

Competency-Based
Competitive Events
Written Exam
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Test Number 1064
Booklet Number _____

Finance Cluster Exam

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. What effect do some environmental laws have on businesses?
 - A. Limit equipment purchases
 - B. Require more employees
 - C. Control exterior landscapes
 - D. Increase operating costs
2. Limited liability is a characteristic of what form of business ownership?
 - A. Sole proprietorship
 - B. Partnership
 - C. Corporation
 - D. Joint proprietorship
3. An important purpose of full-disclosure laws and regulations is to
 - A. provide information to investors so they can make informed decisions.
 - B. allow company employees to use inside information for personal gain.
 - C. require companies to disclose all information about their operations.
 - D. prevent a stock's par value from dropping below its market value.
4. 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
5. Which of the following is an estate-tax deduction:
 - A. Property passing directly to the surviving spouse
 - B. Valuable art and collectibles left to children
 - C. Charitable contributions that are unqualified
 - D. Money left to friends or distant relatives
6. When financial institutions follow government regulations pertaining to the industry, the institutions are
 - A. being independent.
 - B. being ethical.
 - C. in compliance.
 - D. in mediation.
7. Rather than studying individual customer data, First Bell Bank is interested in analyzing groups of customers. Members of a group should be similar and markedly different from other customer groups. Which of the following Customer Relationship Management (CRM) activities should be used to prepare First Bell Bank's customer data for analysis:
 - A. Regression
 - B. Estimation
 - C. Clustering
 - D. Prediction
8. Which of the following reasoning processes does a virtual auditor use to identify financial system transactions that are very similar to each other but are not exactly alike:
 - A. Cross-source reasoning
 - B. Contextual reasoning
 - C. Temporal reasoning
 - D. Comparative reasoning
9. Restating the message in your own words is called
 - A. repetition.
 - B. analysis.
 - C. paraphrasing.
 - D. reception.
10. All calls coming into a business should end as pleasantly as possible in order to
 - A. provide callers with accurate information.
 - B. make the best use of your time.
 - C. help you to get a good review.
 - D. leave a good last impression with callers.
11. In oral presentation, a thesis statement is
 - A. a structure for the presentation.
 - B. the purpose of a presentation.
 - C. a complete statement of the main idea.
 - D. how the audience should respond.

12. 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.
13. Which of the following is an example of a simple written report that a business might prepare on a regular basis:
- A. Findings of a major investigation
 - B. Results of a research study
 - C. Minutes of a staff meeting
 - D. Analysis of a publicity campaign
14. What type of information is often transmitted through upward communication?
- A. Suggestions
 - B. Instructions
 - C. Evaluations
 - D. Corrections
15. Businesses use technology to build positive customer relations by
- A. calling customers at home.
 - B. creating targeted marketing campaigns.
 - C. placing pop-up advertisements on web sites.
 - D. sending unsolicited e-mails.
16. A positive result of handling customer complaints properly is that it will
- A. increase returns.
 - B. promote goodwill.
 - C. foster objections.
 - D. increase markdowns.
17. What do finance professionals need to do to build long-term relationships with their clients?
- A. Follow-up with clients every two years
 - B. Invest all clients' money conservatively
 - C. Be honest, open, and trustworthy
 - D. Require clients to sign a short-term contract
18. When providing product information to clients, finance professionals should use
- A. technical terms.
 - B. simple explanations.
 - C. financial acronyms.
 - D. standard responses.
19. What are potential risks to a business that fails to follow government regulations?
- A. Bankruptcy, higher sales, and lower stock values
 - B. Penalties, higher stock values, and lower credibility
 - C. Lower stock values, fines, and higher sales
 - D. Fines, penalties, and bankruptcy
20. By deciding to buy or not to buy, consumers control what goods and services will be produced and at what price through their
- A. capital investment.
 - B. gross income.
 - C. limited wants.
 - D. economic votes.
21. What does utility reveal about consumers?
- A. Preferences
 - B. Income
 - C. Background
 - D. Influences
22. The market price is the actual price that prevails in a market
- A. at the beginning of each quarter.
 - B. at any particular moment.
 - C. on the first of each month.
 - D. at the beginning of the fiscal year.
23. Businesses that contribute money to local educational, cultural, and training programs are showing social responsibility to their
- A. customers.
 - B. employees.
 - C. communities.
 - D. stockholders.

