



SAMPLE EXAM

ENTREPRENEURSHIP

THE ENTREPRENEURSHIP EXAM IS USED FOR THE FOLLOWING EVENTS:

ENTREPRENEURSHIP SERIES

ENTREPRENEURSHIP TEAM DECISION MAKING

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

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1. While doing a cost-benefit analysis, Janae found it quite difficult to measure certain items in dollar amounts. Such costs or benefits are most likely to be _____ costs or benefits.
 - A. opportunity
 - B. one-time
 - C. intangible
 - D. hidden
2. Which of the following is a benefit of establishing incident reporting procedures in the workplace:
 - A. Employees use their judgment to determine if a report should be issued.
 - B. Managers who create these procedures are not required to follow up on incidents.
 - C. Managers who have information about incidents can investigate possible causes.
 - D. Employees cannot file official complaints if an incident is reported correctly.
3. For project managers, the most important part of managing stakeholder expectations is
 - A. justifying them.
 - B. understanding them.
 - C. competing against them.
 - D. delegating them.
4. When Nilesh started a new job, he trained alongside another employee for a few weeks so that he could get the hang of his job duties. The time that Nilesh spent training with the other employee is an example of a(n)
 - A. emergency.
 - B. resource issue.
 - C. government regulation.
 - D. transition period.
5. The first step in an organizational risk assessment is
 - A. pinpointing who might be harmed.
 - B. evaluating the risks and making a plan.
 - C. recording and implementing your findings.
 - D. identifying the potential hazards.
6. A primary advantage for marketers who use direct mail to promote products is that
 - A. most marketers find that it is more effective than micro-marketing methods.
 - B. it is usually less expensive than personal selling methods.
 - C. it is more effective in creating brand awareness than television advertising.
 - D. marketers can deliver their messages to a broad audience.
7. Kyra is a business owner who wants to calculate individual employee productivity. She knows that last month, her team of four workers generated \$10,000 worth of goods by working 200 hours in an office space measuring 1,000 square feet. What is the labor productivity per employee for the whole month?
 - A. \$40,000
 - B. \$12.50
 - C. \$800
 - D. \$2,500

8. Le'veon wants to create a marketing mix that includes both push and pull strategies. Which marketing mix should he choose?

- A. Mass media advertising and sales promotions
- B. Referrals and sales promotions
- C. Getting retailers to stock the product and creating a supply chain
- D. Customer relationship management and trade shows

9. Which of the following is an effective negotiation strategy:

- A. Using a "give-and-take" tactic to reach an agreement
- B. Giving the other person as much time as they need to decide
- C. Pushing the other person into making a decision
- D. Insisting on your terms during the negotiation process

10. Determine the cost of goods sold for a business when the beginning inventory was \$250,000, purchases were \$600,000, and the ending inventory was \$200,000.

- A. \$1,050,000
- B. \$650,000
- C. \$400,000
- D. \$150,000

11. One reason it is important for a business to develop a marketing plan is that the plan

- A. provides guidelines for personnel to meet the company's objectives.
- B. allows the business to focus on short-term goals instead of long-term goals.
- C. reduces the need to implement corrective action or contingency plans.
- D. increases the business's financial security in an unpredictable environment.

12. A local veterinarian decides to add a surgical wing to their office, which will allow them to serve more patients over the coming years. The cost of building the new wing is an example of a(n)

- A. operating expense.
- B. expense control.
- C. capital expenditure.
- D. budget deficit.

13. One way that a business can learn about its competitors' activities is by

- A. developing product specifications.
- B. reviewing secondary data.
- C. identifying communication barriers.
- D. evaluating intranet efficiencies.

14. Key performance indicators used to assess business performance should align with the business's

- A. corporate culture.
- B. payroll and benefits.
- C. operating expenses.
- D. goals and objectives.

15. What can a business do to help prevent former employees from sharing confidential business strategies and knowledge with competitors?
- A. Require employees to sign non-disclosure agreements.
 - B. Acquire patents and copyright registrations for intellectual property.
 - C. Pay contingency fees to ensure lawyers are available when needed.
 - D. Require employees to maintain records of key knowledge.
16. Which form of business ownership makes up the minority of businesses in the U.S. yet makes up the majority of sales?
- A. Sole proprietorships
 - B. Corporations
 - C. Partnerships
 - D. LLCs
17. Dion works in the production planning department of a company that makes machinery. This machinery is then sold to companies that use it to create vehicles. Dion's company's output is considered
- A. human resources.
 - B. consumer goods.
 - C. industrial goods.
 - D. intangible products.
18. When Jackson, a manager at AMO Inc., uses the company car to run personal errands during working hours, he is acting unethically because he is
- A. misusing company resources.
 - B. violating government policies.
 - C. harassing other employees.
 - D. sharing confidential information.
19. When a business has been running successfully for several years, what would be a probable next financial step?
- A. Acquiring startup funds
 - B. Deciding on financial goals
 - C. Determining product prices
 - D. Purchasing a second location
20. Which of the following decreases as production increases in a business that has economies of scale:
- A. Income taxes
 - B. Pay rates
 - C. Net profits
 - D. Fixed costs

21. The VOT Company's IT staff has developed a software program that will simplify several processes across multiple departments of the business. In simplifying these processes, the software will increase overall efficiency. Which of the following best describes the direct cause of these business process changes and improvements:

- A. Lower costs
- B. New technology
- C. Better return on investment
- D. Industry trends

22. Intermediaries buy large quantities of goods from producers and sell smaller quantities to other intermediaries or to consumers. The result is that intermediaries _____ their per-unit cost for goods.

- A. reduce
- B. increase
- C. stabilize
- D. control

23. When employees are exposed to a variety of different ideas and perspectives, they are more likely to come up with their own new ideas and strategies. In other words, knowledge and learning lead to

- A. leadership.
- B. innovation.
- C. complacency.
- D. curiosity.

24. Melissa has been assigned a unique task at work; her boss wants her to oversee her team's adoption of a new software. They explain that Melissa should make a plan for the integration of the new software, support her teammates in the transition, and ensure that the transition is successful. In other words, Melissa is responsible for

- A. change management.
- B. managerial control.
- C. human resources management.
- D. organizational goal setting.

25. Which of the following is an important component of a business's press kit:

- A. Biographies of key company figures
- B. Promotional messages
- C. Customer testimonials
- D. Interviews

26. If a marketer is looking to gather data from a company's sales team, what information can they expect to find?

- A. Updates on current trends in the marketing industry
- B. Who the company's current and potential customers are
- C. What products competitors are currently offering
- D. The cost of goods, services, and raw materials

27. Which of the following statements regarding corporate governance is true:
- A. The focus of corporate governance is social rather than financial.
 - B. The principles of corporate governance often conflict with sustainability.
 - C. Small businesses do not need formal corporate governance.
 - D. Corporate governance keeps any one person from having too much control.
28. After a good is produced, the price of that good should be set at a point at which
- A. a large profit is made.
 - B. competition has sold the good.
 - C. the price is twice the cost.
 - D. the good will sell.
29. Which of the following is a way in which the government supports the growth of business:
- A. Surveys
 - B. Subsidies
 - C. Tax increases
 - D. Tariff reductions
30. Which of the following information about new employees are businesses required to report to the federal government:
- A. References
 - B. Compensation
 - C. Benefits
 - D. Address
31. Which of the following would a business use to know how much money is available to hire more staff:
- A. Income statements
 - B. Profit-and-loss statements
 - C. Journals
 - D. Accounting information
32. An internet and cable provider is considering whether to implement a new process that would require its customer service agents to work the phone lines for 24 hours a day instead of the previous 12 hours a day. What type of factor will most likely impact the design of this new process?
- A. Regulatory
 - B. Environmental
 - C. Human
 - D. Technological
33. Ad-blocking software and spam filters help individuals avoid
- A. direct print mail.
 - B. unsolicited publications.
 - C. unwanted digital advertising.
 - D. telemarketing calls.

34. Which of the following is a product consideration when selecting distribution channel members:

- A. Perishability
- B. Promotion
- C. Intensity
- D. Segmentation

35. A comprehensive report reveals that the Sabin Company can increase its data-entry outputs by 20% in a six-month period by installing the MMX software system. Sabin can use this type of business analysis to determine

- A. why it should evaluate work schedules.
- B. how to increase its efficiency.
- C. how to detect a problem.
- D. why it should obtain new markets.

