



KEY

Test Number 1078

Finance Cluster Exam

ACT - Accounting Applications Series Event

BFS – Business Finance Series Event

FTDM - Financial Services Team Decision Making Event

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1. A

Accepted. Contracts are agreements between two or more parties stating that one party is to do something in return for something provided by another party. Several elements must be present for a contract to be valid. First, one party must make an offer to do something, such as sell a product for a certain price and deliver it on a certain date. Then, the other party must accept that offer. A valid contract cannot be formed unless the offer is accepted. The offer may be made verbally or in writing. Express and implied are types of contracts that may be formed once the offer is accepted.

SOURCE: BL:002

SOURCE: Beatty, J.F., & Samuelson, S.S. (2008). *Essentials of business law* (3rd ed.) [pp. 217, 219]. Mason, OH: Thomson/South-Western.

2. B

Regulatory. Governmental agencies often have regulations that businesses are required to follow. These regulations may affect how the business operates, how it deals with consumers, and how it reports income. As a result, the agency's relationship with businesses is primarily one of enforcing rules and regulations. Governmental agencies do not assist a business with promotional activities. Agencies are not legislative bodies, i.e., they do not enact laws. The agencies do not manage businesses.

SOURCE: BL:072

SOURCE: Miller, R.L., & Jentz, G.A. (2005). *Fundamentals of business law* (6th ed.) [pp. 6-7]. Mason, OH: Thomson/South-Western.

3. A

Pump and dump. Pump and dump is an investment scam that takes place mostly online. Scammers buy a small stock and then hype it up to other investors, causing its price to rise. When the price is high, the scammers sell their stock, leaving the victims to deal with the rapid price decline afterwards. A pyramid scheme is an illegal form of multi-level marketing in which emphasis is placed on collecting initial fees from as many people as possible. Affinity fraud is an investment scam in which the scammer claims to be a member of the group s/he is targeting. Affinity fraud often takes the form of a Ponzi or pyramid scheme. Phishing is an online identity-theft scam that fools its victims into believing they are submitting sensitive, personal information (such as credit card numbers or bank passwords) to a legitimate web site.

SOURCE: BL:133

SOURCE: QS LAP 50—Play By the Rules

4. D

Capital gains tax. A capital gain is the increase in an asset's value from the time that it is purchased to the time that it is sold. The federal government charges capital gains taxes on most capital gains. A luxury tax is a tax paid on nonessential (and, in many cases, expensive) goods. An excise tax is a tax placed on a specific good. Luxury and excise taxes can be used to discourage consumption of certain products or to raise some easy money on products that the government knows people will continue to purchase, regardless of the tax. Stock sales tax is a fictitious term.

SOURCE: BL:134

SOURCE: Perez, W. (2012). *Capital gains tax rates*. Retrieved November 8, 2012, from http://taxes.about.com/od/capitalgains/a/CapitalGainsTax_4.htm

5. C

Double. Double, or dual, taxation occurs when two different taxes are levied on the same income. Frank and Fitzer's earnings are subject to double taxation because the company pays taxes on its income, and its stockholders must pay taxes on any dividends that they receive from the company. If a government levies a proportional tax, everyone pays the same percentage of income in taxes. A progressive tax requires individuals with higher incomes to pay a higher percentage of income in taxes. A regressive tax requires individuals with lower incomes to pay a higher percentage of income in taxes. There is not enough information provided to determine if a proportional, progressive, or regressive tax system exists.

SOURCE: BL:134

SOURCE: Investopedia Staff. (2012). *Double taxation*. Retrieved November 5, 2012, from http://www.investopedia.com/terms/d/double_taxation.asp#axzz2BJf5dZF2

6. A

Conduct a compliance audit. Financial-services businesses must follow many government regulations. These regulations affect the way that businesses record and report financial data. To ensure that the business is following all of the regulations, the business should conduct a compliance audit. A comprehensive compliance audit can detect discrepancies and problems. For example, a compliance audit might indicate that updated compliance software will resolve or correct a noncompliance issue. Developing a business plan and monitoring sales performance are not actions that will ensure that the business is following government regulations.

SOURCE: CC:003

SOURCE: Beaumier, C. (2007, September 3). *How to audit compliance in the financial services industry*. Retrieved November 8, 2012, from <http://www.knowledgeleader.com/KnowledgeLeader/content.nsf/Web+Content/HIHowtoAuditComplianceinFS!OpenDocument>

7. C

Detect compliance inconsistencies across different jurisdictions. Businesses use compliance software to aid them in detecting financial transaction problems. Because interstate and international commerce involves following different regulations in different locations, advanced compliance technologies can scan or audit the data to ensure their compliance with different jurisdictions' regulations and rules. The purpose of compliance software is not to evaluate a competitor's compliance, correct human-resource problems, or improve product quality and satisfaction levels.

SOURCE: CC:004

SOURCE: ComplianceEase. (n.d.). *ComplianceAnalyzer: Automated compliance solutions*. Retrieved November 8, 2012 from http://www.complianceease.com/mainsite/prod/prod_ca_overview.jsp?content=/opencms/CEContent/prod/prod_ca_overview_m.jsp&right=/opencms/CEContent/prod/r_critical_decision.jspn

8. A

A travel-expense account has a credit balance at the end of an accounting period rather than a debit balance. Temporal reasoning considers the timing of each transaction. A virtual auditor would use temporal reasoning at the end of each accounting period, for example, to identify accounts with irregular balances. Comparative reasoning is used to identify two financial transactions or records that are very similar but not exactly alike. Contextual reasoning examines the circumstances surrounding each transaction and compares the situation to those of the past to determine compliance issues. Contextual reasoning would question, for example, a new customer's order that is considerably larger than average orders of the past. Incremental reasoning tracks irregularities and potential compliance issues to detect any new questionable events that build on the past suspicious activity. Incremental reasoning could be used to detect an employee who temporarily changed a vendor file so that funds destined for the vendor would be diverted to the employee's personal checking account.

SOURCE: CC:004

SOURCE: Oversight Systems, Inc. (n.d.). *A Sarbanes-Oxley compliance program that saves cash: Link Sarbanes-Oxley requirements to business improvement*. Retrieved November 8, 2012, from http://www.oversightsystems.com/pdf/whitepapers/Compliance_to_Cash_060725.pdf

9. A

Eliminating distractions. When Ramona focuses all her attention on the teacher's directions instead of on the students whispering around her, she is eliminating distractions. Ideally, you should receive directions in an area free of activity or noise, but that's not always possible. So, whenever you receive directions, focus your attention on what the speaker is saying. This will make it easier for you to communicate and get the directions right. In this situation, Ramona is not acknowledging directions, reaching consensus, or recommending alternatives.

SOURCE: CO:119

SOURCE: QS LAP 24—Simon Says

10. A

May not be remembered accurately. Listeners generally retain only about 25% of what they hear, and they frequently don't remember it accurately. It is, therefore, important to choose words used in oral communication carefully and to try to make sure that listeners receive the intended message. Oral communication is used for all kinds of messages, not just those that are urgent. Oral communication is considered less formal than written communication, but that is not the reason that it should be used with care.

SOURCE: CO:147

SOURCE: Lesikar, R.V., & Flatley, M.E. (2005). *Basic business communication: Skills for empowering the Internet generation* (10th ed.) [pp. 421-423]. Boston: McGraw-Hill/Irwin.

11. C

Emphasize the relationship between events. Cause-and-effect order explains how one action or event causes another. The order that describes a problem and a plan for solving it is problem/solution order. The order that arranges material into related subcategories is topical order. The order that puts items in time sequence is chronological order.

