

KEY

Test Number 1064

Finance Cluster Exam

CAUTION: Posting these materials on a website is a copyright violation unless specifically authorized by MBAResearch.

This comprehensive exam was developed by the MBAResearch Center. Items have been randomly selected from the MBAResearch Test-Item Bank and represent a variety of instructional areas. Performance Indicators for this exam are at the prerequisite, career-sustaining, and marketing specialist levels. A descriptive test key, including question sources and answer rationale, has been provided the state DECA advisor.

Copyright © 2012 by Marketing & Business Administration Research and Curriculum Center®, Columbus, Ohio

Each individual test item contained herein is the exclusive property of MBAResearch. Items are licensed only for use as configured within this exam, in its entirety. Use of individual items for any purpose other than as specifically authorized in writing by MBAResearch is prohibited.

Possession of this exam, without written authorization, under any other circumstances is a copyright violation. Posting to inter- or intranet sites is specifically forbidden unless written permission is obtained prior to posting. Report violations to MBAResearch at 800.448.0398.

1. D

Increase operating costs. Environmental laws are intended to conserve and protect the natural environment. Many of these laws have an impact on the way businesses operate by requiring them to decrease pollution or control waste. As a result, businesses often need to spend money to comply with the rules and regulations, which leads to an increase in operating costs. For example, a business might need to purchase pollution-control devices. Environmental laws do not require businesses to hire more employees or develop exterior landscapes. The laws do not limit equipment purchases. In fact, businesses may need to buy more equipment to comply with the laws.

SOURCE: BL:073

SOURCE: Longenecker, J.G., Moore, C.W., & Petty, J.W. (2003). *Small business management: An entrepreneurial emphasis* (12th ed.) [p. 539]. Cincinnati: Thomson/South-Western.

2. C

Corporation. Stockholders in corporations have limited liability; that is, their losses are limited to the amount of money that they have invested in the business. Partnerships and sole proprietorships have unlimited liability, meaning that the business owners are personally liable for debts incurred by the business. Joint proprietorship is not a form of business ownership.

SOURCE: BL:003

SOURCE: BL LAP 1—Own It Your Way (Types of Business Ownership)

3. A

Provide information to investors so they can make informed decisions. Full-disclosure laws and regulations require companies to disclose—publicize—any information that could affect the value of the firms' stocks. Investors need this information so they can make informed buy, hold, or sell decisions about investments. Full-disclosure laws also prevent company employees and other insiders from using privileged information for their personal gain. Full-disclosure laws do not require companies to disclose every bit of information about their operations—some undisclosed trade secrets are permitted. Full-disclosure laws and regulations are not designed to impact par values of stock.

SOURCE: BL:133

SOURCE: Mayo, H.B. (2007). *Basic finance: An introduction to financial institutions, investments, & management* (9th ed.) [p. 30]. Mason, OH: South-Western Cengage Learning.

4. D

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

SOURCE: BL:133

SOURCE: Murray, J. (n.d.). *Fiduciary-fiduciary responsibility*. Retrieved November 14, 2011, from <http://biztaxlaw.about.com/od/glossary/f/g/fiduciary.htm>

5. A

Property passing directly to the surviving spouse. An estate tax is a tax on the fair-market value of assets that are transferred to another person upon the owner's death. In some situations, beneficiaries can obtain estate-tax deductions. The marital deduction is a deduction that applies when the deceased individual's property passes directly to the surviving spouse. Estate-tax deductions apply to some qualified charitable contributions. Valuable art, collectibles, and money that are left to children, relatives, and friends are not tax deductible under estate-tax code.

SOURCE: BL:134

SOURCE: Internal Revenue Service. (2011, October 31). *Frequently asked questions on estate taxes*. Retrieved November 14, 2011, from <http://www.irs.gov/businesses/small/article/0,,id=108143,00.html#5>

6. C

In compliance. There are various government regulations pertaining to the finance industry that financial institutions are required to follow. When financial institutions follow the regulations, they are in compliance with the laws and regulations. Many of these laws affect how financial information is reported, and how the privacy of personal financial information is protected. When financial institutions follow government regulations, they are abiding by the law rather than being ethical. Being ethical is voluntary whereas being in compliance is required by law. The financial institutions are not in mediation or being independent.

SOURCE: CC:003

SOURCE: Federal Trade Commission. (2006, April). *Financial institutions and customer information: Complying with the safeguards rule*. Retrieved November 14, 2011, from <http://business.ftc.gov/documents/bus54-financial-institutions-and-customer-information-complying-safeguards-rule>

7. C

Clustering. Clustering involves dividing customers in a database into groups based on their similarities and differences. Estimation is used to determine a value for an unknown variable such as a sales forecast. Regression involves using existing values to forecast what continual values will be. Prediction uses historical data to build a model to forecast future customer behavior.

SOURCE: CR:024

SOURCE: Peppers, D. & Rogers, M. (2004). *Managing customer relationships: A strategic framework* (p. 343). Hoboken, NJ: John Wiley & Sons, Inc.

8. D

Comparative reasoning. A virtual auditor, which is a type of compliance technology, uses multiple reasoning processes to continuously review financial transactions and processes to identify errors and/or compliance violations. Comparative reasoning is used to identify financial system transactions that are very similar to each other but not exactly alike. For example, after identifying two close matches, comparative reasoning is used to determine if one transaction was entered multiple times or if the two entries in the system are for two separate transactions. Contextual reasoning is used to consider each financial transaction's circumstances and how it compares to historical patterns in the system. Temporal reasoning involves considering the timing of a financial transaction. Cross-source reasoning is used to compare financial transactions and processes in multiple financial systems.

SOURCE: CC:004

SOURCE: Oversight Systems, Inc. (n.d.). *IT's role in financial process improvements*. Retrieved November 14, 2011, from http://www.oversightsystems.com/pdf/whitepapers/IT_4_biz_improvement_060725.pdf

9. C

Paraphrasing. Paraphrasing, an important active-listening strategy, is restating a message in your own words in order to confirm or clarify its meaning. Repetition is also an active strategy. Analysis involves evaluating the information. Reception involves hearing the information, not necessarily restating it.

SOURCE: CO:017

SOURCE: QS LAP 1—Listen Up

10. D

Leave a good last impression with callers. Leaving a good last impression is just as important as creating a positive first impression. Employees do not want the professional image they have created to be ruined in the last seconds of the call. Concluding calls pleasantly may help you to get a good performance review, but that is not the purpose of it. Providing callers with accurate information and making good use of your time are not part of ending calls pleasantly.

SOURCE: CO:114

SOURCE: Odgers, P. (2004). *The world of customer service* (p. 50). Mason, OH: South-Western.

