



Competency-Based  
Competitive Events  
\*Written Exam\*  
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Test Number 1255  
Booklet Number \_\_\_\_\_

# Finance Cluster Exam

ACT – Accounting Applications Series Event

BFS – Business Finance Series Event

FCE – Financial Consulting Event

FTDM – Financial Services Team Decision Making Event

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

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1. Which of the following is a violation of your rights that might occur when you encounter a member of law enforcement:
  - A. Your car is searched by a police officer, even though you did not give permission.
  - B. A police officer pulls you over and asks for your license and registration.
  - C. You are stopped by a police officer for being out a few minutes past curfew.
  - D. A police officer arrives at your party to make sure there is no underage drinking.
2. The ABC Company published an incorrect statement about the quality of the Marston Company's product. As a result, Marston's sales have dramatically decreased. This is an example of a legal tort related to
  - A. defamation.
  - B. privacy.
  - C. infringement.
  - D. trespassing.
3. A business might conduct a compliance audit to
  - A. manipulate financial data to indicate profitability.
  - B. ensure that it is following government regulations.
  - C. develop efficient production processes.
  - D. evaluate its vendors' performance.
4. Which of the following is a common problem that financial institutions experience when dealing with compliance:
  - A. Long-term thinking
  - B. Too much emphasis on risk management
  - C. Lack of coordination
  - D. Growing importance of technology
5. What is an advantage of using technology in compliance?
  - A. Ease of transitions
  - B. Decreased cost
  - C. Increased efficiency
  - D. Risk of increased fraud
6. Which of the following has the fiduciary responsibility to make decisions on behalf of a company's shareholders:
  - A. The municipal court system
  - B. The industry's professional organization
  - C. The company's line staff
  - D. The corporation's board of directors
7. Andrew received an official-looking email that appeared to be from a government agency. The message requested that Andrew reply immediately to the email and provide his bank account information and credit card account numbers. Fortunately, Andrew found out that the message was fraudulent before he provided the information. What illegal activity does this situation exemplify?
  - A. Affinity fraud
  - B. Ponzi scheme
  - C. Phishing
  - D. Accounting fraud
8. Which of the following is most likely to incur a luxury tax:
  - A. Used minivan with leather interior
  - B. Five-carat diamond ring
  - C. Wool coat with faux fur collar
  - D. Laptop computer
9. It is most appropriate for businesspeople to use complex, technical jargon when they are
  - A. introducing a friend to a business associate.
  - B. greeting new customers.
  - C. speaking with coworkers.
  - D. informally conversing with an acquaintance.
10. Requests, directions, and information are often communicated in writing because messages sent in writing are less likely to be
  - A. businesslike.
  - B. misunderstood.
  - C. clear.
  - D. friendly.

11. Which of the following types of material are often included as attachments to the appendix of short reports:
- A. Title page
  - B. Table of contents
  - C. Supporting documents
  - D. Conclusions and recommendations
12. In planning a staff meeting for her department, Mara should
- A. change the meeting date and time.
  - B. provide a meeting agenda to review.
  - C. forward a copy of the department budget to all participants.
  - D. limit the number of times that each participant can speak.
13. Which of the following is the best way to handle dishonest customers:
- A. Don't jump to quick conclusions.
  - B. Explain and demonstrate good service as many times as you need to.
  - C. Never press for sales or decisions.
  - D. Mirror their behavior.
14. Which of the following is an example of using customer information wisely:
- A. Keeping it safe and not using it
  - B. Sending frequent emails
  - C. Sharing customer information with partnering businesses
  - D. Customizing communications
15. What is the most common reason for a client to leave or fire their financial advisor?
- A. Lack of communication
  - B. Poor investment return
  - C. High commission fees
  - D. Location of the office
16. A business selects specific characteristics about its customers and uses software to obtain data from its database that will help the business identify, evaluate, and group its customers' buying behaviors. What data mining technique is the business using?
- A. Statistical
  - B. Organic
  - C. Clustering
  - D. Primary
17. Effective CRM technology includes analytics features that automatically draw useful conclusions out of the data stored. These features assist in
- A. training.
  - B. collaboration.
  - C. data mining.
  - D. data entry.
18. Trade-offs should be based on
- A. capital goods.
  - B. scarcity.
  - C. opportunity cost.
  - D. noneconomic wants.
19. Which of the following business activities includes planning, maintaining, monitoring, controlling, and reporting the use of financial resources:
- A. Information management
  - B. Financial analysis
  - C. Human resources management
  - D. Operations of finance
20. A primary reason that businesses expand their operations in foreign countries is to
- A. condense their market shares.
  - B. eliminate tax obligations.
  - C. increase revenues.
  - D. promote environmental issues.
21. Which of the following occurs last in the collective bargaining process:
- A. Researching the issues
  - B. Conducting negotiations
  - C. Settling the contract
  - D. Voting on the agreement

22. Which of the following is an example of a regional multilateral trade alliance impacting global trade:
- A. The International Monetary Fund
  - B. The World Trade Organization
  - C. The United States-Mexico-Canada Agreement
  - D. The United Nations
23. Wherever you go, you strive to follow the rules, tell the truth, work hard, and behave properly. You take ownership of yourself and your actions. You display a high degree of \_\_\_\_\_ responsibility.
- A. social
  - B. personal
  - C. legal
  - D. ethical
24. To ensure you make the right decisions, you should follow your ethical principles
- A. no matter what.
  - B. when other people tell you to.
  - C. when it's easy.
  - D. when your boss is watching.
25. Your manager has reminded you to correct register errors as they occur to ensure close-out accuracy. This type of comment is
- A. constructive criticism.
  - B. internal feedback.
  - C. positive feedback.
  - D. destructive criticism.
26. Which of the following is an accurate description of persuasion:
- A. Forcing your ideas and opinions on others
  - B. Influencing people to change their attitudes
  - C. Losing your temper
  - D. Intimidating people into agreeing with you
27. Who should be responsible for stress management?
- A. The employee and the employer
  - B. The employee
  - C. The employer
  - D. The government
28. Leadership is important when things are going well for a business because
- A. leaders determine the next step for the organization.
  - B. employees become discouraged in times of crisis.
  - C. team members usually embrace change.
  - D. people don't need role models.
29. Which of the following is a sign of solid leadership that will help you enlist others in a shared vision:
- A. Being strict
  - B. Blaming others
  - C. Setting an example
  - D. Keeping your distance
30. More than anything else, being an ethical person means
- A. agreeing with popular beliefs.
  - B. following the example of authority figures.
  - C. listening to your friends' opinions.
  - D. doing what's right, even when it doesn't benefit you.
31. Emily has decided to use all of her savings to buy a new car instead of a used one. What are the opportunity costs of that decision?
- A. The benefits she could have received by using the additional cost of a new car another way
  - B. The reliability and luxury of a new car compared to a used one
  - C. The money she saves by not having to constantly repair a used car
  - D. The benefits she could have received by using public transportation instead
32. Which of the following statements accurately describes a difference between saving and investing:
- A. Saving is best used to reach goals in the near future, while investing is best used for longer-term goals.
  - B. It's easier to access money that is invested than money that is in a traditional savings account.
  - C. Saving is generally riskier than investing, meaning that you may lose all or some of your money.
  - D. A traditional savings account has the potential for higher returns than investments.

33. What is the primary goal of an investment company?
- A. To pool and invest funds based on the needs of investors
  - B. To locate outside sources of money for firms
  - C. To issue various types of mortgages to businesses
  - D. To collect financial contributions and invest them for employees
34. What does the credit rating of a financial institution indicate to savers and investors?
- A. When the financial institution expects to see a return on investment
  - B. The return rate for specific mutual funds
  - C. The amount of funds that the bank lends to other institutions
  - D. How risky it is to provide the financial institution with funds
35. Cocoa beans and corn are examples of investments that people make in which of the following financial markets:
- A. Soft commodities
  - B. Insurance
  - C. Selective property
  - D. Money
36. If Hannah wants to invest in the capital markets, what types of securities should she purchase?
- A. Corporate bonds and treasury bills
  - B. Common stock and certificates of deposit
  - C. Treasury bills and certificates of deposit
  - D. Corporate bonds and preferred stock
37. Recently, the Second-Fourth Bank merged with the Wide World Insurance Company. This is an example of
- A. liquidation.
  - B. convergence.
  - C. divergence.
  - D. endowment.
38. One advantage of consolidation to financial firms is
- A. less liquid capital.
  - B. one-stop shopping.
  - C. fewer technology problems.
  - D. lower costs.
39. Which of the following is an example of arbitrage:
- A. An individual earns interest on their money by agreeing to leave it in a financial institution for a certain time frame.
  - B. An individual buys 10 shares of stock for \$150 per share on one market and immediately sells each share for \$200 on another market.
  - C. A business places a percentage of its income into a retirement account for employees.
  - D. A business sells corporate bonds to obtain funds to finance major expansion efforts.
40. When the unemployment rate rises, stock values typically
- A. decrease.
  - B. increase.
  - C. stabilize quickly.
  - D. remain unchanged.
41. By investing their funds in several different countries, investors
- A. easily avoid integrated and emerging financial markets.
  - B. demonstrate their liberalization and home biases.
  - C. reduce their exposure to business cycle risks.
  - D. reduce foreigners' access to domestic financial markets.
42. Which of the following are among the most important resources to access prior to purchasing stock in a company:
- A. EDGAR and the Statement of Ownership
  - B. ESOP and the company's website
  - C. EDGAR and the company's website
  - D. ESOP and the Statement of Ownership