SOURCE: CO:025

SOURCE: QS LAP 9—Well Said!

12. D

Request appointments. Salespeople write letters of request or inquiry for a variety of reasons. One reason is to schedule appointments with customers who are in a different city. When planning a business trip, salespeople often write letters to set up appointments with customers in order to make sure that the customers will be available. An advantage of writing letters is that the customers usually acknowledge the appointment with another letter. Then, both parties have a hard copy to remind them of the date and time of the appointment. Letters of inquiry ask for something rather than explain requirements, transmit information, or develop goodwill.

SOURCE: CO:040

SOURCE: Lesikar, R.V., & Flatley, M.E. (2005). *Basic business communication: Skills for empowering the Internet generation* (10th ed.) [pp. 112-114]. Boston: McGraw-Hill/Irwin.

13. D

Informal. A short report that presents facts without analysis is considered an informal report. A formal report is more complex, has several different parts, and provides an analysis of the facts in the report. A feasibility report is a type of complex report that evaluates the viability of a course of action. There is not enough information provided to determine if the report contains sales data for the industry.

SOURCE: CO:094

SOURCE: Bovée, C.L., & Thill, J.V. (2008). *Business communication today* (9th ed.) [p. 402]. Upper Saddle River, NJ: Pearson Prentice Hall.

14. B

An office memorandum. An office memorandum, or memo, is the most commonly used method of in-house communication in many businesses. It may be handwritten, typed, or sent by e-mail. A letter of transmittal is a letter that accompanies a long report or proposal. An executive summary is an overview of a business plan or other complex report. It is inappropriate to write a personal letter to a supervisor.

SOURCE: CO:014

SOURCE: Bovée, C.L., & Thill, J.V. (2008). *Business communication today* (9th ed.) [p. 98]. Upper Saddle River, NJ: Pearson Prentice Hall.

15. B

Make eye contact. Looking customers in the eye is one way of demonstrating a customer-service mindset. It shows that employees are focused on customers and their needs. Failing to make eye contact indicates indifference and could cause customers to believe employees don't care about them or their needs. Other ways of demonstrating a customer-service mindset include varying the tone of voice, rather than speaking in a monotone, and smiling at customers, rather than keeping a straight face. It is important to maintain good posture, although that doesn't mean employees should stand at attention.

SOURCE: CR:004

SOURCE: Hyden, J.S., Jordan, A.K., Steinauer, M.H., & Jones, M.J. (2006). *Communicating for success* (3rd ed.) [p. 388]. Mason, OH: Thomson South-Western.

16. C

Track customer information. In the past, customer relationship management was used mainly as a way to track and organize information about customers so a business could identify its most valuable clients and tailor its marketing strategies to generate more revenue. Over the years, the meaning of CRM has expanded quite a bit. Today, it's also viewed as a way for employees to perform their jobs more efficiently and for businesses to increase one of their most important assets—customer loyalty. In addition, it's an important tool for use in business decision making and product development.

SOURCE: CR:016

SOURCE: CR LAP 2—Know When to Hold 'Em (Nature of Customer Relationship Management)

17. D

Explaining the benefits and drawbacks of different financial products. One responsibility that finance professionals have is to provide complete product information to clients. This means explaining the benefits as well as the drawbacks of different financial products so that clients can make educated decisions about what to do with their money. When finance professionals communicate openly, their clients are much more likely to trust them. And, when clients trust their finance professionals, they are more likely to become loyal and satisfied customers. Rather than using precise technical language and financial jargon, finance professionals can build more trust by talking to their clients in language that the clients understand. Rather than asking others in the organization to follow up after sales transactions, finance professionals can build trusting relationships with clients by following up with them themselves. Although some clients may only want to be contacted when problems arise, most clients prefer to stay in communication with their finance professionals on a more regular basis.

SOURCE: CR:012

SOURCE: Brokerville Blog. (n.d.). *How to retain accounts in a bear market*. Retrieved November 8, 2012, from <http://blog.brokerville.com/2008/08/01/how-to-retain-accounts-in-a-bear-market/>

18. B

Ask her assistant to inform Mr. Williams that Tobi will return his call at 5:00 p.m. An important factor in retaining clients is returning their calls in a timely fashion. By personally responding to Mr. Williams' questions promptly instead of calling him back in the morning or having her assistant answer his questions, Tobi shows him that he is important to her. At the same time, though, Tobi needs to show the new clients that she respects them and their time. For that reason, Tobi should finish her meeting with them prior to speaking with Mr. Williams.

SOURCE: CR:012

SOURCE: Brokerville Blog. (n.d.). *How to retain accounts in a bear market*. Retrieved November 8, 2012, from <http://blog.brokerville.com/2008/08/01/how-to-retain-accounts-in-a-bear-market/>

19. C

Data warehousing. Data warehousing involves combining data from a variety of internal and external sources into one large database. A business can access current and historic data from a data warehouse to identify and monitor customer buying behavior, trends, etc. Businesses use project management computer applications to track resources and activities for short- and long-term projects. Electronic data interchange systems transmit sales and ordering information among a business and its suppliers. Data acquired from an electronic data interchange can be stored in a data warehouse. Systematic laddering is a fictitious term.

SOURCE: CR:024

SOURCE: White, D., Foster, N., & Wiesen, G. (2012, October 6). *What is data warehousing?* Retrieved November 8, 2012, from <http://www.wisegeek.com/what-is-data-warehousing.htm>

20. B

A satisfaction gauge. Both utility and the marketing concept consider the consumer's point of view about a product. In the implementation of the marketing concept, utility functions as a gauge of the consumer's satisfaction. Utility is used as a measurement tool—not as a payment method, a cost-saving tool, or a delivery process.

SOURCE: EC:004

SOURCE: EC LAP 13—Use It (Economic Utility)

21. C

Has a limited supply of resources. No country has enough resources to satisfy all of its people's unlimited wants and needs. As a result, choices must be made. One of the functions of an economic system is to make decisions about what can be produced, how much can be made, and who can obtain the products. People in all economic systems are interdependent and must depend on each other to obtain the things they need. Having immigrants from other countries is not a factor.

SOURCE: EC:007

SOURCE: EC LAP 17—Who's the Boss? (Economic Systems)

22. D

Waste. To use resources wisely, business owners must reduce waste. Whatever is consumed or wasted during production takes away from potential profit. Risk, reward, and wages do not typically endanger a firm's resources.

SOURCE: EC:010

SOURCE: EC LAP 2—Risk Rewarded (Profit)

23. B

Employment. Consumer spending is an indication of the condition of the economy. When consumers have money to spend and are willing to spend it, the economy is stable and healthy. This also indicates that the level of employment is high because a lot of consumers are spending. When consumer spending begins to decrease, that is an indication that employment rates may be decreasing and fewer consumers have extra money to spend. Consumer spending does not measure competition, depreciation, or infrastructure.

SOURCE: EC:081

SOURCE: McConnell, C.R., & Brue, S.L. (2005). *Economics: Principles, problems, and policies* (16th ed.) [p. 147]. Boston: McGraw-Hill/Irwin.

24. B

Personal consumption expenditures. These purchases are usually divided into durable and nondurable goods and services. Gross private investment includes the value of all capital goods created in the economy during the year and inventories held by business firms from the current year's production. Exports are the goods and services sold to other nations. Imports are the goods and services which our country purchases from other nations.