11. C

A complete statement of the main idea. A thesis is a single, complete statement of the main idea. It is not a statement of purpose, nor does it describe how the audience should respond. It is not the structure for the presentation, but is the starting point for the structure.

SOURCE: CO:025

SOURCE: QS LAP 9—Well Said!

12. B

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

SOURCE: CO:016

SOURCE: Hyden, J.S., Jordan, A.K., Steinauer, M.H., & Jones, M.J. (2006). *Communicating for success* (3rd ed.) [pp. 112, 116-117, 282]. Mason, OH: Thomson South-Western.

13. C

Minutes of a staff meeting. Simple written reports are often intended to provide information to the business's employees. An example of a simple written report that a business might prepare on a regular basis is the minutes of a staff meeting. Businesses often have routine staff meetings and prepare a brief summary to distribute to all employees. This serves to remind employees of the topics discussed and provide that information to employees who may have been unable to attend. Results of a research study, findings of a major investigation, and analysis of a publicity campaign are examples of complex written reports.

SOURCE: CO:094

SOURCE: Lesikar, R.V., & Flatley, M.E. (2005). *Basic business communication: Skills for empowering the Internet generation* (10th ed.) [pp. 319-321]. Boston: McGraw-Hill/Irwin.

14. A

Suggestions. Upward communication involves sending a message to someone at a higher level in the business. Many businesses encourage upward communication by making it possible for employees to send suggestions and comments to management. Employees who have suggestions on how to improve quality or make positive changes are given an opportunity to transmit that information upward to managers. Instructions, evaluations, and corrections are usually transmitted from a higher level down to employees at a lower level.

SOURCE: CO:014

SOURCE: Roberts, S.J. (2012). *Fundamentals of business communication* (pp. 27-28). Tinley Park, IL: Goodheart-Willcox Co.

15. B

Creating targeted marketing campaigns. Businesses use technology to build positive customer relations by identifying valuable customers and creating targeted marketing campaigns to reach them. Calling customers at home, placing pop-up ads online, and sending "junk" e-mails will create negative customer relations instead of positive ones.

SOURCE: CR:003

SOURCE: CR LAP 1—Accentuate the Positive (Nature of Customer Relations)

16. B

Promote goodwill. Goodwill is a positive feeling a person has toward a business. Properly settling complaints will promote goodwill, which may increase sales for the business. Increased returns and increased markdowns are negative outcomes of handling complaints improperly. Handling complaints properly does not affect objections—customers' reasons for not buying.

SOURCE: CR:010

SOURCE: Odgers, P. (2004). *The world of customer service* (p. 57). Mason, OH: South-Western.

17. C

Be honest, open, and trustworthy. While it is important for finance professionals to help their clients manage their finances and grow their wealth, it is also important that they earn their clients' trust. Finance professionals earn their clients' trust by behaving ethically and being honest and open. By doing so, finance professionals are more likely to build long-term relationships with their clients. Finance professionals must help clients set financial goals with which the clients are comfortable—some clients can or want to make risky investments, while others take a more conservative approach. Earning trust and helping clients meet their financial goals also involve ongoing, consistent, and frequent communication with their clients. Requiring clients to sign a short-term contract will not always help finance professionals build long-term relationships with their clients.

SOURCE: CR:012

SOURCE: Peppers, D. & Rogers, M. (2004). *Managing customer relationships: A strategic framework* (pp. 235-238). Hoboken, NJ: John Wiley & Sons.

18. B

Simple explanations. When providing product information to clients, finance professionals should keep the clients' point-of-view in mind. Clients may not be familiar with finance industry jargon, technical terms, or acronyms. Therefore, finance professionals should use simple, clear language that clients understand. While standard responses are sometimes helpful to finance professionals, it is usually better to keep individual clients in mind when providing product information since different clients are likely to have different knowledge bases.

SOURCE: CR:012

SOURCE: Buzzell, D., & Spasovski, S. (2004). *Principles of banking* (8th ed.) [p. 152]. Washington: American Bankers Association.

19. D

Fines, penalties, and bankruptcy. When a business does not follow or comply with government regulations, it may experience negative consequences. The government might issue penalties or high fines for noncompliance. Noncompliance may result in a poor public image that lowers the business's credibility with the public. Customers may stop buying from the business and start buying products from the business's competitors, resulting in lower sales. Lower sales negatively affect the business's financial health and may cause the business to file for bankruptcy. If the business is a corporation, noncompliance issues may negatively affect its stock values.

SOURCE: CC:003

SOURCE: Testa, B. (2005). *The high cost of noncompliance*. Retrieved November 14, 2011, from <http://www.edn.com/article/CA6252379.html>

20. D

Economic votes. Consumers vote for products and prices by purchasing and against products and prices by not purchasing. Their purchases are made from their discretionary income, the part of their gross income that they can decide to spend or save. Capital investment is the funds used to start and to maintain a business. Wants are wishes or longing for things that are lacking, and they are unlimited.

SOURCE: EC:002

SOURCE: EC LAP 10—Get the Goods on Goods and Services (Goods and Services)

21. A

Preferences. Though a consumer's income and background may affect his/her purchase decisions, the consumer's preferences are what utility reveals. Utility does not show what influences a consumer—or what a consumer influences.

SOURCE: EC:004

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

22. B

At any particular moment. The market price is the actual price that prevails in a market at any particular moment and may change whenever the seller desires to change it. The market price could change as frequently or infrequently as necessary and is not based on the price prevailing on a specific day or time of the year.

SOURCE: EC:006

SOURCE: EC LAP 12—When More Is Less (Functions of Prices)

23. C

Communities. Social responsibility is the duty of business to contribute to the well-being of society. Many of the decisions that business owners make affect not only the business but the community in which the business exists. One way that businesses demonstrate social responsibility to their communities is by contributing money to local educational, cultural, and training programs. Businesses use other methods to demonstrate social responsibility toward their employees, customers, and stockholders.

SOURCE: EC:070

SOURCE: EC LAP 20—Business Connections (Business and Society)

24. C

One business activity changes, so the others must adjust in response. Since the primary business activities are interrelated, when one business activity changes, the others must adjust in response. Changes in the products introduced, changes in specific employee roles, and changes in business strategies/tactics do not represent the interrelationship of business activities overall. They represent smaller changes that take place within specific business activities.

SOURCE: EC:071

SOURCE: EC LAP 19—Strictly Business (Business Activities)

25. C

Increases at a rate faster than population. A higher standard of living is the direct result of higher productivity. A decrease in productivity will lead to a lower standard of living. An increase in population, when combined with a similar increase in productivity, could actually lead to a lower standard of living. Similarly, when productivity remains the same while population increases, a lower standard of living will probably result.