43. What is a disadvantage of using the internet to obtain investment information?
- A. The large amount of information available on the internet can be overwhelming.
  - B. The internet is not accurate or reliable.
  - C. There is not enough information available on the internet.
  - D. None of the information on the internet is available for free.
44. If Kayla wants to obtain the most current pricing for various stocks, she should
- A. review a business's annual report.
  - B. pick up a business-oriented newspaper.
  - C. visit the "About Us" section of a business's website.
  - D. access a financial website.
45. How can you tell if a stock is trending upward?
- A. Examine the best bid/ask.
  - B. Compare the previous close with the opening price.
  - C. Look at the share volume.
  - D. Compare earnings per share with P/E ratio.
46. In their raw state, financial data aren't very helpful. To be useful to businesses, financial data need to be
- A. listed in order of size from smallest to largest.
  - B. gathered and organized in some way.
  - C. inserted into a spreadsheet.
  - D. formatted in HTML.
47. How is financial information related to an organization's success?
- A. Financial information is essential for an organization to continue operating.
  - B. Financial information gets in the way of an organization's progress.
  - C. Successful organizations usually do not need financial information.
  - D. The importance of financial information depends on the size of the organization.
48. Which of the following groups of people is most likely to be interested in the statement of changes in equity:
- A. Competitors
  - B. Customers
  - C. Investors
  - D. Employees
49. If a decision maker chooses a software package with a lower initial purchase price, what type of cost have they considered?
- A. Opportunity cost
  - B. Indirect cost
  - C. Sunk cost
  - D. Direct cost
50. Which of the following situations is an example of using marginal analysis to make a segment profitability decision:
- A. A restaurant chain manager must decide whether or not to keep a certain franchise open.
  - B. A clothing retailer must decide how many units of each product to sell.
  - C. A company must decide whether to use an outside marketing firm or hire someone internally.
  - D. A furniture company must decide whether to sell its pieces assembled or unassembled.
51. A company manager is making a decision concerning promotional strategy. What managerial accounting technique can assist in the implementation phase of their decision-making process?
- A. Budgeting expected revenue
  - B. Recording and classifying transactions
  - C. Comparing results to the budget
  - D. Representing plans financially
52. Juan noticed a positive variance of \$2,000 in the email marketing section of his budget. Juan concluded that this variance demonstrated efficient use of funds. What is another possible explanation for the positive variance?
- A. Email marketing is not an important activity.
  - B. Email marketing was not effective.
  - C. The budget did not allocate enough resources for email marketing.
  - D. The planned email marketing campaigns were not completed.

53. Why do some companies decide against using variance analysis?
- A. Real causes cannot be correctly identified.
  - B. Variance analysis is not based on real, tangible data.
  - C. Variance analysis involves too much of a time delay.
  - D. Horizontal analysis requires much less time.
54. Kenneth is easily able to guide the actions of his employees by referring to his budget. This is an example of which function of budgets?
- A. Controlling
  - B. Planning
  - C. Directing
  - D. Monitoring
55. What is a possible reason for not allocating costs?
- A. A cost is not controlled by any department.
  - B. A cost is fixed rather than variable.
  - C. The budget has already been exceeded.
  - D. Costs are not high enough to be allocated.
56. Which of the following indirect manufacturing costs is a company most likely to include in the cost allocation of its individual products:
- A. Heat and lighting costs
  - B. Cost of labor
  - C. Administrative salaries
  - D. Raw product materials
57. After a business designates categories of expense in its budget, it
- A. attaches a time limit.
  - B. appoints an accountant.
  - C. applies a formula.
  - D. allocates a dollar amount.
58. You received a check on your birthday for \$2,000. If you invest it at an annual rate of 3%, how much will it be worth in a year?
- A. \$6,000
  - B. \$2,000
  - C. \$2,060
  - D. \$2,600
59. A financial-information management system can help a financial manager make which of the following types of decisions:
- A. Adding/Dropping products
  - B. Employee scheduling
  - C. Vendor selections
  - D. Capital budgeting
60. Accurate financial-information management improves a business's payment cycles by
- A. optimizing accounts payable and accounts receivable.
  - B. improving the business's trustworthiness.
  - C. allowing for better sales forecasting.
  - D. giving companies a way to evaluate their tax liability.
61. Which of the following is a common outcome of poor financial-information management in a finance department:
- A. Employees are able to increase their efficiency.
  - B. Employees receive information before it's needed in the department.
  - C. Employees cannot understand financial statements.
  - D. Employees cannot correctly assess trends.
62. During a strategic planning meeting, a company's financial manager explains why the budget needs to be more carefully managed for the good of the business. This is an example of
- A. the need for decreased transparency of financial documents.
  - B. the importance of adhering to governmental regulations.
  - C. the role of confidentiality in financial-information management.
  - D. the stewardship function of financial-information management.
63. Firewalls, intrusion detection systems, and encryption are all methods used by companies to
- A. ensure the security of their office buildings.
  - B. screen qualified job applicants.
  - C. protect and secure financial information.
  - D. sort and organize customer data.

64. Businesses use budgeting software to
- A. record employee performance.
  - B. develop reliable forecasts.
  - C. calculate their tax rates.
  - D. organize shipping data.
65. A finance employee with the City Mutual Insurance Company is reviewing a computer-generated report that indicates the amount of money the company has disbursed to employees who have worked overtime in the past year. What type of financial information is the employee analyzing?
- A. Payroll
  - B. Production rates
  - C. Accounts payable
  - D. Sales
66. The primary focus of the Six Sigma methodology is
- A. eliminating quality management staff.
  - B. reducing errors in business processes.
  - C. improving cash management processes.
  - D. increasing overall public relations spending.
67. By analyzing a customer's financial information, a finance professional should be able to
- A. declare Chapter 11 bankruptcy for the customer.
  - B. develop a financial strategy to help the customer.
  - C. protect the security of the customer's financial information.
  - D. determine the customer's newest target market.
68. As Tom is reviewing a customer's credit report to determine if the company should offer the customer a line of credit, he should use the company's \_\_\_\_\_ to guide his decision.
- A. accounting method
  - B. purchasing policies
  - C. credit standards
  - D. payment history
69. Motives, perception, attitude, lifestyle, personality, and abilities are \_\_\_\_\_ factors influencing consumer behavior.
- A. psychological
  - B. social
  - C. political
  - D. economic
70. Appropriate information management can
- A. create more difficult decisions.
  - B. create more jobs.
  - C. save time and money.
  - D. result in audits.
71. A legal issue associated with the use of information might involve the violation of \_\_\_\_\_ laws.
- A. copyright
  - B. patent
  - C. trademark
  - D. contract
72. A primary goal of data normalization is to
- A. reduce data redundancy.
  - B. discard any unusual data.
  - C. improve data collection.
  - D. increase data quality.
73. What data mining technique uses "if-then" criteria to classify objects in a database?
- A. Quantitative reasoning
  - B. Histogram
  - C. Neural networking
  - D. Rule induction
74. To house its digital business records, EFG Corporation uses a remote database that employees can access anytime through the internet. EFG Corporation is using \_\_\_\_\_ to store its business records.
- A. compact disks
  - B. a flash drive
  - C. streaming video
  - D. cloud computing
75. Which of the following is an example of a probable conflict of interest in business operations:
- A. An employee meets a new client for lunch at an upscale restaurant.
  - B. A purchasing agent provides a customer with a discount.
  - C. A purchasing agent awards a large order to a relative's employer.
  - D. An employee uses the company discount to purchase goods.



76. Which of the following would be most effective in improving a business's security:
- A. Having fewer sales
  - B. Raising prices
  - C. Using closed-circuit television
  - D. Establishing longer hours of operation
77. Which of the following is the most important factor to consider when prioritizing work tasks:
- A. Due dates of tasks
  - B. Enjoyment of tasks
  - C. Coworkers' opinions
  - D. Employee's aptitude
78. When your project isn't as successful as you hoped it would be, you should
- A. scrap the project entirely and start over.
  - B. figure out which of your project team members are responsible.
  - C. hide your mistakes from project stakeholders.
  - D. gather lessons learned so you won't repeat the same mistakes.
79. A business purchases \$4,250 worth of supplies and receives an invoice listing terms of 2/15, n/30. What amount will an employee save the business by paying the invoice within 15 days?
- A. \$90
  - B. \$80
  - C. \$85
  - D. \$95
80. When evaluating the status of clothing, you should make sure that
- A. undergarments are showing.
  - B. the garments are clean and wrinkle-free.
  - C. hair is clean and neatly styled.
  - D. slacks and shirts are tight and revealing.
81. When organizing your workspace, a general rule to follow in cleaning out papers and other written materials is to
- A. file a document if you're sure you won't need it again.
  - B. keep a document if you have more than one copy.
  - C. put a document in the file if it is outdated.
  - D. keep a document if it would be hard to replace.
82. Recognizing your strengths and weaknesses helps you accept yourself, which is one of the foundations of
- A. self-fulfillment.
  - B. social acceptance.
  - C. safety.
  - D. self-esteem.
83. During an interview, a job applicant can indicate to the interviewer an interest in the position by
- A. looking at their feet.
  - B. maintaining eye contact.
  - C. slouching in their chair.
  - D. staring out the window.
84. Which of the following statements is true of the insurance field:
- A. It includes job titles like "auditor" and "accountant."
  - B. All employees are known as insurance agents.
  - C. It exists to protect customers from financial losses.
  - D. It involves accepting deposits and lending funds.
85. What is a challenge of working in securities and investments?
- A. The job can be very stressful.
  - B. The pay is often low.
  - C. The profession is not respected.
  - D. Workdays are often short.
86. Corporate governance is primarily concerned with \_\_\_\_\_ desires.
- A. stakeholder
  - B. CEO
  - C. vendor
  - D. competitor
87. The Farside Corporation wants to encourage its workforce to better achieve governance objectives. Which tactic should the company use to motivate its employees and improve the distribution of wealth throughout the corporation?
- A. Team building
  - B. Cash incentives
  - C. Profit-sharing
  - D. Flexible scheduling