SOURCE: EC:017

SOURCE: EC LAP 1—Measure Up? (Gross Domestic Product)

25. A
Language. The biggest communication issue for businesses engaging in international trade is language. It is difficult to do business while speaking two different languages, and it is also difficult when the same words have different meanings in different cultures. Corruption, power distance, and religion are not communication issues.
SOURCE: EC:045
SOURCE: EC LAP 24—On Top of the World (Impact of Culture on Global Trade)
26. C
Social awareness. Social awareness, self-awareness, self-management, and relationship management are the four primary areas of emotional intelligence. The aspect of emotional intelligence in which you know and understand the emotions of others is called social awareness. Being socially aware involves the ability to "step into another person's shoes" (expressing empathy) and being willing to help or serve others. It also involves the ability to see the bigger picture, which is organizational awareness. Self-awareness refers to knowing your own emotions. Self-management is the ability to manage your own emotions. Relationship management is the ability to manage the emotions of others.
SOURCE: EI:001
SOURCE: EI LAP 6—EQ and You (Emotional Intelligence)
27. A
Have positive thoughts. Individuals who are self-confident have a positive attitude. This also means that they have positive thoughts and believe they have the ability to be successful. They do not doubt themselves or apologize for expressing their opinions. Confident people feel sure of themselves and are not negative. Individuals who are self-confident do not think they are always right, act aggressively towards others, or prefer to be in charge.
SOURCE: EI:023
SOURCE: Kimbrell, G., & Vineyard, B.S. (2006). *Succeeding in the world of work* (p. 197). New York: Glencoe/McGraw-Hill.
28. A
"I can do it!" "I can do it!" is an example of positive self-talk. Positive self-talk is a form of positive thinking in which you focus on your abilities and successes. The other phrases are negative and could not be examples of positive self-talk.
SOURCE: EI:019
SOURCE: EI LAP 3—Opt For Optimism (Positive Attitude)
29. D
Assertive. Assertive people stand up for their own rights as well as the rights of others. Passive behavior is characterized by a failure to exercise personal rights and a lack of respect for personal needs. Aggressive behavior is characterized by a willingness to ignore the rights of others and to exploit them in order to achieve personal goals. Offensive behavior is unpleasant or displeasing actions.
SOURCE: EI:008
SOURCE: EI LAP 18—Assert Yourself (Assertiveness)
30. A
Being irritated when dealing with customers. Interaction with customers is a major cause of stress in the workplace. Customers are not always polite and understanding. Sometimes they are demanding, unrealistic, and angry. Employees who are not experiencing a lot of stress usually are able to handle these types of situations with customers and resolve the problem. However, when employees are under a lot of stress, they often feel annoyed and irritated when dealing with customers—even those customers who are behaving appropriately. Routinely feeling this way is an indication that an employee is stressed, in which case management should take steps to help the employee reduce the level of stress. Concentrating on doing the job correctly, drinking one or two cups of coffee a day, and having occasional conversations with coworkers are not indications that employees are under a lot of stress.
SOURCE: EI:028
SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2009). *Marketing essentials* (p. 220). Woodland Hills, CA: Glencoe/McGraw-Hill.

31. C
Is open to learning. The main provision of executive coaching is that the client is open to learning. Without an open attitude, it won't matter whether the client meets with the coach in person or over the phone—or on a weekly or even daily basis. And, without an open attitude, the client may not succeed in improving job performance.
SOURCE: EI:041
SOURCE: QS LAP 7—Bring Out the Best
32. C
Effective. This involves understanding other people and skillfully relating to them. It means appreciating other people and treating them with courtesy, respect, and consideration. Such relationships are generally pleasant and mutually rewarding. People who don't get along well are practicing ineffective or questionable human relations skills.
SOURCE: EI:037
SOURCE: EI LAP 5—Can You Relate? (Positive Working Relationships)
33. D
Money. Money is the most common medium of exchange. Countries use different forms of currency. For example, the Japanese use the yen, Mexico uses the peso, many European countries use the euro, and the United States and Canada use the dollar. A bond is a lending security, and stock is an ownership security.
SOURCE: FI:059
SOURCE: Phelps, C. (1999-2012). *Types of foreign currency*. Retrieved November 8, 2012, from http://www.ehow.com/about_5349743_types-foreign-currency.html
34. C
Secured. A secured loan is a loan in which the borrower pledges to the lender some valuable possession as security, or collateral, to guarantee that the loan will be repaid. Items often used as collateral include real estate, stocks, bonds, machinery, and the cash value of life insurance. An unsecured loan, also known as a signature loan, is an amount of money borrowed by an individual or a business simply by signing a promissory note to repay the loan. No collateral is required for this loan. Both secured and unsecured loans are considered notes.
SOURCE: FI:002
SOURCE: FI LAP 2—Give Credit Where Credit is Due (Credit and Its Importance)
35. A
Cash flow. When businesses save excess money, they have more cash available to cover unexpected expenses or to invest. Saving money has a positive effect on a business's cash flow which determines the amount of cash the business has to work with at any given time. The more money that is saved, the more cash is available. Interest rate is the percentage figure used in calculating interest charges. Accounts receivable are all monies owed to a firm by its customers. Debt is the amount of money a business owes while equity is net worth.
SOURCE: FI:270
SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (p. 77). South-Western Cengage Learning.
36. B
Earning interest upon interest. Compounding can best be described as earning interest upon interest. There is no way to avoid inflation; one can only plan to overcome the effects of inflation with careful saving and investing. The compounding growth of the stock market is an excellent way to meet financial needs and goals, but meeting financial needs is not a description of compounding. Although there are risks in the stock market, risking the stock market does not describe compounding.
SOURCE: FI:270
SOURCE: QS LAP 30—Supersize Your Money

37. B

Verify that the credit agencies have correct information. Credit is the arrangement by which individuals or businesses can purchase now and pay later. A credit agency is a business that maintains files of credit information on individuals and businesses. It is important to make sure that credit agencies have accurate information about your credit history because other businesses purchase the reports to make decisions about extending credit to you or providing a loan to you. Although people can provide information to improve their credit ratings, it is the credit agencies that change or update the information. Good credit reports can increase the chances of obtaining a bank loan, but reviewing the reports cannot ensure that people obtain bank loans. People who monitor their credit reports can reduce the risk of identity theft, but cannot eliminate the risk.

SOURCE: FI:072

SOURCE: Federal Reserve Bank of San Francisco. (n.d.). *Your credit report: What it says about you*. Retrieved November 8, 2012, from <http://www.frbsf.org/publications/consumer/creditreport.html>

38. D

Investment bank. Investment banks locate outside sources of money for firms. In most cases, investment banks help these businesses to raise funds by issuing securities in the form of stocks or bonds. An investment company pools investors' funds and invests those funds based on the needs of the investors. Investment companies are also often referred to as "mutual funds." Like mutual funds, pension funds pool investors' contributions. However, investors in a particular pension fund are typically employed by one employer. A securities exchange creates investment opportunities for investors and access to funds for businesses. Investment banks help businesses to issue and sell their securities on a securities exchange.

SOURCE: FI:336

SOURCE: MBA Research and Curriculum Center. (2009). *Introduction to finance course guide* (p. 5-19). Columbus, OH: Author.

39. A

To trade currency. There are many types of currencies in the world—the yen (Japan), the U.S. dollar (United States), the Euro (European Union), the Peso (Mexico), etc. Each currency's value fluctuates. The foreign exchange market trades one currency for another currency, and determines each currency's conversion rate into other currencies. Stock exchanges buy and sell stocks. The bond market buys and sells bonds or debt securities. Insurance companies underwrite insurance policies.

