resumes are not necessary because the company will already be familiar with that information. That information would be more useful when writing grant or investment proposals.

SOURCE: CO:062 Write proposals

SOURCE: Technical Writer HQ. (2022). *What is proposal writing?* Retrieved December 7, 2022, from <https://technicalwriterhq.com/writing/proposal-writing/>

## 8. A

Review customer relations processes. It is management's responsibility to oversee the customer relations department as a whole and ensure it is operating efficiently. Management should frequently review current customer relations processes and determine ways to make them better. Management would not normally interact with individual clients—that is the responsibility of customer relations specialists. It is the job of marketers to promote products, not management. Depending on the method used to measure customer satisfaction, that responsibility would fall to either marketers, customer relations specialists, or data analysts.

SOURCE: CR:008 Explain management's role in customer relations

SOURCE: Fontanella, C. (2022, June 24). *What is customer relations? Everything you need to know.* Retrieved December 7, 2022, from <https://blog.hubspot.com/service/customer-relations>

9. C

Direct competitors. Direct competitors offer similar types of goods or services to the same target market. Since Walmart and Kroger are both supermarkets with similar products, they are direct competitors. Indirect competition occurs among dissimilar or unrelated businesses. A regulated monopoly is a single business that influences the entire production of a particular good or service because it is in the best interests of the public for the business to do so.

SOURCE: EC:012 Explain the concept of competition

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

10. C

Sales. Sales taxes are an added tax to retail items levied by state and local governments. Property taxes are applied to real estate and various business expenses such as vehicles or inventory. Excise taxes are when the added cost of taxes is priced into the product. Since Darius's new pair of shoes has a sticker price of \$49.99 but the actual cost is slightly higher due to sales tax, the cost of the tax is not built into the sticker price. Payroll taxes are taxes that employers must withhold from their employees' paychecks.

SOURCE: EC:072 Describe the nature of taxes

SOURCE: LAP-EC-072—Pay Your Share (Business Taxes)

11. A

Match the effort. To be most effective, recognition must match the effort. Avoid "super-sizing" the recognition you give. If you recognize a job well done with exaggerated praise, you risk setting expectations too high. On the other hand, if superior effort is recognized with a mumbled, "Good job," you risk losing the effort completely. In this situation, Javier's recognition was timely. Recognition does not necessarily need to be public. Matching the cultural background does not apply in this situation.

SOURCE: EI:014 Recognize/Reward others for their efforts and contributions

SOURCE: LAP-EI-141—Gimme Five! (Recognizing/Rewarding Others)

12. D

Individuals know their strengths. When team members are aware of each other's strengths and talents within the workplace, individuals will be more engaged and efficient. Teams can utilize individual strengths, therefore increasing productivity and morale. High rates of turnover and absenteeism are detriments to a team's functionality. A team only listening to one person can cause conflict within the team and lead to less productivity and efficiency.

SOURCE: EI:044 Encourage team building

SOURCE: Gallup. (2022). *How to improve teamwork collaboration in the workplace*. Retrieved October 26, 2022, from <https://www.gallup.com/cliftonstrengths/en/278225/how-to-improve-teamwork.aspx>

13. D

Their connection to the project. Depending on their interest in the project and the project's potential impact, stakeholders will have different expectations regarding the project. For example, a shareholder's expectations of a project will differ from a customer's expectations of a project because they have different connections to the project and its impact. Stakeholder hobbies are not usually relevant to their expectations of a project. Government regulations and social media trends are unlikely to affect stakeholder expectations unless they are directly connected to the project at hand.

SOURCE: EI:113 Determine stakeholder expectations

SOURCE: Darzin. (2021, February 17). *How to manage stakeholder expectations*. Retrieved December 7, 2022, from <https://www.darzin.com/blog/how-to-manage-stakeholder-expectations/>

## 14. B

Be open to learning from others. Building strategic relationships is important for learning and development in any industry. To build a strategic relationship, you need to be open with others, be willing to share your thoughts and ideas, ask questions, and be open to learning. While it is important to focus on yourself and your needs when developing a strategic relationship, it is also important to consider the needs of others. Strategic relationships are about helping each other succeed.

SOURCE: EI:114 Establish strategic relationships with others

SOURCE: Lalonde, J. (2022). *5 tips for building strategic relationships*. Retrieved November 16, 2022, from <https://www.jmlalonde.com/5-tips-for-building-strategic-relationships>

## 15. C

Increased jobs and opportunities. A common way that entrepreneurship and entrepreneurial discovery contribute to society is increased jobs and opportunities. By creating new products and services, entrepreneurs create new jobs and opportunities, which accelerates, rather than slows down, economic growth. Effective entrepreneurship utilizes resources, labor, and capital efficiently; promotes innovation; and increases productivity.

SOURCE: EN:001 Explain the need for entrepreneurial discovery

SOURCE: Mohamed, N. (2020, March 30). *Top 5 takeaways on the importance of entrepreneurship*. Retrieved November 22, 2022, from <https://dcid.sanford.duke.edu/importance-of-entrepreneurship>

## 16. A

Follow industry publications. Industry publications such as trade magazines and business journals are valuable sources of information regarding business trends around the world. They are consistently released, meaning that new and up-to-date information is constantly being provided from the relevant experts. Movies, even if they are about entrepreneurs, will not likely provide information on new trends. Some encyclopedias may provide information on business or market trends, but they are often not updated frequently enough and rarely provide enough detail or expert insight to truly be useful. Observing and studying the competition is a highly effective strategy for catching up on business trends.

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

SOURCE: Howarth, J. (2022, October 11). *8 entrepreneurship trends you need to know (2022-2024)*. Retrieved December 12, 2022 from <https://explodingtopics.com/blog/entrepreneurship-trends>

## 17. C

Incorporation fees. One of the first steps in starting a business is paying incorporation fees to officially register that business and define its structure. Research expenses are the costs that come with conducting research on the market in which a new business is entering. Inventory expenses are operational costs that are associated with managing a business's inventory, or the stock a business has on hand. Establishment fees is a fictitious term.

SOURCE: EN:009 Assess start-up requirements

SOURCE: Black, M., & Tarver, J. (2022, January 6). *Business startup costs: How to calculate and budget*. Retrieved December 9, 2022, from <https://www.forbes.com/advisor/business-loans/business-startup-costs/>

## 18. C

Inflation. Entrepreneurs typically face several types of risks whenever they start a new venture, including financial risks. Financial risks they might face include inflation, loss of capital, uncertain income, economic downturns, and even bankruptcy, among others. Competition is typically categorized as a market or competitive risk. Failing industry is categorized as an industry risk. Unemployment is a career risk.

SOURCE: EN:010 Assess risks associated with venture

SOURCE: Hayes, A. (2022, November 13). *What risks does an entrepreneur face?* Retrieved November 23, 2022, from <https://www.investopedia.com/ask/answers/040615/what-risks-does-entrepreneur-face.asp>

## 19. C

Sharing data with competitors. Businesses should avoid sharing product information, operations information, or other data with competitors whenever possible. Especially when a market is very competitive, other businesses will look to find an edge over their competition, including using any information provided to them to help innovate. Applying for patents and copyrights, requiring nondisclosure agreements, and avoiding joint ownership agreements of intellectual property (IP) rights are all examples of effective strategies for protecting intellectual property because they provide safeguards against bad-faith actors looking to steal or sell a business's intellectual property.