SOURCE: EC:013

SOURCE: EC LAP 18—Make the Most of It (Productivity)

26. D

Perseverance. Leaders are often the people who keep trying in spite of setbacks and seemingly impossible obstacles. This is perseverance. With characteristics from emotional intelligence, such as motivation, leaders learn to outlast disappointment and fatigue. Trying in spite of setbacks is not the same as proactive behavior—taking action before problems develop. It is also not the same as confidence or getting along with a variety of people (positive working relationships).

SOURCE: EI:001

SOURCE: EI LAP 6—EQ and You (Emotional Intelligence)

27. A

Self-confidence. Physical health can affect your self-confidence. Most personal traits are interdependent, and changes in one may affect another. Physical health can affect an individual's self-confidence, self-esteem, attitude, creativity, assertiveness, etc. Gender refers to whether an individual is male or female, a factor that is not affected by physical health. Ethnic heritage is the cultural background handed down to individuals by the ethnic group, or culture, into which they were born.

SOURCE: EI:018

SOURCE: EI LAP 9—You've Got Personality (Personality Traits in Business)

28. B

Integrity. Integrity is adhering to an established set of personal ethics and sound moral principles. People with integrity do not take more time than is necessary to do a job because they know that increases expenses for a business. Patience is the ability to endure life's aggravations and difficulties calmly. Body language is nonverbal communication, and empathy is the ability to put yourself in another's place.

SOURCE: EI:022

SOURCE: Clark, B., Sobel, J., & Basteri, C.G. (2006). *Marketing dynamics* (p. 69). Tinley Park, IL: Goodheart-Willcox.

29. A

To do what everyone else does. Employees who behave unethically often justify their actions by believing that everyone else does it. Some employees may see their coworkers use company equipment for personal projects and then do the same themselves. Most employees realize that such behavior is unethical and use "Everyone else does it" as an excuse. Unethical behavior would not result in long-term, positive customer relations. Most people would not want their unethical behavior to be publicized. Although some people may behave unethically to become managers, it is not a main reason for unethical behavior.

SOURCE: EI:004

SOURCE: EI LAP 4—Work Right (Ethical Work Habits)

30. C

"I am so sorry. I understand how difficult that must have been for you." Empathy is the ability to put yourself in another person's place. It enables you to imagine how the other person sees things and feels about them. The other alternatives are comments that do not involve empathy.

SOURCE: EI:030

SOURCE: EI LAP 12—Have a Heart (Showing Empathy to Others)

31. B

Privacy. Many types of information are private or confidential. As a result, ethics is a consideration when providing information because it would be unethical to pass on private or confidential information about an individual without that person's knowledge or consent. This also applies to providing information about a company or organization that might be private or confidential. Respect, safety, and diversity are not ethical considerations when providing information.

SOURCE: EI:038

SOURCE: Kimbrell, G., & Vineyard, B.S. (2006). *Succeeding in the world of work* (p. 267). New York: Glencoe/McGraw-Hill.

32. D

To maintain productivity. Stress is a mental, physical, or emotional feeling of pressure or tension. Excessive stress can have a negative effect on employees, such as reducing productivity. When employees feel stress, they may not work efficiently. Also, stress may cause employees to miss work because of stress-related illnesses. To maintain productivity, many businesses develop activities and programs that help employees reduce stress. For example, some businesses provide recreational activities such as exercise programs during the work day. Some businesses provide quiet areas for employees to relax or listen to music. The intention is to reduce stress so employees will remain healthy and productive. Businesses do not develop programs and activities to help reduce employee stress to encourage creativity, eliminate conflict, or exhibit empathy.

SOURCE: EI:028

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2009). *Marketing essentials* (p. 220). New York: Glencoe/McGraw-Hill.

33. B

Installment. Customers must usually pay a finance charge, or interest, for the privilege of using this kind of credit. Revolving credit plans do not require down payments. Regular, or open, credit allows credit users to buy at any time during a set period, usually 30 days.

SOURCE: FI:002

SOURCE: FI LAP 2—Give Credit Where Credit Is Due (Credit and Its Importance)

34. C

One percent. The amount of interest you earn in a typical savings account is about one percent. Making 10, 11, or 15 percent would only be possible through investing.

SOURCE: FI:270

SOURCE: QS LAP 30—Supersize Your Money

35. C

17. If you are 17 now, the best age to begin investing is 17! The sooner you begin to take advantage of the compounding growth of the stock market, the better. Compounding is your best friend, because right now, time is on your side. As a teenager, you have more years ahead of you to invest than your grandparents, your parents, and even your older siblings. Waiting until you're 25, 27, or 32 could cost you hundreds of thousands of dollars.

SOURCE: FI:270

SOURCE: QS LAP 30—Supersize Your Money

36. C

Issuing notes, bonds, and other obligations. Finance companies, also known as credit companies, are a type of financial institution. Finance companies raise capital by issuing notes, bonds, and other obligations. They use this capital to provide loans to businesses and consumers. Insurance companies raise capital by investing funds from premiums and offering loans to clients. Deposit-taking institutions accept funds from savers and use those funds to offer loans to borrowers. Investment institutions, not finance companies, establish mutual funds and investment banks.

SOURCE: FI:336

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

37. A

Debt instruments. Debt instruments are assets that generate income, usually by charging interest, for the asset provider. For example, a mortgage is a financial product (asset) provided by a financial institution (asset provider or lender) to a home or business owner. The borrower pays back the mortgage or loan with interest. Charging and collecting interest is the way that the financial institution makes money by providing the loan. Government bonds are debt instruments because the organizations or individuals who purchase the bonds (asset providers) earn interest (income) on the bond from the bond issuer (government). An equity instrument involves acquiring ownership of an asset, such as stock. Mortgages and government bonds are not examples of unrated investments or interest-free services.

SOURCE: FI:337

SOURCE: Federal Reserve Bank of San Francisco. (2005, October). *What are the differences between debt and equity markets?* Retrieved November 14, 2011, from <http://www.frbsf.org/education/activities/drecon/answerxml.cfm?selectedurl=/2005/0510.html>

38. C

To lower costs. Consolidation is the merging of financial providers within the same institutional category. For example, consolidation occurs when two banks merge to form one bank. By consolidating, the financial firms can achieve economies of scale, which result in reduced redundancy and lower costs. Consolidation can increase the assets (liquid capital) for all of the financial firms involved. Consolidation can also provide consumers with a wider range of financial products. Consolidation may or may not lower business risk.