SOURCE: FI:337

SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (pp. 56, 388). Mason, OH: South-Western Cengage Learning.

40. C

Desire for illiquid assets. Liquid assets are financial assets such as stocks that can easily be converted into cash. Illiquid assets, therefore, are assets that cannot be easily converted into cash or sold without a significant drop in their value. Subprime mortgage assets, for example, became illiquid assets during the recent financial crisis. Financial firms don't merge because they want illiquid assets that are worth very little. Instead, financial convergence and consolidation may be driven by financial companies' desire to acquire more liquid capital. Technological advances, financial deregulation, and a desire for lower costs have also contributed to financial convergence and consolidation.

SOURCE: FI:573

SOURCE: MBA Research and Curriculum Center. (2009). *Introduction to finance course guide* (pp. 5-106, 5-107). Columbus, Ohio: Author.

41. B

Healthcare. Healthcare, food, drink, and tobacco are generally considered to be non-cyclical industries, meaning that they are not greatly impacted by changes in the business cycle. The demand for such products and their stocks remains fairly steady regardless of the stage of the business cycle. Stocks in industry sectors such as energy, technology, and capital goods, on the other hand, often change in response to changes in the business cycle. The energy sector is affected by supply and demand of energy around the world, and political unrest can impact the industry considerably. Energy stocks seem to perform best late in the business cycle. Technology stocks are also affected by the business cycle, often in direct relation to the demand for capital goods. Technology stocks and capital goods stocks do well during business cycle expansion.

SOURCE: FI:574

SOURCE: Investors Hub. (2008, October 5). *Business cycle and stock performance*. Retrieved November 8, 2012, from http://investorshub.advn.com/boards/read_msg.aspx?message_id=32660842

42. B

Leading. Stock market returns are considered to be a leading economic indicator because the stock market typically changes before the economy does. If the stock market declines, the economy is likely to decline as well. In turn, stock market returns start to rise before the economy improves. Lagging economic indicators change several months after the economy begins to improve or worsen. Coincident economic indicators move at the same time as the economy. Acyclic economic indicators have no relation to the economy.

SOURCE: FI:574

SOURCE: Moffatt, M. (2012). *A beginner's guide to economic indicators*. Retrieved November 8, 2012, from http://economics.about.com/cs/businesscycles/a/economic_ind.htm

43. A

Herd behavior among investors. Although financial globalization tends to increase investors' access to many different financial markets, financial globalization also seems to increase the risks of speculative bubbles and herd behavior among investors. Herd behavior involves individuals who act together as a group without any planned direction. It is usually irrational and driven by emotions. In good times, investors hurry to join others in a buying frenzy. But, in bad financial times, fearful investors join others in a rush to get out of risky markets. By diversifying their funds in many different countries, investors are able to diversify their risk and reduce their exposure to business cycle risks. To enable capital to flow more freely across their national borders, many countries have lowered their taxes on international financial transactions.

SOURCE: FI:575

SOURCE: MBA Research and Curriculum Center. (2009). *Introduction to finance course guide* (pp. 5-156-5-158). Columbus, OH: Author.

44. A

Derivatives. Derivatives are financial instruments whose value depends upon the value of other financial instruments or market indices. Investors frequently use derivatives to hedge or reduce the risk of investing in the foreign exchange market, which is sometimes volatile. The derivatives help to reduce the impact of significant fluctuations in foreign exchange markets. Emerging markets are financial markets in countries with developing economies. Emerging markets are usually receptive to foreign investment, but they are also more volatile and risky than financial markets in developed countries. Venture capital is invested money that is used for new business opportunities. No-load mutual funds have no up-front sales charges.

SOURCE: FI:575

SOURCE: MBA Research and Curriculum Center. (2009). *Introduction to finance course guide* (pp. 5-156-5-157). Columbus, OH: Author.

45. D

Commercial bank. A commercial bank provides a variety of financial services to individuals and businesses. Besides providing savings accounts and other savings options, banks also make loans and offer credit cards. Many large banks have trust departments and help individuals plan for retirement. Depending on the size of the bank, it may be possible to obtain all necessary financial services from that institution. The stock market itself does not provide financial services. A taxation department collects various types of taxes. A retirement community provides housing rather than financial services.

SOURCE: FI:075

SOURCE: Kapoor, J.R., Dlabay, L.R., Hughes, R.J., & Hoyt, W.B. (2005). *Business and personal finance* (pp. 124-129). New York: Glencoe/McGraw-Hill.

46. C

Stockbroker. Securities refer to the legal owning or lending agreements between individuals, businesses, or governments. Securities include investments such as stocks, bonds, and mutual funds. A stockbroker is a licensed person who has the authority and expertise to buy and sell securities on behalf of a client. Unless they are stockbrokers, trusted friends, colleagues, and loan officers may not be the most reliable sources of securities information.

SOURCE: FI:274

SOURCE: Kapoor, J.R., Dlabay, L.R., Hughes, R.J., & Hoyt, W.B. (2005). *Business and personal finance* (pp. 294-295). New York: Glencoe/McGraw-Hill.

47. A

6.4. Newspapers and web sites publish stock tables so that investors and potential investors can monitor the performance of a company's stock. One column of the table shows the stock's yield percentage (also, rate of return and dividend yield), which is the annual dividend divided by the current stock price.

Therefore, Kelly's stock yield is 6.4 percent. ($\$1.80 \div \$28.20 = .0638$ or 6.4 percent).

SOURCE: FI:275

SOURCE: QS LAP 37—Table Talk (Reading Stock Tables)

48. D

Over a period of time. Watching numbers over a period of time is a good idea because investors can get a sense of what is normal for a stock price. Looking at the numbers once a year, on a given day, or when dividends are paid does not give you enough time to obtain this kind of information.

SOURCE: FI:275

SOURCE: QS LAP 37—Table Talk (Reading Stock Tables)

49. D

-\$375. Cash flow is calculated by subtracting total cash paid out from total cash receipts. Total cash receipts include cash sales and interest income ($\$5,300 + \$200 = \$5,500$). Total cash paid out includes cost of goods, fixed expenses, and variable expenses ($\$1,750 + \$2,150 + \$1,975 = \$5,875$). Subtract total cash paid out from total cash receipts to determine cash flow ($\$5,500 - \$5,875 = \$-375$).

SOURCE: FI:091

SOURCE: FI LAP 6—Count the Cash (Cash Flow Statements)

50. C

Capital budgeting. Determining which projects a business should invest in is known as capital budgeting. It is one of the capital investment decisions. Return on capital is a component of working capital management that refers to how well a business is generating cash flow in relation to its invested capital. The cash conversion cycle is a component of working capital management that refers to how long a business's money is "tied up" between purchasing raw materials and receiving cash from sales. Capital structuring refers to determining the optimal mix of financing—it is also one of the capital investment decisions.

SOURCE: FI:354

SOURCE: FI LAP 7—Money Matters (Role of Finance)

51. B

Economic trends. Budgets should be flexible because they are estimates. Many factors can affect budget outcomes; therefore, businesses might need to adjust their budget figures. Economic trends are factors that might cause a business to adjust its budget. The way the economy is moving, either expanding or contracting, will affect a business's ability to meet its budget expectations. Local elections do not affect a business's budget. Sales procedures are the step-by-step processes that sales personnel follow in order to sell. Operating policies are general rules established by the business.