SOURCE: EN:013 Select strategies to protect intellectual property

SOURCE: Abou Naja (2022, January 17) *19 different ways to protect intellectual property.* Retrieved December 12, 2022, from <https://abounaja.com/blogs/protect-intellectual-property>

## 20. D

Failed loan repayment may lead to asset seizure. Debt financing involves taking out loans to fund new ventures. If the loans are not repaid in accordance with the preestablished conditions, the lender will seize the borrower's assets. Debt financing is rarely a long process; in terms of venture creation, it is one of the quickest ways to accrue capital. Debt financing offers the borrower nearly total control of the capital received because they also carry the risk. There are many different ways one can debt finance; this is a strength of debt financing.

SOURCE: EN:016 Select sources to finance venture creation/start-up

SOURCE: Hecht, J. (2016, July 19). *Debt vs equity financing: Which way should your business go?* Retrieved December 9, 2022, from <https://www.entrepreneur.com/money-finance/debt-vs-equity-financing-which-way-should-your-business/278430>

## 21. D

Operating. Operating expenses are day-to-day costs that a business incurs from its regular operations. They are not directly tied to the costs of production. Rent and utilities are an example of daily costs associated with running a business but are not directly tied to producing a good or service. Capital expenses are purchases of large goods or services that contribute to the company's overall functioning, such as machinery, vehicles, or computers. Rent and utilities are not related to the cost of taxes that a business pays. They are also not related to paying wages. Wages and taxes are different examples of operating expenses.

SOURCE: EN:019 Describe considerations in selecting capital resources

SOURCE: Ross, S. (2022, November 21). *CapEx vs. OpEx: What's the difference?* Retrieved December 12, 2022, from <https://www.investopedia.com/ask/answers/112814/whats-difference-between-capital-expenditures-capex-and-operational-expenditures-opex.asp>

22. B

Differential. Differential cost is the difference in costs (either positive or negative) between two or more alternatives. In this scenario, one alternative (advertising on TV/radio) is more expensive than the other alternative (advertising online). The \$200 price difference in the budget between the two alternatives is the differential cost. Opportunity cost is the benefit that is lost when you decide to use scarce resources for one purpose rather than for another. Sunk costs are costs that have already been incurred and thus cannot be recovered. Marginal cost is the change in cost that occurs when there is a change in output, such as producing one more unit of a good.

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

SOURCE: B., J. (2022, November 14). *What is differential cost?* Retrieved November 23, 2022, from  
<https://www.wisegeek.com/what-is-differential-cost.htm>

23. C

Clear instruction. The most important thing that standard operating procedures (SOP) should provide is clear instructions regarding the day-to-day processes of a business. They should document all routine activities and procedures. Standard operating procedures do not necessarily require quotes from employees or monetary incentives. The goal when documenting them is to be as clear and concise as possible—therefore, excess information should be avoided. Likewise, complex theories should not be included.

SOURCE: EN:026 Describe the use of operating procedures

SOURCE: Rush, M. (2016). *Standard operating procedures for a business*. Retrieved December 8, 2022, from  
<https://smallbusiness.chron.com/standard-operating-procedures-business-3228.html>

24. B

Unit of service. UOS stands for unit of service, which is a specified quantity of an output from a business or individual. UOS is often used to evaluate the productivity of business resources, especially employees or departments within the company. Unity of selection, urgency of sales, and utility of stock are not business terms and, therefore, are not related to calculating the productivity of business resources.

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

SOURCE: Elby, K. (2022, October 20). *How to calculate productivity at all levels: Employee, organization, and software*. Retrieved December 12, 2022, from <https://www.smartsheet.com/blog/how-calculate-productivity-all-levels-organization-employee-and-software>

25. C

Outdated. Harvest strategies typically involve a reduction of investments in a product that is considered outdated or redundant. Businesses do this to better allocate their resources and “harvest” the maximum profits by focusing on newer or more lucrative investments. Harvest strategies are not typically used on a specific type of product, such as physical or digital. When to use a harvest strategy depends on the quality of the product itself and if it warrants termination or disinvestment.

SOURCE: EN:035 Describe methods of venture harvesting

SOURCE: Kenton, W. (2021, February 24). Harvest strategy definition in marketing and investing. Retrieved December 8, 2022, from <https://www.investopedia.com/terms/h/harvest-strategy.asp>

26. A

They focus on new, innovative offerings. An entrepreneur is an individual who invents, develops, and distributes a good or provides a service; assumes the risks of starting and building a business; and receives personal and financial rewards for their efforts. Thus, entrepreneurial ventures focus on new, innovative offerings and target rapid growth and high returns, even if there is a high level of uncertainty. Because there is often uncertainty with entrepreneurial ventures, they deal with unknown risks. Dealing with known risks and established products and services, as well as aiming for limited growth are all qualities of a small business.

SOURCE: EN:036 Evaluate options for continued venture involvement

SOURCE: Seth, S. (2021, July 20). *Entrepreneurs and entrepreneurship: Definitions and examples*. Retrieved November 23, 2022, from <https://www.investopedia.com/articles/investing/092514/entrepreneur-vs-small-business-owner-defined.asp>

27. B

Sell. A business exit strategy is a plan that a business owner/founder creates to sell their company, or a share of their company, to investors or another company. Business owners commonly use exit strategies to reduce or liquidate their stake in a business. If a business is making money, an exit strategy lets the owner cut their stake while still making a profit. If a business is struggling, it allows the owner to limit their losses. Exit strategies are not used to expand, close, or open a business.

SOURCE: EN:037 Develop exit strategies

SOURCE: Hayes, A. (2020, October 31). *Business exit strategy: Definition, examples, best types*. Retrieved November 23, 2022, from <https://www.investopedia.com/terms/b/business-exit-strategy.asp>

28. A

Merging multiple businesses. Expansions, mergers, or acquisitions are examples of large business endeavors that would require feasibility studies. These studies can be both costly and time-consuming, so businesses would not likely conduct them for activities such as ordering office supplies, hiring a new employee, or scheduling a meeting.

SOURCE: EN:038 Determine feasibility of venture ideas

SOURCE: LAP-EN-038—Explore the Possibilities (Conducting Feasibility Studies)

29. D

Gum is available at every retailer and wholesaler. Intensive distribution means selling a product through every available wholesaler and retailer in a geographic area where consumers might look for it. Because gum is available at every retailer and wholesaler, it is an example of intensive distribution. Three sporting goods stores selling a specific brand of sportswear and two grocery stores selling a particular brand of juice are examples of selective distribution—selling a product through a limited number of wholesalers and retailers in a geographic area. Only one car dealership selling Lamborghinis is an example of exclusive distribution—selling a product through just one middleman in a geographic area.

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

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

30. A

Capacity and character. When considering if a potential borrower qualifies for a loan, a bank will commonly look at the "Five C's" of credit—capacity, collateral, capital, character and condition. Capacity refers to someone's capacity to repay the loan, while character refers to their reputation, references, and credit history, among other things. Collateral is anything of value belonging to the borrower which is pledged to the lender to guarantee that the loan will be repaid. Capital refers to the amount of money someone has. Conditions refers to the conditions of the marketing or the economic climate surrounding the industry. Convergence, consumption, and competition are not part of the "Five C's" of credit and, therefore, are not considered by a bank when a potential borrower applies for a loan.