88. How can a company develop a culture in which employees work toward corporate governance objectives?
- A. Put the shareholders' interests as the top priority
  - B. Punish employees who do not support corporate governance objectives
  - C. Set objectives without letting the budget affect them
  - D. Incorporate governance objectives into the hiring process
89. Which of the following is an external control used to govern companies:
- A. Whistleblower policy
  - B. Safety laws
  - C. Segregation of duties
  - D. Managerial oversight
90. Which of the following business activities is most likely to impact an organization's governance structures:
- A. Developing a marketing strategy
  - B. Hiring a new sales representative
  - C. Borrowing money from a bank
  - D. Raising prices on consumer goods
91. Good governance is most likely to make a company's investment decisions
- A. more ethical.
  - B. subject to individuals' influence.
  - C. less regulated.
  - D. more vulnerable to outside risk.
92. Which of the following examples best illustrates the relationship between governance and management:
- A. Sapphire Axis, Inc. keeps its top executives and governance strictly separate.
  - B. Jenna, a manager, provides the board of directors with a framework for determining goals.
  - C. A company's governance processes aim to place strict limits on managers.
  - D. Wesley bases his management decisions on the strategies outlined by governance processes.
93. Elena is a recent college graduate who works for an investment brokerage. She often seeks advice and guidance from Dana, a more veteran employee of the company. In addition, Dana introduced Elena to other members of their firm and their professional organization who might be of assistance to Elena in the future. Dana is serving as Elena's
- A. supervisor.
  - B. mentor.
  - C. manager.
  - D. assistant.
94. If a company does not take the time to manage risks, it is
- A. seeking a larger return on investment.
  - B. treating customers fairly.
  - C. enhancing possibilities for gain.
  - D. not being ethical.
95. Using computer-data backup procedures on a regular basis reduces a company's level of risk because the process
- A. saves information when computer failures occur.
  - B. prevents hackers from accessing the computer system.
  - C. detects noncompliance issues.
  - D. allows employees to use many applications.
96. The Sarta Company's risk management information system (RMIS) contains a master list of all claims; data detailing the status of individual claims; and information regarding exposure bases such as payroll, number of employees, number of company vehicles, etc. These data are likely to be housed within the \_\_\_\_\_ section of the RMIS database.
- A. risk map
  - B. property exposure
  - C. liability
  - D. catastrophe modeling
97. Training programs that address gender-related issues at work may lower a firm's legal risks associated with
- A. financial misconduct.
  - B. religious preferences.
  - C. intellectual property.
  - D. sexual harassment.

98. Why is the choice of a risk measure for internal and external risk of great practical importance?
- A. It identifies the types of risks that the financial institution will encounter.
  - B. It determines the maximum number of clients that can be served effectively by a financial institution.
  - C. It determines the minimum reserve requirements in financial trading.
  - D. It designates the audience that will receive the resulting financial reports.
99. Loss prevention, loss avoidance, and loss reduction are risk \_\_\_\_\_ techniques.
- A. retention
  - B. financing
  - C. transfer
  - D. control
100. Which of the following is an example of an external factor that has increased interest in enterprise risk management (ERM):
- A. Increased efficiency
  - B. Decreased transparency
  - C. Increased regulatory scrutiny
  - D. Decreased volume of information



**KEY**

Test Number 1255

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1. A

Your car is searched by a police officer, even though you did not give permission. You have the right to refuse a search by a police officer unless that officer has a search warrant or probable cause. Police officers are allowed to pull you over and ask for your license and registration. They are also allowed to stop you if you are out after curfew, even if it is just by a few minutes. They are also allowed to investigate a party if they have reason to believe underage drinking might be occurring.

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

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

2. A

Defamation. A tort is a private wrongdoing against a person or business. Defamation involves making false statements about another party with the intent to discredit or hurt the other party's reputation. In the example, ABC's incorrect statement about Marston's products hurt Marston's sales. In response, Marston may file a lawsuit against ABC on the grounds of defamation. The situation is not related to privacy, infringement, or trespassing.

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

SOURCE: Laws.com. (2020, September 12). *A brief overview of tort law*. Retrieved September 23, 2021, from <https://tort.laws.com/tort-law>

3. B

Ensure that it is following government regulations. Government regulations affect the way that businesses record and report financial data. To ensure that the business is following all of the regulations, it should conduct a compliance audit. Because a comprehensive compliance audit can detect discrepancies, it can help a business determine what it needs to do to correct a problem so it can comply with regulations. It is unethical and often illegal to manipulate financial data in ways that aim to mislead the audience. Developing efficient production processes and evaluating vendors' performance are not reasons for conducting a compliance audit.

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

SOURCE: Lohrey, J. (n.d.). *Compliance audit objectives*. Retrieved September 23, 2021, from <https://smallbusiness.chron.com/compliance-audit-objectives-78248.html>

4. C

Lack of coordination. One issue that financial institutions have when dealing with compliance is lack of coordination between different departments that manage risk and compliance separately. It is important to integrate compliance throughout the organization and work together to have a unified, strategic approach. Too much emphasis on risk management is not a problem that institutions experience when dealing with compliance. In fact, risk management is an important part of compliance. Long-term thinking and the growing importance of technology are not necessarily problems related to compliance.

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

SOURCE: MetricStream. (2021). *Integrated risk and compliance management for banks and financial services organizations: Benefits of a holistic approach*. Retrieved September 27, 2021, from [https://www.metricstream.com/whitepapers/html/financial\\_services.htm](https://www.metricstream.com/whitepapers/html/financial_services.htm)

5. C

Increased efficiency. Technology can help make the compliance process more efficient because it allows information to be utilized and processed much faster. It does not necessarily decrease costs.

Transitioning from an old system is not necessarily easy, but it is, in many cases, worth the difficulties.

Using technology in compliance can decrease fraud with the presence of fraud detection software.

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

SOURCE: Bloomberg Professional. (2016, June 28). *Fintech spawns regtech to automate compliance with regulations*. Retrieved September 23, 2021, from <https://www.bloomberg.com/professional/blog/fintech-spawns-regtech-automate-compliance-regulations/>

6. D

The corporation's board of directors. The board of directors consists of individuals who are appointed or elected to make decisions on behalf of the company's owners—the shareholders. Professional organizations, the company's line staff, and the municipal court systems do not make decisions for a corporation on behalf of the shareholders.

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

SOURCE: BoardSource. (2019, October 28). *Fiduciary responsibilities*. Retrieved September 23, 2021, from <https://boardsource.org/resources/fiduciary-responsibilities/>

7. C

Phishing. Phishing is an online identity theft scam that fools its victims into believing they are submitting sensitive, personal information such as bank or credit card numbers to a legitimate website. A Ponzi scheme is an investment scam that lures new investors by promising high rates of return with little to no risk. Accounting fraud occurs when a company or organization knowingly publishes incorrect information on its financial statements. Affinity fraud is an investment scam in which the scammer claims to be a member of the group they are targeting. Claiming to be a member of the group makes the target audience more likely to trust the scammer and turn over its money to that person.

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

SOURCE: Clark, B., Basteri, C.G., Gassen, C., & Walker, M. (2014). *Marketing dynamics* (3rd ed.) [pp. 89-90]. Tinley Park, IL: Goodheart-Willcox.

8. B

Five-carat diamond ring. A luxury tax is levied on expensive, nonessential items such as luxury cars, valuable artwork, and expensive jewelry. A used minivan, a wool coat, and a laptop computer are not considered expensive, nonessential items.

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

SOURCE: Goettel, D. (n.d.). *What is a luxury tax?* Retrieved September 23, 2021, from <https://www.wise-geek.com/what-is-a-luxury-tax.htm>

9. C

Speaking with coworkers. Jargon is a specialized language known only to a certain group of people. Industries and companies often use jargon that is meaningful to their businesses and may not be easily understood by people outside their industries or companies. Coworkers are more likely to use jargon because they are familiar with the terms and their meanings or applications. New customers, friends, business associates, and acquaintances may not be familiar with a specific industry's jargon.

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

SOURCE: Miller-Wilson, K. (n.d.). *Examples of jargon: Definition and types*. Retrieved September 23, 2021, from <https://examples.yourdictionary.com/examples-of-jargon.html>

10. B

Misunderstood. Clearly written communications can prevent problems that may be caused by poor listening or speaking skills. The written message can also be checked for clarity and accuracy before it is delivered. Both writing and speech can be friendly or businesslike in tone.

SOURCE: CO:016 Explain the nature of effective written communications

SOURCE: Clark, B., Basteri, C.G., Gassen, C., & Walker, M. (2014). *Marketing dynamics* (3rd ed.) [pp. 450-453]. Tinley Park, IL: The Goodheart-Willcox Co.

11. C

Supporting documents. The purpose of the short report is to present information in a concise and simple manner. Therefore, documents that support the information presented in the short report are often included as attachments to the appendix rather than as parts of the main body. Readers of the report have the option to review the supporting documents or to rely solely on the information in the short report. Table of contents, title page, and conclusions and recommendations are main parts of the short report.

SOURCE: CO:094 Prepare simple written reports

SOURCE: QSStudy. (2021). *Meaning of short report*. Retrieved September 23, 2021, from <https://qsstudy.com/business-studies/meaning-short-report>

12. B

Provide a meeting agenda to review. An agenda is a list of topics that will be discussed in a meeting. By having an agenda before the meeting takes place, employees can gather information and prepare notes for the discussion. Unless the department's financial status is the reason for the meeting, participants are unlikely to need a copy of the department budget. It is seldom appropriate to limit each participant's speaking opportunities. There is no evidence to suggest Mara needs to change the meeting date and time.

SOURCE: CO:063 Participate in a staff meeting

SOURCE: HBR Editors. (2015, March 26). *A checklist for planning your next big meeting*. Retrieved September 23, 2021, from <https://hbr.org/2015/03/a-checklist-for-planning-your-next-big-meeting>

13. A

Don't jump to quick conclusions. Don't jump to conclusions when dealing with dishonest customers. Remember that compromising and negotiating are part of normal procedure in serving customers. Explaining and demonstrating good service as many times as you need to is the best way to deal with suspicious customers. Never pressing for sales or decisions is the best way to deal with leave-me-alone customers. Mirroring behavior is the best way to deal with slow/methodical customers.