SOURCE: FI:106

SOURCE: FI LAP 3—Money Tracks (Nature of Budgets)

52. A

Make appropriate business decisions. Businesses track a variety of accounting and financial data. The data are presented as information to businesspeople to evaluate and to make business decisions. To make sound business decisions, the financial data must be accurate, current, and relevant. Making a decision based on incorrect or outdated data could be very costly to a business. Businesses use project-management software to track projects. Businesses implement effective financial-information management processes to be in compliance with government regulations. Businesses evaluate, rather than revise, economic indicators.

SOURCE: FM:002

SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (pp. 341-342). South-Western Cengage Learning.

53. A

Use auditing software applications. Auditing software tracks and records each step of all financial transactions. By keeping records of each step of a financial transaction, the business reduces the risks associated with embezzlement and other unethical and illegal activities within the business. If problems with financial data are detected, independent forensic accountants may be brought into the business to evaluate the inconsistencies. Businesses do not want to limit their financial transactions because some of them involve sales, which increase the businesses profitability.

SOURCE: FM:003

SOURCE: wiseGEEK. (2003-2012). *What is an audit trail?* Retrieved November 8, 2012, from <http://www.wisegeek.com/what-is-an-audit-trail.htm>

54. D

Steward. Financial-information management's stewardship function involves protecting financial data from tampering, loss, unauthorized access, and unauthorized use. While a financial-information management professional's job responsibilities might include interpreting or analyzing financial data, those are not the functions that s/he is carrying out when protecting the financial information. An agent is an intermediary who assists in the sale and/or promotion of goods and services but does not take title to them.

SOURCE: FM:003

SOURCE: Bloomfield, R. (2009, October 28). *Stewardship, financial reporting, and investment*. Retrieved November 8, 2012, from <http://www.fasri.net/index.php/2009/10/stewardship-financial-reporting-and-investment/>

55. A

They can obtain faster responses to queries. Since data are housed in one location, querying the data is faster, thereby improving organizational efficiency. Having a central depository ensures that data from different applications are combined into one common storage area which increases the speed with which queries can be run. Using a central repository for financial information enables businesses to achieve economies of scale rather than overcoming them. They also have access to more consistent, up-to-date information rather than relying on old data.

SOURCE: FM:011

SOURCE: InterSystems. (1996-2012). *Caché and data management in the financial services industry*. Retrieved November 8, 2012, from http://www.intersystems.com/cache/whitepapers/datamanagement_wp.html

56. C

Share information. Financial information must be available to the people who need it, when they need it. Often, several employees need to be able to access the financial data at the same time. Businesses that organize and store their financial data in central databases and provide the ability for multiple, qualified users to access the data are supporting an environment of information sharing and collaboration. The primary purpose for storing and retrieving internal financial data is to monitor and evaluate internal business activities rather than monitor competitors' activities. Measures to secure the database reduce the risk of unauthorized access to the business's financial data. Businesses can often develop contracts without financial data that are retrieved from a database.

SOURCE: FM:011

SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (p. 343). South-Western Cengage Learning.

57. A

Exploration. The exploration stage of data mining generally starts with preparation of the data. This includes such activities as data cleaning, data transformation, selecting subsets of records for analysis, selecting the variables of interest, and choosing the analytic method to apply. The second phase of the data-mining process is model building and validation in which various models appropriate for the study are identified, and the best one is selected. Deployment is use of the selected model. Prediction is not a stage in the data-mining process; however, data miners want to make predictions from their data-mining activities.

SOURCE: FM:012

SOURCE: StatSoft.com. (2012). *Electronic statistics textbook*. Retrieved November 8, 2012, from <http://www.statsoft.com/textbook/>

58. A

Decision tree. Data mining is the process of searching computer databases to look for patterns and relationships among information. To begin the data-mining process, the business must first define the research question. Then, the business must identify the types of data available and how they are stored in the database. After identifying this information, the business decides which approach to use to mine the data. A decision tree is an approach in which the data are categorized or segmented into meaningful, related groups based on certain characteristics that are defined by the set of rules (criteria) that the business establishes. Using the tree analogy, the trunk represents all of the data, each branch contains certain characteristics, and each leaf contains subcategories of related branch characteristics. The rule induction approach involves the use of "if...then..." rules or scenarios to mine or obtain data. The neural networking approach uses computer applications that mimic the ways in which the human brain processes data, which often involve sequencing data patterns. The fuzzy logic approach uses broad or vague concepts to set rules, such as "high" or "low."

SOURCE: FM:012

SOURCE: Hair, J.F., Bush, R.P., & Ortinau, D.J. (2009). *Marketing research in a digital information environment* (4th ed.) [pp. 98-100]. New York: McGraw-Hill Irwin.

59. C

Show the business's cash-flow status. Budgeting applications enable businesses to maintain, monitor, and forecast a business's financial status and generate financial reports that can be shared with a business's decision makers. Expenses, revenue, cash flow, profit/loss, etc., are easily tracked and determined using budgeting applications. Equipment needing repairs, new services to offer customers, and EDI needs are not captured and predicted by budgeting applications.

SOURCE: FM:013

SOURCE: Centage. (n.d.). *Business budgeting and forecasting software*. Retrieved November 8, 2012, from <http://centage.com/products-budgetmaestro-budgeting.htm>

60. B

By comparing employee phone numbers and addresses to vendor information for payables. A conflict of interest is any relationship that is, or appears to be, not in the business's best interest. It would prevent someone from performing her/his duties and responsibilities objectively. To spot probable conflicts of interest, businesses can use their financial analysis applications to cross check employee data with that of vendors. The other examples can be used to analyze financial data for other purposes.

SOURCE: FM:014

SOURCE: Audimation Services. (2008-2012). *Top 10 areas where data analysis is adding the most value*. Retrieved November 8, 2012, from <http://www.audimation.com/articles/top-10-areas-where-data-analysis-is-adding-the-most-value.html>

61. C

Person's individual account number. Databases depend upon keys to store, sort and compare records. A primary key is the unique identifier assigned to a record in a table. When choosing a primary key, database builders need to be sure that the identifier will be unique to an individual. The person's account number would be unique to the individual. Most customers consider their social security numbers to be private information that they do not want entered into databases. In addition, the government can reassign social security numbers upon the death of the owner of a social security number. In addition, some people do not have those numbers if they are not U.S. citizens. Zip codes are not unique to an individual or to a location. A person's first and last names may not be unique, e.g., there may be many John Smiths.

SOURCE: FM:015

SOURCE: Chapple, M. (2012). *Choosing a primary key*. Retrieved November 8, 2012, from <http://databases.about.com/od/specificproducts/a/primarykey.htm>

62. B

An inner join returns only the rows of data that satisfy the join condition. A join is a type of database query that combines rows from multiple tables. There are many different types of joins, and each one returns different results. For instance, an inner join (also known as a simple join) returns only the rows of data that satisfy the join condition. Outer joins, on the other hand, return the rows of data that satisfy the join condition, along with additional rows from one table that cannot be joined with any rows in the other table. A self join joins a table to itself. An equijoin combines rows that have equivalent values for specified columns, while a non-equijoin returns results from multiple tables where no exact joins are possible.

SOURCE: FM:015

SOURCE: Oracle DBA Online. (n.d.). *Join queries*. Retrieved November 8, 2012, from http://www.oracle-dba-online.com/sql/join_queries.htm

63. A

Useful information to investors. Investors often rely on the financial information that businesses provide when making decisions about investing in a business. Therefore, a business should accurately report its financial position so investors will be able to make decisions based on correct information. If a business misrepresents its financial position, investors may lose money because the business is not as profitable as they were led to believe. Misrepresenting financial information on purpose also is a violation of several government rules and regulations. Businesses do not accurately report their financial position to provide summaries of economic indicators, industry forecasts to the media, or price quotations on securities.