SOURCE: FI:034 Explain loan evaluation criteria used by lending institutions

SOURCE: Houston Chronicle. (2021, February 17). *What do banks look at for loans?* Retrieved November 15, 2022, from <https://smallbusiness.chron.com/banks-look-loans-42003.html>

31. C

They prioritize debts by ranking one behind another. A subordination agreement is a legal document that prioritizes collateralized debts by ranking one behind another for collecting repayment from a debtor. This priority of debts is very important in the event of foreclosure or bankruptcy. Subordinated debts are riskier than higher priority loans. As a result, lenders often require higher interest rates as compensation for taking this risk. Subordination agreements are typically employed when multiple mortgages exist against one property.

SOURCE: FI:041 Identify risks associated with obtaining business credit

SOURCE: Kopp, C.M. (2020, July 20). *Subordination agreement: Definition, importance, and example.* Retrieved November 22, 2022, from <https://www.investopedia.com/terms/s/subordination-agreement.asp>

32. B

Too early into the business. A common reason why a small business might not receive the funding it needs is because the company is too early into the business. Many banks will not lend finances to emerging small businesses because they can be a risky venture. There is no guarantee a small startup business will make enough profit, much less pay off a loan. If a small business has a high credit score and sufficient cash flow, it is likely to receive the funding it needs. A business with a small amount of debt is more likely to receive funding than a business with too much debt.

SOURCE: FI:043 Determine financing needed for business operations

SOURCE: Humphrey, S. (2022, February 21). *5 reasons you're not getting business financing.* Retrieved November 21, 2022, from <https://americassbdc.org/5-reasons-youre-not-getting-business-financing>

33. C

Is an employee of an insurance company. A direct writer is an insurance agent that is employed by a specific company to issue its policies. Because direct writers are tied to one provider, they are restricted in what products or policies they can sell to their clients. They can only sell the policies for the company they work for and are unable to shop around for the best deals. Independent agents are self-employed insurance agents who make money from the commissions they receive from selling policies from several insurance companies. Independent agents can shop around to find the best deal for their clients.

SOURCE: FI:082 Obtain insurance coverage

SOURCE: Liberto, D. (2021, July 19). *Direct writer.* Retrieved November 21, 2022, from <https://www.investopedia.com/terms/d/direct-writer.asp>

## 34. C

Evaluate and revise the budget as necessary. The last step in the budgeting process is to evaluate and revise the budget as necessary. Gathering relevant data, plugging them into the budget, and using the budget for financial planning and control are all steps that come earlier in the process.

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

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

## 35. B

Detects growth trends and patterns across different time periods. Financial statement analysis is the process of analyzing a company's financial statements for decision-making purposes and to evaluate business performance and value. The three main types of financial statement analysis are horizontal, vertical, and ratio. Horizontal analysis compares historical data with the purpose of detecting growth trends and patterns across different time periods. Vertical analysis compares items on one financial statement in relation to each other. Vertical analysis helps analysts see the compositions of different categories of financial statements. Ratio analysis compares line-item data to reveal insights about a company's profitability, liquidity, solvency, and operational efficiency. Benchmarking, which is used with both ratio and vertical analysis, computes financial statements or financial ratios and compares them with other companies and industry standards.

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

SOURCE: Kenton, W. (2022, March 6). *Financial statement analysis: How it's done, by statement type*.

Retrieved October 5, 2022, from <https://www.investopedia.com/terms/f/financial-statement-analysis.asp>

## 36. A

Employee morale. Though a cost-benefit analysis should be measured in dollar amounts, there are many costs and benefits that are intangible and, therefore, very difficult to measure financially. Employee morale is an example of an intangible that cannot be measured through a simple dollar amount. The other options can be planned for or anticipated.

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

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

## 37. A

They measure a company's ability to make a profit. A profitability ratio is a class of financial ratios that measures the ability of a company to make a profit. These ratios present an efficient way to measure a company's individual performance and are a great way to compare companies to their competitors. Profitability ratios can be compared to efficiency ratios, which consider how well a company utilizes its internal assets to generate income. Higher ratio results are often more favorable than lower results and can indicate greater profit opportunities. Gross profit margin is just one type of profitability margin. Others include net profit margin, return on equity, return on investment, and return on assets.

SOURCE: FI:542 Monitor business's profitability

SOURCE: Hayes, A. (2022, July 11). *Profitability ratios: What they are, common types, and how businesses use them*. Retrieved October 5, 2022, from <https://www.investopedia.com/terms/p/profitabilityratios.asp>

38. A

Situation-based. Situation-based questions are hypothetical scenarios posed to applicants to evaluate their judgment and aptitude. In this case, the interviewer is gauging the applicant's ethical principles by putting them in a scenario that challenges their ethics in the workplace. Behavior-based questions help interviewers evaluate an applicant's past behavior, skills, and decisions (e.g., "Give me an example when you..."). Credential-verification questions are more basic questions that ask the applicant about their professional or academic background (e.g., "How long were you at X?"). Closed-ended questions are any questions that call for basic, informational answers. These can be "yes or no" or short-answer questions such as "Are you comfortable working remotely?" A situation-based question is not a closed-ended question because it requires longer, open-ended answers.

SOURCE: HR:355 Interview job applicants

SOURCE: Smith, G. (2017, November 15). *How to interview and hire top people each and every time*.

Retrieved October 26, 2022, from <https://www.zenbusiness.com/blog/how-to-interview-and-hire-top-talent/>

39. C

Understands what is expected of them. For a manager to properly assess employee performance, the employee must first understand the roles and responsibilities of their position and what their superiors will expect of them. An employee's ethical principles do not necessarily need to be challenged prior to a performance review. An employer or supervisor (rather than the employee themselves) should document an employee's accomplishments. An employee does not need to know what their manager will say or ask beforehand.

SOURCE: HR:368 Assess employee performance

SOURCE: Heathfield, S. (2021, February 24). *The 5 goals of employee performance evaluation*. Retrieved

November 7, 2022, from <https://www.liveabout.com/employee-performance-evaluation-goals-1918866F>

40. B

Training employees. A human resources department has many roles within a business or organization. Human resource (HR) professionals are responsible for creating strategies that focus on planning, recruitment, selection, orientation, training, performance appraisal, compensation, and safety of employees. Training and development is one of the main ways in which HR can help a business reach its goals. Rather than avoiding compliance management, HR should enforce it by ensuring that the organization is familiar with government regulations. HR looks to conserve—not maximize—costs in benefits packages. Hiring and firing employees does not typically help a business reach its goals.

SOURCE: HR:508 Coordinate human, capital, and fiscal resources to meet business priorities

SOURCE: Scott, S. (n.d.). *Role of HR in achieving business goals*. Retrieved November 15, 2022, from

<https://smallbusiness.chron.com/role-hr-achieving-business-goals-1767.html>

41. D

Laptops for each desk. Capital resources are assets that are made by humans and used in the production of other items. Because laptops are used to help marketers create and share their messages, they are considered capital resources. Sales representatives and the company's CEO are considered human resources—people who work to produce goods and services. Gas is a natural resource, which occurs naturally in the world.