24. Which of the following demonstrates the interrelationship among primary business activities:
- A. A new product is introduced, so business advertisements must adjust in response.
 - B. A business changes its goals, so its strategies and tactics change, too.
 - C. One business activity changes, so the others must adjust in response.
 - D. A business manager becomes vice president, so his/her department must adjust to the change.
25. A higher standard of living is achieved in a country when productivity
- A. and population increase at a similar rate.
 - B. remains the same and population increases.
 - C. increases at a rate faster than population.
 - D. decreases and population remains the same.
26. When a leader keeps trying in spite of setbacks, s/he is demonstrating which characteristic of emotional intelligence:
- A. Confidence
 - B. Proactive behavior
 - C. Positive working relationships
 - D. Perseverance
27. Which of the following personal traits would be affected by your physical health:
- A. Self-confidence
 - B. Cultural background
 - C. Gender
 - D. Ethnic heritage
28. You have been assigned a project to do at work, and your manager told you to take all the time you need. You know the task can be done in two days, but you also know you can take as long as two weeks. What trait will help you to make the right decision?
- A. Empathy
 - B. Integrity
 - C. Patience
 - D. Body language
29. What is one of the main reasons that employees behave unethically?
- A. To do what everyone else does
 - B. To create positive customer relations
 - C. To become managers
 - D. To obtain publicity
30. Which of the following responses expresses empathy:
- A. "I am so glad you liked the restaurant. We go there a lot."
 - B. "I am so excited that we are leaving tomorrow on vacation."
 - C. "I am so sorry. I understand how difficult that must have been for you."
 - D. "I was so sorry to hear about the bad accident."
31. One reason why ethics is often a consideration when providing information is because of the issue of
- A. respect.
 - B. privacy.
 - C. safety.
 - D. diversity.
32. Why do many businesses develop programs and activities to help reduce employee stress?
- A. To exhibit empathy
 - B. To encourage creativity
 - C. To eliminate conflict
 - D. To maintain productivity
33. A credit plan that requires a signed contract, a down payment, and the balance to be paid over a specific period of time is called _____ credit.
- A. revolving
 - B. installment
 - C. open
 - D. regular
34. The amount of interest you earn in a typical savings account is about
- A. 11 percent.
 - B. 10 percent.
 - C. one percent.
 - D. 15 percent.
35. If you are 17 right now, what is the best age to begin investing?
- A. 27
 - B. 32
 - C. 17
 - D. 25

36. How do finance companies commonly raise capital?
- A. Investing deposits from savers
 - B. Investing funds from premium payments
 - C. Issuing notes, bonds, and other obligations
 - D. Establishing mutual funds and investment banks
37. Mortgages and government bonds are examples of
- A. debt instruments.
 - B. equity products.
 - C. unrated investments.
 - D. interest-free services.
38. A primary factor that has led to the consolidation of financial firms is the desire
- A. for fewer products.
 - B. for fewer assets.
 - C. to lower costs.
 - D. to lower risks.
39. The Money for You Bank recently merged with the Keeping You Safe Insurance Company. The merger is an example of _____ in the finance industry.
- A. consolidation
 - B. convergence
 - C. tactical planning
 - D. licensing
40. Falling interest rates typically cause
- A. stock prices to increase.
 - B. stock prices to decrease.
 - C. a stock market to crash.
 - D. no change in stock prices.
41. When an emerging market suffers an economic decline, foreign investors usually
- A. help the emerging market to recover economically.
 - B. use the opportunity to invest more in the emerging market.
 - C. quickly withdraw their money from the emerging market.
 - D. pay less for each transaction in the emerging market.
42. April is a college student who wants to open a bank account for the first time. She has \$500 cash to deposit in the account initially. The bank she chooses is not near her dorm, and it's difficult for her to get there. She has a part-time job and receives a bi-weekly paycheck that will be directly deposited into her account. Which of the following types of accounts should she ask for at the bank:
- A. Checking
 - B. Savings
 - C. Money market
 - D. Certificate of deposit
43. Which of the following is **not** a standard financial statement:
- A. Income statement
 - B. Balance sheet
 - C. Shareholder sheet
 - D. Cash flow statement
44. What does an income statement show about a company over a period of time?
- A. Profitability
 - B. Reliability
 - C. Equity
 - D. Liabilities
45. The numbers listed in a stock table's 52-week high and low column tell you
- A. the best prices for the stock.
 - B. if the stock price is overvalued.
 - C. the range of prices for the year.
 - D. the range of where the stock price should be.
46. Which of the following is a true statement about ticker symbols:
- A. They uniquely identify a company.
 - B. They tell you what kind of stock it is.
 - C. They are made up of the first three letters of a company's name.
 - D. They are only given to companies on the New York Stock Exchange.
47. Which of the following is an example of a lending investment:
- A. Stocks
 - B. Homes
 - C. Antiques
 - D. Bonds