SOURCE: FM:004

SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (pp. 113-114). South-Western Cengage Learning.

64. D

Take steps to obtain or save cash to cover her expenses. Sometimes, businesses experience temporary or short-term cash-flow problems. This can happen when the anticipated inflow of cash falls short and expenses remain the same or when cash flow remains the same and expenses increase. And, if this situation happens, the business needs to determine how to handle it. The business may choose to take out a short-term loan, ask vendors for payment extensions, or postpone certain purchases. If the cash-flow problem is relatively small and short-term, it is unlikely that Kendra would need to cut staff. Analyzing the depreciation rates of assets and calculating cash dividends will not resolve Kendra's short-term cash-flow problems. Insufficient information is provided to determine if Kendra's company is a corporation, which is owned by stockholders.

SOURCE: FM:005

SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (pp. 342-343). Mason, OH: South-Western Cengage Learning.

65. A

Accrual. The accrual accounting system records transactions at the time they occur even if no money changes hands at the time. Most businesses use this method because it reflects the business's current financial position based on what has been earned and expenses that have been incurred. For example, the business records a sale when it is made even though the business will not be paid until a later date. The cash accounting method records income and expenditures at the time the money changes hands.

SOURCE: FM:006

SOURCE: Guerrieri, D.J., Haber, F.B., Hoyt, W.B., & Turner, R.E. (2007). *Accounting: Real-world applications & connections* (First-Year Course) [p. A-26]. New York: Glencoe/McGraw-Hill.

66. B

The managerial accounting system is useful for planning and internal decision making. Businesses use managerial accounting systems for internal use. These systems help managers plan, control resources, and make decisions for various segments of the company. For example, the managerial accounting system often involves obtaining financial information to determine if the business should order more goods for inventory or if it should hire additional production workers. The government requires businesses to use the financial accounting system to report their financial positions to external users. The financial accounting system involves reporting financial information in certain ways by applying the generally accepted accounting principles (GAAP). The government does not require businesses to use managerial accounting systems, so the ways in which managerial accounting systems obtain and use information are flexible.

SOURCE: FM:006

SOURCE: Accountinginformationmanagement.com. (2012). *Difference between financial and managerial accounting—*. *Financial accounting vs. managerial accounting*. Retrieved October 8, 2010, from http://www.accountingformanagement.com/financial_accounting_vs_managerial_accounting.htm

67. D

Sales transactions. A trend is the direction in which something is moving. By continuously monitoring internal financial information, a business can identify trends, such as changes in the business's sales. One way that a business can monitor sales transactions is by analyzing invoices and sales receipts (e.g., credit card, cash). By comparing sales-transaction dollar amounts over a period of time, the business can determine if sales are increasing, decreasing, or remaining the same. If sales are decreasing, then demand for the products are decreasing. After the business determines that sales are decreasing, it needs to determine why, so it can take corrective action. Accounts-payable records, expense reports, and promotional budgets do not provide the type of financial information that would indicate a decrease in demand for the business's products.

SOURCE: FM:008

SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (p. 83). South-Western Cengage Learning.

68. D

Offer credit to the prospective customer. Credit is the arrangement by which businesses or individuals can purchase now and pay later. Before offering credit options to a prospective customer, the business should review the customer's borrowing and repayment history by obtaining a credit report. The credit report, which is generated by a credit-rating agency, indicates the prospect's borrowing and repayment history and provides a credit rating. The credit rating indicates the extent to which the business or individual pays its debts in a timely manner. The government, rather than businesses, sets the prime lending (interest) rate and establishes sales-tax rates. Various jurisdictions have laws that require businesses to collect sales tax from customers on certain purchases.

SOURCE: FM:009

SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (pp. 267-268). Mason, OH: South-Western Cengage Learning.

69. D

Qualified loan cosigner. Businesses and financial institutions consider many factors before extending credit or providing a loan to prospective customers. These factors include the customer's credit history and credit score, liquid assets, debt ratio, current income, and employment status. Because Francesca does not have much credit history to evaluate, the dealership is more likely to ask Francesca to get a cosigner for the loan. The cosigner agrees to cover the debt if Francesca defaults on the loan. Often, guardians, parents, or grandparents will agree to cosign for loans. Cosigners must meet certain criteria to qualify as a cosigner. Lenders can obtain credit reports from credit bureaus—the loan applicant does not need to provide the report. Francesca does not control when her employer increases her pay, so this option is not a consideration. Lenders do not request letters of intent from prospective customers.

SOURCE: FM:009

SOURCE: eHow.com. (1999-2012). *How to get a personal loan with a cosigner*. Retrieved November 8, 2012, from http://www.ehow.com/how_2076665_get-personal-loan-cosigner.html

70. A

Verify that the information is correct. Businesspeople analyze and review financial information for many reasons. In Mason's situation, the purpose of reviewing the documents is to ensure that all the information is provided and that it is correct. Because the example does not specify the type of financial documents that Mason is reviewing, it is not possible to know if the documents contain loan or forecasting information, or if they identify business's financial resources.

SOURCE: FM:010

SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (pp. 342-343). Mason, OH: South-Western Cengage Learning.

71. A

The first day on the job. Orientation is an introductory program for new employees in which they are given basic information about the company and its policies. Orientation should take place as soon as possible after hiring so that employees know enough about the company to feel comfortable and to get off to a good start. It would be ineffective to provide orientation monthly or only at the convenience of management or the employees.

SOURCE: HR:360

SOURCE: Heathfield, S. (n.d.). *New employee orientation*. Retrieved November 8, 2012, from <http://humanresources.about.com/od/glossary/n/g/orientation.htm>

72. B

Personal selling. Businesses can communicate with their target markets through personal selling. Budgeting, inventory, and operating procedures are not ways that businesses communicate with their target markets.

SOURCE: MK:015

SOURCE: MK LAP 2—Act Now (Employee Actions)

73. B

Information management. This is the process of accessing, processing, maintaining, evaluating, and disseminating knowledge, facts, or data for the purpose of assisting business decision making. Businesses need a lot of information to operate successfully and make decisions that will help the business grow and prosper. Managing the information allows businesses to obtain the data they need to remain competitive and survive. Communications network, organizational development, and applied research do not involve obtaining and evaluating data for the purpose of helping businesses make long-term decisions.

SOURCE: NF:110

SOURCE: NF LAP 3—In the Know (Nature of Information Management)

74. B

Intellectual property laws. Intellectual property is assets resulting from thinking processes. Written and artistic works, symbols (e.g., logos), words, trade secrets, and inventions are types of intellectual property that can be legally protected from the unauthorized use of others. In most countries, intellectual property protection is legislated by the national (federal) level of government rather than the local level of government. By registering its logo with the government, a business's logo has trademark protection. If another company uses the logo without the owner's permission, then the logo's owner can file a lawsuit against the company to stop the unauthorized use. And in some situations, the owner can obtain monetary damages from the unauthorized user. Trade secrets are types of knowledge that can be used to obtain an economic advantage. Formulas, recipes, and customer lists are examples of knowledge covered under trade-secret laws. Individuals and businesses obtain patent protection for their inventions.

SOURCE: NF:076

SOURCE: McAdams, T., Neslund, N., & Neslund, K. (2007). *Law, business, and society* (8th ed.) [pp. 709-710]. Boston: McGraw-Hill/Irwin.