SOURCE: HR:508 Coordinate human, capital, and fiscal resources to meet business priorities

SOURCE: Bean-Mellinger, B. (2018, October 26). *What are the differences in capital resource, human resource & natural resource?* Retrieved November 15, 2022, from

<https://smallbusiness.chron.com/differences-capital-resource-human-resource-natural-resource-60792.html>

42. C

Systematic, accurate, timely. Marketing research is the systematic gathering, recording, and analyzing of data about a specific issue, situation, or concern. Three ways to describe effective marketing research are systematic, accurate, and timely. Other common ways to describe effective marketing research include objective, thorough, valid, and reliable. Inexact, inopportune, and subjective are not terms used to describe effective marketing research.

SOURCE: IM:010 Explain the nature of marketing research

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

43. B

Verifiable data. There are several types of data that marketers look at, including facts, estimates, and predictions. Facts are data that can be verified. There's no disputing that a fact is true. Estimates are not hard facts; rather, they are approximations (or educated guesses). Predictions, sometimes called projections, are forecasts about the future. An opinion is a point of view or belief about a topic.

SOURCE: IM:012 Describe the need for marketing data

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

44. A

Consumer perception. Consumer perception is a process where a customer collects information about a product and interprets the information to make a meaningful image of a particular product. This image directly affects buying behavior. Copyright laws are not a major factor that affect customer buying behavior. Shareholder value is a factor that affects investment behavior and is unlikely to be a major factor in buying behavior. Currency exchange rates would not directly affect buying behavior.

SOURCE: MK:014 Explain factors that influence customer/client/business buying behavior

SOURCE: Clootrack. (2022). *Major factors influencing customer behavior*. Retrieved November 9, 2022, from [https://www.clootrack.com/knowledge\\_base/major-factors-influencing-consumer-behavior](https://www.clootrack.com/knowledge_base/major-factors-influencing-consumer-behavior)

45. C

Strategy. A strategy is a plan of action for achieving goals and objectives. A goal is an objective or want that you plan to fulfill. In this scenario, the goal is to increase sales by 3% this quarter. The game plan that the sales staff developed to help them achieve this goal is their strategy. Tactics are specific actions that will be used to carry out strategies. A marketing concept is a philosophy of conducting business that is based on the belief that all business activities should be aimed toward satisfying customer wants and needs while achieving company goals.

SOURCE: MP:001 Explain the concept of marketing strategies

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

46. B

It is cost-effective because it produces one product for everyone. Mass marketing (also known as undifferentiated marketing) is designing products and directing marketing activities to appeal to the whole market. Mass marketing allows a business to produce one product for everyone, which is more cost-effective than producing and marketing several products to several target markets. Mass marketing can be used to communicate a broad message to a large audience—a strategy that works especially well when a product is first introduced, when it has only a few features, or when it appeals to a wide variety of people. Mass marketing does not market several products to several target markets; rather, it markets those products to the whole market. Mass marketing provides the most possibilities for success at the lowest cost.

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

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

47. C

Psychographic. A target market is the particular group of customers a business seeks to attract. Marketing professionals typically divide consumers into four segments: psychographic, demographic, geographic, and behavioral. Psychographic segmentation is the division of a market on the basis of customers' lifestyles and personalities. Demographic segmentation is the division of a market on the basis of its physical and social characteristics, such as age, gender, and income level. Geographic segmentation is the division of a market on the basis of where customers are located. Behavioral segmentation is the division of a market on the basis of customers' responses to a product.

SOURCE: MP:004 Identify market segments

SOURCE: Investopedia. (2022, July 31). *Target market: Definition, purpose, examples, market segments*. Retrieved October 18, 2022, from <https://www.investopedia.com/terms/t/target-market.asp>

48. C

Determine the purpose of the analysis. A market analysis is a systematic study of a specific market. Before conducting a market analysis, marketers should determine the purpose of the analysis. It is important to know whether the study will be for internal or external purposes—or both—before researching. Once this is done, marketers can look at the industry's outlook, pinpoint their target customers, research and compare the competition, and gather additional data. Finally, marketers can then analyze their findings and put their analysis into action.

SOURCE: MP:009 Conduct market analysis (market size, area, potential, etc.)

SOURCE: Kappel, M. (2019, August 15). *How to conduct a market analysis the right way*. Retrieved October 18, 2022, from <https://www.patriotsoftware.com/blog/accounting/how-to-conduct-a-market-analysis>

49. D

Threat. A threat is any unfavorable situation in the environment surrounding your business. A popular cafe across the street is a threat for Carly's cake shop because it is a potential competitor. If customers already enjoy the baked goods at the cafe, they are less likely to visit Carly's cake shop for similar products. This is a threat for her business, not a strength, weakness, or opportunity.

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

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

50. D

They should be able to be redirected and adapted. A marketing plan is a set of procedures or strategies for attracting the target customer to a business. No matter the scope of a marketing plan, it is important for marketers to remember that it is a fluid document. Marketing plans should be able to be redirected, changed, and/or adapted at any point based on what proves to be successful. Marketing plans are necessary for developing a marketing program, as the program needs a plan to achieve its goals. The amount of money put into a marketing plan does not necessarily mean the plan will be effective. Rather, a well-researched, simpler, and well implemented plan is often more important than the amount of money put into the plan.

SOURCE: MP:018 Develop marketing plan

SOURCE: Fleischner, M. (2022, September 1). *Marketing plan: 10 components you should include in your marketing plan*. Retrieved October 18, 2022, from <https://www.zenbusiness.com/blog/components-of-a-marketing-plan>

51. A

Payroll. Payroll records include details such as wages—both regular and overtime—and hours worked. Any salary or compensation information falls under payroll records. Personnel records keep information regarding hiring, evaluations, promotions, reprimands, and terminations. Asset records track equipment, property, land, etc. Promotional records contain information about communications that businesses use to inform, persuade, or remind customers of their products, images, or ideas.

SOURCE: NF:001 Describe the nature of business records

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

52. B

Correlation. A correlation analysis focuses on the relationships between different data sets of a business to discover key impacts and drivers of the business. A feature analysis analyzes specific, quantitative units such as space, time, or type. Classification and regression are methods of analysis that use decision trees and support vector machines to construct or validate functions. The difference between the two is that classification is discrete and regression is continuous.

SOURCE: NF:139 Explain the principles of data analysis

SOURCE: Mei, L. (2018, December 31). *Principles of data analysis for beginners*. Retrieved November 10, 2022, from <https://dzone.com/articles/write-to-data-analysis-beginners-a-general-data-an>

53. B

It can lead to a stronger and more structured work environment. An operating system is the process a business uses to manufacture a good or provide a service. Consisting of people, places, materials, equipment, and information, an operating system essentially is a company guidebook that details the what, how, when, and why of company responsibilities. The goal of a business operating system is to unify teams, clarify communication, and promote—not avoid—a shared vision. This can lead to a stronger and more structured work environment. So that everyone in the company understands their roles, business operating systems are created by managers, executives, and business owners—not lower-level employees. When done efficiently, business operating systems can retain good employees and reward them for their hard work.

SOURCE: OP:022 Establish efficient operating systems

SOURCE: Indeed. (2021, March 8). *Business operating systems: Definition, purpose and how to create one*. Retrieved November 16, 2022, from <https://www.indeed.com/career-advice>

54. D

Variable. Travel expenses are a variable expense because they fluctuate with changes in production. They are not a one-time expense—businesses pay them on a continual basis. Capital expenses are one-time purchases a business makes, such as land and equipment. Fixed expenses do not change along with changes in production. A mixed expense is fixed until production reaches a certain point. Travel expenses do not remain fixed until a certain point.