36. When attempting to reduce costs, most businesses will first cut _____ costs.

- A. fixed
- B. production
- C. variable
- D. operating

37. Which of the following is considered an external control mechanism impacting how a company functions:

- A. Industry standards
- B. Payroll reviewed by leaders
- C. Usernames and passwords
- D. Segregation of duties

38. Which of the following is an example of two businesses that are indirect competitors:

- A. McDonald's and Burger King
- B. Starbucks and American Eagle Outfitters
- C. AT&T and Verizon
- D. Apple and Microsoft

39. Which of the following types of internal work teams do many businesses use to recognize product opportunities on a continuous basis:

- A. Cross-functional
- B. Production
- C. Homogenous
- D. Independent-matrix

40. Which of the following is an internal factor that impacts corporate governance structures:

- A. Regulation
- B. Independent audits
- C. Segregation of duties
- D. Industry association guidelines

41. Which of the following is a benefit of debt financing when starting a business:
- A. You don't have to pay back the money if the business fails.
 - B. You have control over how the money is spent.
 - C. You have help from knowledgeable, experienced investors.
 - D. You don't need to pay interest on the money.
42. An applicant for a position as a checker-cashier was asked to ring a sale on the cash register and to balance the cash register based on specific figures and transactions. What management selection device is being used?
- A. Written test
 - B. Background investigation
 - C. Performance simulation test
 - D. Interview
43. A business owner who plans to exit their business venture by selling it to another company needs to develop the business in a way that
- A. creates value for potential buyers.
 - B. appeals to a specific company.
 - C. allows them to maintain control after the purchase.
 - D. will generate regular income for them after the purchase.
44. When a business is successful in carrying out its brand promise, it provides its customers with
- A. a variety of messages.
 - B. above-average product quality.
 - C. consistent experiences.
 - D. a single touchpoint.
45. Which of the following is an interactive public relations activity:
- A. Search engine optimization
 - B. Social media
 - C. Newsletter
 - D. Podcast
46. How does a business's gross profit compare to the industry standard of 25% if it has annual sales of \$500,000 and cost of goods sold is \$400,000?
- A. 5% lower
 - B. 10% lower
 - C. 5% higher
 - D. 10% higher
47. Supply chain management attempts to control which of the following business activities:
- A. The buying and selling of stocks
 - B. Production, shipment, and distribution of products
 - C. Financial planning and managerial accounting
 - D. Human resources and communications

48. An organization should include independent members on its board of directors because they
- A. are less likely to act unethically.
 - B. understand the company's inner workings.
 - C. provide an objective perspective.
 - D. represent the interests of management.
49. Yvonne wants her innovation to succeed, so she makes sure that there's a market for her innovation and that she has plenty of money and resources on hand. Which step of achieving innovation is Yvonne demonstrating?
- A. Researching
 - B. Making connections
 - C. Reducing risk
 - D. Being open-minded and flexible
50. How can Tracy make sure that her marketing campaigns support her company's goals?
- A. Engage in market planning
 - B. Select the right channels
 - C. Use pricing strategies
 - D. Speak with customers
51. On a balance sheet, a business categorizes its inventory and accounts receivable as
- A. long-term assets.
 - B. owner's equity.
 - C. current liabilities.
 - D. current assets.
52. Businesses evaluate their relationships with banks to make sure the bank
- A. likes the business.
 - B. understands the business.
 - C. operates worldwide.
 - D. will lower their interest rates.
53. Which of the following roles of selling in our economy helps products be "in the right place at the right time":
- A. Affects employment
 - B. Promotes competition
 - C. Adds utility
 - D. Helps customers determine needs
54. The business's manager planned for only a small increase in sales over the next year because the largest local employer had laid off workers and was reducing production. What factor did the manager consider in setting this goal?
- A. Customer service
 - B. Competition
 - C. Past sales
 - D. Economic conditions

55. Julia has recently opened her own coffee shop. With all of the time she spends getting the new business up and running, she has missed her daughter's last four soccer games. This is an example of a(n) _____ risk that many entrepreneurs face when starting a business.
- A. technological
 - B. emotional
 - C. reputational
 - D. financial
56. Arthur's boss asked him to study his company's sales data from the previous five years to see if there were any trends. After his research, Arthur presented his findings to his boss along with his predictions for the future. This is an example of the process of
- A. customer retention.
 - B. data mining.
 - C. the selling process.
 - D. competitive analysis.
57. When an employee complaint results in a change in company policy, a manager should make sure employees are aware of the change by having the employees
- A. sign a statement that they know about the new policy.
 - B. copy the policy into their personal notebooks.
 - C. verbally repeat the policy to another employee.
 - D. explain their interpretation of the new policy to a supervisor.
58. Which of the following is an example of a legally binding contract:
- A. A verbal expression of interest in an apartment
 - B. Terms and conditions associated with software
 - C. The purchase of an airline ticket
 - D. Making a doctor's appointment
59. When is it more economical for a business to lease rather than to buy a facility?
- A. When credit standing is high
 - B. When interest rates are low
 - C. When available cash is limited
 - D. When mortgage money is plentiful
60. What is one reason why many people decide to become entrepreneurs?
- A. Long hours
 - B. Less risk
 - C. Flexibility
 - D. Less responsibility
61. Ada purchases jewelry and clothing from many different manufacturers and sells the items to customers in her boutique. What kind of buyer is Ada?
- A. Business use
 - B. Transformational
 - C. Wholesale
 - D. Retail

62. Which of the following types of data analysis suggests a future course of action:

- A. Instructive analytics
- B. Prescriptive analytics
- C. Predictive analytics
- D. Descriptive analytics

63. Should a business develop permanent marketing strategies?

- A. Yes, changing marketing strategies results in confusion for management.
- B. No, businesses must be alert to changes in the marketplace.
- C. Yes, the competition will know what to expect from the business.
- D. No, marketing strategies change regardless of what the business wants.

64. Yasir works for a company that manufactures glass bottles. His job is to inspect the bottles to make sure they were made correctly. He throws away any defective bottles. This example is best described as quality

- A. assurance.
- B. improvement.
- C. circle.
- D. control.

65. Which of the following words best describes enterprise risk management:

- A. Hazardous
- B. Empathetic
- C. Segmented
- D. Comprehensive

66. What is an effect of monitoring your progress while working toward a goal?

- A. It increases the likelihood that you will succeed.
- B. It makes your goal more challenging and time-consuming.
- C. It encourages communication throughout the process.
- D. It adds external pressure to accomplish tasks.

67. Macon Industries writes a purchase order for bolts, washers, and nails and sends the order to the Stanton Company to process. In this situation, the purchase order is a(n)

- A. letter of intent.
- B. open order.
- C. accounts-receivable document.
- D. sales contract.

68. If one of your coworkers is treating another coworker unfairly, what is the ethical thing to do?

- A. Ignore it.
- B. Speak up.
- C. Look for another job.
- D. Be aggressive.

69. Two small businesses share a warehouse, keeping rent costs low for both businesses. The businesses have formed a

- A. strategic relationship.
- B. distribution channel.
- C. contingency plan.
- D. communications plan.

70. Which of the following is an example of an employee-assistance program:

- A. Corrective action
- B. Compensation
- C. Training on the use of dangerous power equipment
- D. Career and education planning

71. While working as a server, Delia came up with an idea for an automated payment system for restaurants. This is an example of how

- A. it is unethical to copy another business's model.
- B. economic trends can help you identify opportunities.
- C. work experience can lead to new business ventures.
- D. entrepreneurs should focus on completely new industries.

72. Which of the following is an example of a product line:

- A. Philadelphia Cream Cheese
- B. A1 Steak Sauce
- C. Kraft meats
- D. Capri Sun

73. The observation method of collecting marketing research data involves

- A. watching what customers do.
- B. conducting online surveys.
- C. test marketing new products.
- D. calling customers on the phone.

74. Which of the following guidelines would be the most appropriate for a supervisor to follow when administering remedial action:

- A. Take action in the presence of the employee's coworkers.
- B. Let personnel handle minor problems with employees.
- C. Delay taking action so that the connection between the infraction and the penalty becomes blurred.
- D. Resume a normal attitude toward the employee as quickly as possible.

75. Evaluating an employee's performance by comparing it to the goals that were set for the job is part of a technique called

- A. management by objectives.
- B. positive reinforcement.
- C. rank-order technique.
- D. affirmative action.

76. If a hurricane impacts production at a company's Atlanta plant, it will shift production demands to its plant in Arkansas. This is an example of

- A. continuation planning.
- B. sales forecasting.
- C. SWOT analysis.
- D. risk assessment.

77. A bakery has a vision to become the number one rated cupcake shop in town for the next six months. The most significant problem with this vision is that it is

- A. unclear.
- B. relatable.
- C. short term.
- D. realistic.

78. Marketers should check on their markets periodically because markets can

- A. advance.
- B. lead.
- C. fail.
- D. change.

79. What are important considerations in establishing hardware/software specifications for a business?

- A. Capabilities, compatibility, reliability, and cost
- B. Strategic planning, training, upgrades, and cost
- C. User needs, mobility, delivery terms, and technical support
- D. Security, social media policies, performance, and licensing

80. Hotel chains carefully analyze economic conditions and the competition before raising prices because the product the chains provide has

- A. limited supply.
- B. elastic demand.
- C. unlimited supply.
- D. inelastic demand.

81. One of the leading computer manufacturers has decided to produce software cases of high quality and high price. Who will ultimately decide if the price is too high?

- A. Consumers
- B. Government
- C. Competition
- D. Manufacturer

82. Before beginning a new project, a manager who uses business process thinking would most likely

- A. examine the financial implications of the project to make sure it will be profitable.
- B. create a list of things that employees should avoid doing during the project.
- C. explain to employees the end result that the manager wants to achieve from the project.
- D. determine the steps that employees need to follow to complete the project.

83. What type of information in a company's CRM system can help a company determine a customer's product preferences?

- A. Customer's prior purchases
- B. Customer's name
- C. Customer's preferred payment method
- D. Customer's address

84. Ben is hoping to start his own digital marketing business. Which of the following expenditures would fall under the category of "professional fees" when Ben is estimating the costs of starting his company:

- A. Insurance and business permits
- B. Computer hardware and software
- C. A trademark for his company logo
- D. Inventory and raw materials

85. An entrepreneurial business owner must

- A. be independently wealthy.
- B. dislike business planning.
- C. desire regular 40-hour work weeks.
- D. have an adventurous spirit.

86. Because operations managers control so much of a business's money, they must focus on

- A. keeping costs low.
- B. hiring the best employees.
- C. creating effective advertising campaigns.
- D. generating publicity.

87. Within a startup business or young company, the primary responsibility for acting ethically falls to

- A. the company's customers.
- B. the business's employees.
- C. business investors.
- D. the entrepreneur.

88. Which of the following helps the reader find specific elements of a formal report:

- A. Conclusion
- B. Title page
- C. Executive summary
- D. Table of contents

89. Calculate a business's total cash available if it has a beginning cash balance of \$2,300; total cash receipts of \$4,900; and credit sales of \$3,500.

