

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. The relationship between a creditor and a debtor is usually based on the debtor's
 - A. ability to pay.
 - B. billing schedule.
 - C. type of account.
 - D. pricing method.
2. The owner receives all of the profits of the business and can act quickly in making business decisions when the form of business ownership is a
 - A. sole proprietorship.
 - B. partnership.
 - C. corporation.
 - D. joint venture.
3. Which of the following is an example of insider trading:
 - A. A bank manager reveals to a customer that the interest rates for 30-year-mortgages have reached an all-time low.
 - B. A senior manager tells a stakeholder that the government did not approve a new product because it did not meet safety standards.
 - C. A financial planner advises a client to invest a certain percentage of her/his money in a closed-end mutual fund.
 - D. A company's chief executive officer provides the company's financial auditor with material or financial information.
4. What is a primary function of the Securities Exchange Commission (SEC)?
 - A. Sells new securities on behalf of public companies
 - B. Distributes annual dividends to public corporations' stockholders
 - C. Conducts the financial-statement audits for public corporations
 - D. Oversees the registration process for initial public offerings (IPOs)
5. Which of the following is most likely to incur a luxury tax:
 - A. Five-carat diamond ring
 - B. Used minivan with leather interior
 - C. Wool coat with faux fur collar
 - D. Laptop computer
6. After finding several inconsistencies with its financial data, the MSV Company hired a compliance officer to monitor its financial processes and to ensure that the company is complying with regulations. What type of internal control has the business implemented?
 - A. Corrective
 - B. Preventative
 - C. Product
 - D. Conditional
7. Using technology applications to ensure compliance of financial information is beneficial to businesses because many of the applications can
 - A. improve product quality and satisfaction levels.
 - B. evaluate compliance problems with data provided by competitors.
 - C. correct human-resource problems.
 - D. detect compliance inconsistencies across different jurisdictions.
8. Why would a business use comparative-reasoning processes to ensure that its financial data are in compliance?
 - A. To review surrounding or historical data
 - B. To track data in relation to time
 - C. To identify similar transactions
 - D. To boost data storage systems
9. Which of the following skills would be of the most help to employees who want to carry out their supervisors' instructions:
 - A. Speaking
 - B. Listening
 - C. Giving feedback
 - D. Using the grapevine

10. The purpose of active listening is to
 - A. let the speaker know that you agree with the message and plan to act on it.
 - B. let the speaker know that the message has been received and understood.
 - C. give the speaker your opinion.
 - D. help make boring lectures more interesting.
11. What is an advantage of verbal communication?
 - A. Words generally cannot be used to express enthusiasm.
 - B. Listening often is not required with verbal communication.
 - C. Tone of voice can be used to express emotions and thoughts.
 - D. People must see you to understand the intent of your message.
12. Why is it important for businesses to include logical evidence in a persuasive letter?
 - A. To force the recipient to respond
 - B. To present interesting information
 - C. To explain the idea in strong language
 - D. To make the message more convincing
13. When a memorandum format is used for a short report, it does not require a(n)
 - A. specific date.
 - B. businesslike tone.
 - C. identified subject.
 - D. handwritten signature.
14. What information should employees avoid sharing with their coworkers?
 - A. Current salary
 - B. Promotional ideas
 - C. Inventory policy
 - D. Operating hours
15. The most important factor in a business's customer relations is its
 - A. people.
 - B. business processes.
 - C. business environment.
 - D. technology.
16. Making the customer feel important and in charge is a good way to handle which type of difficult customer?
 - A. Domineering/Superior
 - B. Disagreeable
 - C. Slow/Methodical
 - D. Suspicious
17. Jana Rockford works at Main Street Savings and Loan. As a teller, what is one of Jana's job responsibilities?
 - A. Telling her customers about banking products
 - B. Managing her customers' retirement funds
 - C. Making commodities trades on behalf of her clients
 - D. Processing payroll for business clients
18. The Michelson Corporation must submit its annual tax return to the government. Who is responsible for collecting the necessary financial information and preparing the tax return?
 - A. Accredited stockbroker
 - B. Certified public accountant
 - C. Certified insurance agent
 - D. Personal financial advisor
19. When a business wants to access data from a variety of sources to monitor customer trends over time, what form of computer technology should a business use?
 - A. Project management
 - B. Data warehousing
 - C. Electronic data interchange
 - D. Systematic laddering
20. Producers respond to consumers' changing economic wants by
 - A. satisfying their own wants.
 - B. keeping records of what sells.
 - C. increasing or decreasing production.
 - D. hiring a consulting firm.
21. An example of a natural resource is
 - A. physical ability.
 - B. iron ore.
 - C. an electrician.
 - D. office equipment.