SOURCE: FI:573

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

39. B

Convergence. Convergence occurs when financial providers from different financial sectors (e.g., banking services and insurance) merge. Consolidation takes place when financial providers within the same institutional category merge. For example, if two banks were to merge, they would be consolidating their companies. Tactical planning is short-range planning (one year) of specific actions the business will take. Two businesses should look much further ahead than just one year before making the decision to merge. Licensing is a business structure that requires the authorization or permission from an owner of another entity to use trademarked, copyrighted, or patented material for a specific activity, during a specific time period, for the profit of both parties. Businesses that enter into licensing agreements do not merge.

SOURCE: FI:573

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

40. A

Stock prices to increase. Falling interest rates typically cause stock prices to increase. When interest rates fall, it becomes less expensive for companies to acquire funds needed to finance projects and operations. Because their borrowing costs decrease, the companies' earnings often increase. As a result of higher earnings, the companies' stock prices increase as well. Falling interest rates usually cause a positive change in stock prices, not a decrease in stock prices. A stock market crash is a sudden, dramatic decline in stock prices.

SOURCE: FI:574

SOURCE: Andrews, J.A. (2004). *Forces that move stock prices*. Retrieved November 14, 2011, from <http://ezinearticles.com/?Forces-that-Move-Stock-Prices&id=5727>

41. C

Quickly withdraw their money from the emerging market. When an emerging market suffers an economic decline, market prices are likely to decline as well. Rather than investing more in the emerging market at the lowered prices and helping the emerging market to recover, foreign investors are typically self-interested. Therefore, they are likely to withdraw their money from the emerging market and invest the funds in more stable markets elsewhere in the world. The loss of foreign investors' funds often wreaks even more havoc on the emerging market. An economic decline is not likely to reduce transaction costs in the emerging market.

SOURCE: FI:575

SOURCE: MBA Research and Curriculum Center. (2009). *Introduction to finance course guide* (pp. 5-156, 5-157, 5-158). Columbus, Ohio: Author.

42. A

Checking. April's paycheck is going to be directly deposited into her account. Two options that April will have for accessing that money will be either to go to the bank to withdraw needed money or to leave the money in the bank and draw upon the money by writing checks. Since it is difficult for April to get to the bank, opening a checking account is a good idea. To withdraw cash from a savings account, April would have to go to the bank, which is difficult. April does not have enough cash to open a money market account. Her bi-weekly paycheck could not be directly deposited into a certificate of deposit.

SOURCE: FI:076

SOURCE: WiseGEEK (2003-2011). *What are different types of bank accounts?* Retrieved November 14, 2011, from <http://www.wisegeek.com/what-are-different-types-of-bank-accounts.htm>

43. C

Shareholder sheet. There is no such thing as a shareholder sheet. The balance sheet, income statement, and cash flow statement are three standard financial statements that are found in annual reports.

SOURCE: FI:274

SOURCE: QS LAP 36—The Source Is With You

44. A
Profitability. The income statement shows a company's profitability over a period of time. Reliability, equity, and liabilities are not part of the income statement.
SOURCE: FI:274
SOURCE: QS LAP 36—The Source Is With You
45. C
The range of prices for the year. The numbers in a stock table's 52-week high and low column tell you the range of the prices for the year. But, the numbers simply give the range for the year. Alone they do not tell an investor if the stock is overvalued, what the best price for the stock is, or where the range should be.
SOURCE: FI:275
SOURCE: QS LAP 37—Table Talk
46. A
They uniquely identify a company. Ticker symbols are simply a type of shorthand for company names that uniquely identify them, but they do not tell investors anything else about the company, such as what kind of stock the symbol represents. Sometimes the ticker symbols correspond to a company name, but not always. And as such, they would typically not be made up of a company's first three letters. All stock markets use ticker symbols, not just the New York Stock Exchange.
SOURCE: FI:275
SOURCE: QS LAP 37—Table Talk
47. D
Bonds. A lending investment is one in which a lender allows a borrower to use his/her money during a period of time for a specified fee or rate of interest. A bond is a type of lending investment in which individuals lend money to a government, municipality, or corporation to earn a set rate of interest for a specified time period. Homes, antiques, and stocks are ownership investments.
SOURCE: FI:077
SOURCE: Kapoor, J.R., Dlabay, L.R., & Hughes, R.J. (2005). *Personal finance* (pp. 251-254). New York: Glencoe/McGraw-Hill.
48. A
Renter's insurance and temporary short-term health insurance. Although Bennett has not started her new job, she should obtain renter's insurance to protect her belongings in the apartment. Since she hasn't started her job yet, she should get temporary health insurance that would provide coverage from 1-12 months. Health insurance will probably be provided by Bennett's employer once she starts working. Auto insurance is not needed since she will be using bus transportation. COBRA is short-term group coverage that individuals can obtain when they're between jobs. They're, in effect, continuing their coverage with their previous employer. No information was provided as to whether Bennett had prior employment.
SOURCE: FI:081
SOURCE: Vohwinkle, J. (n.d.). *Types of insurance policies you need*. Retrieved November 14, 2011, from <http://financialplan.about.com/od/insurance/a/insuredoneed.htm>
49. C
Economic. Economic risks are risks caused by changes in the market that force a lowering of prices, a change of product, or failure of businesses. Business conditions, such as a labor strike, can create economic risks for businesses. Labor strikes affect other businesses since many of their customers will be out of work and unable to buy goods and services. The other businesses affected by a labor strike may experience decreases in sales and profit, or even be forced to close. Human risks are chances of loss caused by human weakness and unpredictability. Natural risks are chances of loss which result from natural phenomena. Internal is not a type of risk.
SOURCE: FI:084
SOURCE: FI LAP 8—Prepare for the Worst; Expect the Best (Nature of Risk Management)

50. B

Accounts receivable. Accounts receivable are the monies owed to a business by its customers. Businesses maintain financial records that include an exact listing of each transaction that occurs in the business. The records include expenses, money received, and any money owed which is referred to as accounts receivable. Businesses need to know how much money will be coming in over a period of time in order to keep track of current financial status. Tax identification, payroll information, and operating procedures are not types of financial records that businesses need to maintain in order to keep track of their transactions.

SOURCE: FI:085

SOURCE: FI LAP 5—Show Me the Money (Nature of Accounting)

51. C

Income minus expenses. The basic calculation used to analyze an income statement is “income minus expenses.” All the money a business earns minus all of its expenses gives an exact picture of how well the company is doing financially. If the outcome is positive, the business has a profit. If the outcome is negative, the business has a loss. Revenue, sales, and assets are included in a business's income. Liabilities and operating costs are included in a business's expenses.