- A. \$5,800
- B. \$7,200
- C. \$10,700
- D. \$3,700

90. Express Limited is planning to enlarge its product mix of paper goods that includes paper plates, greeting cards, and gift wrap. Which of the following would Express Limited be most likely to add to the business's product mix:
- A. Hardware
 - B. Notebooks
 - C. Clothing
 - D. Lamps
91. A small brick-and-mortar bookstore will benefit most from a supply chain that is designed to
- A. purchase books to fulfill requested orders.
 - B. stock large quantities of best sellers.
 - C. ship books to customers' homes.
 - D. use an electronic commerce center to handle orders.
92. A primary reason that businesses identify market segments is because consumers
- A. are not loyal to popular brands.
 - B. demand high-quality goods.
 - C. have different needs and wants.
 - D. desire the same level of service.
93. Charlie has a great idea for a new website, but he isn't sure if there is a demand for it. Charlie needs to
- A. develop his business plan.
 - B. file for a patent.
 - C. consult external resources.
 - D. obtain funding.
94. A unique selling proposition answers which of the following customer questions:
- A. "Why is this good or service a great value for me?"
 - B. "What is the name of this product?"
 - C. "Why should I buy from you instead of someone else?"
 - D. "Who makes this product?"
95. Which of the following is one of the main components of an income statement:
- A. Assets
 - B. Taxes
 - C. Liabilities
 - D. Revenue
96. What is an example of an external factor that affects promotion?
- A. Increase in a product's price
 - B. Government regulation of ads
 - C. Reorganization of the business
 - D. A change in distribution methods

97. Which of the following is an operational issue that entrepreneurs must consider when planning their businesses:
- A. Direct competitors
 - B. Production process
 - C. Source of financing
 - D. Target market
98. Which of the following products would likely use an exclusive distribution pattern:
- A. A home-decorating magazine
 - B. A gallon of milk
 - C. A silk necktie
 - D. A large piece of farm machinery
99. Ben is conducting a feasibility study for a new venture idea. Which of the following questions should Ben ask and answer in terms of the venture's financial considerations:
- A. Is there a real demand for the idea, good, or service?
 - B. How will the business communicate information about its products?
 - C. How will the business obtain the money it needs?
 - D. What regulations is the business likely to encounter?
100. What is a primary factor that small-business owners should consider when deciding to hire additional staff members?
- A. Product standards
 - B. Payroll expenses
 - C. Training methods
 - D. Interview techniques



KEY

Test Number 1287

Entrepreneurship Exam

ENT – Entrepreneurship Series Event

ETDM – Entrepreneurship Team Decision Making Event

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1. C

Intangible. A cost or benefit that is difficult to measure in dollar amounts is referred to as an intangible. Intangibles include costs and benefits such as increased or decreased employee morale, increased or decreased customer goodwill, etc. One-time costs are expenses the business pays only once when implementing a decision or project. Opportunity costs refer to what a business will lose if it chooses to spend resources on one decision or project rather than another. A cost-benefit analysis does not include “hidden” costs.

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

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

2. C

Managers who have information about incidents can investigate possible causes. Establishing procedures for reporting workplace incidents is very important to promoting workplace safety. These procedures should allow for efficient communication of incidents that occur and provide management with the information they need to investigate the factors that led to the incident occurring. Therefore, reporting processes can lead to a decrease in workplace incidents. Incident reporting procedures should provide guidance about what types of incidents need to be reported, taking the decision out of the hands of employees. Although employees can still file complaints about workplace incidents, those incidents that resulted in timely, detailed reports can help clear up any issues about whether or not the company has created a dangerous work environment. Managers should always follow up on incidents that occur in the workplace.

SOURCE: OP:012 Establish safety policies and procedures

SOURCE: Sheahan, K. (2020). *Workplace safety procedures for an office*. Retrieved August 11, 2023, from <https://smallbusiness.chron.com/workplace-safety-procedures-office-1752.html>

3. B

Understanding them. For project managers, the most important part of managing stakeholder expectations is understanding them. Only when project teams feel they fully comprehend what stakeholders expect can they start to manage those expectations. It would not make sense to compete against stakeholder expectations or delegate them. Stakeholders would be the ones justifying their expectations, not project managers.

SOURCE: EI:113 Determine stakeholder expectations

SOURCE: Pandey, S. (2022, May 24). *How to manage expectations during your project?* Retrieved August 11, 2023, from <https://www.projectcentral.com/blog/manage-expectations/>

4. D

Transition period. Transition periods are designed to allow you to adjust to your new surroundings over time. By adjusting slowly to his new job duties, Nilesh was less likely to feel overwhelmed. Resource issues occur when you don't have enough of a resource (people, money, information, ideas, and other essential items that are used to produce or do something). Government regulations deal with laws. Emergencies include situations like fires or floods that demand quick action and adaptation by everyone involved.

SOURCE: EI:006 Demonstrate adaptability

SOURCE: LAP-EI-006—Go With the Flow (Demonstrating Adaptability)

5. D

Identifying the potential hazards. A risk assessment is a careful assessment of what could cause harm within an organization, along with determining whether the organization is doing enough to prevent those risks. The first step in a risk assessment is identifying the potential hazards. After the risks are identified, the next steps include determining who might be harmed by the risks, evaluating the risks and making a plan, and recording and implementing your findings.

SOURCE: RM:059 Explain ways to assess risk

SOURCE: Lucidchart. (2018, June 11). *A complete guide to the risk assessment process*. Retrieved August 11, 2023, from <https://www.lucidchart.com/blog/risk-assessment-process>

6. B

It is usually less expensive than personal selling methods. Direct mail is defined as promotional messages that are sent directly to consumers' homes and businesses. Direct mail appears in many forms, including postal mail (e.g., catalogs, sales letters) and email. Personal selling is a form of promotion that determines client needs and wants and responds through planned, personalized communication that influences purchase decisions and enhances future business opportunities. Although developing direct-mail pieces can be expensive, personal selling is generally considered the most expensive promotional method. Micro-marketing is a general term that is sometimes used to describe target marketing. Direct mail (e.g., junk mail, spam) is not necessarily more effective in creating brand awareness than television advertising. Direct mail is used more often with targeted markets, rather than broad audiences.

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

SOURCE: Verified Label, Print & Promotions, Inc. (2023). *Direct mail is not dead! Top ten benefits of direct mail campaigns*. Retrieved August 11, 2023, from <https://verifiedlabel.com/knowledgecenter/know-benefits-direct-mail.aspx?>

7. D

\$2,500. Labor productivity is calculated by dividing total output by total input. To calculate the productivity of each employee, divide the output by the number of workers, which equals \$2,500 for the whole month (\$10,000 / 4 = \$2,500). The number of hours worked is not relevant unless you wish to calculate the labor productivity per hour. The size of a workspace is not relevant to labor productivity calculations.

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

SOURCE: Eby, K. (2023, April 17). *How to calculate productivity at all levels: Employee, organization, and software*. Retrieved August 11, 2023, from <https://www.smartsheet.com/blog/how-calculate-productivity-all-levels-organization-employee-and-software>

8. D

Customer relationship management and trade shows. Customer relationship management is a pull strategy, while trade shows are a push strategy. Push strategies involve promoting products to intermediaries, who then promote the products to customers. Pull strategies involve promoting products directly to the ultimate consumer or industrial user; intermediaries then purchase the products from the manufacturer to meet customer demand. Mass media advertising and sales promotions are both pull strategies. Getting retailers to stock the product and creating a supply chain are both push strategies. Referrals and sales promotions are both pull strategies.

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

SOURCE: Carmicheal, K. (2021, August 9). *Push vs. pull marketing: Top differences & how to use them*. Retrieved August 11, 2023, from <https://blog.hubspot.com/marketing/push-vs-pull-marketing>

9. A

Using a "give-and-take" tactic to reach an agreement. This tactic is known as bargaining, and it can be a highly effective negotiation strategy. Each person proposes solutions and uses "give-and-take" tactics to reach an agreement. You may have to give up something, but you get something in return. During negotiations, you should give the salesperson a specific deadline to meet your request. It's a way of making the negotiation real and specific. An advantage to this strategy is that it introduces a deadline as a negotiable point. If you set a deadline earlier than is necessary, you can build in negotiating room. Similarly, if you show no flexibility whatsoever during a negotiation, the other person may decide that it's not worth their time to speak with you.

SOURCE: EI:062 Demonstrate negotiation skills

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

10. B

\$650,000. To determine the cost of goods sold, the beginning inventory and purchases are added together to obtain the goods available for sale. The ending inventory is then subtracted from that amount to obtain the cost of goods sold. In this problem, \$250,000 (beginning inventory) + \$600,000 (purchases) = \$850,000 (goods available for sale) - \$200,000 (ending inventory) = \$650,000 (cost of goods sold).

SOURCE: FI:102 Interpret financial statements

SOURCE: Stobierski, T. (2020, June 10). *The beginner's guide to reading and understanding financial statements*. Retrieved August 11, 2023, from <https://online.hbs.edu/blog/post/how-to-read-financial-statements>

11. A

Provides guidelines for personnel to meet the company's objectives. A marketing plan is a set of procedures or strategies designed to attract target customers to a business. A comprehensive marketing plan identifies the specific actions and activities that a company will use to attract its target customers. Therefore, the marketing plan provides guidance for employees who are carrying out the marketing activities. Because internal and external factors change, a marketing plan does not reduce the need for a business to develop corrective action or contingency plans, nor does it increase its financial security. Marketing plans contain both short-term and long-term goals.