48. Bennett has just finished college and has moved into her own apartment that is located on a bus line. She'll be able to take the bus to her new job that she's scheduled to start in a month. In fact, she'll need to rely on bus transportation until she saves money to buy a car. What insurance coverage should she have?
- A. Renter's insurance and temporary short-term health insurance
 - B. Health and life insurance
 - C. Renter's insurance and COBRA
 - D. Auto insurance and temporary short-term health insurance
49. A labor strike against a major employer is an example of a(n) _____ risk.
- A. human
 - B. natural
 - C. economic
 - D. internal
50. What type of financial records do businesses need to maintain in order to keep track of their transactions?
- A. Tax identification
 - B. Accounts receivable
 - C. Payroll information
 - D. Operating procedure
51. Which of the following is the basic calculation used to analyze an income statement:
- A. Assets minus liabilities
 - B. Revenue plus sales
 - C. Income minus expenses
 - D. Sales plus operating costs
52. Which of the following is a common financial-information management problem:
- A. Multiple financial data sources and systems within an organization
 - B. Overreliance on a master source and system for financial data
 - C. Strict organizational data governance policies and processes
 - D. Insufficient financial information due to compliance regulations
53. A primary responsibility of financial-information management is to
- A. report financial transactions.
 - B. negotiate contracts with vendors.
 - C. develop new products.
 - D. implement sales policies.
54. Which of the following is an example of a businessperson exhibiting unethical behavior in relation to a business's financial information:
- A. An unauthorized employee reviews a client's financial information.
 - B. An auditor verifies the accuracy of a corporation's financial statements.
 - C. A banker requests financial information from a business to process a loan.
 - D. A manager examines the business's financial records to develop a budget.
55. Which of the following is a technological tool that businesses use to archive their financial records:
- A. Electronic data interchange
 - B. Direct-response software
 - C. Digital microfilm scanner
 - D. Web-development programs
56. Why has online technology's use increased in financial-information management?
- A. Recognition that the security of transactions is no longer an issue
 - B. Removal of electronic information exchange procedures
 - C. Passage of laws that recognize electronic documents as legally binding
 - D. Protection of customers' right to privacy
57. The primary reason that businesses use data mining techniques to obtain various types of financial information is to
- A. manage their working capital effectively.
 - B. develop their financial goals.
 - C. identify relationships and patterns among data.
 - D. analyze the accuracy of their accounting records.

58. Alyssa is starting a small business out of her home. When she accesses a business “how-to” web site, Alyssa finds software downloads and printable worksheets that will help her plan and manage her business's income and expenses. The software and worksheets are types of
- A. statistical information.
 - B. legal data.
 - C. budgeting tools.
 - D. organizational charts.
59. What is a benefit of managing budgeting data efficiently through budgeting applications?
- A. Decreases auditors' ability to trace the numbers used in budgets
 - B. Increases amount of time that needs to be spent on value-added activities
 - C. Decreases the need for having an audit trail
 - D. Increases management's confidence in budgets
60. Businesses often use computer-spreadsheet software for “what-if” financial planning by plugging in different numerical data into formulas, which provide possible
- A. distribution methods.
 - B. production strategies.
 - C. financial outcomes.
 - D. accounting standards.
61. In which of the following situations would a firm use cost-analysis applications:
- A. To predict sales volume for a certain period of time
 - B. To determine the number of delinquent accounts
 - C. To assess income changes over a certain period of time
 - D. To evaluate the amount of money associated with inventory storage
62. To obtain specific financial information from a complex database, the user has to set
- A. queries.
 - B. symbols.
 - C. tabs.
 - D. panels.
63. What function allows users to customize and automate tasks when developing a database?
- A. Macro
 - B. Split
 - C. Break
 - D. Consolidate
64. Because the Keller Company is a public corporation, it must provide its shareholders with accurate financial information in a(n)
- A. accounting portfolio.
 - B. informal monthly contract.
 - C. complex memorandum.
 - D. annual report.
65. Which of the following is a financial report that financial institutions often review to decide if they will approve applicants' requests for business loans:
- A. Payment voucher
 - B. Corporation charter
 - C. Petty-cash summary
 - D. Cash-flow statement
66. The accounting system used to report a business's financial position that is intended for internal users is the _____ accounting system.
- A. financial
 - B. management
 - C. computerized
 - D. manual
67. Which of the following is essential to the identification of trends in financial data for a horizontal analysis:
- A. Data in a Statement of Cash Flows
 - B. Data from the most recent financial report
 - C. Data in financial reports from multiple time periods
 - D. Data from a zero-based budget
68. By analyzing a customer's financial information, a finance professional should be able to
- A. protect the security of the customer's financial information.
 - B. declare Chapter 11 bankruptcy for the customer.
 - C. develop a financial strategy to help the customer.
 - D. determine the customer's newest target market.