SOURCE: FI:094

SOURCE: FI LAP 4—Watch Your Bottom Line (Income Statements)

52. A

Multiple financial data sources and systems within an organization. One of the most common problems faced by financial-information management is multiple financial data sources and systems within an organization. Because of the different, sometimes incompatible data sources and systems, it is often difficult for managers to get a single view of their companies' financials. Therefore, organizational overreliance on a master source and system for financial data is not typically a financial-information management problem. Few companies have a single master source of data nor a single system for recording and reporting the data. Rather than strict organizational data governance policies and processes, most companies suffer from inadequate data governance. Due to increased compliance regulations, most companies have much more financial information than ever before.

SOURCE: FM:002

SOURCE: Ventana Research. (2011). *Research overview*. Retrieved November 14, 2011, from <http://www.ventanaresearch.com/research/overview.aspx?id=42>

53. A

Report financial transactions. Financial-information management is the ongoing process of gathering, maintaining, and storing financial data. Businesses use financial data to develop reports that aid the business decision-making process and meet compliance requirements. An important aspect of financial information management is maintaining data about financial transactions such as accounts receivable (e.g., customer sales transactions) and accounts payable (monetary outflows). The business's buyers negotiate contracts with vendors. Buyers may or may not use financial information as leverage during the negotiation process with vendors. The product/service management function of the business focuses on new product development. The selling function of the business implements sales policies.

SOURCE: FM:002

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

54. A

An unauthorized employee reviews a client's financial information. Businesses have an ethical duty to protect their clients' financial information. Businesses must develop and implement procedures that reduce the risk of theft or unauthorized access to confidential financial information by internal and external sources. Verifying the accuracy of financial statements, requesting financial information to process a loan, and examining financial records to develop a budget are necessary and ethical practices.

SOURCE: FM:003

SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (p. 339). Mason, OH: South-Western Cengage Learning.

55. C

Digital microfilm scanner. Businesses must keep a variety of financial information for a certain length of time, often for several years. Many businesses have saved their archived financial information on microfilm. Microfilm is a type of film that stores photographed images and text in a condensed format for easy storage. A digital microfilm scanner can take existing microfilm, which is older technology, and convert it into a digital format. The advantage to switching microfilm records to a digital format is that businesses can easily view the data on computers and share information quickly through the Internet. Direct-response software is a computer program that helps businesses automate their direct-marketing efforts. Electronic data interchange (EDI) is a network of computers that allows businesses to share information. Businesses use web-development programs to develop and maintain web sites.

SOURCE: FM:011

SOURCE: Roennevig, M. (n.d.). *How to convert microfilm to digital images*. Retrieved November 14, 2011, from http://www.ehow.com/how_7518751_convert-microfilm-digital-images.html

56. C

Passage of laws that recognize electronic documents as legally binding. As businesses have become more comfortable with the use of electronic information, their willingness to accept electronic documents as legally binding contracts has also increased. This has been buoyed by the passage of laws recognizing electronic documents and signatures as legally binding. Electronic information exchange procedures have not been removed. These procedures provide a way for people to exchange information electronically. Security remains an issue for online financial-information management. Although the customers' right to privacy is an issue, it has not contributed to the increased use of online technology in financial-information management.

SOURCE: FM:011

SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (pp. 338-339). South-Western Cengage Learning.

57. C

Identify relationships and patterns among data. Data mining is the process of searching computer databases to look for patterns and relationships among information. Businesses use the information they obtain from data mining to make business decisions, such as determining which customers may qualify for credit. Businesses do not use data mining techniques to develop financial goals, manage their working capital, or analyze the accuracy of their accounting records.

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.

58. C

Budgeting tools. A budget is an estimate of income and expense for a specific timeframe. A budget is an important financial tool that helps the business manage its money. Many web sites provide budgeting tools such as software downloads or free printable worksheets. Legal data, statistical information, and organizational charts are not tools that help small-business owners plan and manage their income and expenses.

SOURCE: FM:013

SOURCE: About.com. (2009). *Budget worksheet*. Retrieved November 14, 2011, from <http://financialplan.about.com/cs/budgeting/l/blbudget.htm>

59. D

Increases management's confidence in budgets. The efficient management of budget data benefits businesses in a variety of ways, including error detection and control, decreasing the time needed for completing the accounting cycle, and increasing management's confidence, not only in budgets, but also in financial statements and performance scorecards, etc. Since use of efficient budgeting applications decreases the amount of time required to complete the accounting cycle, financial professionals have time to spend on value-added activities, such as decision-making and presentation of information, rather than having to spend more time on them. An audit trail and increased ability to trace the numbers used in budgets are natural outgrowths of the use of budgeting applications.

SOURCE: FM:013

SOURCE: Oracle. (2008, July). *The emerging field of financial data quality management*. Retrieved November 14, 2011, from <http://www.oracle.com/us/products/middleware/bus-int/064080.pdf>

60. C

Financial outcomes. Computer spreadsheet software has the ability to calculate formulas and organize numerical data. When a business inputs different values or sets of numerical data in a spreadsheet, the spreadsheet software calculates the values or sets of data, which provides different outcomes based on the values or sets of data that were used. By reviewing the various outcomes, the business can determine the best course of action to take under particular circumstances; the "what ifs" of specific situations. Production strategies are the activities used to produce goods and services. Distribution methods are the strategies that a business uses to make sure that products are delivered to the right people at the right place at the right time. Accounting standards are the degrees to which accounting practices (financial recordkeeping) meet certain criteria.

SOURCE: FM:014

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

61. D

To evaluate the amount of money associated with inventory storage. To maintain profitability, a firm must evaluate its costs in relation to its various business functions, which include purchasing, marketing, human resources, operations, etc. Businesses often analyze the various costs associated with carrying products. For example, a temperature-sensitive product may require special warehousing accommodations, which increases the costs associated with storing the product. Businesses use accounts-receivable applications to determine the number of delinquent accounts. Income reports summarize income changes. Businesses use budgeting applications to estimate sales volume.

SOURCE: FM:014

SOURCE: MicroStrategy.com. (2011). *Financial analysis*. Retrieved November 14, 2011, from <http://latam.microstrategy.com/financial-analysis/>

62. A

Queries. Businesses store their financial information in databases. Businesses can retrieve, manipulate, and analyze different types of financial information. To obtain specific information from a computer system, the business must input the type of data and parameters for the data it wants. This process is setting the queries. The query is the mechanism used to obtain the desired information from the database. Symbols might be used to set the query, but not always. Tabs are tools used to indent words and phrases in a word-processing program. Businesses do not set panels to obtain financial data from databases.