SOURCE: MP:018 Develop marketing plan

SOURCE: Chron. (2021, October 5). *Purposes of a marketing plan*. Retrieved August 11, 2023, from <https://smallbusiness.chron.com/purposes-marketing-plan-61663.html>

12. C

Capital expenditure. A capital expenditure is a one-time purchase that a business makes (e.g., land, building, equipment) that will provide long-term benefits in the future. In this case, the veterinarian's addition of a surgical wing will help grow their practice and ultimately result in more opportunity for profit. Operating expenses are the ongoing, day-to-day costs involved in running a business that are not tied to production. A budget deficit occurs when expenditures exceed revenues, which we have no proof of in this scenario. Expense control includes efforts to maintain or reduce a certain level of spending.

SOURCE: EN:019 Describe considerations in selecting capital resources

SOURCE: Ross, S. (2023, April 27). *CapEx vs OpEx: What's the difference*. Retrieved August 11, 2023, from <https://www.investopedia.com/ask/answers/042415/what-difference-between-operating-expense-and-capital-expense.asp>

13. B

Reviewing secondary data. By learning about its competitors' markets, products, pricing, and promotional activities, a business can determine its competitors' strengths and weaknesses in the marketplace. By evaluating its competitors' strengths and weaknesses, a business can determine the ways in which it can gain market share. To obtain information about its competitors, the business can collect secondary data, which are information that has been collected for purposes other than the project at hand. Secondary information that the business might review includes its competitors' promotional materials, their products, and industry publications. An intranet is a business's internal computer network. Because a business does not have direct access to its competitors' intranet systems, it would be difficult for a business to obtain specific information about the ways in which its competitors' intranet systems work. Developing product standards will not provide a business with information about a competitor's activities. Communication barriers are problems that interfere with the effective exchange of information.

SOURCE: MP:012 Conduct competitive analysis

SOURCE: Indeed. (2022, July 22). *Primary vs. secondary data in market research*. Retrieved August 11, 2023, from <https://www.indeed.com/career-advice/career-development/primary-vs-secondary-data-market-research>

14. D

Goals and objectives. A common way to assess the performance of a business plan is to develop and use key performance indicators. Key performance indicators are an effective way to track, measure, and improve business results. Aligning key performance indicators with business goals and objectives can help an organization stay focused on the aspects of the business that are most important to it. Key performance indicators are not necessarily aligned with a business's operating expenses, corporate culture, or payroll and benefits.

SOURCE: SM:006 Track performance of business plan

SOURCE: Twin, A. (2023, May 10). *Key performance indicator (KPI)*. Retrieved August 21, 2023, from <https://www.investopedia.com/terms/k/kpi.asp>

15. A

Require employees to sign non-disclosure agreements. Requiring employees to sign non-disclosure agreements can help prevent former employees from sharing confidential knowledge with competitors. Requiring employees to maintain records of key knowledge does nothing to prevent them from sharing it. Patents and copyright registrations can protect formal product designs and proprietary information, but they do not provide the legal incentive to prevent former employees from sharing confidential information. Maintaining access to legal services does not help prevent former employees from sharing information.

SOURCE: OP:155 Establish policies to protect company information and intangibles

SOURCE: The Justice Project. (2023). *How to protect intangible business assets*. Retrieved August 11, 2023, from <https://www.thejusticeproject.org/how-to-protect-intangible-business-assets/>

16. B

Corporations. In the U.S., corporations are in the minority as a form of business ownership, but they generate the majority of sales. There are many more sole proprietorships, partnerships, and LLCs in the U.S., but they do not generate near as many sales as corporations.

SOURCE: BL:003 Explain types of business ownership

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

17. C

Industrial goods. Outputs are categorized as industrial goods if they are sold to producers who will use them to make other products. Dion's company makes machinery that other companies use to create vehicles. Outputs are categorized as consumer goods if they are sold to ultimate consumers. Human resources refer to the people who work to produce goods and services. Intangible products are those that cannot be detected by the senses, such as education or health care.

SOURCE: OP:017 Explain the concept of production

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

18. A

Misusing company resources. When Jack uses a company resource (e.g., car) for personal reasons during working hours, he is behaving unethically because he is not using the resource for its intended purpose, which is to support the business. There is not enough information in the example to indicate that Jack is harassing other employees, sharing confidential information, or violating government policies.

SOURCE: SM:002 Explain the nature of managerial ethics

SOURCE: Mintz, S. (2016, November 2). *Unethical employee behaviors in the workplace*. Retrieved August 11, 2023, from <https://www.workplaceethicsadvice.com/2016/11/unethical-employee-behaviors-in-the-workplace.html>

19. D

Purchasing a second location. If a business has been running successfully for several years, it may be in the expansion stage of its life cycle. This could mean that the company would consider purchasing a second location. A company would acquire startup funds, decide on financial goals, and determine product prices at a much earlier stage in development.

SOURCE: FI:339 Describe the financial needs of a business at different stages of its development

SOURCE: Corporate Finance Institute. (2023, April 26). *Business life cycle*. Retrieved August 11, 2023, from <https://corporatefinanceinstitute.com/resources/knowledge/finance/business-life-cycle/>

20. D

Fixed costs. Economies of scale are characteristics that allow a business to increase output without experiencing a comparable increase in the cost of production. The fixed costs of production are spread over more units so the overall cost of producing more and more products actually decreases. For example, once an electric plant is built, the cost of producing electricity decreases because the cost of building the facility is spread over more and more units of electricity. In a business that has economies of scale, net profits may increase, which will lead to an increase in income tax. Pay rates usually do not decrease as a result of economies of scale.

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

SOURCE: Kenton, W. (2022, June 11). *Economies of scale*. Retrieved August 10, 2023, from <http://www.investopedia.com/terms/e/economiesofscale.asp>

21. B

New technology. A new software program is a new form of technology. While it's true that costs may go down and return on investment may go up as a result of these business process changes, they are not the direct causes of the changes. In this situation, new technology is the direct cause of business process changes. There is no indication that this new technology is emblematic of a bigger industry trend.

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

SOURCE: Hayes, A. (2022, December 26). *Business process redesign (BPR): Definition, process, and purpose*. Retrieved August 11, 2023, from <https://www.investopedia.com/terms/b/business-process-redesign.asp>

22. A

Reduce. When intermediaries buy large quantities of goods from producers, large-scale production enables the producers to reduce their per-unit cost of the items and pass some of the savings along. Intermediaries do not have the power to stabilize or control producer prices.

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

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

23. B

Innovation. Innovation, the creation or discovery of something new, such as a new product, strategy, or process, is closely tied to knowledge and learning. When employees are constantly learning at work, they are more likely to innovate. They are not more likely to become complacent, which means feeling satisfied with less-than-stellar performance. Learning and knowledge may also lead to greater curiosity and leadership, but this example specifically references innovation.

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

SOURCE: Management Study Guide. (n.d.). *The new competitive landscape - Role of knowledge, learning and innovation in organizations*. Retrieved August 11, 2023, from <https://www.managementstudyguide.com/role-of-knowledge-learning-and-innovation-in-organizations.htm>

24. A

Change management. Change management involves overseeing transitions (change) within a company. Some of the activities involved in change management include planning a change, educating team members about the change, supporting the staff throughout the change, and ensuring that the change leads to positive results. In this example, Melissa is responsible for change management, not goal setting, human resources management, or managerial control. Human resources management is the process of planning, staffing, leading, and organizing the employees of the business. Managerial control is a function of management that involves monitoring the work effort in an organization.

SOURCE: SM:095 Explain the nature of change management

SOURCE: Mind Tools Content Team. (2023). *The four principles of change management*. Retrieved August 11, 2023, from <https://www.mindtools.com/ahpnreq/the-four-principles-of-change-management>

25. A

Biographies of key company figures. A press kit is a package of information about a company, whether physical or digital, that is sent out to reporters in hopes of generating interest about that company. The press kit should be a “one-stop shop” of all information a reporter could need to write about the company. This includes biographies of key figures in the company, such as the CEO, COO, etc. Promotional messages, interviews, and customer testimonials are not necessarily important components of a press kit.

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

SOURCE: Forsey, C. (2022, May 4). *What is a media kit—and how to make one [+ press kit examples]*. Retrieved August 11, 2023, from <https://blog.hubspot.com/marketing/media-kit-examples>

26. B

Who the company's current and potential customers are. A company's sales team generates a great deal of useful data for marketers, as salespeople keep records that can show marketers things such as who the company's current and potential customers are, what current and potential customers want, and data about completed sales. Updates on current trends in the marketing industry would not come from a sales team, but from the news, online publications, blogs, or trade journals. Data about what products competitors are currently offering comes from observing what competitors are doing. The cost of goods, services, and raw materials are data that come from a vendor or distributor.

SOURCE: IM:012 Describe the need for marketing data

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

27. D

Corporate governance keeps any one person from having too much control. Corporate governance is the system by which directors handle their responsibility toward shareholders. It includes the techniques used to direct and manage a company, usually conducted by the board of directors. One of the roles of corporate governance is to keep one person in an organization from exerting too much control. This ensures fairness and accountability to stakeholders. It is not true that small businesses have no need for formal corporate governance; organizations of all sizes can benefit from it. The principles of corporate governance support and encourage sustainability, rather than conflicting with it. Finally, corporate governance focuses on both social and financial aspects of an organization.

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

SOURCE: ICAEW. (2023). *What is corporate governance?* Retrieved August 11, 2023, from

<https://www.icaew.com/technical/corporate-governance/principles/principles-articles/does-corporate-governance-matter>

28. D

The good will sell. Prices should be set so that they satisfy both buyers and sellers. Competition is a factor in determining prices, but each company must determine its own selling price. Certainly a profit must be achieved; however, this may not always be a large one. Doubling the cost may not create an appropriate price based on the type of business, clientele, etc.

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

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

29. B

Subsidies. A subsidy is government financial help given to a business. An example of a business subsidized by the government is mass transit. Tariff reductions would slow the growth of business by allowing more imports to enter the country. Tax increases would also slow business growth by reducing profits. Government surveys provide information which may or may not be useful to businesses.