SOURCE: CR:009 Handle difficult customers

SOURCE: LAP-CR-009—Making Mad Glad (Handling Difficult Customers)

14. D

Customizing communications. Keeping customer information safe and private isn't enough. Businesses should use it wisely. One way to do so is to use the information for customizing communications with individual customers. This does not necessarily mean sending frequent emails. It means communicating with customers when and how they prefer. Sharing customer information with partnering businesses may or may not be a wise move.

SOURCE: CR:017 Explain the role of ethics in customer relationship management

SOURCE: LAP-CR-017—Trust Is a Must (Ethics in Customer Relationship Management)

15. A

Lack of communication. Although a poor investment return, high commission fees, or the geographic location of the financial advisor's office may influence a client's decision to leave the advisor, the most common reason given for firing a financial advisor is a lack of communication. Above all else, financial clients expect—and need—their advisors to communicate on a regular basis. This means returning the clients' phone calls as soon as possible, replying quickly to their emails, and contacting them regularly to discuss their accounts and answer any questions that they might have.

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

SOURCE: O'Connell, B. (2021, January 8). *Why clients fire financial advisors*. Retrieved September 23, 2021, from <https://www.investopedia.com/articles/professionals/071113/why-clients-fire-financial-advisors.asp>

16. C

Clustering. Data mining is the process of searching computer databases to look for patterns and relationships among data. Businesses can use many types of data mining techniques to search databases. Clustering involves selecting various characteristics of a market (e.g., geographic location, value orientation) that the business wants to explore. The data mining software selects the data that meet the criteria and separates or clusters the data into appropriate categories. After clustering occurs, businesses can analyze the data, which may include statistics. Organic and primary are not types of data mining techniques.

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

SOURCE: TutorialsPoint. (2021). *Data mining—Cluster analysis*. Retrieved September 23, 2021, from [https://www.tutorialspoint.com/data\\_mining/dm\\_cluster\\_analysis.htm](https://www.tutorialspoint.com/data_mining/dm_cluster_analysis.htm)

17. C

Data mining. Data mining is the process of simplifying data so that they can be used to draw useful conclusions and analysis. CRM technology includes built-in data mining functionality to help make sense of large amounts of data. The analytics features described in this example are not performing collaboration, training, or data entry.

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

SOURCE: Salesforce.com, Inc. (2021). *7 CRM best practices to get the most out of your CRM*. Retrieved September 23, 2021, from <https://www.salesforce.com/crm/best-practices/>

18. C

Opportunity cost. The opportunity cost is the lost benefit when a trade-off is made, so it must be weighed against the benefits received. Scarcity is the gap between unlimited wants and limited resources. It creates the need for trade-offs, rather than being the basis for making them. Capital goods are manufactured or constructed items that are used to produce goods and services. Noneconomic wants are desires for things that can be obtained without money. Capital goods and noneconomic wants do not directly impact trade-offs.

SOURCE: EC:001 Describe the concepts of economics and economic activities

SOURCE: LAP-EC-901—Are You Satisfied? (Economics and Economic Activities)

19. B

Financial analysis. Financial analysis is the process of planning, maintaining, monitoring, controlling, and reporting the use of financial resources. Information management is the process of accessing, processing, maintaining, evaluating, and disseminating business knowledge, facts, or data. Human resources management is the process of planning, staffing, leading, and organizing employees. Operations are the day-to-day activities required for continued business functioning, while operations of finance is not a recognized term.

SOURCE: EC:071 Describe types of business activities

SOURCE: LAP-EC-071—Strictly Business (Business Activities)

20. C

Increase revenues. By expanding operations in foreign countries, businesses have the opportunity to sell goods and services in another market. If the market buys the business's products, the business increases both its market share and its revenues. Foreign expansion doesn't eliminate the business's tax responsibility. A business exists to make a profit, so its primary goal is to earn money to keep operating. Promoting environmental issues may be an important goal to some international businesses; however, the businesses must focus on generating revenues so they are around to promote environmental issues or other issues of organizational importance.

SOURCE: EC:104 Discuss the global environment in which businesses operate

SOURCE: LAP-EC-104—Stretch Your Boundaries (The Global Business Environment)

21. C

Settling the contract. Once the contract has been approved by union members and signed by management and union leaders, the contract is settled. Both sides are legally bound to live by the terms and conditions of the contract. The collective bargaining process begins with researching the issues, followed by conducting negotiating sessions and then having the members vote on the tentative agreement.

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

SOURCE: Doyle, A. (2021, April 6). *How the collective bargaining process works*. Retrieved September 23, 2021, from <https://www.thebalancecareers.com/how-the-collective-bargaining-process-works-5071952>



22. C

The United States-Mexico-Canada Agreement. The United States-Mexico-Canada Agreement (USMCA) is a regional multilateral trade alliance. Its primary purpose is to facilitate the exchange of goods, services, and resources among Canada, Mexico, and the United States. The World Trade Organization (WTO), the International Monetary Fund (IMF), and the United Nations (UN) are all international, not regional, organizations.

SOURCE: EC:112 Explain the impact of major trade alliances on business activities

SOURCE: Irwin, D. (1999-2019). *International trade agreements*. Retrieved September 27, 2021, from <https://www.econlib.org/library/Enc/InternationalTradeAgreements.html>

23. B

Personal. People who take responsibility for themselves, their behavior, and the consequences of their behavior have a high degree of personal responsibility. They have a clearly defined set of ethics, or moral principles, that guide what they do and how they do it. People with personal responsibility show compassion, fairness, accountability, and courage. Social, ethical, and legal are types of responsibility, but none of them is the correct answer in this instance.

SOURCE: EI:021 Demonstrate responsible behavior

SOURCE: LAP-EI-021—Make the Honor Role (Acting Responsibly)

24. A

No matter what. To make the right decisions, you should live according to your ethical code. This means following your ethical principles no matter what, not just when other people tell you to, when it's easy, or when your boss is watching.

SOURCE: EI:124 Explain reasons for ethical dilemmas

SOURCE: LAP-EI-124—What's the Situation? (Reasons for Ethical Dilemmas)

25. A

Constructive criticism. Constructive criticism is evaluative information designed to help someone improve. In this case, criticism is used by the manager to let you know how you can improve your job performance. Internal feedback is feedback that comes from within, or self-evaluation. Positive feedback is feedback involving praise. Destructive criticism is evaluative information that serves only to hurt or discredit someone.

SOURCE: EI:003 Explain the use of feedback for personal growth

SOURCE: LAP-EI-903—Grin and Bear It (Using Feedback for Personal Growth)

26. B

Influencing people to change their attitudes. Persuasion is the ability to get people to see things your way, to do things your way, or to agree with you. When you persuade, you try to influence people to change their attitudes or behavior. You try to get people to act, or stop acting, a certain way. Often, you try to get people to agree on a plan of action. Persuasion is not losing your temper, forcing your ideas and opinions on others, or intimidating people into agreeing with you.

SOURCE: EI:012 Persuade others

SOURCE: LAP-EI-912—Win Them Over (Persuading Others)

27. A

The employee and the employer. There are many actions that employees can take to reduce their own stress. However, it's also important for employers to help employees manage their stress; stress causes many negative consequences that can affect the business. It is not the government's responsibility to manage stress.

SOURCE: EI:028 Explain the nature of stress management

SOURCE: LAP-EI-028—Keep Your Cool (Stress Management)

28. A

Leaders determine the next step for the organization. Leadership is important when things are going well for a business because leaders determine the next step for the organization. Often, people within an organization are resistant to change or don't see the need for it. Leaders make the right changes happen. Employees do become discouraged during times of crisis, but this does not relate to leadership when things are going well for a business. People look for and need leaders as role models in many different areas of life.

SOURCE: EI:009 Explain the concept of leadership

SOURCE: LAP-EI-909—Lead the Way (Concept of Leadership)

29. C

Setting an example. If you don't put the vision into practice yourself, there's no way you can expect your team members to do so. Be accountable for your team's performance and how well it is working toward accomplishing the vision. This is a sure sign of solid leadership. Blaming others when things go wrong is not a sign of solid leadership. Being strict and keeping your distance also are not necessarily related to enlisting others in a shared vision.

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

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

30. D

Doing what's right, even when it doesn't benefit you. Being ethical means doing what's right, no matter what, even when it doesn't benefit you. Authority figures, your friends, and popular beliefs may not always be ethical.

SOURCE: EI:123 Describe the nature of ethics

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

31. A

The benefits she could have received by using the additional cost of a new car another way. Opportunity costs are the benefits that are lost when you decide to choose one alternative over another. In this case, Emily could have used the money she spent on getting a new car on something else. Her opportunity costs are not the reliability and luxury of a new car—those are benefits. Emily chose a new car over a used car and wasn't considering public transportation, so the benefits of using public transportation are not her opportunity costs. The money saved by not having to constantly repair a used car is a benefit of buying a new car, not an opportunity cost.

SOURCE: FI:065 Set financial goals

SOURCE: Fernando, J. (2021, August 29). *Opportunity cost*. Retrieved September 23, 2021, from <https://www.investopedia.com/terms/o/opportunitycost.asp>

32. A

Saving is best used to reach goals in the near future, while investing is best used for longer-term goals. Money that is stored in a traditional savings account is best used for reaching short-term goals, such as paying for a vacation or a medical procedure. That's because savings accounts don't have the same potential for returns as investments do—making savings accounts less helpful for reaching long-term goals like paying for a child's education. Savings accounts allow you to access your cash quickly and easily, while money that is invested is harder to access. Savings accounts are also less risky than investments, meaning that you are much less likely to lose your money.

SOURCE: FI:270 Explain the need to save and invest

SOURCE: Hands on Banking. (2021). *Investing overview*. Retrieved September 23, 2021, from <https://handsonbanking.org/resources/investing-overview/>

33. A

To pool and invest funds based on the needs of investors. The primary purpose of an investment company is to pool funds from people and invest them in the types of securities (mutual funds) that are most likely to generate the desired financial returns. Investment banks locate outside sources of money for firms. Banks and mortgage companies issue mortgages. Pension funds involve pooling employees' contributions and investing the monies for financial gain.