69. Before approving a loan application, a bank is likely to analyze the applicant's
- A. debt ratio.
 - B. inflation rate.
 - C. brand preferences.
 - D. performance goals.
70. Which of the following is an example of a businessperson making a business decision by analyzing financial data:
- A. William asks the staff accountant to prepare the company's profit-and-loss statement for next Tuesday's executive board meeting.
 - B. After reviewing sales forecasts and income statements, Angela determines that the company has enough money to hire a new employee.
 - C. Timothy obtains a copy of the business's credit rating report from a credit bureau.
 - D. So she can prepare the company's tax return, Kate obtains the necessary financial documents and forms.
71. One of the procedures for orienting new employees often involves
- A. providing specialized training.
 - B. reviewing previous education.
 - C. developing a compensation package.
 - D. scheduling a periodic review.
72. Overall, what does marketing allow us to do?
- A. Limit our spending
 - B. Stop buying online
 - C. Live our daily lives
 - D. Feel better about shopping
73. Which of the following is a benefit that businesses receive from using the Internet:
- A. Easier use of satellite radio
 - B. Improved methods of manufacturing
 - C. Faster connections with suppliers
 - D. The ability to call employees on the road
74. An advantage to a business that uses intranet capabilities is that it allows employees to share the business's information with
- A. customers.
 - B. competitors.
 - C. each other.
 - D. former employees.
75. Ingrid is able to access information from her desktop publishing software, word-processing software, and spreadsheet software at the same time on her personal computer. This is an example of an operating system with _____ capabilities.
- A. multiprocessing
 - B. multi-user
 - C. multitasking
 - D. multithreading
76. Melanie is putting a copy of each valuable business record in a building far away from her company. She is practicing which part of disaster planning?
- A. Establish a system for record keeping
 - B. Store information off site
 - C. Keep potential lawsuits in mind
 - D. Computerize valuable business information
77. Which of the following is a type of business record that a firm can use to track its customers' buying habits:
- A. Forecast
 - B. Invoice
 - C. Marketing budget
 - D. Annual report
78. A main reason that environmental scanning is important is so that businesses can be aware of
- A. foreign markets.
 - B. new products.
 - C. competitors' internal environments.
 - D. potential threats.
79. Which of the following helps the operations function to control costs and increase productivity:
- A. Hiring of employees
 - B. Use of technology
 - C. Type of management
 - D. Supply of money