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

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

55. D

Focus on mutual benefits and partnership. When negotiating service and maintenance contracts, it is important to focus on mutual benefits and to approach the discussions as a partnership. It is also important to define the scope and specifications of the agreement. By doing both of these, it sets clear expectations for both parties and can help avoid conflict. Rather than focusing on a one-time improvement, the negotiation and partnership should create an expectation of continuous improvement. Payment discussions should be one of the first discussions in the negotiation—this discussion should come before a service is started.

SOURCE: OP:027 Negotiate service and maintenance contracts

SOURCE: Christiansen, B. (2022, March 17). *4 tips for negotiating better maintenance service contracts*.

Retrieved November 16, 2022, from <https://empoweringpumps.com/4-tips-for-negotiating-better-maintenance-service-contracts>

56. C

Plugging a frayed electrical cord into a power strip. An action leading to a potential safety issue in the workplace is plugging a frayed electrical cord into a power strip, as frayed electrical wires can lead to a fire. Powering down your computer at the end of the day and locking the door when you are the last to leave are ways to avoid potential safety and security issues, rather than safety issues themselves. Turning up the heat on a cold winter day is an action that by itself typically doesn't lead to safety issues.

SOURCE: OP:151 Identify potential safety issues

SOURCE: United States Department of Labor. (n.d.). *Hazard identification and assessment*. Retrieved November 15, 2022, from <https://www.osha.gov/safety-management/hazard-identification>

57. A

Leyla clicks a link in an unusual email she received. Of the scenarios, Lyla clicking a link in an unusual email she received is most likely to lead to a security issue. Any time you receive an unusual email, you should not click on any links included in the email. Oftentimes, these types of emails are categorized as phishing—an online identity-theft scam that fools its victims into believing they are submitting sensitive, personal information to a legitimate website. Terry's boss sending his weekly email about Tuesday's meeting is not considered a security issue. Stephen closing his laptop when he leaves for lunch and Jasmine changing all of her passwords regularly are ways to prevent security issues.

SOURCE: OP:154 Identify potential security issues

SOURCE: NETdepot. (2022). *8 common IT security issues and how to avoid them*. Retrieved November 15, 2022, from <https://www.netdepot.com/blog/8-common-it-security-issues-and-how-to-avoid-them>

58. B

Level at which revenues equal total costs. A break-even analysis is the process of determining the level at which revenues equal total costs. It determines when a business can expect to cover all of its expenses and start generating a profit. A break-even analysis does not determine the level at which liabilities are less than assets. A risk analysis is an assessment of a project's potential risks and challenges. A cash flow analysis is the process of determining the amount of cash a business has to work with at any given time.

SOURCE: OP:192 Conduct breakeven analysis

SOURCE: Richards, D. (2019, October 2). *How to do a breakeven analysis*. Retrieved November 16, 2022, from <https://www.thebalancemoney.com/how-to-do-a-breakeven-analysis-1200834>

59. D

Functions of a supply chain include product development and marketing. A supply chain is a network of employees and companies that are involved in the creation of products and delivering those products to the final consumers (customers). Supply chain management is the supervision of the complete process of getting products into the marketplace. Functions of a supply chain typically include product development, marketing, operations, distribution, finance, and customer service. The focus of a supply chain is on getting a finished product to a customer, not a warehouse. Many supply chains in today's world are global in scale. Efficient supply chain management leads to a faster—not slower—production cycle.

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

SOURCE: Hayes, A. (2022, July 30). *The supply chain: From raw materials to order fulfillment*. Retrieved October 26, 2022, from <https://www.investopedia.com/terms/s/supplychain.asp>

60. C

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

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

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

61. D

Assess an organization's strengths and weaknesses. A SWOT analysis is a business analysis technique and marketing tool that investigates a business's strengths, weaknesses, opportunities, and threats in an organized fashion. A MOST analysis is used to analyze and plan the aim of an organization and helps the organization maintain strategic alignment. A PESTLE analysis is a tool used to identify and analyze key drivers of change in the business environment. Brainstorming is a creative-thinking technique involving the identification of as many different ideas as possible during a certain time frame.

SOURCE: OP:327 Discuss the nature of business analysis

SOURCE: Adesope, B. (2017, May 5). *Top 5 techniques in business analysis*. Retrieved October 18, 2022, from <https://www.batimes.com/articles/top-5-techniques-in-business-analysis>

62. C

Educating all employees on cybersecurity. Digital assets are things of value that a business owns that exist online. Examples of digital assets can include a company website, company social media accounts, customer information, and company photos. Employee education is a big part of protecting digital assets, as employees who know cybersecurity best practices are more likely to know what to do and what not to do when potential threats arise. Using a two-factor authentication when logging in and updating software and applications are great ways to protect digital assets. Rather than giving everyone full access to digital assets, a company should limit access to only the team members who need to use them.

SOURCE: OP:473 Evaluate strategies for protecting business' digital assets (e.g., website, social media, email, etc.), customer data, and other protected information

SOURCE: Griffin, T. (2019, December 23). *How to protect your company's digital assets*. Retrieved October 26, 2022, from <https://www.forbes.com/sites/forbestechcouncil/2019/12/23/how-to-protect-your-companys-digital-assets>

63. D

It breaks down large tasks into smaller pieces. Process thinking involves focusing on the steps required to achieve a specific task. A benefit of process thinking is that it breaks down large tasks into smaller, more manageable pieces that can be repeated. The repetition of these smaller tasks can help expertise be achieved and can help tasks be completed quickly and with ease. Another benefit of process thinking is that it helps people set achievable short-term goals instead of focusing on the bigger picture. A disadvantage of process thinking is that it ignores past and future events because they cannot be controlled right now.

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

SOURCE: Drew, C. (2022, July 6). *What is process thinking? (Examples, pros, and cons)*. Retrieved October 18, 2022, from <https://helpfulprofessor.com/process-thinking>

64. A

Helps employees contribute in a more meaningful way. Business process design is the act of transforming an organization's priorities, mission, and available resources into a concrete way of achieving its goals and vision. By using business process design, organizations can be more efficient and competitive. An organization that properly uses business process design can automate repetitive tasks, which will allow employees to contribute in a more meaningful way and can improve loyalty and job satisfaction. Business process design can help an organization identify redundancies, inefficiencies, and areas of risk, which can help improve how the business operates. Business process design also allows for standardization throughout the organization, which can help in achieving consistency by benchmarking best practices. Business process design can help implement key performance indicators to help with identifying areas of improvement.

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

SOURCE: Raia, M. (2019, June 19). *Guide to business process design & analysis [with examples]*. Retrieved October 26, 2022, from <https://www.integify.com/blog/posts/how-to-design-a-process>

65. A

It creates more guided direction for handling hazards. Enterprise risk management (ERM) is a firm-wide strategy that looks to identify, evaluate, and prepare for potential hazards, losses, and dangers with a company's operations, finances, and objectives. ERM sets organizational-wide expectations around a company's culture, including communicating openly about potential risks and how to mitigate them. This creates a more guided direction for handling hazards and leads to fewer unexpected risks, both of which are advantages for an organization. When companies build their ERM practices, it will more often than not consider familiar risks it has previously dealt with. As a result, a disadvantage of ERM is that it can be limited in identifying future risks not yet known. Another disadvantage of ERM is that it is time-intensive and requires company resources to be successful. This could lead to a company diverting its staff from other important tasks and making capital investments to implement ERM strategies.