75. D

Presentation. Presentation software programs allow businesspeople to create computer-generated presentations that may include graphics, transparencies, slides, text, sound, video, or animation. The advantage of using presentation software is that it enables businesses to develop colorful, eye-catching presentations that display information in an interesting manner. Application, operating, and publishing software programs do not combine graphics, transparencies, slides, and text for an on-screen display of information.

SOURCE: NF:008

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2009). *Marketing essentials* (pp. 202-203). Woodland Hills, CA: Glencoe/McGraw-Hill.

76. D

No longer needed. If a record isn't used for a long period of time and is no longer necessary, it is often destroyed. Businesses usually are unable to keep every record and systematically review and destroy those that are not vital to the operation. The fact that the record is no longer needed determines if it is destroyed, not its age or storage location. Many records are not required by law, but businesses keep them as long as they are needed.

SOURCE: NF:001

SOURCE: NF LAP 1—Record It (Business Records)

77. B

Posting web sites. Trends are the general direction in which people and events are moving. A trend that is occurring because of the Internet is the development of more web sites by existing brick-and-mortar businesses. By building web sites, these existing businesses have another way to provide information, promote products, and increase sales at any time of the day, any day of the week. Internet technology is not necessary to photograph products, print advertisements, or copy contracts.

SOURCE: NF:013

SOURCE: Pride, W.M., Hughes, R.J., & Kapoor, J.R. (2008). *Business: Library edition* (9th ed.) [pp. 134-135]. Boston: Houghton Mifflin Company.

78. B

Analysis. Environmental scanning is sometimes called environmental analysis or environmental monitoring. This is because the process includes the activities of gathering information (monitoring) and determining its future impact (analyzing). Environmental protection refers to the earth's environment. Businesses can neither manage nor plan the environment—it is beyond their control. They can only control internal resources to respond to environmental changes appropriately.

SOURCE: NF:015

SOURCE: NF LAP 2—Get the 411 (Environmental Scanning)

79. C

Lost income. Accidents are costly to both employers and employees. One way that accidents are costly to employees involves missing work and losing income. Some workers may be temporarily or permanently disabled and lose income for a long period of time or have their income drastically reduced. Expensive repairs, lost production, and decreased sales are ways that accidents are costly to employers.

SOURCE: OP:009

SOURCE: Tabeling, S. (2010, December 1). *Safety committees: Their role in preventing employee accidents in hotels and resorts*. Retrieved November 8, 2012, from <http://digitalscholarship.unlv.edu/cgi/viewcontent.cgi?article=1659&context=thesesdissertations>

80. D

Trademark the logo. A business can legally protect its logo from unauthorized use by registering the logo with the appropriate government agency. If an unauthorized entity compromises or uses the logo in harmful, embarrassing, or negative ways, trademark protection provides the business with legal recourse. Copyrights provide legal protection for written, musical, and artistic works. Patents are obtained to legally protect inventions and certain types of processes for a limited amount of time. A subpoena is a formal request issued by the court for an individual to submit evidence or serve as a witness at trial.

SOURCE: OP:153

SOURCE: Beatty, J.F., & Samuelson, S.S. (2008). *Essentials of business law* (3rd ed.) [pp. 797-803]. Mason, OH: Thomson/South-Western.

81. B

Bank loan. A project is any type of undertaking or task that has a distinct beginning and end. Businesses usually need a variety of resources to complete a project. Businesses require money (financial resource) to purchase goods and services to complete projects. Money can be obtained in a variety of ways. A common way for a business to obtain a lot of money is by obtaining a bank loan, which is a source outside the business. Internal sources that might provide money to complete a project include the business owner and the business's employees. Businesses pay sales taxes to the government and cannot use them to finance projects.

SOURCE: OP:003

SOURCE: QS LAP 19—Get What You Need

82. D

What could happen with a similar project. Although projects vary, most businesses consider several factors when determining if a particular project is "do-able." Considerations might include the project type and scope, time constraints, and necessary resources—human, financial, and equipment. Unknown outcomes of similar projects are not primary considerations when determining if a specific project is "do-able."

SOURCE: OP:001

SOURCE: QS LAP 28—From Here to Done (Project Planning)

83. A

How much merchandise should we buy? Effective purchasing provides the goods, services, or materials that businesses need in order to continue to exist. It does this by determining what to purchase, when to purchase, how much to purchase, where to purchase, how to purchase, and when to pay for the purchase. Distribution will determine shipment of merchandise. Promotion will determine how customers should be informed of merchandise availability. Risk management will determine how to protect products from pilferage.

SOURCE: OP:015

SOURCE: OP LAP 2—Buy Right (Purchasing)

84. C

Buyers. Since employees with buying responsibilities are spending the company's money for resale items or items to be used in the business, they are in a good position to help the business control expenses. Buyers should take advantage of discounts, negotiate favorable shipping terms, and choose vendors who fill orders accurately and deliver on time. Effective buyers often are able to save a business a significant amount of money. Stockers, designers, and trainers are not in as good a position as buyers to help a business control expenses because they do not have direct responsibility for spending the company's money.

SOURCE: OP:025

SOURCE: OP LAP 5—Buck Busters (Employee Role in Expense Control)

85. A

Personal appearance. Employers are interested in workers who can display a positive impression of their company to others. This is reflected in appropriate grooming, health, and dress. Betty's poorly maintained clothing shows her lack of pride in herself and the company. Promotions go to people who not only consistently do the job but look the part. Betty's job attitude and skills are acceptable since she is described as hard working. Her ability to get along with others was not discussed.

SOURCE: PD:002

SOURCE: PD LAP 5—Brand ME! (Personal Appearance)

86. B

Identifies the order in which activities should be done. Prioritizing is determining the order for completion of activities based on their importance. It shows which activities should be done first. This helps you to use your limited time wisely. Prioritizing would not reduce the number of daily activities. Completing activities after they have been prioritized and scheduled should help you to meet deadlines and raise your level of self-confidence.

SOURCE: PD:019

SOURCE: OP LAP 1—About Time (Time Management in Business)

87. C

Civil service postings. Civil service is one form of government employment that usually requires an applicant to pass a competitive exam in order to be hired. Governmental agencies post lists of civil service jobs currently available within the agencies. These listings usually are posted on bulletin boards at the various city, county, state, and federal office buildings. School bulletin boards usually provide information about jobs available with local businesses rather than governmental agencies. Unions only provide information about jobs with companies that have contracts with the unions. Local telephone directories do not contain specific job information.

SOURCE: PD:026

SOURCE: Bailey, L.J. (2007). *Working* (4th ed) [p. 57]. Mason, OH: South-Western Cengage Learning.

88. A

Interest the employer in interviewing you. The purpose of a letter of application is to catch the interest of the prospective employer so that you will be called in for a personal interview. Few employees are hired without a personal interview. The letter of application should tell the employer how you found out about the job, but that is not a basic purpose of the letter. The letter should touch on your work history and job skills, but the complete details should be presented in your résumé.

SOURCE: PD:030

SOURCE: Kimbrell, G., & Vineyard, B.S. (2006). *Succeeding in the world of work* (pp. 125-126). New York: Glencoe/McGraw-Hill.

89. C

The ability to speak a foreign language. While it might be helpful in attracting new clients, the ability to speak a foreign language is not an essential qualification for working as a financial analyst or personal financial advisor. Essential qualifications include mathematical and analytical skills, good communication skills, and the ability to work independently.