SOURCE: FM:015

SOURCE: Chapple, M. (2011). *What is a database?* Retrieved November 14, 2011, from <http://databases.about.com/od/specificproducts/a/whatisadatabase.htm>

63. A

Macro. A macro is a customized keystroke or shortcut that commands the database program to perform certain tasks automatically, such as inserting a specific table or bolding specific text. Using macros can increase efficiency when working with complex databases. The split function can divide text or cells. The break function inserts page breaks. The consolidate function combines data.

SOURCE: FM:015

SOURCE: Microsoft Corporation. (n.d.). *What is a macro?* Retrieved November 14, 2011, from <http://office.microsoft.com/en-us/access/HA012142021033.aspx>

64. D

Annual report. Governments require businesses to provide certain types of financial information to regulatory agencies and shareholders. Public corporations, which are owned by shareholders, are required to provide information about their financial standings and performance levels in an annual report. Public corporations do not provide their shareholders with financial information in an informal monthly contract, complex memorandum, or accounting portfolio.

SOURCE: FM:004

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

65. D

Cash-flow statement. A cash-flow statement is a financial report that contains estimates as to when, where, and how much money will flow into and out of a business in a given timeframe. Lending institutions want to look at loan applicants' cash-flow statements to determine if they have enough money to operate. If an applicant seems to have problems paying bills due to continuous cash shortages, a lending institution may believe it is too risky to process the loan because the applicant may not be able to pay back the loan. A corporation charter is a permit granted by the government to a business that allows the business to operate as a corporation. A petty-cash summary documents a business's small cash transactions. A payment voucher is a receipt.

SOURCE: FM:005

SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (pp. 76-77, 113-114). Mason, OH: South-Western Cengage Learning.

66. B

Management. Businesses often prepare financial reports that are intended for internal use, or use by the management of the business. These reports are used to make day-to-day operating decisions. The management accounting system reports financial information that helps businesses to decide if they have funds to hire more employees and increase production, or if they need to reduce costs and improve the rate of collections. The financial accounting system is used to report a business's financial position to external users. Computerized and manual are ways of recording the accounting information.

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) [pp. 34-35]. New York: Glencoe/McGraw-Hill.

67. C

Data in financial reports from multiple time periods. Trends indicate the direction that something is headed. They depict patterns. Horizontal analysis requires the comparison of data over a period of time. You cannot look at a single financial report and spot trends for a horizontal analysis.

SOURCE: FM:008

SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (pp. 83-84). South-Western Cengage Learning.

68. C

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

SOURCE: FM:009

SOURCE: Kolakowski, M. (n.d.). *Financial planner*. Retrieved November 14, 2011, from <http://financecareers.about.com/od/financialplanner/a/finplanner.htm>

69. A

Debt ratio. To reduce the risk of nonpayment or default on a loan, a bank reviews the loan applicant's debt ratio before approving the loan. The debt ratio indicates the applicant's current level of debt in relation to his/her current assets (e.g., income, home). If the applicant has a high level of outstanding debt and few liquid assets, the applicant is more likely to default on the loan. In this situation, the applicant would most likely be denied the loan. The bank may consider the economy's inflation rate in relation to the applicant's debt ratio when evaluating the loan application. The bank is not likely to consider the applicant's brand preferences or performance goals.

SOURCE: FM:009

SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (pp. 266-270). South-Western Cengage Learning.

70. B

After reviewing sales forecasts and income statements, Angela determines that the company has enough money to hire a new employee. A business analyzes financial data for many reasons. One reason is to make decisions that affect the welfare of the business. For example, if a businessperson decides that s/he can afford to hire a new employee after reviewing sales forecasts and income statements, the businessperson has made a decision based on his/her findings in the financial reports. Asking an accountant to prepare a profit-and-loss statement, obtaining a credit rating report, and obtaining documents to prepare a tax return are not actions that involve decision making.

SOURCE: FM:010

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

71. A

Providing specialized training. Employees often are hired to perform specific jobs that are unique to individual companies. Therefore, providing specialized training is often part of orienting new employees. Although the new employees have the qualifications to do the job, the business may want the job done in a specific way that requires training. Businesses review previous education and develop a compensation package before hiring new employees. Periodic reviews are scheduled after employees have been on the job for a certain length of time.

SOURCE: HR:360

SOURCE: Park Nicollet Health Services. (n.d.). *Training, orientation*. Retrieved November 14, 2011, from <http://www.parknicollet.com/careers/interviewOrientation/trainingOrientation/index.cfm>

72. C

Live our daily lives. Overall, marketing allows us to live our daily lives since marketing is involved in almost everything we do. Limiting our spending and not buying online anymore are negative responses that may or may not have anything to do with marketing. Feeling better about shopping could be a positive side effect of marketing.

SOURCE: MK:001

SOURCE: MK LAP 4—Have It Your Way! (Nature of Marketing)

73. C

Faster connections with suppliers. The Internet gives businesses faster and easier ways to communicate with both customers and suppliers—through e-mail, chat, video conferencing, etc. It does not necessarily provide improved methods of manufacturing. Use of satellite radio is the result of satellite technology, not the Internet. The ability to call employees on the road is the result of cell phone technology.

SOURCE: NF:003

SOURCE: NF LAP 4—TECH-tastic (Technology's Impact on Business)

74. C

Each other. An intranet is an internal network of computers within an organization that allows employees to access and share information. Intranet systems benefit businesses because employees can view, transmit, and share information across departments, divisions, or branches. For example, an intranet may allow sales staff, purchasing staff, and warehouse staff to view the inventory status of the business's products simultaneously. This is important because each department works with the business's products in different ways. The intranet system allows each department to monitor the business's inventory levels to perform the work. The intranet provides employees access to the same information at any given time, and helps the business run efficiently. Intranet systems often contain confidential information and are not shared with competitors, customers, and former employees.

SOURCE: NF:083

SOURCE: Soloman, M.R., Marshall, G.W., & Stuart, E.W. (2008). *Marketing: Real people, real choices* (5th ed.) [pp. 108-109]. Upper Saddle River, NJ: Pearson Prentice Hall.

75. C

Multitasking. The computer's operating system consists of the components needed to run all of the computer applications and programs. When the operating system allows the user to open and use more than one software program at a time, it has multitasking abilities. An operating system that allows more than one user to access a particular program at one time has multi-user capabilities. An operating system that allows several central processing units (computers) to access a single program has multiprocessing capabilities. Multithreading capabilities allow different components of one computer program to run at the same time.

SOURCE: NF:085

SOURCE: Webopedia.com. (n.d.). *Operating system*. Retrieved November 14, 2011, from http://www.webopedia.com/term/o/operating_system.html

76. B

Store information off site. By putting copies of records in a building far away from her company, Melanie is storing information off site—a part of disaster planning. Melanie has likely established a system already, since she has records to preserve. She may or may not choose to computerize her valuable business information. The records stored off site may or may not be used in a lawsuit in the future. Off-site storage is typically used to avoid hazards, such as fires and floods.