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

SOURCE: Hayes, A. (2022, September 7). *Enterprise risk management (ERM): What is it and how it works*. Retrieved November 2, 2022, from <https://www.investopedia.com/terms/e/enterprise-risk-management.asp>

66. A

Faster delivery times. Efficient supply chains can have an impact on both customers and businesses. Faster delivery times, better customer experience, lower prices, and increased customer satisfaction are potential impacts that efficient supply chains can have on customers. Higher profits are an impact efficient supply chain can have on a business's profitability and cash flow. Better quality control is an impact efficient supply chains can have on a business's operations.

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

SOURCE: 6 River Systems. (2022, July 31). *8 key benefits of effective supply chain management*. Retrieved October 26, 2022, from <https://6river.com/8-key-benefits-of-effective-supply-chain-management>

67. D

Time is valuable, free, and equally distributed. Three key characteristics of time are that it is valuable, free, and equally distributed. It is important to learn to value and enjoy all the time that is yours right now. Time is free because you will never have to pay a single dime for the time you've been given, but on the flip side, you can never buy any more of it. In that sense, it is valuable. Time is equally distributed because we all have 24 hours in every day—no more, no less. Time is the one natural resource that everyone has equal access to. By managing your time, you will minimize procrastination and reduce your stress levels.

SOURCE: PD:019 Use time-management skills

SOURCE: LAP-PD-019—About Time (Time Management)

68. D

Transparency and risk management. The basic principles of corporate governance are accountability, transparency, fairness, responsibility, and risk management. Corporate governance consists of various rules and processes that direct and manage a corporation, and entails the areas of ethical behavior, corporate strategy, risk management, compensation, and environmental awareness. For a company to have good corporate governance and build trust with investors and the community, it must follow and apply certain principles. Although viability, leadership, and liability can be useful in good corporate governance, they are not considered to be basic principles.

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

SOURCE: Chen, J. (2022, August 18). *Corporate governance definition: How it works, principles, and examples*. Retrieved October 27, 2022, from <https://www.investopedia.com/terms/c/corporategovernance.asp>

69. D

Conducted by an independent accountant. An external audit is an examination that is conducted by an independent accountant. An internal audit refers to the department within a business that monitors the effectiveness of its controls, processes, and procedures. Internal audits are conducted by an employee or employees within a company rather than an accountant from an outside firm. Internal audits are conducted throughout the year, while external auditors conduct a single annual audit. External audit reports are used by stakeholders (investors, creditors, etc.), whereas internal audits are used by a company's management.

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

SOURCE: Bragg, S. (2022, May 23). *The difference between internal and external audits*. Retrieved October 5, 2022, from <https://www.accountingtools.com/articles/the-difference-between-internal-and-external-audits.html>

70. D

They monitor an organization's progress and activities. Internal control mechanisms in corporate governance are the foremost set of controls for an organization, as they monitor the organization's progress and activities. When things go wrong, internal control mechanisms take corrective action to help maintain the larger internal control fabric. External control mechanisms are controlled by those outside an organization, while internal control mechanisms are controlled by those inside an organization. External control mechanisms serve the objectives of entities like regulators and governments, and include debt management and legal compliance. Objectives for internal control mechanisms include smooth operations and performance measurement systems. External control mechanisms can be imposed on organizations by external stakeholders in the forms of union contracts or regulatory guidelines.

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

SOURCE: Davoren, J. (n.d.). *Three types of corporate governance mechanisms*. Retrieved October 31, 2022, from <https://smallbusiness.chron.com/three-types-corporate-governance-mechanisms-66711.html>

71. A

Board of directors. Corporate governance is the system by which directors handle their responsibility toward shareholders. This system of rules, practices, and processes is used to direct and manage a company. A company's board of directors is the primary force influencing corporate governance. A company's board of directors may include the company's president, chief executive officer, and accountants, but those individuals alone are not the primary force influencing a company's corporate governance.

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

SOURCE: Chen, J. (2022, August 18). *Corporate governance definition: How it works, principles, and examples*. Retrieved October 4, 2022, from  
<https://www.investopedia.com/terms/c/corporategovernance.asp>

72. B

Create a climate for change. Many employees are intimidated by and afraid of change. To successfully manage change in an organization, companies should first work to create a climate for change, which means cultivating an environment receptive to change. This involves communicating the importance of change and giving employees ownership and agency as part of this change. Only once a climate for change has been established should companies enable, sustain, and reflect on change. Effective change management does not avoid making changes.

SOURCE: SM:095 Explain the nature of change management

SOURCE: Michigan State University. (2021, November 22). *What is change management?* Retrieved November 29, 2022, from <https://www.michiganstateuniversityonline.com/resources/leadership/what-is-change-management/>

73. A

Pricing objectives. Each company wants or needs something unique from its pricing strategies. These pricing objectives or goals are the guiding influences in how marketers go about making pricing decisions. Now that Cory realizes he could have put more thought into his prices, he needs to establish pricing objectives, which will help him make effective future pricing decisions. Price supports involve assistance from the government in maintaining the price of a good or service to enable the producers to earn a profit. Even pricing is the use of an even number at the end of a price to suggest high quality. Unit pricing is a pricing technique in which consumers are given the price per unit for products. Price supports, even pricing, and unit pricing will not help Cory make effective pricing decisions.

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

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

74. D

Creating an image for the business. Sales-oriented pricing is a category of pricing objectives that focus on increasing total amount of income from sales. The selling prices a business chooses create its image. Prices might be used to give the business a discount or an exclusive image. Other benefits a business might achieve with sales-oriented pricing are being more competitive and obtaining, maintaining, or increasing—not decreasing—market share. Earning a return on investment and maximizing profits are benefits a business might achieve through profit-oriented pricing—a category of pricing objectives that focus on profit for the business.

SOURCE: PI:002 Explain factors affecting pricing decisions

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

75. B

It offers a limited number of product lines. Most businesses use four dimensions to describe their product mixes—width, length, depth, and consistency. Width refers to the number of product lines a company carries, and it is usually referred to as being narrow or broad. A narrow product mix is a description of the width of a business's product mix offering a limited number of product lines. A broad product mix offers many product lines. A business that offers a deep product mix offers significant variation of its products, while a business with a shallow product mix offers few variations within the product line. Deep and shallow product mixes fall in line with the depth dimension of product mixes, which refers to the assortment of sizes, colors, flavors, and models offered in a company's product lines.

SOURCE: PM:003 Explain the concept of product mix

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

76. D

Put comment boxes in easy-to-see locations throughout the building. Companies can discover customer service needs by doing things like putting comment boxes in easy-to-see locations throughout the building. Cross-training employees, giving employees more authority, and encouraging employees to cooperate are all ways that companies can establish great internal service.

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

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

77. A

It helps you stand out among the competition. Developing a corporate brand is a definite plus for your business. It helps you to stand out among the competition. And, when customers choose your business over the competition, you become profitable. In turn, becoming profitable can help you and your business stay on course toward your goals. Developing a corporate brand does not necessarily allow a business to improve return on investment, increase customer morale, or diversify sources of income.