SOURCE: SM:011 Explain external planning considerations

SOURCE: Investopedia. (2023, June 12). *Subsidies*. Retrieved August 31, 2023, from

<https://www.investopedia.com/terms/s/subsidy.asp>

30. D

Address. Federal law requires businesses to report certain information about new employees, such as their names, addresses, and Social Security numbers. Businesses obtain this information by having new employees fill out IRS Form W-4, which is used for income tax withholding purposes. Businesses are not required to report information about a new employee's references, benefits, or compensation.

SOURCE: BL:010 Explain the nature of businesses' reporting requirements

SOURCE: Enright, M. (2020, August 26). *New employee forms after hiring an employee*. Retrieved August 10, 2023, from <https://www.wolterskluwer.com/en/expert-insights/new-employees-forms-after-hiring-an-employee>

31. D

Accounting information. Accounting is the process of keeping financial records. The accounting information in these records helps managers make financial decisions that affect the business. The accounting information indicates to managers how much money they can spend for activities, such as hiring more staff. A profit-and-loss statement is an income statement that shows how much money the business has made or lost. Journals are special books or computer programs in which a business's transactions are recorded in the order that they occur.

SOURCE: FI:085 Explain the concept of accounting

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

32. C

Human. People can have a large impact on the design of a process. Stress, employee morale, and fatigue are common human factors that can influence process design. If the internet and cable company wants to increase its customer service phone line hours, it will need to consider that its employees may not be able to take on any extra work or may become fatigued from the extra hours. Regulatory and environmental factors that affect process design include government regulations and the political or social environment surrounding a company. Technological factors include the cost of necessary equipment or technology.

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

SOURCE: Taylor, H. (2017, September 26). *Factors that affect process design*. Retrieved August 11, 2023, from <https://bizfluent.com/list-7444011-factors-affect-process-design.html>

33. C

Unwanted digital advertising. Ad-blocking software and spam filters help individuals avoid unwanted advertising while they are online. They do not prevent individuals from receiving unsolicited publications, direct print mail, or telemarketing calls. Adding your phone number(s) to a Do-Not-Call registry can stop telemarketers from contacting you.

SOURCE: PR:007 Explain types of advertising media

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

34. A

Perishability. A product's characteristics often influence how it moves through the distribution channel. Because a highly perishable product (e.g., fruit, milk) has a short life cycle, it should quickly move through as few channels as possible so it remains fresh for purchase and consumption. Promotion and segmentation are market factors. Intensity is a distribution strategy.

SOURCE: CM:010 Select channels of distribution

SOURCE: Waksman, K. (2020, January 2). *How to choose the best distribution channel for your business*. Retrieved August 11, 2023, from <https://www.thebalance.com/choose-best-distribution-channel-for-your-business-3502272>

35. B

How to increase its efficiency. In this situation, the business is analyzing an “if, then” situation. If the company purchases a certain type of software, then it can increase its data-entry outputs. If the company increases its outputs, it is increasing its efficiency (productivity). How does the business increase its efficiency? It installs a specific type of software. The information does not indicate how to detect a problem or why the company should evaluate work schedules. A business uses a marketing analysis to determine why it should obtain new market segments.

SOURCE: OP:327 Discuss the nature of business analysis

SOURCE: Enaohwo, O.M. (n.d.). *7 key ways a business process analyst can improve your company's output*. Retrieved August 11, 2023 from <https://businessanalystlearnings.com/business-analyst-career/2017/9/21/7-key-ways-a-business-process-analyst-can-improve-your-companys-output>

36. D

Operating. When attempting to reduce costs, most businesses will first cut operating costs, whether those costs are fixed or variable. Most businesses will not cut production costs unless they cannot cut operating costs any further.

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

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

37. A

Industry standards. External controls are influences from outside a company that impact how it functions. They ensure that companies are accountable for their actions and uphold a certain standard of behavior. External control mechanisms include industry standards, government laws and regulations, union contracts, external audits, and media relations. Payroll reviewed by leaders, segregation of duties, and usernames and passwords are all internal control mechanisms. Internal controls are rules and procedures implemented by a company to manage its operations and create consistent outcomes. Internal controls are used by a company to ensure integrity, prevent fraud, and promote accountability.

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

SOURCE: Indeed. (2022, October 18). *What is an external control? Definition and examples*. Retrieved August 11, 2023, from <https://www.indeed.com/career-advice/career-development/external-control>

38. B

Starbucks and American Eagle Outfitters. Indirect competition is a rivalry between or among businesses that offer dissimilar goods or services. Starbucks offers coffee and other specialty drinks, while American Eagle Outfitters sells clothing. The businesses offer different products but are competing for consumers' scarce dollars, making them indirect competitors. On the other hand, direct competition is a rivalry between or among businesses that offer similar types of goods or services. For example, Apple and Microsoft sell computers, software, and other electronics; McDonald's and Burger King sell fast food; and AT&T and Verizon sell cell phone services.

SOURCE: EC:012 Explain the concept of competition

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

39. A

Cross-functional. To remain competitive in the marketplace, businesses often develop systematic, ongoing processes to help them recognize opportunities to fulfill a market's unmet needs and wants. Cross-functional work teams consist of a variety of people who have different skills and experiences, and who often work in different company departments. Group diversity provides different perspectives, which often sparks creativity to identify product opportunities. Homogenous, production, and independent-matrix are not terms normally used to describe a product-development work team.

SOURCE: PM:136 Create processes for ongoing opportunity recognition

SOURCE: Bottorf, C., & Organ, C. (2022, August 8). *What are cross-functional teams? Everything you need to know.* Retrieved August 11, 2023, from <https://www.forbes.com/advisor/business/cross-functional-teams/>

40. C

Segregation of duties. Segregation of duties is a concept that refers to more than one person completing a task. Segregating duties helps companies avoid errors and misconduct that could be committed by one individual. Companies that institute segregation of duties are strengthening their corporate governance structures. Regulation, independent audits, and industry association guidelines are all external factors that affect corporate governance structures.

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

SOURCE: Davoren, J. (n.d.). *Three types of corporate governance mechanisms.* Retrieved August 11, 2023, from <https://smallbusiness.chron.com/three-types-corporate-governance-mechanisms-66711.html>

41. B

You have control over how the money is spent. One of the biggest benefits of debt financing is the ability to control how the financing is spent. When you take out a business loan, you are in control of what you do with the money. When you obtain equity financing, however, the investors that are helping you start your business have primary control over business decisions. Some of the downsides of debt financing include interest payments and the need to pay the money back even if the business fails. Help from experienced investors is a benefit of equity financing, not debt financing.

SOURCE: FI:340 Discuss factors to consider in choosing between debt and equity capital

SOURCE: Maverick, J.B. (2023, May 25). *Equity financing vs. debt financing: What's the difference?* Retrieved August 11, 2023, from <https://www.investopedia.com/ask/answers/042215/what-are-benefits-company-using-equity-financing-vs-debt-financing.asp>

42. C

Performance simulation test. What better way to find out if an applicant can do a job successfully than by having them do it? Realization of this fact has increased the usage of performance simulation tests, which are made up of actual job behaviors, rather than the substitutes found in written tests. An interview is a dialogue between the employer and potential employee. A background investigation may look into the applicant's previous work history or verify the information on an application.

SOURCE: HR:356 Select and hire new employees

SOURCE: MBA Skool. (2011-2023). *Performance simulation test.* Retrieved August 11, 2023, from <https://www.mbastaskool.com/business-concepts/human-resources-hr-terms/15689-performance-simulation-test.html>

43. A

Creates value for potential buyers. A business owner who plans to sell their company should develop products, employees, and business strategies that will appeal to future buyers. When a business owner sells their business to another company, they typically give up control and no longer earn personal income from it. Developing a business to appeal to one specific company is an ill-advised business strategy because it severely limits the number of potential buyers.

SOURCE: EN:037 Develop exit strategies

SOURCE: Medina, J. (2021, November 18). *Ready to move on? How to create an exit plan for your business.* Retrieved August 11, 2023, from <https://www.uschamber.com/co/start/strategy/business-exit-plan>

44. C

Consistent experiences. A brand promise is a business's agreement (spoken or unspoken) with customers that it will consistently meet their expectations and deliver on its brand characteristics and values. All messages and touchpoints should reinforce the brand promise in a consistent way. Brand characteristics vary among businesses and products but may focus on product quality. Businesses use many touchpoints to communicate their brand promises—employees, website, advertising, public relations activities, etc. All of the touchpoints and messages form the customers' impressions of the business and influence their experiences with the business.

SOURCE: CR:001 Identify company's brand promise

SOURCE: FrogDog. (2019, October 11). *How to develop a brand promise.* Retrieved August 11, 2023, from <http://frog-dog.com/how-to-develop-a-brand-promise/>

45. B

Social media. Social media are interactive forms of electronic communications through which users build communities, network, share information, etc. A newsletter, a podcast, and search engine optimization are one-way public relations activities and are not interactive.

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

SOURCE: Planells, A. (2023). *How can social media help public relations?* Retrieved August 11, 2023, from <https://www.weareradioactive.com/blog/paid-social/how-can-social-media-help-public-relations>

46. A

5% lower. Businesses often compare their income from sales and the cost of buying those goods to the industry standard in order to determine if they are spending too much based on the profit earned. If the industry standard is 25% gross profit, a business wants to make sure that it is earning that amount. To calculate the percentage of gross profit, first subtract the cost of goods sold from annual sales to determine gross profit ($\$500,000 - \$400,000 = \$100,000$). Then, divide that figure by annual sales ($\$100,000 \div \$500,000 = .20$). Convert that figure to a percentage by multiplying by 100 (.20 X 100 = 20%). In this case, the business is earning 20% gross profit which is 5% lower than the industry standard.