SOURCE: NF:001

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

77. B

Invoice. An invoice is the formal, printed record of a sale that includes all necessary information of a sales transaction. The information includes the buyer, the seller, items purchased, amounts, prices, delivery date, credit, discount terms, etc. Businesses can review their invoices to determine their customers' buying habits because the invoices record the buyers' (customers') names and the items that the customers have purchased. By reviewing invoices, the business can determine which products are popular and which are not selling. A forecast is an estimation of something. A marketing budget is an estimation of the business's marketing income and expenses for a specific timeframe. An annual report is a summary of the business's financial status.

SOURCE: NF:002

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2009). *Marketing essentials* (p. 350). Woodland Hills, CA: Glencoe/McGraw-Hill.

78. D

Potential threats. A main reason that environmental scanning is important is so that businesses can be aware of potential threats and opportunities. These are all too easy to miss if a business isn't aware of its surroundings. An environmental scan might include information on new products or foreign markets, but these are not the main reasons for conducting it. Most information about a competitor's internal environment would not be available to a competing business.

SOURCE: NF:015

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

79. B

Use of technology. Operations are the day-to-day activities required for continued business functioning. Advances in technology make it possible for businesses to use computers to control various aspects of the operations function. For example, specialized computer programs can design the layout of the production facility, while other programs can monitor inventory levels and automatically place orders. This technology reduces the number of employees needed to perform these tasks, which controls costs. Other computer programs organize and schedule production activities, which decrease costs and increase productivity. Hiring employees may increase costs and will not necessarily increase productivity. The type of management and the supply of money do not help the operations function to control costs and increase productivity.

SOURCE: OP:191

SOURCE: Pride, W.M., Hughes, R.J., & Kapoor, J.R. (2008). *Business* (9th ed.) [pp. 286-293]. Boston: Houghton Mifflin.

80. A

Lost income. Workplace accidents are costly to both employees and employers. Some of the ways that accidents are costly to employees include missing work and losing income. Lost production, lost sales, and lost profits are some of the ways that accidents are costly to employers.

SOURCE: OP:009

SOURCE: U.S. Department of Labor. (n.d.). *Making the business case for safety and health*. Retrieved November 14, 2011, from <http://www.osha.gov/dcsp/products/topics/businesscase/costs.html>

81. D

Project manager. The person responsible for planning a project is usually the same person who is responsible for carrying it out: the project manager. Under the project manager, project assistants, coordinators, and schedulers may work on parts of the planning or information related to the planning. But they are not responsible for planning the entire project.

SOURCE: OP:001

SOURCE: QS LAP 28—From Here to Done

82. C

Yes, the services provided by these businesses are their products. Businesses are engaged in production, whether they produce goods or services. Even though services are intangible items that cannot be detected through the senses, services are products that can be sold to customers. Businesses that provide services must have a system for producing those services.

SOURCE: OP:017

SOURCE: OP LAP 4—Can You Make It? (Nature of Production)

83. D

Following an annual self-assessment and improvement process. Continuous improvement involves always moving forward to make improvements. An annual process guides an organization to steadily improve. While minimizing defects is important to quality, setting a minimum level does not mean continuous improvement, especially when that minimum is met. Likewise, selecting the best supplier is not a continuous process. Giving managers responsibility does not necessarily mean they will work to continually improve.

SOURCE: OP:163

SOURCE: ASQ. (n.d.). *Continuous improvement*. Retrieved November 21, 2011, from <http://www.asq.org/learn-about-quality/continuous-improvement/overview/overview.html>

84. B

Customers are more likely to be satisfied. The business will operate with fewer inconveniences and problems that will hurt good customer service. Maintenance costs are part of operating expenses and are not added to profits. Emergency repairs will be needed less often. Fixed costs, which are not affected by changes in sales volume, are likely to decrease as fewer repairs or replacements will be needed.

SOURCE: OP:032

SOURCE: Educational Institute of the American Hotel & Lodging Association. (2005). *Lodging management program: Year 1* (2nd ed.) [p. 22]. Lansing, MI: Educational Institute of the American Hotel & Lodging.

85. D

Tailored clothing. Extremes in clothing and in appearance have grown in recent years—everything from wild and clashing colors, loose and baggy clothing, to multiple body piercings and visible tattoos. Such extremes generally send negative messages that are harmful to your personal appearance and success in the workplace. Tailored clothing is not likely to be harmful to you or your image in the workplace, although less expensive, nontailored clothing is also appropriate.

SOURCE: PD:002

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

86. D

Time management. Time management is the process of controlling events in order to accomplish priorities. Effective time management helps employees become more productive no matter what their level of natural ability. Productivity is the amount of output from a set amount of resources. Accountability is the process of answering to a superior for the quality of work performed.

SOURCE: PD:019

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

87. C

Get along well with others. Understanding yourself helps you to understand others, which usually helps you get along well with them. When you understand why people think or act in a certain way, you can react in an appropriate fashion. Getting what you want from others or doing what they want you to do would be negative outcomes of self-understanding. Self-understanding can help you to become a mature individual, but it doesn't mean you can help others to do the same thing.

SOURCE: PD:013

SOURCE: Wallace, H.R., & Masters, L.A. (2006). *Personal development for life & work* (9th ed.) [p. 4]. Mason, OH: South-Western Cengage Learning.

88. B

Corporate/general management. Employees who have supervisory responsibility for part or all of the business work in corporate/general management. Careers in corporate/general management focus on planning, organizing, directing, and evaluating part or all of a business organization through the allocation and use of financial, human, and material resources. These employees do not work in business information technology, securities and investments, or merchandising. Business information technology employees help to align business and IT goals. The securities and investments industry consists of brokerage firms, investment banks, and stock exchanges, all of which support the flow of funds from investors to companies and institutions. Merchandising careers involve marketing activities that are focused on efficient and effective product planning, selection, and buying for resale.

SOURCE: PD:025

SOURCE: PD LAP 15—Go For It! (Careers in Business)

89. C

To show your continued interest. After every employment interview, you should send the interviewer a follow-up letter. The purpose of this letter is to thank interviewers for their time and to show that you are truly interested in obtaining the job. The follow-up letter serves as a reminder to interviewers and helps to keep your name in front of them. Your qualifications should be explained during the interview but may be highlighted in a follow-up letter. Applicants usually submit personal information with their résumé before an interview. The primary purpose of an interview follow-up letter is not to ask additional questions.

SOURCE: PD:029

SOURCE: Kimbrell, G., & Vineyard, B.S. (2006). *Succeeding in the world of work* (p. 144). New York: Glencoe/McGraw-Hill.