SOURCE: PM:126 Build corporate brands

SOURCE: LAP-PM-126—Build Your Corporate Brand... (The How-To's of Corporate Branding)

78. D

Ensuring commodities end up where they are supposed to be. Distribution is typically the final step in supply chain management, as it monitors shipments to make sure products and commodities end up where they are supposed to be. Distribution deals with the logistics of communications among retailers, clients, or wholesalers. Coordinating communications to ensure effective and timely results is part of the integration element of supply chain management. Sourcing the materials, products, and goods needed to create products is part of the purchasing element. Coordinating the specifics of day-to-day operations for the company is part of the supply chain operations/logistics element.

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

SOURCE: LaMarco, N. (2020, July 8). *What are the four elements of supply chain management?* Retrieved October 26, 2022, from <https://smallbusiness.chron.com/four-elements-supply-chain-management-52355.html>

79. D

More satisfied customers. Promotion is a marketing function needed to communicate information about goods, services, images, and/or ideas to achieve a desired outcome. Potential results, or benefits, of effective promotion include more satisfied and better-informed customers, increased sales, increased customer loyalty, increased employment opportunities, and strong position, among others. Decreased sales, lower customer loyalty, and increased employee layoffs are not typically results of effective promotion.

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

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

80. C

Cell phone ad in your Instagram feed. A cell phone ad in your Instagram feed is an example of social media advertising. Because the ad appeared on a social media platform like Instagram, it is considered social media advertising. Although Facebook is a social media platform, an ad for it in a magazine is considered a publication advertisement. A clothing line ad on your local newspaper's website is a form of digital advertising because it is not on a social media platform. A television commercial for a streaming service is a broadcast media advertisement because it was aired on television, not on a social media platform.

SOURCE: PR:007 Explain types of advertising media

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

81. B

Banner. The advertisement that Rose saw is an example of a banner ad. A banner ad is often rectangular and placed at the top of a website. A pop-up ad is a promotional message that often appears in a separate browser window. A bumper ad is often 6 seconds in length and plays before video content. A sidebar ad is an advertisement that is usually vertical and placed on the side of a website.

SOURCE: PR:007 Explain types of advertising media

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

82. C

Is cost-effective. Direct marketing is a form of advertising that seeks a specific, measurable action from a targeted group of consumers, using direct mail (such as catalogs or postcards), telemarketing, emails, etc., that are sent directly to a consumer's home or business. Direct marketing is often cost-effective for marketers because they do not need to pay a retailer a percentage of their sales, thus allowing them to retain more of their profits. Consumer overload is a disadvantage of direct marketing, as the general consumer is already in marketing overload with several companies trying to contact them (through mail, email, social media, etc.) and earn their business. Personal interaction is an advantage of direct marketing rather than a disadvantage. When working directly with customers, marketers can control the interaction and determine how to meet customers' needs more effectively. Following legal regulations is a disadvantage of direct marketing. Rules and regulations are always changing, and failure to adhere to them can result in penalties and fines owed to federal agencies or customers.

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

SOURCE: Leonard, K. (2019, March 5). *The advantages & disadvantages of direct marketing & telemarketing*.

Retrieved October 31, 2022, from <https://smallbusiness.chron.com/advantages-disadvantages-direct-marketing-telemarketing-54933.html>

83. B

Leroy tells his friends about a new flavor of soda he likes. Word-of-mouth marketing is promotion and publicity for a business provided by customers who tell others of their satisfaction with the business. Because Leroy is a customer of the soda brand and tells his friends about said soda brand, this is an example of word-of-mouth marketing. A marketer emailing Julia about their company's services is an example of email marketing. Alannah receiving an unannounced call promoting a new product is an example of a cold call—unannounced phone calls or visits by a salesperson to prospects about whom little may be known. A company mailing a catalog to Rodell to promote its business is an example of direct-mail marketing—an effort to obtain business by sending promotional materials to customers in the form of letters, catalogs, postcards, faxes, folders, and emails.

SOURCE: PR:247 Describe word-of-mouth channels used to communicate with targeted audiences

SOURCE: Hayes, A. (2022, August 23). *Word-of-mouth marketing: Meaning and uses in business*. Retrieved October 31, 2022, from <https://www.investopedia.com/terms/w/word-of-mouth-marketing.asp>

84. C

Offers an immediate discount. A coupon is typically a voucher or code that gives a customer a discount at the time of their purchase. The discount from a coupon is immediate. A rebate is similar to a coupon in that it offers a discount to a customer. However, the discount or incentive from a rebate is received after—not during—a purchase. A rebate requires a customer to act following a purchase, which could mean mailing in a coupon or enacting a discount online. Coupons can be used both online and in store.

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

SOURCE: Fripp, G. (2022). *Difference between coupons and rebates*. Retrieved October 31, 2022, from <https://www.marketingstudyguide.com/difference-coupons-rebates>

85. B

There is a lack of control over a message's content. Public relations (PR) is a career in which employees are responsible for establishing good relations between their business or organization and the public. PR may also involve dealing with controversial public issues that are related to a company or its products. One disadvantage of PR is that there is a lack of control over a message's content. When a PR campaign shares information with the media, there is a chance the message will be recrafted and presented differently to fit within the media's content. In some instances, the PR campaign's final message may not be what the marketer planned. An advantage of PR campaigns is that, in some cases, they may be cheaper than other methods of promotion. Information spreading quickly and PR campaigns being considered a credible form of promotion are both advantages of PR.

SOURCE: PR:250 Explain communications channels used in public-relations activities

SOURCE: KnowThis.com. (2022). *Public relations tutorial*. Retrieved November 1, 2022, from <https://www.knowthis.com/marketing-tutorials/public-relations>

86. C

Purchasing and placing messages in media to further interest. Paid advertising is a public relations activity where advertisers prepare their messages/ads and pay for the placement of those messages/ads—based on a bidding system—on relevant platforms. These platforms can include print, broadcast, online, or social media in an effort to further the interest of an organization, person, product, etc. Media relations involves connecting with journalists and/or influencers to help promote messages. In media relations, marketers share their messages with select media to further their messages without making payments to the media. Corporate social responsibility is when a corporation fulfills its obligations to communities by making monetary and resource contributions to charities. Lobbying is a practice in which a person or group attempts to influence lawmakers to pass or block certain legislation.

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

SOURCE: Agility PR Solutions. (2022). *Public relations activities*. Retrieved November 1, 2022, from <https://www.agilitypr.com/resources/pr-glossary/public-relations-activities>

87. D

Quality control. Quality management is the ongoing process of planning, implementing, and integrating quality into every aspect of an organization. The three main aspects of quality management are quality control, quality assurance, and quality improvement—quality conformance is a fictitious term. Quality control is a process businesses use to check for defects after products have been produced. Quality assurance is used to prevent defective products from being created, not just to eliminate or correct them after they've already been produced. Because the company measured its products against industry standards after they are created, it is using quality control. Quality improvement is a business's ongoing commitment and willingness to adapt and make changes for the purpose of maintaining quality.