SOURCE: SM:005 Analyze operating results in relation to budget/industry

SOURCE: Bloomenthal, A. (2023, June 12). *Gross profit margin.* Retrieved August 11, 2023, from http://www.investopedia.com/terms/g/gross_profit_margin.asp

47. B

Production, shipment, and distribution of products. Supply chain management is a career area in which employees supervise the complete process of getting products into the marketplace—including the production, shipment, and distribution of products. Supply chain management does not specifically oversee the buying and selling of stocks, human resources, communications, financial planning, or managerial accounting; however, each of these business practices influences supply chain management in its own unique way.

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

SOURCE: Fernando, J. (2022, July 7). *Supply chain management (SCM): How it works and why it is important.* Retrieved August 11, 2023, from <https://www.investopedia.com/terms/s/scm.asp>

48. C

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

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

SOURCE: Knowledge @ Wharton. (2015, June 16). *How independent directors bridge the information gap.* Retrieved August 11, 2023, from <https://knowledge.wharton.upenn.edu/article/how-independent-directors-bridge-the-information-gap/>

49. C

Reducing risk. To be successful innovators, businesses need to reduce risk. Innovation is always risky, but by evaluating the potential market for their innovations and basing new innovations on previous experiences, businesses can decrease risk. It's also extremely important for a business to make sure it has enough money and resources to handle launching its innovation. Although making connections, being open-minded and flexible, and researching are all important steps businesses can take to achieve innovation, they are not illustrated in Yvonne's example.

SOURCE: PD:126 Explain the need for innovation skills

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

50. A

Engage in market planning. Market planning helps organizations strategize to align marketing tactics with goals. Tracy can use planning activities to make sure that the actions she takes are working toward an organizational goal. Selecting the right channels, using pricing strategies, or speaking with customers will not necessarily help Tracy create marketing campaigns that align with the company's goals.

SOURCE: MK:002 Describe marketing functions and related activities

SOURCE: LAP-MK-002—Work the Big Seven (Marketing Functions)

51. D

Current assets. A balance sheet is a financial statement that captures the financial condition of the business at that particular moment. Inventory and accounts receivable are categorized as current or short-term assets because the levels of inventory and income from sales tend to fluctuate. Owner's equity is the amount an owner has invested in the business plus or minus profits and losses. Long-term assets are items of value that businesses use to generate revenue for more than a year (e.g., buildings, vehicles, and capital equipment). Current liabilities are debts that must be paid within a year.

SOURCE: FI:093 Explain the nature of balance sheets

SOURCE: Fernando, J. (2023, May 4). *Balance sheet.* Retrieved August 11, 2023, from <https://www.investopedia.com/terms/b/balancesheet.asp>

52. B

Understands the business. A banker is one of the people who has the ability to influence the success of a business. If the business feels that a banker doesn't understand the business, the business should find another banker. Understanding the business is more important than liking the business. Many factors affect the interest rates, and banks may not be able to offer lower rates to all its customers. Many banks are local and work only with businesses in the area.

SOURCE: FI:039 Analyze critical banking relationships

SOURCE: Michel, M. (2022, April 19). *Six steps to building a positive banking relationship*. Retrieved August 11, 2023, from <https://www.contractormag.com/management/marketing/article/21239529/six-steps-to-building-a-positive-banking-relationship>

53. C

Adds utility. A product being "in the right place at the right time" means a skilled salesperson has added utility, or usefulness, to it. Selling also promotes competition, affects employment, and helps customers determine needs, but these are not illustrated in this situation.

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

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

54. D

Economic conditions. Businesses take into consideration the economic conditions in the area before setting goals and objectives. If an area is depressed, businesses would anticipate that sales would increase only slightly or not at all. Previous business, competition, and customer service would not be factors in this situation.

SOURCE: SM:008 Develop company goals/objectives

SOURCE: Reference for Business. (2023). *Business planning*. Retrieved August 11, 2023, from <http://www.referenceforbusiness.com/small/Bo-Co/Business-Planning.html>

55. B

Emotional. When starting a new venture, many entrepreneurs need to dedicate time, energy, and resources to getting that business off the ground. As a result, entrepreneurs take many different risks to possibly gain reward. Emotional risks are those that involve feelings or social relationships, such as marital strain or family problems, as demonstrated in this example. Entrepreneurs also take technological, financial, and reputational risks, but those risks are not demonstrated here.

SOURCE: EN:010 Assess risks associated with venture

SOURCE: Sherman, F. (2019, February 4). *Risks of starting a new business*. Retrieved August 11, 2023, from <https://smallbusiness.chron.com/risks-starting-new-business-4195.html>

56. B

Data mining. Data mining is the process of sorting through data to discover underlying connections and predict future trends. By studying his company's sales data from the previous five years, Arthur was engaging in data mining—not the selling process, competitive analysis, or customer retention. The selling process is the process used by salespeople to convince customers to make a purchase. Competitive analysis involves researching a company's competitors and comparing the competition's strengths and weaknesses to the company's strengths and weaknesses. The overarching activity of customer retention is not generally defined by a single process.

SOURCE: NF:148 Discuss the nature of data mining

SOURCE: Twin, A. (2023, April 15). *What is data mining?* Retrieved August 11, 2023, from <https://www.investopedia.com/terms/d/datamining.asp>

57. A

Sign a statement that they know about the new policy. Asking employees to sign such a statement keeps them from being able to say later that they didn't know about the new policy. Verbally repeating or explaining the policy to another employee or a supervisor, or copying the policy into personal notebooks, may ensure that the employees know about the policy, but the manager would have no documentation for future reference.

SOURCE: HR:366 Handle employee complaints and grievances

SOURCE: Wolters Kluwer. (2020, December 9). *How to effectively deal with employees' complaints*. Retrieved August 31, 2023, from <https://www.wolterskluwer.com/en/expert-insights/how-to-effectively-deal-with-employees-complaints>

58. B

Terms and conditions associated with software. When you download software and agree to abide by the terms and conditions associated with the product, you are generally legally bound to do so. Verbal expression of interest in an apartment, the purchase of an airline ticket, and making a doctor's appointment are not examples of legally binding contracts.

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

SOURCE: TermsFeed. (2012-2023). *Terms and conditions: Frequently asked questions*. Retrieved August 11, 2023, from <https://www.termsfeed.com/blog/terms-conditions-faq/>

59. C

When available cash is limited. Many new businesses have limited amounts of cash available to cover the costs of purchasing property, which usually include a down payment, closing costs, taxes, etc. On the other hand, the initial cash expense for leasing is often limited to a security deposit and the first rent payment. When cash is limited, it is usually more economical for businesses to lease rather than to buy a facility because it saves them money. If businesses have sufficient cash, it is more economical in the long run for them to buy rather than to lease, especially when interest rates are low, their credit standing is high, and mortgage money is plentiful.

SOURCE: OP:028 Negotiate lease or purchase of facility

SOURCE: Miller, M. (2023, January 5). *Buying vs leasing commercial real estate: Pros and cons of each*. Retrieved August 11, 2023, from <https://www.valuepenguin.com/small-business/buying-vs-leasing-commercial-real-estate>

60. C

Flexibility. Flexibility is a motivator that attracts many budding entrepreneurs. Entrepreneurs are their own bosses, and they are able to decide when and where to work and for how long. Flexibility allows an entrepreneur to control and manage time based on individual needs and desires and on the nature of the business. Entrepreneurs often have to work very long hours, but this is not a reason to become an entrepreneur. Entrepreneurs face a great deal of risk and responsibility.

SOURCE: EN:039 Describe the nature of entrepreneurship

SOURCE: Dang, D. (2021). *10 benefits of being an entrepreneur*. Retrieved August 11, 2023, from <https://entrepreneurshipfacts.com/10-benefits-of-being-an-entrepreneur/>

61. D

Retail. Retail buyers purchase goods from wholesalers or manufacturers to resell to consumers. Wholesale buyers purchase goods from manufacturers and other wholesalers to sell to retailers and businesses. Buying for business use involves purchasing items that are for use by the purchasing specialist's company. Purchasing specialists who buy items for transformation purchase raw materials and components that will be converted into finished products through some type of production process.

SOURCE: OP:015 Explain the nature and scope of purchasing

SOURCE: LAP-OP-015—Buy Right (Purchasing)

62. B

Prescriptive analytics. Prescriptive analysis is a form of predictive analysis. Predictive analysis attempts to predict possible future outcomes. Prescriptive analysis takes it further and suggests one or more future courses of action, based on the predictions of possible future outcomes. Descriptive analysis, on the other hand, summarizes what has already happened by making raw data easy to understand and useful. Instructive analytics is not a form of data analysis.

SOURCE: NF:139 Explain the principles of data analysis

SOURCE: Insightsoftware. (2023, February 17). *Comparing descriptive, predictive, prescriptive, and diagnostic analytics*. Retrieved August 11, 2023, from <https://insightsoftware.com/blog/comparing-descriptive-predictive-prescriptive-and-diagnostic-analytics/>

63. B

No, businesses must be alert to changes in the marketplace. To operate successfully, a business must be alert to factors that affect or influence marketing strategies. These include economic climate, product characteristics, product quality, actions of competitors, number of competitors, market size, market share, available funds, and the changing needs and wants of consumers.

SOURCE: MP:001 Explain the concept of marketing strategies

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

64. D

Control. Quality control is a process that measures products against predetermined standards after the products have already been created. Quality assurance is an organization-wide system that businesses use to ensure that products meet quality standards. It includes quality control, but its scope is much bigger than just that, as it focuses on planning ahead for quality. Quality improvement involves an organization's willingness to change and adapt for the purpose of maintaining quality. A quality circle is a team of employees with similar roles who meet regularly to discuss issues and solve problems.