90. B

Someone who works in financial services is limited to working at an investment firm, a bank, or an insurance company. The financial-services industry includes a wide range of career possibilities across many kinds of companies, not simply investment firms, banks, and insurance companies. People who work in financial services can expect to earn higher-than-average salaries. They include real estate brokers, fund managers, and auditors.

SOURCE: PD:152

SOURCE: QS LAP 51—Careers in the Money

91. C

Certified Financial Planner (CFP). Many jurisdictions require finance professionals to obtain certification or licensure to perform their jobs. Because Elise performs duties that involve financial planning, she is most likely to have certification as a Certified Financial Planner (CFP), which is a well-known certification program in the financial industry. Tax specialists obtain a CTS certification. Loan officers obtain a CLO certification. Businesspeople who work as technical investment analysts obtain a CMT certification.

SOURCE: PD:082

SOURCE: CFP Board. (n.d.). *Steps to initial CFP® certification*. Retrieved November 14, 2011 from <http://www.cfp.net/become/Steps.asp>

92. C

Chartered Financial Analyst (CFA). This professional designation is sought by financial analysts and is sponsored by the CFA Institute. Every candidate for the certification is required to complete three levels of study and exams. Certified Stock Broker is a fictitious designation. Certified Financial Planner and Chartered Financial Consultant are designations sought by financial planners and financial consultants.

SOURCE: PD:082

SOURCE: QS LAP 51—Careers in the Money

93. D

Social networking. Networking involves connecting with others who might help them accomplish their personal career and professional goals. By networking with others working in the same profession, finance professionals often learn about employment and continuing education opportunities as well as gain leads for prospective clients. Professional networking can occur under a variety of circumstances, while at work, during a professional association meeting, or in a social situation, such as the cookout that Tony attended. Tony and Melissa did not meet at a formal event, in an educational setting, or in a corporate environment.

SOURCE: PD:153

SOURCE: Jacobsohn, J. (2009, May 12). *Attend a variety of business events, expand your network*. Retrieved November 14, 2011, from <http://networking.networkingforprofessionals.com/blogs/2009/05/12/attend-a-variety-of-business-events-expand-your-network/>

94. C

Encouraging employees to report workplace misconduct. When employees exhibit unethical behavior, it places employers at risk. Risk might include financial losses related to theft, embezzlement, government fines, and lawsuits. To lower risk, businesses should implement procedures that encourage employees to report workplace misconduct. By providing a way to report misconduct to management, the business can take corrective action to prevent further unethical behavior. Businesses develop policies to maintain a fair environment. If employees can change policies at anytime, the risk of unethical activity increases. Some records, such as personnel files and customer financial data, are confidential, and should not be available for all employees to view. Using company resources (e.g., expensive equipment) can increase risk because untrained employees may break or misuse the equipment.

SOURCE: RM:041

SOURCE: Ebersole, G. (2007, January 23). *Ten most significant risks and costs of unethical behavior in business*. Retrieved November 14, 2011, from <http://ezinearticles.com/?Ten-Most-Significant-Risks-and-Costs-of-Unethical-Behavior-in-Business&id=427722>

95. B

The best form of risk management is adherence to business ethics. Every breach of business ethics represents a potential risk for businesses. The best thing businesses can do to overcome most risks is to do the right thing—practice business ethics. Risk management includes the ethical treatment of customers as well as a variety of other factors. Insurance is one way to overcome business risks; however, risk management is much more than insurance.

SOURCE: RM:041

SOURCE: Lawrence, M. (n.d.). *Business ethics as risk management*. Retrieved November 14 2011, from <http://www.allbusiness.com/finance/insurance-risk-management/577644-1.html>

96. B

Conducting backup procedures. Backup procedures involve duplicating computer entries, records, and transactions on a regular basis and storing the duplicate files in a different location. By having backup files, the business can retrieve information that might be lost due to a computer crash, a power outage, or fire. Encryption is the process of transforming information into a secret code so that only the recipient can read it. An authorization process is a way to limit the access to certain information. Using encryption techniques, implementing an authorization process, and monitoring data-transmission rates are not ways in which a business can protect its computer data from loss due to fire or power outages.

SOURCE: RM:042

SOURCE: Ward, S. (n.d.). *Data backup is the best data protection*. Retrieved November 14, 2011, from <http://sbinfocanada.about.com/cs/management/a/databackup.htm>

97. B

Controlling their risks. Risk management is a business activity that involves the planning, controlling, preventing, and procedures to limit business losses. An important aspect of risk management involves complying with laws. If a business does not comply with laws, then it may be sued or fined, which could result in substantial financial losses. A failure to comply with laws may also affect the business's credibility with its customers. If customers feel that the business behaves in a legally negligent manner, they may believe that the business is untrustworthy and may decide not to buy from the business. A business that effectively controls its risks is more likely to reduce its liabilities than increase them. A contract is a legal agreement between two or more businesses stating that one party is to do something in return for something provided by the other party.

SOURCE: RM:043

SOURCE: Head, G. (2005, February). *Why link risk management and ethics*. Retrieved November 14, 2011, from <http://www.irmi.com/expert/articles/2005/head02.aspx>

98. C

A manufacturer inspects and maintains its equipment on a regular basis. Risk is the possibility of loss. Some business equipment is dangerous to operate, and can cause serious injury to workers if it is not periodically checked to ensure that it is working properly. If a worker is injured by faulty equipment, the business may experience financial losses, particularly if an injured worker files a lawsuit. Because risk affects a business's financial well-being, the business must take steps to minimize risk. One way for a business to control internal risk is by inspecting and maintaining its production equipment. Hiring illegal immigrants, allowing malpractice insurance to lapse, and selling a particular line of goods below cost are activities that increase a business's financial risk.

SOURCE: RM:058

SOURCE: Buzzle.com. (2011). *Importance of preventative maintenance*. Retrieved November 14, 2011, from <http://www.buzzle.com/articles/importance-of-preventive-maintenance.html>

99. B

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

SOURCE: RM:058

SOURCE: Eling, M. & Tibiletti, L. (2008, August 20). *Internal vs. external risk measures: How capital requirements differ in practice*. Retrieved November 14, 2011, from <http://web.econ.unito.it/tibiletti/docs/TCM-TCE%202008-08-20.pdf>

100. C

Setting policy. Most businesses have established policies and set standards by which the business is governed. Setting policy is a function of management, which is the process of planning, organizing, directing, and controlling activities in order to achieve goals or objectives. Serving customers, stocking shelves, and preparing ads are different kinds of work carried out by a company's employees under the direction of management.

SOURCE: SM:001

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