80. Which of the following is one way that workplace accidents are costly to employees:
- A. Lost income
 - B. Lost production
 - C. Lost sales
 - D. Lost profits
81. Who is usually responsible for planning a project?
- A. Project coordinator
 - B. Project scheduler
 - C. Project assistant
 - D. Project manager
82. Do businesses such as banks and dry cleaners engage in production?
- A. No, the services provided by these businesses are intangible.
 - B. Yes, these businesses produce a line of tangible products.
 - C. Yes, the services provided by these businesses are their products.
 - D. No, these businesses do not engage in production.
83. Which of the following is an example of continuous improvement?
- A. Giving managers full responsibility for product quality
 - B. Minimizing defect levels to 3.4 per million units produced
 - C. Selecting the best possible supplier
 - D. Following an annual self-assessment and improvement process
84. Which of the following is an advantage to a business of a good maintenance program:
- A. Fixed costs are increased.
 - B. Customers are more likely to be satisfied.
 - C. Maintenance costs can be added to profits.
 - D. Emergency repairs will be needed more often.
85. Which of the following aspects of personal appearance would likely have the least harmful effect in the workplace:
- A. Excessively baggy clothes
 - B. Body piercings
 - C. Visible tattoos
 - D. Tailored clothing
86. Planning activities in advance, setting priorities, and avoiding nonproductive diversions are important aspects of
- A. accountability.
 - B. natural ability.
 - C. productivity.
 - D. time management.
87. As you develop self-understanding, the things you learn about yourself will help you to understand others. A positive result of this would be that you are able to
- A. do what others want you to do.
 - B. get what you want from others.
 - C. get along well with others.
 - D. help others to become mature.
88. Employees who have supervisory responsibilities for part or all of the business work in
- A. business information technology.
 - B. corporate/general management.
 - C. securities and investments.
 - D. merchandising.
89. What is one of the main reasons for sending an interview follow-up letter?
- A. To submit personal information
 - B. To explain your qualifications
 - C. To show your continued interest
 - D. To ask supplemental questions
90. Which of the following statements about working in the financial-services industry is *false*:
- A. Financial services professionals can be found in all kinds of companies, from large corporations to sole proprietorships.
 - B. Someone who works in financial services is limited to working at an investment firm, a bank, or an insurance company.
 - C. Financial services professionals can expect to earn higher-than-average salaries.
 - D. The financial-services industry includes real estate brokers, fund managers, and auditors.

91. As an employee of a financial-services firm, Elise helps her clients reduce their debt, build their wealth, and save for their retirement. Which certification is Elise mostly likely to need to perform her job:
- A. Certified Loan Officer (CLO)
 - B. Certified Tax Specialist (CTS)
 - C. Certified Financial Planner (CFP)
 - D. Chartered Market Technician (CMT)
92. Which of the following is a certification sought by individuals who evaluate companies and industries and make buy, sell, and hold recommendations for certain securities:
- A. Chartered Financial Consultant (ChFC)
 - B. Certified Financial Planner (CFP)
 - C. Chartered Financial Analyst (CFA)
 - D. Certified Stock Broker (CSB)
93. Troy is a finance manager for a small firm in town. Last night, he attended a cookout at his neighbor's house, and met Melissa, who is the owner of a large financial-planning company. Troy and Melissa exchanged business cards, and they set up an appointment for the following week to discuss business opportunities. In what type of situation did Troy and Melissa form a professional business relationship?
- A. Corporate environment
 - B. Formal event
 - C. Educational setting
 - D. Social networking
94. One way for a company to manage its risk in relation to its employees' workplace behavior is by
- A. allowing employees to view all company records.
 - B. providing employees with the flexibility to change company policies.
 - C. encouraging employees to report workplace misconduct.
 - D. permitting employees to use company resources for personal use.
95. How do ethics relate to risk management?
- A. Risk management is all about the ethical treatment of customers.
 - B. The best form of risk management is adherence to business ethics.
 - C. Risk management is insurance for lapses in business ethics.
 - D. The best form of business ethics is risk management.
96. To reduce the risk of loss due to fire or power outages, a financial business should protect its computer data by
- A. using encryption techniques.
 - B. conducting backup procedures.
 - C. implementing an authorization process.
 - D. monitoring data-transmission rates.
97. When businesses continuously monitor the laws and implement changes to remain in compliance, they are
- A. demonstrating negligence.
 - B. controlling their risks.
 - C. interpreting contracts.
 - D. increasing their liabilities.
98. Which of the following situations is an example of a business controlling its internal risks:
- A. A law firm allows its malpractice insurance to lapse.
 - B. A service business hires illegal immigrants and pays them low wages.
 - C. A manufacturer inspects and maintains its equipment on a regular basis.
 - D. A retailer sells a particular line of goods below cost.
99. Why is the choice of a risk measure for internal and external risk of great practical importance?
- A. It determines the maximum number of clients that can be served effectively by a financial institution.
 - B. It determines the minimum reserve requirements in financial trading.
 - C. It identifies the types of risks that the financial institution will encounter.
 - D. It designates the audience that will receive the resulting financial reports.
100. The management function of business is usually responsible for
- A. preparing ads.
 - B. serving customers.
 - C. setting policy.
 - D. stocking shelves.