SOURCE: QM:001 Explain the nature of quality management

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

65. D

Comprehensive. Enterprise risk management is a top-down business activity that involves planning, controlling, preventing, and procedures used by management to limit company losses. This approach considers risk management from the perspective of the entire, comprehensive organization rather than by distinct business units. Therefore, words like “segmented” are not accurate descriptions of enterprise risk management. Risk management assesses potential hazards but is not necessarily hazardous. Empathy is the ability to understand and share the feelings of other people, which is not necessarily a component of enterprise risk management.

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 August 11, 2023, from <https://www.investopedia.com/terms/e/enterprise-risk-management.asp>

66. A

It increases the likelihood that you will succeed. The more often you monitor progress while working toward a goal, the more likely you will be to achieve it. Monitoring goal progress keeps you accountable and aware of where you are. Monitoring progress does not necessarily add external pressure to accomplish tasks, encourage communication, or make a goal more challenging and time-consuming.

SOURCE: PD:257 Monitor progress in achieving organizational goals

SOURCE: Workfront. (2022, March 18). *Business goal tracking*. Retrieved August 11, 2023, from <https://www.workfront.com/strategic-planning/goals/goal-tracking>

67. D

Sales contract. A purchase order is a form that a business fills out to order goods. Because the order indicates that the business is willing to do something (pay for the items it orders) in exchange for something else (take possession of the goods), the purchase order serves as a sales contract. An open order is a type of purchase order in which buyers place the order with the supplier that can best meet the needs or criteria (e.g., price) for a particular item. Because accounts receivable is an accounting activity that involves collecting payment for the goods and services that the business offers, a purchase order is not an accounts-receivable document. A letter of intent is a letter that declares the writer's intention to do something. A purchase order is a form rather than a letter.

SOURCE: BL:001 Describe legal issues affecting businesses

SOURCE: USLegal. (1997-2023). *Sales contracts law & legal definition*. Retrieved August 11, 2023, from <http://definitions.uslegal.com/s/sales-contracts/>

68. B

Speak up. Fairness involves sticking up for people who are being treated unfairly, not ignoring the problem. Acting aggressively toward the coworker would not be ethical behavior. Looking for another job would not resolve the issue or demonstrate ethical behavior.

SOURCE: EI:123 Describe the nature of ethics

SOURCE: LAP-EI-123—Rules To Live By (Nature of Ethics)

69. A

Strategic relationship. A strategic relationship is one in which multiple businesses enter into an agreement and help each other, financially or otherwise. Often, the partnering businesses have assets or services that may help the other. A communications plan is a document that contains strategies for managing the flow of information that must occur between all of a project's stakeholders throughout the life of the project. A contingency plan is a set of specific guidelines to help respond to undesirable circumstances. A distribution channel is a path or route that goods or services take from the producer to the ultimate consumer or industrial user. Although every business must have at least one distribution channel, sharing a warehouse facility as a means to save money is not an example of a distribution channel.

SOURCE: EI:114 Establish strategic relationships with others

SOURCE: Martin, M. (n.d.). *What are the basic elements to a strategic partnership?* Retrieved August 11, 2023, from <https://smallbusiness.chron.com/basic-elements-strategic-partnership-35782.html>

70. D

Career and education planning. Career and education planning is an example of an employee-assistance program a company may offer. Employee-assistance programs are part of the HR management activity of employee relations. Compensation is pay for work completed, not extra assistance. Training on the use of dangerous power equipment is a compliance issue. Corrective action is a training and development issue that occurs when an employee's performance is not up to standard.

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

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

71. C

Work experience can lead to new business ventures. One way that entrepreneurs determine opportunities for new business ventures is through their own work experience. Delia's work experience as a server, for example, helped her determine an opportunity to automate payments in the restaurant industry. This example is not related to economic trends. It is not true that entrepreneurs should focus on completely new industries; many entrepreneurial ventures take place within existing industries, such as in Delia's case. Finally, this example is not related to whether or not it is unethical to copy another business's model.

SOURCE: EN:004 Determine opportunities for venture creation

SOURCE: Cote, C. (2020, July 21). *How to come up with an innovative business idea*. Retrieved August 11, 2023, from <https://online.hbs.edu/blog/post/how-to-come-up-with-a-business-idea>

72. C

Kraft meats. Meats are one of Kraft Food's many product lines. Product lines are groups of related product items. A1 Steak Sauce, Philadelphia Cream Cheese, and Capri Sun are all product items within Kraft's product lines. A product item is an individual good, service, or idea that a business offers for sale.

SOURCE: PM:003 Explain the concept of product mix

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

73. A

Watching what customers do. Observation is a marketing research method that gathers data by watching customers. This can be carried out by using cameras, by assigning people to watch customers' actions, or by using scanners that record what customers buy. Test marketing new products is part of the experiment method of collecting data. Calling customers on the phone and surveying them over the internet are part of the survey method of collecting data.

SOURCE: IM:010 Explain the nature of marketing research

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

74. D

Resume a normal attitude toward the employee as quickly as possible. While the supervisor may find this difficult to do, it is important because expecting further problems with the employee may actually cause them to occur. The immediate supervisor should handle disciplinary action, particularly minor problems. Action should be taken promptly so that the connection between the infraction and the penalty does not become blurred. Remedial action should be taken in private, without coworkers present so that the employee's dignity and their status in the organization can be preserved.

SOURCE: HR:369 Explain the nature of remedial action

SOURCE: UC Santa Barbara Human Resources. (2023). *Taking corrective action*. Retrieved August 11, 2023, from <https://www.hr.ucsb.edu/hr-units/employee-labor-relations/taking-corrective-action>

75. A

Management by objectives. The employee and the supervisor work together to set goals, or objectives, for the employee to meet during a certain time period. The employee is then evaluated on the basis of how well they met the goals. Rank-order technique ranks all employees in a department or division from best to worst. Affirmative action is an effort to create equality in the workplace through hiring, training, and promoting of members of groups that have been subjected to discrimination. Positive reinforcement is a technique in which people are given approval or rewarded for good performance.

SOURCE: HR:368 Assess employee performance

SOURCE: Hayes, A. (2023, March 28). *Management by objectives (MBO)*. Retrieved August 11, 2023, from <https://www.investopedia.com/terms/m/management-by-objectives.asp>

76. A

Continuation planning. Continuation planning is the creation of a strategy to handle threats and risks so that the company can resume operations and functionality without much resource loss. A hurricane is an example of the type of risk that can affect operations and that must be handled in a continuation plan. Moving production demands to a different plant is a way to reduce the loss associated with that risk. This is not an example of a risk assessment, SWOT analysis, or sales forecasting.

SOURCE: EN:034 Explain the need for continuation planning

SOURCE: Ready.gov. (n.d.). *Business continuity plan*. Retrieved August 11, 2023, from <https://www.ready.gov/business/implementation/continuity>

77. C

Short term. Great visions are long term rather than short term. This vision only looks at the next six months, which isn't necessarily long term. There is no indication that the vision is unclear. Good visions should be realistic and relatable. Being realistic or relatable is not a problem demonstrated by the vision in this scenario.

SOURCE: EI:060 Enlist others in working toward a shared vision

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

78. D

Change. Though markets may appear to fail, advance, or lead other markets—it is change that prompts marketers to check on their markets periodically.

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

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

79. A

Capabilities, compatibility, reliability, and cost. Businesses establish specifications for selecting hardware/software systems to provide consistency and compatibilities among users; to maintain a clean, productive system/network environment; to enable the computer system to grow with evolving technology; and to provide a basis for maintaining system operability and reliability. Important considerations in establishing hardware/software specifications include user needs, capabilities, ease of use, compatibility, mobility, technical support, security, performance, cost, licensing, reliability, upgrades/updates, and training. While delivery terms, social media policies, and strategic planning may be considered at some point in establishing specifications or selecting specific hardware/software, they are not significant considerations in establishing hardware/software specifications.

SOURCE: NF:091 Establish specifications for selecting hardware/software systems

SOURCE: Business Filings. (2020, March 16). *Assessing computer needs for your business*. Retrieved August 11, 2023, from <https://www.bizfilings.com/toolkit/research-topics/office-hr/assessing-computer-needs-for-your-business>

80. B

Elastic demand. Elastic demand is a form of demand in which changes in price correspond to changes in demand. Even a small change in price affects demand for the product. As a result, hotel chains carefully analyze economic conditions and the competition to make sure a price increase will not reduce demand. If customers feel the new price is too high, they will not buy because hotel rooms are products that customers do not need in order to survive. There is not an unlimited supply of hotels which means the supply is limited; however, they are plentiful so customers usually will be able to find one in the right price range. Inelastic demand is a form of demand in which changes in price do not affect demand.

SOURCE: PI:002 Explain factors affecting pricing decisions

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

81. A

Consumers. Each time consumers make a purchase, they cast their economic vote, and these votes enable consumers to control what will be produced. The government has limited power and should only step in to protect citizens. The competition would be the other manufacturers that sell the same or similar products. The manufacturer would only determine what is to be produced.

SOURCE: EC:009 Explain the concept of private enterprise

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

82. D

Determine the steps that employees need to follow to complete the project. Business process thinking is a method of thinking that emphasizes the importance of processes in business. Managers who use business process thinking would most likely focus on establishing the process that employees should follow before beginning a new project. While the end result is important in any project, managers who use business process thinking would place more emphasis on the process than the result when beginning a new project. They would not create a list of things employees should avoid doing during the project. Examining the financial implications of a project is important but does not describe business process thinking.