SOURCE: FI:336 Describe the role of financial institutions

SOURCE: U.S. Securities and Exchange Commission. (2013, July 9). *Investment companies*. Retrieved September 23, 2021, from <https://www.sec.gov/fast-answers/answersmfinvcohtm.html>

34. D

How risky it is to provide the financial institution with funds. Reputable credit rating agencies use a variety of criteria to rate the creditworthiness of financial institutions. The credit rating that a credit agency gives to a financial institution lets savers and investors know how safe or risky it is to provide funds to the institution. Credit ratings do not indicate the return rate for specific mutual funds, the specific amount of funds that banks lend to other institutions, or when a financial institution expects to see a return on investment.

SOURCE: FI:336 Describe the role of financial institutions

SOURCE: Edmondson, B. (2021, April 30). *What is a bank credit rating?* Retrieved September 23, 2021, from <https://www.thebalance.com/what-is-a-bank-credit-rating-4586357>

35. A

Soft commodities. A financial market is an organized effort or exchange that facilitates the buying and selling of financial assets. There are many types of financial markets, including the commodities market. Commodities are resources, including agricultural goods and mined goods (e.g., gold, silver) that are often used to make other goods. Agricultural goods such as cocoa beans and corn are types of soft commodities. Money markets facilitate the buying and selling of short-term, low-risk financial products (e.g., treasury bills). Selective property and insurance do not describe types of financial markets.

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

SOURCE: Hayes, A. (2021, August 17). *Commodity market*. Retrieved September 23, 2021, from <https://www.investopedia.com/terms/c/commodity-market.asp>

36. D

Corporate bonds and preferred stock. Capital markets buy and sell long-term securities. Corporate bonds, common and preferred stock, and treasury bonds are examples of securities that are sold in capital markets. Treasury bills and certificates of deposit are money market securities, which are short-term securities.

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

SOURCE: Hayes, A. (2021, August 30). *Capital markets*. Retrieved September 27, 2021, from <https://www.investopedia.com/terms/c/capitalmarkets.asp>

37. B

Convergence. Convergence is the merging of financial providers from different financial sectors. For example, convergence occurs when a retail bank merges with an insurance company or when an investment bank merges with a brokerage firm. The merging of different financial sectors provides a broader selection of financial products and a "one-stop shopping" environment for consumers. Liquidation is the process of selling assets for cash, which is used to settle debts. Divergence is the separation of or difference in something. An endowment is the donation of something, usually money, to an individual or institution (e.g., college). The situation described is not an example of liquidation, divergence, or an endowment.

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

SOURCE: Deely, M. (n.d.). *The benefits (and dangers) of bank mergers and acquisitions*. Retrieved September 23, 2021, from <https://www.bigskyassociates.com/blog/the-benefits-and-dangers-of-bank-mergers-and-acquisitions>

38. D

Lower costs. Consolidation is the merging of financial providers within the same institutional category. For example, consolidation occurs when two banks merge to form one bank. By consolidating, the financial firms can achieve economies of scale, which reduces redundancy and lowers costs. Another advantage of consolidation to firms is that it provides more liquid capital for all companies involved. One-stop shopping is an advantage to consumers. Consolidation does not always lead to fewer technology problems.

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

SOURCE: Kenton, W. (2020, November 27). *Consolidate*. Retrieved September 27, 2021, from <https://www.investopedia.com/terms/c/consolidate.asp>

39. B

An individual buys 10 shares of stock for \$150 per share on one market and immediately sells each share for \$200 on another market. Arbitrage is profiting from the sale of a financial instrument (e.g., stock) or good on a different market. Arbitrage often involves the buying and selling of goods and other types of services. For example, a person who buys a set of football tickets from a sport organization for \$100 and sells them on eBay to another person for \$500 is engaging in arbitrage. When an individual earns interest on their money by agreeing to leave it in a financial institution for a certain time frame, they are investing in a certificate of deposit. Businesses that set aside money for their employees' retirement are contributing to a pension plan. A business that sells bonds is using debt financing to raise funds for its expansion efforts.

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

SOURCE: Fernando, J. (2021, August 30). *Arbitrage*. Retrieved September 23, 2021, from <https://www.investopedia.com/terms/a/arbitrage.asp>

40. A

Decrease. Economic factors such as the unemployment rate can affect stock prices. If trends indicate a rise in unemployment rates, the economy may be heading into a recession. In this situation, individuals are often fearful about losing their jobs and are likely to hold onto their money rather than invest it. They may also sell their stock in anticipation of needing the money for living expenses. Businesses often react the same way—they may hold onto their funds until the economy rebounds before making major investments. All these factors can cause the value of stocks to decrease.

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

SOURCE: Levitt, A. (2021, June 24). *Macroeconomic indicators that affect the U.S. stock market*. Retrieved September 23, 2021, from <https://www.investopedia.com/articles/investing/031413/economic-indicators-affect-us-stock-market.asp>

41. C

Reduce their exposure to business cycle risks. As a result of financial globalization, investors have access to many more markets and investments worldwide. By investing their funds in several different countries, investors are able to diversify their risk and reduce their exposure to business cycle risks within any particular country. Liberalization is the removal of government regulations on the flow of capital and international trade. A home bias is a preference for investments in domestic markets versus markets in other countries. An investor who invests funds in several different countries demonstrates that they do not have a home bias. While international investors can purposefully avoid emerging markets located in developing countries when investing, integrated financial markets—markets that facilitate the free flow of capital across national borders—are not so easy for international investors to avoid. Liberalization and financial globalization have increased foreigners' access to domestic financial markets.

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

SOURCE: Fisher, G.S. (2012, January 17). *Why global diversification still makes sense*. Retrieved September 27, 2021, from <https://www.forbes.com/sites/greggfisher/2012/01/17/why-global-diversification-still-makes-sense/#3a223aae4710>

42. C

EDGAR and the company's website. Before purchasing stock in a particular company, you should conduct thorough research on the company. Two important resources to access when doing this research are the company's website and Electronic Data Gathering and Retrieval (EDGAR). Many publicly traded companies have websites where you can find their annual reports and any other information and filings they have made public throughout the year. EDGAR is a section of the SEC website. All of the company's mandatory filings (required by the SEC) are housed in EDGAR. Although the Statement of Ownership is typically included in company financial statements, it would not necessarily be an example of one of the most important resources to access prior to investing. ESOP stands for employee stock ownership plan, which is a system for employees to purchase stock of the company they work for.

SOURCE: FI:274 Describe sources of securities information

SOURCE: Financial Industry Regulatory Authority. (2020, March 20). *Stock up on information before buying stock*. Retrieved September 23, 2021, from <https://www.finra.org/investors/alerts/stock-information-buying-stock>

43. A

The large amount of information available on the internet can be overwhelming. The internet has endless rich resources, including email alerts, analyst recommendations, and company statements. It can be difficult to focus your attention, so make sure to stick to the basics when evaluating sources. Not all information on the internet is accurate or reliable, but you can find quality data if you evaluate sources well. Just as with print, radio, and television sources, some information on the internet is free, and some is fee-based.

SOURCE: FI:274 Describe sources of securities information

SOURCE: Madura, J., Casey, M., & Roberts, S. (2014). *Personal financial literacy* (2nd ed.) [pp. 268-278]. Upper Saddle, NJ: Pearson.

44. D

Access a financial website. Pricing on the stock exchange fluctuates constantly, so accessing a financial website such as Bloomberg can give Kayla the most current information. A newspaper is typically printed on a daily basis, so some of the information in the stock table is likely to be outdated by the time Kayla reads it. The "About Us" section of a business's website discusses the purpose of the business. The annual report is an overview of the business's performance for the previous year. Neither the "About Us" section of a business's website nor a business's annual report will contain the most current pricing for different stocks.

SOURCE: FI:275 Interpret securities table

SOURCE: Madura, J., Casey, M., & Roberts, S. (2014). *Personal financial literacy* (2nd ed.) [pp. 268-278]. Upper Saddle, NJ: Pearson.

45. B

Compare the previous close with the opening price. Previous close is the price at which a stock sold at the close of the previous day. Opening price is the price for which it sold at the beginning of the current day. Comparing these two numbers allows you to see if a stock is trending upward or downward. The best bid is the highest price that investors are willing to pay, whereas the best ask is the lowest price at which investors are willing to sell. This does not necessarily tell you whether or not the stock is trending upward. Share volume is the total number of shares traded during the current day. On its own, it does not tell you whether a stock is trending upward or downward. Earnings per share is the portion of the company's profit allocated to each share of stock. The P/E ratio is the current share price relative to its earnings per share. Comparing these two will not necessarily tell you whether or not the stock is trending upward.

SOURCE: FI:275 Interpret securities table

SOURCE: Hayes, A. (2021, August 26). *How to understand a stock quote*. Retrieved September 23, 2021, from <https://www.investopedia.com/articles/investing/093014/stock-quotes-explained.asp>

46. B

Gathered and organized in some way. In their raw state, financial data aren't very useful. The data need to be gathered and organized in a way that makes sense and is useful for the business. Information that is formatted in HTML, listed in order of size, or inserted into a spreadsheet is not necessarily more useful. The important thing is gathering and organizing the data in a meaningful way.

SOURCE: FI:579 Describe the need for financial information

SOURCE: LAP-FI-579—By the Numbers (The Need for Financial Information)

47. A

Financial information is essential for an organization to continue operating. If a business does not make a profit, stay within its budget, or correctly file financial statements, it cannot continue operating. Financial information does not generally get in the way of an organization's progress. Successful organizations usually do need financial information. The importance of financial information does not necessarily depend on the size of the organization; all organizations need financial information.