SOURCE: QM:001 Explain the nature of quality management

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

88. C

A hurricane damages the office. A location risk is a hazard a business may face due to its location. These hazards can include hurricanes, tornadoes, floods, earthquakes, or other natural disasters. A kitchen fire burning down the office and carbon monoxide being detected are both types of physical risks. More specifically, a kitchen fire or an explosion are building risks, while carbon monoxide is a hazardous material risk. Company files being stolen and other forms of theft are examples of human risks.

SOURCE: RM:056 Identify business risks

SOURCE: Davis, M. (2022, May 9). *Identifying and managing business risks*. Retrieved November 2, 2022, from <https://www.investopedia.com/articles/financial-theory/09/risk-management-business.asp>

89. A

Defining risk philosophy. Enterprise risk management (ERM) is a firm-wide strategy that looks to identify, evaluate, and prepare for potential hazards, losses, and dangers with a company's operations, finances, and objectives. Best practices that most companies can use to implement ERM strategies first include defining risk philosophy. Before implementing any practices, a company must identify its strategy around risk. Other best practices include creating action plans, being creative, communicating priorities, assigning responsibilities, maintaining flexibility, leveraging technology, continually monitoring progress and practices, and using metrics. Circumventing creativity, avoiding using metrics, and maintaining inflexibility are not considered best practices of ERM.

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

SOURCE: Hayes, A. (2022, September 7). *Enterprise risk management (ERM): What is it and how it works*. Retrieved November 2, 2022, from <https://www.investopedia.com/terms/e/enterprise-risk-management.asp>

90. A

Improved efficiency. Business process redesign refers to the complete overhaul of an organization's key business processes. Typically, business process redesigns improve efficiency by cutting excess, reducing costs, and sharpening management. If an organization is trying to reduce costs, it would likely need to reduce its staff through layoffs, close offices and other facilities, and reduce its spending.

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

SOURCE: Hayes, A. (2021, August 19). *Business process redesign (BPR)*. Retrieved October 26, 2022, from <https://www.investopedia.com/terms/b/business-process-redesign.asp>

91. D

Reduce or eliminate each identified risk. Evaluating business risk is the process of identifying the risks associated with a new business project before comparing each potential loss against the potential benefits. The final step when assessing business risk is to reduce or eliminate each identified risk. The first step is to identify as many risks as possible, followed by estimating the likelihood of a loss occurring. Then, a business will assign a dollar amount to the potential risk and calculate total loss. It will then determine if it can withstand the loss and if the risk is worth taking. Then, the business will reduce or eliminate each identified risk.

SOURCE: RM:094 Assess business risks

SOURCE: Williams, J. (n.d.). *How to evaluate business risk*. Retrieved November 2, 2022, from <https://smallbusiness.chron.com/evaluate-business-risk-4561.html>

92. B

Potted plant. Tangible products can be touched, smelled, tasted, seen, or heard, such as clothes, houses, food, or potted plants. Intangible products are productive activities that we pay someone else to perform. They are services provided to customers, such as dry cleaning, massages, or haircuts.

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

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

93. A

Organizing. Organizing is the management function of setting up the way the business's work will be done. Directing is the management function of providing guidance to workers and work projects. Controlling is the management function that monitors the work effort. Staffing is the management function of finding workers for the business.

SOURCE: SM:001 Explain the concept of management

SOURCE: LAP-SM-001—Manage This! (Concept of Management)

94. B

It informs strategic planning. A SWOT analysis investigates a business's strengths, weaknesses, opportunities, and threats in an organized fashion. There are several advantages of a SWOT analysis, including that it informs strategic planning, builds an organization's strengths, and helps overcome an organization's threats. A SWOT analysis will not build an organization's weaknesses or increase its threats. A limitation or disadvantage of a SWOT analysis is that it can lead to a price increase.

SOURCE: SM:010 Conduct an organizational SWOT

SOURCE: Juneja, P. (n.d.). *SWOT analysis - Definition, advantages and limitations*. Retrieved November 16, 2022, from <https://www.managementstudyguide.com/swot-analysis.htm>

95. C

Executive summary and financial plan. A business plan is a statement of a business's goals and an outline of its strategies to reach those goals. Although each business plan is unique, a typical business plan contains the following sections in the following order: cover page, executive summary, table of contents, company description, product(s) offered, market analysis, strategy and implementation, management plan, financial plan, and appendices. A contingency plan, cover letter, and fundamental analysis are not sections typically included in a business plan.

SOURCE: SM:013 Develop business plan

SOURCE: LAP-SM-013—Plan for Success (Creating a Business Plan)

96. B

Employees. A business and its management can be influenced by both internal and external factors. External factors—such as laws, technology, and societal values—come from outside an organization and are difficult or near impossible to control. Internal factors—such as a company's employees, consumers, and suppliers—usually come from within a business and its operations and are more relatively controlled.

SOURCE: SM:028 Describe factors that influence management

SOURCE: Tutorials Point. (n.d.). *Management principles – Factors affecting*. Retrieved November 29, 2022, from [https://www.tutorialspoint.com/management\\_principles/management\\_principles\\_factors\\_affecting.htm](https://www.tutorialspoint.com/management_principles/management_principles_factors_affecting.htm)

97. A

Operational. Operational risks are the result of employee actions, core processes, and daily business activities. A business's computer database involves the daily activities or processes of the business. Hazard risks are potential events or situations that can cause injury or harm to people, property, or the environment. Financial risks are possible events or situations that directly impact a company's cash flow. Strategic risks have significant impact on the firm and have the potential to affect the execution of an organization's long-term plans.

SOURCE: SM:075 Explain the nature of risk management

SOURCE: LAP-SM-075—Prepare for the Worst; Expect the Best (Nature of Risk Management)

98. B

Learning is a process, while knowledge is the result of that process. Learning is the process of gaining skill, understanding, and/or knowledge as a result of experience, study, and/or instruction. Knowledge is the result of the learning process, combining experiences, insights, and intuitions that provide structure for interpreting and reacting to the world around you. Learning and knowledge are possible for both humans and artificial intelligence.

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

SOURCE: Abdoullaev, A. (2021, September 16). *What is the difference between knowledge and learning in human and artificial intelligence?* Retrieved November 29, 2022, from <https://www.linkedin.com/pulse/what-difference-between-knowledge-learning-human-azamat-abdoullaev/>

99. A

It is preparation for when change occurs. Change is inevitable. Change management enables businesses to prepare for this inevitability and implement change as strategically and efficiently as possible. Change management is not a reactive response if change happens, and it does not seek to avoid change. Change management does not necessarily aim to organize changes in staffing, as that responsibility often falls under human resources management.

SOURCE: SM:095 Explain the nature of change management

SOURCE: Michigan State University. (2021, November 22). *What is change management?* Retrieved November 29, 2022, from <https://www.michiganstateuniversityonline.com/resources/leadership/what-is-change-management/>

100. A

It creates a system of rules that determines how a company operates. Corporate governance refers to the structure of rules, regulations, and processes that are used to manage a company. Corporate governance is important because it creates a system of rules that determines how a company operates. Corporate governance aligns the interests of all—not just some—of its stakeholders. Good corporate governance also leads to ethical business practices, which leads to financial viability and, in turn, can attract investors.

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

SOURCE: Chen, J. (2022, August 18). *Corporate governance definition: How it works, principles, and examples.* Retrieved October 27, 2022, from <https://www.investopedia.com/terms/c/corporategovernance.asp>