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

SOURCE: Drew, C. (2023, July 11). *What is process thinking? (Examples, pros, and cons)*. Retrieved August 11, 2023, from <https://helpfulprofessor.com/process-thinking/>

83. A

Customer's prior purchases. A CRM system can keep records of sales history, which can help a company determine a customer's product preferences. CRM systems also store many other types of data such as a customer's contact and payment methods. A customer's name, address, or preferred payment method provides very few clues to determine their product preferences.

SOURCE: NF:014 Monitor internal records for business information

SOURCE: Startups. (2022, April 14). *Why keeping customer records could be instrumental in your business' success*. Retrieved August 11, 2023, from <https://startups.co.uk/why-keeping-customer-records-could-be-instrumental-in-your-business-success/>

84. C

A trademark for his company logo. There are various cost categories associated with starting a new business, including the cost of sales, professional fees, technology costs, administrative costs, sales and marketing costs, and wages and benefits. Professional fees include legal costs, such as the costs associated with obtaining patents and trademarks. Inventory and raw materials fall under the cost of sales category. Computer hardware and software fall under the technology category. Insurance and business permits are administrative costs.

SOURCE: EN:009 Assess start-up requirements

SOURCE: Morah, C. (2022, November 13). *Business startup costs: It's in the details*. Retrieved August 11, 2023, from <https://www.investopedia.com/articles/pf/09/business-startup-costs.asp>

85. D

Have an adventurous spirit. Entrepreneurs must have an adventurous spirit because they assume a lot of risk and uncertainty, as well as experience excitement and spontaneity. Entrepreneurs do not necessarily have to be independently wealthy, though they should have enough in savings to survive at least a few years without turning a profit. Entrepreneurial business owners should not desire a regular 40-hour work week because entrepreneurs work long and irregular hours. Finally, entrepreneurial business owners need to plan ahead and account for all the resources they will need to start a new business.

SOURCE: EN:040 Explain the role requirements of entrepreneurs and owners

SOURCE: MasterClass. (2022, April 4). *Entrepreneurial spirit: How to foster your entrepreneurship*. Retrieved August 11, 2023, from <https://www.masterclass.com/articles/entrepreneurial-spirit>

86. A

Keeping costs low. Because operations managers control so much of a business's money, they must focus on keeping costs low. Operations managers are not responsible for hiring employees, creating advertising campaigns, or generating publicity.

SOURCE: OP:189 Explain the nature of operations

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

87. D

The entrepreneur. The responsibility of acting ethically falls to entrepreneurs. Since their actions directly influence the culture and values of their organizations, wise entrepreneurs do their best to make ethical decisions from the very beginning. They know that their decisions today will set the tone for the entire company tomorrow. Business investors, the business's employees, and customers do not shoulder the primary responsibility for acting ethically.

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

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

88. D

Table of contents. The table of contents is in the front of the report, and it directs readers to areas of the report that are of particular interest to them. A title page identifies the report's subject, author(s), and the place and location of preparation. A short synopsis of the report is called an executive summary. The conclusion summarizes the main points based solely on the report's findings.

SOURCE: CO:009 Prepare complex written reports

SOURCE: Hollis, L. (n.d.). *How to write an annotated table of contents*. Retrieved August 10, 2023, from <https://penandthepad.com/how-2005986-write-article-subtitle.html>

89. B

\$7,200. A business determines the amount of cash it will have available to spend each month by adding its total cash receipts to its beginning cash balance ($\$2,300 + \$4,900 = \$7,200$). The business does not record credit sales until the cash has been received.

SOURCE: FI:092 Prepare cash flow statements

SOURCE: Milano, S. (n.d.). *Formula for calculating total cash flow*. Retrieved August 11, 2023, from <https://smallbusiness.chron.com/formula-calculating-total-cash-flow-81055.html>

90. B

Notebooks. Notebooks are a paper product and would, therefore, fit into the product mix—the particular assortment of products that a company offers to meet the needs of its market(s) and its company goals. Lamps, hardware, and clothing would not be compatible with the lines of paper goods.

SOURCE: PM:006 Plan product mix

SOURCE: Corporate Finance Institute. (2023, April 19). *Product mix*. Retrieved August 11, 2023, from <https://corporatefinanceinstitute.com/resources/management/product-mix/>

91. A

Purchase books to fulfill requested orders. A small brick-and-mortar bookstore is more likely to benefit from purchasing books to fulfill requested orders from customers. A small store will not benefit from storing large quantities of books due to limited space and the high cost of carrying extra inventory. Since a brick-and-mortar store depends on customer visits to promote books, gifts, and other items, it is not likely to benefit from using an electronic commerce center or shipping books to customers' homes.

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

SOURCE: Anaplan. (2023). *What is supply chain management?* Retrieved August 11, 2023, from
<https://www.anaplan.com/blog/what-is-supply-chain-management/>

92. C

Have different needs and wants. Successful businesses understand that it is often easier and more cost effective to develop strategies that appeal to a portion of the market rather than the whole market. This is because consumers are unique and have different needs and wants. For example, some consumers want high-quality goods and services, while others are less concerned with quality and want low prices. By dividing the market into segments, a business can determine which segments are more likely to buy its products. Then, the business can develop a plan of action to target the market that has similar needs and wants. The business's goal is to develop a loyal customer following and create brand insistence by appealing to the market that is most likely to purchase its products.

SOURCE: MP:004 Identify market segments

SOURCE: Tarver, E. (2023, March 30). *Market segmentation*. Retrieved August 11, 2023, from
<https://www.investopedia.com/terms/m/marketsegmentation.asp>

93. C

Consult external resources. When entrepreneurs develop a new concept, they often need to consult outside sources to help solidify the idea or generate helpful feedback. If Charlie needs to find out whether there is a demand for his idea, he can consult external resources such as internet resources, mentors, competitors, market trends, etc. Developing a business plan will not necessarily help Charlie know whether there is a demand for his idea; rather, he should know whether or not there is a demand before he develops a business plan. Filing for a patent will not help Charlie know whether there is a demand for his idea. Finally, obtaining funding will not necessarily help Charlie know whether there is demand for his idea; instead, he should know there is demand before he attempts to obtain funding.

SOURCE: EN:012 Assess the need to use external resources for concept development

SOURCE: Market Research Solutions. (1999-2023). *Concept development guide*. Retrieved August 11, 2023, from <http://www.powerhomebiz.com/blog/2011/05/business-concept-development/>

94. C

"Why should I buy from you instead of someone else?" A unique selling proposition answers this question for a customer—"Why should I buy from you instead of someone else?" It demonstrates what is special about the product, what benefits it provides that competitors can't. A unique selling proposition doesn't necessarily include the name of the product, the maker of the product, or the reasons why the product is a good value.

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

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

95. D

Revenue. Revenue is the money received by resource owners and by producers for supplying goods and services to consumers. Revenue is an important component of an income statement because it indicates the total amount of money a business earns from all sources such as sales, interest, and dividends. A business's revenue should exceed its expenses in order for the business to make a profit. Taxes are calculated on the net income determined by the income statement. Assets are anything of value that a business owns. Liabilities are debts that a business owes.

SOURCE: FI:094 Describe the nature of income statements

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

96. B

Government regulation of ads. Government regulations are part of the external factors that affect promotion. Changes in the product's price or distribution methods, or a reorganization of the business, are examples of internal factors that affect promotion.

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

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

97. B

Production process. Entrepreneurs must consider a number of different issues when planning their businesses. Areas of focus during entrepreneurial planning include operations, finance, law, the market, etc. Operational issues involve the day-to-day activities for continued business functioning. For example, an entrepreneur must determine the way in which the business will produce goods or services for customers. The target market and direct competitors are market considerations that entrepreneurs face when planning their new ventures. The source of financing for the business is a financial consideration.

SOURCE: EN:007 Describe entrepreneurial planning considerations

SOURCE: Fernando, J. (2023, March 21). *4 factors of production explained with examples*. Retrieved August 11, 2023, from <https://www.investopedia.com/terms/f/factors-production.asp>

98. D

A large piece of farm machinery. Exclusive distribution means selling a product through just one middleman in a geographic area. Marketers use this method when they need to maintain tight control over a product. This is why exclusive distribution is often used for specialty products that are technical in nature or require specialized services such as installation or repair. Examples of these products are airplanes and large machinery. Milk and magazines are examples of convenience products, which usually use intensive distribution patterns. A silk necktie is an example of a consumer shopping good, which usually uses a selective distribution pattern.

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

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

99. C

How will the business obtain the money it needs? A feasibility study helps a prospective business owner determine if their business idea is viable. When conducting a feasibility study, it is important to consider many factors including the financial, human, and capital resource requirements to get the business up and running. Determining how much money the business needs is a financial consideration. Determining the demand for the idea or product is a market consideration. The regulations that the business is likely to encounter is a legal consideration. The way that the business plans to communicate information about the business and its products relates to promotion.

SOURCE: EN:038 Determine feasibility of venture ideas

SOURCE: Taylor, J., & Scudder, R. (2022). *Leverage a feasibility study into a more efficient product cycle: Four key advantages*. Retrieved August 11, 2023, from <http://www.brighthubpm.com/project-planning/5596-advantages-of-a-feasibility-study/>

100. B

Payroll expenses. A small-business owner considers many factors when determining if they should hire an employee. Payroll tends to be the largest expense for a business, so the small-business owner must determine how much or if they can afford to pay an employee. Payroll expenses include the employee's salary, taxes, health and disability insurance, benefits, etc. After the small-business owner decides to hire additional staff, they can determine the appropriate interview techniques and training methods to use. Product standards are a product management consideration rather than a staffing consideration.

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

SOURCE: Hoover, L. (2022, March 11). *Running payroll for small business: The ultimate guide*. Retrieved August 11, 2023, from <https://primepay.com/blog/running-payroll-small-business-ultimate-guide>