SOURCE: FI:351 Discuss the role of ethics in accounting

SOURCE: LAP-FI-351—With Due Care (The Role of Ethics in Accounting)

48. C

Investors. A statement of changes in equity provides information about shareholders' ownership and how it has changed during a period of time. Therefore, investors of an organization would be interested to know how their accounts have changed over time. Customers, competitors, and employees would be less interested in changes in equity because they do not necessarily hold equity in the company.

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

SOURCE: XPLAIND.com. (n.d.). *Statement of changes in shareholders equity*. Retrieved September 23, 2021, from <https://xplained.com/969555/changes-in-shareholders-equity>

49. D

Direct cost. The initial purchase price of a software package would be considered a direct cost because it is directly associated with the cost object (the software package). An indirect cost refers to costs that are not directly accountable to a cost object, such as personnel and security costs. A sunk cost refers to a cost that has already been incurred and cannot be recovered, so it is not typically considered when deciding between two new choices. An opportunity cost refers to a benefit an organization could have received but gave up to take a different course of action.

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

SOURCE: Blakely-Gray, R. (2021, April 27). *How to keep your direct vs. indirect costs straight*. Retrieved September 23, 2021, from <https://www.patriotsoftware.com/blog/accounting/direct-vs-indirect-costs-difference/>

50. A

A restaurant chain manager must decide whether or not to keep a certain franchise open. Marginal analysis can be used to make many types of decisions. One type of decision that it can be used for is a segment profitability decision, which is the process of deciding if it is more profitable to keep or drop an unsuccessful segment of the business. The restaurant manager must decide if the franchise (a segment of their business) is profitable enough to remain open. The clothing retailer who must decide how many units of each product to sell is making a sales mix decision. A company deciding whether to use an outside marketing firm or hire someone internally is making a make-or-buy decision. The furniture company deciding whether or not to assemble its pieces before sale is making a sell-or-process-further decision. All of these cases can benefit from marginal analysis.

SOURCE: FI:659 Describe marginal analysis techniques and applications

SOURCE: Crosson, S.V., & Needles, B.E. (2014). *Managerial accounting* (10th ed.) [pp. 335-344]. Mason, OH: South-Western Cengage Learning.

51. B

Recording and classifying transactions. Managerial accounting can aid in the implementation phase of a decision-making process through the practice of recording and classifying transactions. For example, if a payment is made to a designer, the payment will be recorded and classified for future reference.

Budgeting expected revenue is a managerial accounting technique that would assist during the planning stages of the decision-making process. Comparing results to the budget would occur during the evaluation stage of the decision-making process. Representing plans financially is manifested in the budget and other reports that are completed during the planning phase, rather than during implementation.

SOURCE: FI:660 Explain the nature of managerial accounting

SOURCE: Datar, S.M., & Rajan, M.V. (2014). *Managerial accounting: Making decisions and motivating performance* (p. 11). Upper Saddle River, NJ: Pearson Education.

52. D

The planned email marketing campaigns were not completed. If money was not spent on email marketing, it is possible that the campaigns planned in the budget were never carried out, which would not demonstrate efficient use of funds. Positive variance does not necessarily relate to the ineffectiveness of email marketing. If there is a positive variance, it would suggest that the budget allocated too much toward email marketing rather than not enough. Finally, the positive variance does not necessarily imply that email marketing is or is not important to an organization.

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

SOURCE: Chen, J. (2020, November 30). *Budget variance*. Retrieved September 23, 2021, from <https://www.investopedia.com/terms/b/budget-variance.asp>

53. C

Variance analysis involves too much of a time delay. Accounting staff typically calculate variances based on monthly accounting reports. However, some businesses find that is too much of a time delay to correct a problem quickly and effectively. In those cases, companies may decide against using variance analysis. Variance analysis is based on tangible, objective data. Real causes can be uncovered with careful variance analysis. Since horizontal analysis compares multiple periods of business activity to identify trends, it actually requires more time to conduct than variance analysis.

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

SOURCE: Accounting Tools. (2021, June 16). *Variance analysis definition*. Retrieved September 23, 2021, from <https://www.accountingtools.com/articles/what-is-variance-analysis.html>

54. C

Directing. Budgeting involves setting goals, executing those goals, and comparing results to those goals. Kenneth is executing his goals by directing his employees' actions with the help of his budget. Planning is setting goals. Controlling is comparing performance to expectations. Monitoring is tracking progress. They are all functions of budgets, but they are not specifically related to Kenneth's example.

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

SOURCE: Warren, C.S., Reeve, J.M., & Duchac, J. (2014). *Managerial accounting* (12th ed.) [p. 230]. Mason, OH: South-Western Cengage Learning.

55. A

A cost is not controlled by any department. If no departments in an organization can control a cost, it is acceptable to refrain from allocating it to any specific department. Whether a cost is fixed or variable does not determine whether or not it will be allocated. Refraining from allocating costs will not help if an organization is over budget. The amount of the cost does not necessarily determine whether or not it will be allocated.

SOURCE: FI:663 Discuss the nature of cost allocation

SOURCE: Accounting Tools. (2021, April 12). *Cost allocation definition*. Retrieved September 27, 2021, from <https://www.accountingtools.com/articles/what-is-cost-allocation.html>

56. A

Heat and lighting costs. Heat and lighting costs are indirect costs that are usually allocated to the production of individual products to determine a more accurate product cost. The cost of labor and raw product materials are considered direct costs associated with the cost object (the manufactured product). Administrative expenses are not generally assigned to individual products, because they occur regardless of whether anything is produced or not.

SOURCE: FI:663 Discuss the nature of cost allocation

SOURCE: Averkamp, H. (2021). *How can a manufacturer determine the precise cost of its products?* Retrieved September 27, 2021, from <https://www.accountingcoach.com/blog/how-can-a-manufacturer-determine-the-precise-cost-of-its-products>

57. D

Allocates a dollar amount. After a business designates categories of expense in its budget, it allocates a dollar amount. When developing a budget, a business organizes its budget information by creating categories for items such as rent, insurance, and utilities. Once the categories are designated, management allocates a dollar amount to each one. After designating expense categories, businesses do not necessarily apply a formula, appoint an accountant, or attach a time limit to each category.

SOURCE: FI:106 Describe the nature of budgets

SOURCE: LAP-FI-106—Money Tracks (Nature of Budgets)

58. C

\$2,060. The formula for calculating future value is  $\text{Future Value} = \text{Present Value} \times (1 + \text{Discount Rate})$ . To determine how much your investment will be worth in a year, convert the annual rate to a decimal ( $3\% = 0.03$ ), and add one ( $1 + 0.03 = 1.03$ ). Finally, multiply that sum by the original amount of your investment ( $\$2,000 \times 1.03 = \$2,060$ ).

SOURCE: FI:238 Calculate the time value of money

SOURCE: Carlson, R. (2020, September 29). *How to calculate the future value of an investment*. Retrieved September 27, 2021, from <https://www.thebalancesmb.com/how-to-calculate-the-future-value-of-an-investment-393391>

59. D

Capital budgeting. A financial-information management system is a set of processes, people, and equipment used to gather, store, organize, and provide financial information to decision makers. A financial manager might use a financial-information management system to make capital budgeting decisions. Capital budgeting involves developing a plan to acquire and finance long-term business assets. Financial managers would not use a financial-information management system to schedule employees. Although a financial-information management system might be useful when selecting vendors or adding/dropping products, those decisions would not be made by financial managers.

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

SOURCE: LaMarco, N. (2019, February 13). *What are the benefits of a financial management information system?* Retrieved September 27, 2021, from <https://smallbusiness.chron.com/benefits-financial-management-information-system-71943.html>

60. A

Optimizing accounts payable and accounts receivable. Businesses have payment cycles, which include accounts payable (the money the company owes to others) and accounts receivable (the money that is owed to a company). When financial-information management is in order, these accounts are accurate and optimized. While accurate financial-information management improves a business's trustworthiness, allows for better sales forecasting, and gives companies a way to evaluate their tax liability, these are not directly related to improving a business's payment cycles.

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

SOURCE: Lee, O. (2015, May 8). *Importance of accurate financial statements for a business*. Retrieved September 27, 2021, from <https://www.invensis.net/blog/importance-accurate-financial-statements-business/>

61. D

Employees cannot correctly assess trends. When financial information is poorly managed, employees are hindered from correctly assessing their performance and trends. It also takes a long time to access requested information, thereby delaying use of the information and decreasing employee efficiency. Employees' inability to understand financial statements is not an outcome.

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

SOURCE: Sherman, F. (2020, August 25). *What are the dangers of inaccurate financial reporting?* Retrieved September 27, 2021, from <https://smallbusiness.chron.com/dangers-inaccurate-financial-reporting-79357.html>

62. D

The stewardship function of financial-information management. The stewardship function of financial-information management refers to the ways that financial managers look out for the best interests of the business through their actions. It includes the responsible use of resources. When an accountant explains to other executives why it is important to carefully manage the budget, they are being a steward because they are attempting to manage resources responsibly for the good of the business. This example is not related to the importance of adhering to governmental regulations, the role of confidentiality in financial-information management, or the need for decreased transparency of financial documents.

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

SOURCE: Latham, A. (2017, September 26). *The stewardship function in accounting*. Retrieved September 27, 2021, from <https://bizfluent.com/info-8585592-stewardship-function-accounting.html>

63. C

Protect and secure financial information. Firewalls, intrusion detection systems, and encryption are all examples of technological advancements that allow companies to better protect sensitive financial information. They are not methods used to screen qualified job applicants, ensure the security of office buildings, or sort and organize customer data.

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

SOURCE: Zaharia, A. (2016, April 19). *15 steps to maximize your financial data protection*. Retrieved September 27, 2021, from <https://heimdalsecurity.com/blog/online-financial-security-guide/>



64. B

Develop reliable forecasts. A primary use of budgeting software involves developing forecasts such as estimating future sales. Businesses do not use budgeting software to record employee performance, calculate tax rates, or organize shipping data.