SOURCE: PD:152

SOURCE: QS LAP 51—Careers in the Money

90. C

Marketable. Transferable skills are abilities that people have and can use in a variety of situations or jobs. When employers want to hire people with the transferable skills to fill job openings, the skills are valuable to the employers and provide job seekers with potential employment opportunities, which makes the skills marketable. Valuable, transferable skills are not always labor-intensive, dynamic, or unusual.

SOURCE: PD:035

SOURCE: Anczerewicz, K. (2008, March 1). *The 7 most marketable skills for the job market*. Retrieved November 8, 2012, from <http://ezinearticles.com/?The-7-Most-Marketable-Skills-For-the-Job-Market&id=1019605>

91. C

Securities and investments. Chartered Financial Analysts (CFAs) are highly qualified investment professionals. The CFA designation, which is recognized internationally, is offered by the CFA Institute. To earn the CFA designation, individuals must have at least four years of professional investment work experience, follow a strict code of ethics, join the CFA Institute, and pass a series of exams that test their knowledge of portfolio management, types of investments, financial reporting and analysis, and economics.

SOURCE: PD:082

SOURCE: CFA Institute. (2012). *The CFA program*. Retrieved November 8, 2012, from <http://www.cfainstitute.org/cfaprogram/Pages/index.aspx>

92. A

Treating the person to a round of golf. Something as simple as four hours of golf gives you the opportunity to get to know a vendor better. It gives you an opportunity to learn the person's interests and to talk business in a casual environment. Giving the vendor an expensive gift might be construed as a bribe. Although having salespeople talk to the vendor is helpful, it doesn't foster a professional relationship with you. Offering jobs to people on the vendor's staff would create conflict rather than helping to build a positive, professional relationship.

SOURCE: PD:153

SOURCE: Hoban, S. (n.d.). *Building business relationships*. Retrieved November 8, 2012, from http://www.ciremagazine.com/article.php?article_id=30

93. D

Implement a referral system. A referral is a recommendation given to an individual or business by another individual or business. For example, satisfied clients may refer their friends, family, or colleagues to their financial planners for financial advice. This is one way that businesspeople working in the financial industry can build professional relationships. A financial planner may implement a referral system or program to encourage clients or associates to provide referrals. A referral system might involve giving a free consultation or discount to a client who has provided the financial planner with a lucrative referral. Reading about industry trends and printing new business cards are not actions that build professional relationships. The finance professional must take action on the trends s/he has researched and distribute the business cards to others to begin building professional relationships. Because financial information is personal and confidential, people are usually selective with whom they share their information.

SOURCE: PD:153

SOURCE: Yokam, C. (n.d.). *How to build business relationships*. Retrieved November 8, 2012, from http://www.ehow.com/how_4488222_build-business-relationships.html

94. D

The company's financial risk will increase. An employee who deliberately withholds information that negatively affects the company is acting in an unethical manner. Because Ted is stealing money from the company, the company is experiencing financial losses. By remaining silent, Michelle is increasing the company's financial risk because Ted may continue to take money from the company, which would increase the company's financial losses. In some jurisdictions, embezzlement is a felony. Ted will not be charged with a felony unless Michelle or another person tells the company's management about the embezzlement. Property insurance premiums and noncompliance fines are not likely to be affected if Michelle does not inform the company about Ted's embezzlement activities.

SOURCE: RM:041

SOURCE: Head, G. (2005, February). *Why link risk management and ethics?* Retrieved November 8, 2012, from <http://www.irmi.com/expert/articles/2005/head02.aspx>

95. A

Whistleblower. One way to manage potential risks resulting from unethical conduct is to build an internal infrastructure that promotes and enforces ethical practices and offers incentives to behave ethically. This internal infrastructure typically includes appropriate audit procedures, a code of conduct, a committee to develop the code, training for employees about the code, and a whistleblower policy. A whistleblower policy encourages and enables employees to report unethical behavior or actions without fear of negative repercussions such as demotion or firing. A credit policy is a guideline for a business to follow in controlling the use of payment plans that allow customers to purchase now and pay later. Monetary policy is the government policy that determines the amount of money that will be in circulation and the level of interest rates. Constituent policies are public policies that apply to the government or nation as a whole. Constituent policies include national security, foreign affairs, diplomacy, etc.

SOURCE: RM:041

SOURCE: Francis, R. & Armstrong, A. (n.d.). *Ethics as a risk management strategy: The Australian experience*. Retrieved November 8, 2012, from <http://eprints.vu.edu.au/777/1/JBEthicsRisk.pdf>

96. D

Saves information when computer failures occur. Back-up procedures involve saving the business's computer information at set intervals. If the computer system is damaged or fails to operate correctly, the back-up is available to retrieve stored information so the business can continue to operate. The back-up reduces the risk of losing all types of information—financial, shipping, ordering, human resources, etc. The purpose for implementing back-up 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

SOURCE: Marks, G. (2010, July 20). *Backing up your computer backup services*. Retrieved November 8, 2012, from <http://www.forbes.com/2010/07/20/carbonite-mozy-internet-technology-backup.html>

97. A

Obtain professional liability insurance. Professional liability insurance is a type of insurance that provides financial protection for certain types of professionals, such as doctors, nurses, lawyers, architects, and accountants. The purpose of the insurance is to reduce the risk of financial loss to the individual and to the company for whom s/he works if a client or patient sues them. The purpose of disability insurance is to cover people who cannot work for long periods of time due to illness or injury. Signing vendor contracts and developing non-compete contracts do not reduce risks associated with client or patient lawsuits.

SOURCE: RM:043

SOURCE: Beam, J., & Foster, N. (2012, August 13). *What is malpractice insurance?* Retrieved November 8, 2012, from <http://www.wisegEEK.com/what-is-malpractice-insurance.htm>

98. B

Obtain adequate property insurance. Businesses purchase various types of insurance to transfer risk. To minimize its risk, a business must ensure that it obtains adequate insurance coverage. For one premium amount, a business can obtain comprehensive property insurance that covers losses associated with building damage and equipment and inventory theft or damage. Businesses can select the appropriate coverage based on their specific needs. If the business does not purchase enough insurance, the insurance payout amount may not cover all of the business's losses, which would be more costly to the business. To maintain insurance coverage, businesses need to pay premiums when they are due, which may be on a monthly, quarterly, or annual basis. Disability insurance is a type of insurance that pays a percentage of employees' salaries if they are unable to work for an extended period of time. Lenders often require that businesses carry certain types and levels of insurance before they will loan them money.

SOURCE: RM:058

SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (pp. 312-313). Mason, OH: South-Western Cengage Learning.

99. B

Reduce the chance of financial losses. Because risk involves the possibility of loss, businesses must be diligent to control their levels of risk. Businesses can experience financial losses in all areas of the business—from product recalls and poor hiring selections to poor credit policies and workplace injuries. Businesses can control their various risks by implementing appropriate business policies, training employees, and acquiring adequate insurance coverage. By controlling financial risk, businesses can limit their debt (liabilities). When businesses have low debt, they increase the potential to earn profit, which contributes to the well-being of society. Businesses increase their visibility in the market in different ways (positive and negative) and are not always related to controlling their levels of risk.

SOURCE: RM:058

SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (p. 326). Mason, OH: South-Western Cengage Learning.

100. A

Management. Management is the process of coordinating resources in order to accomplish an organization's goals. Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services. Promotion communicates information about goods, services, images, and/or ideas to achieve a desired outcome. Production is the process of creating goods and services.

SOURCE: SM:001

SOURCE: SM LAP 3—Manage This! (Concept of Management)