SOURCE: FM:013 Demonstrate budgeting applications

SOURCE: Mmrosavljevic. (2021, January 5). *Best budget software for small business*. Retrieved September 27, 2021, from <https://www.caminofinancial.com/best-budgeting-software-for-small-business/>

65. A

Payroll. Because payroll is often a business's biggest expense, companies continuously monitor and analyze their payroll. Some businesses must pay time and a half to employees who work overtime. If many employees work a lot of overtime, it can affect the amount of money the business has available for other activities, such as sales, production, and paying its expenses (accounts payable).

SOURCE: FM:014 Demonstrate financial analysis applications

SOURCE: McBeth, K. (2020, June 30). *What is payroll? A 2021 guide to processing payroll*. Retrieved September 27, 2021, from <https://quickbooks.intuit.com/r/payroll/what-is-payroll/>

66. B

Reducing errors in business processes. Six Sigma-focused organizations concentrate on reducing the number of errors that occur in their business processes to improve the quality of their products and services. Six Sigma-focused organizations do not focus on eliminating quality management staff, improving cash management processes, or increasing overall public relations spending.

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

SOURCE: Hayes, A. (2021, March 24). *Six Sigma*. Retrieved September 27, 2021, from <https://www.investopedia.com/terms/s/six-sigma.asp>

67. B

Develop a financial strategy to help the customer. Whether the finance professional works internally or externally, or works with individuals or businesses, they should be able to analyze the customer's financial information to recommend an appropriate financial strategy for the customer. Business management would declare a company in bankruptcy based on information provided by the finance professional. Just having a customer's financial information requires finance professionals to protect its privacy—analysis is not required. The customer's marketing department would determine its newest target market, while the finance professional would measure the target market's profitability.

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

SOURCE: Kolakowski, M. (2019, September 6). *What does a financial planner do?* Retrieved September 27, 2021, from <https://www.thebalancecareers.com/financial-planner-1287000>

68. C

Credit standards. Businesses establish standards or criteria for determining to whom they should extend credit. Businesses consider many factors such as the customer's credit history, credit score, income, type of purchase, etc. If the customer meets the company's credit standards, Tom is more likely to approve the customer's request for a line of credit. The company's purchasing policies, accounting method, and payment history are not factors that Tom needs to consider when determining if the company should offer the customer a line of credit.

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

SOURCE: The Investopedia Team. (2021, January 24). *Credit criteria*. Retrieved September 27, 2021, from <https://www.investopedia.com/terms/c/credit-criteria.asp>

69. A

Psychological. Consumer behavior encompasses individuals' actions that determine what they buy and sell. Psychological, social, and personal factors all influence consumer behavior. Psychological factors include an individual's motives, perception, attitude, lifestyle, personality, abilities, and knowledge. Consumer behavior is also impacted by social factors such as opinion leaders, a person's family, reference groups, social class, and culture. Personal factors impacting consumer behavior are specific to a particular person and include demographic characteristics such as gender, age, ethnicity, etc. While political and economic factors may influence consumer behavior in some instances, motives, perception, attitude, lifestyle, personality, and abilities are not political or economic factors.

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

SOURCE: LAP-MK-014—Cause and Effect (Buying Behavior)

70. C

Save time and money. Appropriate information management has many benefits for a business, including saving time and money by making operations run more smoothly. Appropriate information management should make decisions easier and should reduce a business's risk of undergoing an unnecessary audit. Appropriate information management may or may not create more jobs.

SOURCE: NF:110 Discuss the nature of information management

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

71. A

Copyright. Copyright is the legal protection of books and other artistic works granted by government and gives their creators sole rights to them for a certain period of years. If a business uses information that is copyrighted without obtaining permission from the copyright holder, the business is violating copyright laws. Copyright infringement is a legal issue because businesses can be sued and required to pay a substantial penalty. Patent, trademark, and contract laws do not involve the use of information.

SOURCE: NF:076 Explain legal issues associated with information management

SOURCE: Tysver, D., & Urzedowski, J. (1996-2021). *Copyright law in the United States*. Retrieved September 23, 2021, from <https://www.bitlaw.com/copyright/index.html>

72. A

Reduce data redundancy. Data normalization is the process of efficiently organizing data in a database. One of the primary goals of data normalization is reducing data redundancies. In other words, data normalization makes sure that the same data are not recorded or stored in more than one place. It is not the goal of data normalization to discard unusual data, improve data collection, or increase data quality.

SOURCE: NF:124 Demonstrate advanced database applications

SOURCE: Chapple, M. (2020, April 12). *Database normalization basics*. Retrieved September 27, 2021, from <https://www.lifewire.com/database-normalization-basics-1019735>

73. D

Rule induction. Rule-induction data mining techniques are often used to determine if-then relationships among a set of data. A histogram is a graphic that is similar to a bar chart but groups data into specific ranges. The neural networking approach uses computer applications that mimic the ways in which the human brain processes data, which often involve sequencing data patterns. Quantitative reasoning is a fictitious term.

SOURCE: NF:149 Describe data mining tools and techniques

SOURCE: Tutorials Point. (2021). *Data mining - Rule based classification*. Retrieved September 23, 2021, from [https://www.tutorialspoint.com/data\\_mining/dm\\_rbc.htm](https://www.tutorialspoint.com/data_mining/dm_rbc.htm)

74. D

Cloud computing. Cloud storage involves housing business records in a database that is maintained by a third party at an off-site database storage facility. Employees access the records through the internet. Rather than storing business records on a CPU, flash drive, or compact disk, businesspeople upload their files to the web and then save them to the remote database, or cloud. Streaming video involves viewing video on a computer or smartphone device in real time.

SOURCE: NF:001 Describe the nature of business records

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

75. C

A purchasing agent awards a large order to a relative's employer. A conflict of interest occurs when decision-making is affected by personal gain or interest. If the purchasing agent's relative is a spouse who may earn a bonus on the order, then the purchasing agent has a personal interest in the transaction. Many businesses address conflicts of interest in their ethics policies. If the company's ethical policies are followed, providing customer discounts, having lunch with clients, and using the company discount to purchase goods are not examples of unethical behavior, nor are they examples of a conflict of interest.

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

SOURCE: Segal, T. (2020, November 30). *Conflict of interest*. Retrieved September 23, 2021, from <https://www.investopedia.com/terms/c/conflict-of-interest.asp>

76. C

Using closed-circuit television. Closed-circuit television can be used to monitor customer activity on the sales floor as well as vendor and/or employee activity in other areas of the business. This system helps prevent or detect theft. Raising prices and having fewer sales would reduce customer traffic, which might improve security but would also reduce the business's income. Establishing longer hours could increase risk.

SOURCE: OP:013 Explain routine security precautions

SOURCE: Paessler. (2021). *IT explained: CCTV*. Retrieved September 23, 2021, from <https://www.paessler.com/it-explained/cctv>

77. A

Due dates of tasks. Prioritizing involves ranking things in the order of their relative importance. Employees evaluate many factors when prioritizing their work, including the task's due date and the time that it will take to complete the task. For example, if an employee needs to submit an advertisement to a publication by the end of the day, and it takes six hours to create the advertisement, then the employee will need to work on the advertisement before they work on anything else that takes a lot of time to complete. Task enjoyment, coworkers' opinions, and the employee's aptitude are not important factors that employees should consider when they prioritize their work tasks.

SOURCE: OP:228 Organize and prioritize work

SOURCE: Bishop, C. (2020, February 6). *How to prioritize work when everything's important*. Retrieved September 23, 2021, from <https://www.wework.com/ideas/professional-development/creativity-culture/how-to-prioritize-work>

78. D

Gather lessons learned so you won't repeat the same mistakes. When your project isn't as successful as you had hoped, you can evaluate it and gather lessons learned. In the future, you can learn from the mistakes so you don't do the same thing over and over. You should not hide your mistakes from project stakeholders, scrap the project entirely and start over, or figure out which of your team members are responsible.

SOURCE: OP:521 Evaluate project success

SOURCE: LAP-OP-521—Making the Grade (Evaluating Project Success)

79. C

\$85. Employees who have responsibility for paying invoices are in a good position to help the business save money and control expenses. If a business receives a discount for paying an invoice within a certain period of time, an employee who pays the invoice before the deadline will help the business control expenses. In this situation, the business receives a 2% discount for paying within 15 days. To calculate the amount of savings, multiply the amount of the invoice by the percentage of discount ( $\$4,250 \times 2\%$  [or  $.02$ ] = \$85).

SOURCE: OP:025 Explain employee's role in expense control

SOURCE: Simple Studies. (2021). *What do 2/10, n/30 invoice terms mean?* Retrieved September 23, 2021, from <https://simplestudies.com/what-do-2-10-n-30-terms-mean.html>

80. B

The garments are clean and wrinkle-free. Once an outfit has been selected, it is important to check the clothing to verify that it is clean (e.g., stain-free) and that it is wrinkle-free. Hair care is a function of personal hygiene. Checking and making sure that undergarments are not showing is done during a final check before leaving for an event or occasion. There are situations, such as work, in which it is not appropriate to wear tight and revealing clothing.

SOURCE: PD:002 Maintain appropriate personal appearance

SOURCE: LAP-PD-002—Brand Me (Personal Appearance)

81. D

Keep a document if it would be hard to replace. Hang onto any useful documents that would be hard to replace for such reasons as their length, technical nature, or rarity. Throw out a document if you have more than one copy, if the material is outdated, or if you feel sure you will never need it again.

SOURCE: PD:009 Demonstrate systematic behavior

SOURCE: Balle, L. (n.d.). *How do I get organized in my business paperwork?* Retrieved September 23, 2021, from <https://smallbusiness.chron.com/organized-business-paperwork-2879.html>

82. D

Self-esteem. Self-esteem is the regard or respect that you have for yourself. People who have self-esteem understand themselves and like who they are. Social acceptance involves being accepted by others. Safety is associated with personal security and protection from harm. Self-fulfillment involves personal growth, achievement, and reaching one's fullest potential.

SOURCE: PD:013 Assess personal interests and skills needed for success in business

SOURCE: Psych Central. (n.d.). *Building self-esteem*. Retrieved on September 23, 2021, from <https://psychcentral.com/lib/building-self-esteem#1>

83. B

Maintaining eye contact. Job applicants should maintain eye contact with the interviewer to convey their interest in the position. Looking at the interviewer indicates that the applicant is paying attention and is interested in what the interviewer is saying. Maintaining eye contact is a positive form of body language that is effective in communicating how someone really feels. Negative body language includes looking at one's feet, slouching in a chair, and staring out a window. These gestures often indicate disinterest and boredom.

SOURCE: PD:028 Interview for a job

SOURCE: Doyle, A. (2019, December 5). *Learn how to use nonverbal communication at an interview*. Retrieved September 23, 2021, from <https://www.thebalancecareers.com/how-to-use-nonverbal-communication-at-an-interview-2061345>

84. C

It exists to protect customers from financial losses. The insurance industry delivers products that transfer risk from an individual or business to an insurance company. The insurance industry exists to protect individuals and businesses from financial losses. Insurance agent is one position in the insurance field, but there are many other jobs, as well. The job titles "auditor" and "accountant" are included in the accounting field. Accepting deposits and lending funds are job duties for people who work in banking services.

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

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

85. A

The job can be very stressful. Careers in securities and investments can be very stressful and require long hours. However, since they also tend to be high paying and highly respected, many people think they're worth it.

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

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

86. A

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

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

SOURCE: Chen, J. (2021, July 4). *Corporate governance*. Retrieved September 27, 2021, from <https://www.investopedia.com/terms/c/corporategovernance.asp>

87. C

Profit-sharing. Employees are key in the achievement of governance objectives. Businesses use many different tactics to encourage or motivate their workers to reach those objectives and goals. Profit-sharing is a good tactic to adopt if the company seeks to improve employee motivation by improving the distribution of wealth throughout the corporation. Cash incentives, team building, and flexible scheduling may improve overall employee motivation, but they do not improve the distribution of wealth throughout the corporation.

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

SOURCE: Kenton, W. (2021, April 24). *Profit-sharing plan*. Retrieved September 27, 2021, from <https://www.investopedia.com/terms/p/profitsharingplan.asp>

88. D

Incorporate governance objectives into the hiring process. One way that companies can involve employees in governance objectives is during the hiring process. If HR professionals keep governance in mind as they screen candidates, the candidates will be more likely to be aligned with the company's objectives. They will therefore be more likely to support the objectives in the work they do. Punishing employees who do not support corporate governance objectives will not necessarily develop a culture in which employees are engaged in the corporate governance objectives. The budget should be kept in mind when setting corporate governance objectives. Finally, while the shareholders' interests are an important priority, they should not necessarily be considered more important than other stakeholders.

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

SOURCE: Safetrac. (n.d.). *How to achieve good corporate governance*. Retrieved September 27, 2021, from <https://www.safetrac.com.au/achieving-good-corporate-governance/>

89. B

Safety laws. External controls are those that govern an organization from the outside. They are usually set by governments. Safety laws are external because they are set by the government, not an organization itself. Whistleblower policies, segregation of duties, and managerial oversight are internal means of control.

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

SOURCE: Davoren, J. (n.d.). *Three types of corporate governance mechanisms*. Retrieved September 27, 2021, from <https://smallbusiness.chron.com/three-types-corporate-governance-mechanisms-66711.html>

90. C

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

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

SOURCE: Davoren, J. (n.d.). *Three types of corporate governance mechanisms*. Retrieved September 27, 2021, from <https://smallbusiness.chron.com/three-types-corporate-governance-mechanisms-66711.html>

91. A

More ethical. Governance objectives are often based on integrity and ethical principles. Therefore, if a company has strong governance practices, it is likely to be ethical in its investment decisions. Good governance should not make investment decisions subject to the influence of individuals. Rather, it should remove interference from individuals by giving the board independence to make decisions free of influence. Good governance does not necessarily make investment decisions less regulated; in fact, it gives the board of directors the power to enact financial controls and monitor reporting. Finally, governance makes a company's investment decisions less vulnerable to risk because the governance objectives and policies should preemptively lessen the potential for risks.

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

SOURCE: Cole-Ingait, P. (n.d.). *The impact of corporate governance practices on the investment decisions of companies*. Retrieved September 27, 2021, from <https://smallbusiness.chron.com/impact-corporate-governance-practices-investment-decisions-companies-79389.html>

92. D

Wesley bases his management decisions on the strategies outlined by governance processes. Governance provides a framework for decision-making and management. Managers such as Wesley must work within the guidelines and processes established by the governing body. The manager generally does not provide the board of directors with a framework for determining goals; rather, the board of directors or other governing body provides the framework to managers. Governance processes do not necessarily aim to place strict limits on managers. Also, management and governance are rarely separate; there is usually substantial overlap as managers assist with and serve on governing bodies.

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

SOURCE: Governance Guiding Principles. (n.d.). *Governance versus management*. Retrieved September 27, 2021, from <https://www.governanceprinciples.scot/governance-vs-management>

93. B

Mentor. A mentor is typically an experienced worker, such as Dana, who can act as a guide to new employees like Elena. Mentors often share advice, guidance, and even clients with their mentees to encourage the new workers to become successful. Mentors may also help new employees build professional relationships with other members of their firm, professional associations, and new customers. A supervisor is an employee who oversees other employees. A manager is an individual whose job involves planning, organizing, staffing, directing, and controlling for a business. An assistant is an employee who helps with work-related tasks. There is no indication that Dana is Elena's supervisor, manager, or assistant.

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

SOURCE: Quast, L. (2014, January 6). *Finding a mentor is easier than you think*. Retrieved September 27, 2021, from <https://www.forbes.com/sites/lisaquast/2014/01/06/finding-a-mentor-is-easier-than-you-think/#1e17f06252f5>

94. D

Not being ethical. If an organization does not practice risk management, it is not being ethical, because it is not preparing for the possibility of loss or treating its stakeholders fairly. It is not necessarily seeking a larger return on investment, treating customers fairly, or enhancing possibilities for gain.

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

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

95. A

Saves information when computer failures occur. Backup procedures involve saving the business's computer information at set intervals. If the computer system is damaged or fails to operate correctly, the backup is available to retrieve stored information so the business can continue to operate. The backup reduces the risk of losing all types of information—financial, shipping, ordering, human resources, etc. The purpose for implementing backup procedures is not to prevent hacking, detect noncompliance, or allow employees to access multiple applications, although there are various software applications that specifically address those issues.

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

SOURCE: Norton. (n.d.). *Data backup: Why it's important plus strategies to protect your information*. Retrieved September 27, 2021, from <https://us.norton.com/internetsecurity-how-to-the-importance-of-data-back-up.html>

96. C

Liability. A risk management information system (RMIS) is a database that is used to store and analyze risk data. Data pertaining to liabilities that a RMIS is likely to house include information about current and historic claims, exposure bases, and liability insurance coverages and coverage terms. Data related to property exposure are a listing of the company's properties, information about company vehicles, loss records, and property insurance policies data. A risk map is a tool used to determine the likelihood of risks faced by a company. Catastrophe modeling involves using computers to estimate losses that a company might suffer as a result of a disaster, such as a hurricane or earthquake.

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

SOURCE: Rhodes, A. (n.d.). *What is a risk management information system (RMIS)?* Retrieved September 27, 2021, from <https://www.ventivtech.com/blog/what-is-an-rmis-risk-management-information-system>

97. D

Sexual harassment. Sexual harassment involves unwelcomed sexual remarks, advances, conduct, or requests. By providing employees with training about actions and language that constitute sexual harassment, employees are less likely to behave inappropriately. If a firm does not follow up or take action on an employee's sexual harassment complaint, the employee may sue the firm. Lawsuits can damage the firm's reputation and cost the firm a lot of money. Gender-related issues are not related to religious preferences, intellectual property, or financial misconduct.

SOURCE: RM:043 Discuss legal considerations affecting risk management

SOURCE: Carter, S. (n.d.). *Preventing sexual harassment in the workplace*. Retrieved September 27, 2021, from [https://www.roughnotes.com/rnmagazine/search/management/08\\_08P070.htm](https://www.roughnotes.com/rnmagazine/search/management/08_08P070.htm)

98. C

It determines the minimum reserve requirements in financial trading. Different measures can result in a lower or higher minimum reserve requirement, which results in a lower or higher profit for the financial institution. Although it does not designate the audience that will receive the resulting financial reports, some financial measures should be used for internal purposes, while other measures are more appropriate for external audiences. The number of clients to serve and the types of risks to be encountered are not aspects of selecting a risk measure.

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

SOURCE: Ingram, D. (n.d.). *External and internal factors of financial risk*. Retrieved September 27, 2021, from <https://smallbusiness.chron.com/external-internal-factors-financial-risk-4563.html>

99. D

Control. Risk control methods are used to reduce or minimize loss. Three common risk control techniques include loss prevention, loss avoidance, and loss reduction. Loss prevention focuses on stopping certain losses from occurring. Companies utilize loss avoidance when they choose not to take part in risky activity. Loss reduction lessens the impact of a loss after it occurs. Risk financing involves setting aside funds to pay for unavoidable losses. Companies transfer risk by purchasing insurance and entering into contracts that transfer the risk to others. Risk retention involves financing the loss through self-insurance and other methods.

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

SOURCE: Kenton, W. (2021, January 31). *Risk control*. Retrieved September 27, 2021, from <https://www.investopedia.com/terms/r/risk-control.asp>

100. C

Increased regulatory scrutiny. With greater attention placed on compliance and risk management policies, companies have turned to enterprise risk management to help them manage the vast number of risks that could affect them. Decreased transparency, increased efficiency, and decreased volume of information are not factors that have increased interest in enterprise risk management.

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

SOURCE: Hayes, A. (2021, June 2). *Enterprise risk management (ERM)*. Retrieved September 27, 2021, from <https://www.investopedia.com/terms/e/enterprise-risk-management.asp>