22. When demand is greater than supply, a _____ often develops.
A. surplus
B. buyer's market
C. seller's market
D. price ceiling
23. A country's economy grows when its population grows at a slower rate than its
A. standard of living.
B. quality of work life.
C. capital goods.
D. GDP per capita.
24. Which of the following is most likely to result from specialization of labor:
A. Decreased training time
B. Decreased production rates
C. Decreased skill level
D. Decreased work quality
25. One key difference between _____ and _____ wages is that the first is not adjusted by employers for inflation, and the second is a measure of wages' purchasing power.
A. real; total
B. bonus; total
C. total; nominal
D. nominal; real
26. A person's cognitive ability is his/her ability to
A. learn and understand.
B. communicate fluently.
C. hear and respond.
D. listen attentively.
27. Why is it important to avoid considering prejudice and bias when judging others?
A. To improve negotiation
B. To be fair and equitable
C. To be persuasive
D. To communicate effectively
28. Because Paul always tries to do what is right, his friends consider him to be a person who has
A. conflicts.
B. dignity.
C. integrity.
D. commitment.
29. Unethical employees are often viewed by their coworkers as being incapable of
A. using technology on the job.
B. living up to their promises.
C. having personal friends.
D. investing their funds wisely.
30. People with a positive attitude are open-minded, which helps them to
A. develop patience.
B. remain cheerful.
C. learn new skills.
D. be intolerant.
31. One way that businesses can protect the privacy of their customers is to limit the number of employees who have access to the customers'
A. purchasing history.
B. personal information.
C. identification code.
D. telephone numbers.
32. Which of the following is an example of making a decision by consensus:
A. One person rules.
B. Everyone has equal power.
C. The majority rules.
D. Everyone votes.
33. The Credit Card Accountability, Responsibility, and Disclosure Act of 2009 (CARD) ensures that credit contract terms
A. are subject to review by state legislatures.
B. can be published in the newspaper.
C. cannot be changed.
D. are written in plain language.
34. Businesses often save excess money because it has a positive effect on the business's
A. accounts receivable.
B. interest rate.
C. cash flow.
D. debt equity.

35. One reason why some businesses make investments and hold them for less than one year is to
- A. control inflation rates.
 - B. monitor long-term wealth.
 - C. reduce tax obligations.
 - D. obtain short-term capital.
36. Why is it important for individuals to periodically validate their credit histories?
- A. To find out about different types of credit
 - B. To understand credit laws
 - C. To avoid being denied credit
 - D. To protect themselves from bankruptcy
37. What is the primary goal of an investment company?
- A. To issue various types of mortgages to businesses
 - B. To locate outside sources of money for firms
 - C. To pool and invest funds based on the needs of investors
 - D. To collect financial contributions and invest them for employees
38. If Hannah wants to invest in the capital markets, what types of securities should she purchase?
- A. Corporate bonds and preferred stock
 - B. Common stock and certificates of deposit
 - C. Treasury bills and certificates of deposit
 - D. Corporate bonds and treasury bills
39. Which of the following is an example of bancassurance:
- A. The Cover Yourself Insurance Company manages a pension fund for XYZ Corporation.
 - B. A Good Cents Bank of Piqua employee sells certificates of deposit to a customer.
 - C. A Dollars R Us Bank employee sells an auto-insurance policy to a customer.
 - D. The BBB Insurance Agency processes a small-business loan for a sole proprietor.
40. Under what circumstances would stock prices increase?
- A. When interest rates increase
 - B. During times of high unemployment
 - C. When consumer spending increases
 - D. During a bear market period
41. A disadvantage of financial globalization is that
- A. transaction costs have increased.
 - B. investors have limited options.
 - C. reporting requirements vary greatly by country.
 - D. financial markets have become less liquid.
42. The North American Free Trade Agreement (NAFTA) reduced trade barriers and government restrictions among Canada, Mexico, and the United States. This is an example of
- A. a reconstructed market.
 - B. an emerging market.
 - C. convergence.
 - D. liberalization.
43. Which of the following sources provides its clients with detailed research reports about securities and offers them high levels of personal service:
- A. Boutique brokerage firm
 - B. Online brokerage firm
 - C. Discount brokerage firm
 - D. Full-service brokerage firm
44. Which of the following is an example of an internal stock information resource:
- A. The ValueLine Investment Survey
 - B. A company's annual report
 - C. Brokerage firm research
 - D. A financial web site portal
45. While Chase was reviewing his stock performance, he saw that his commodities investment dropped .002 points from Monday's close to Tuesday's close. This drop is called the
- A. net change.
 - B. true value.
 - C. net worth.
 - D. true yield.
46. Before Alana can review the performance of her stock in the newspaper's securities table, she must locate the company's abbreviated name in the table, which is followed by the
- A. trade number.
 - B. trademark.
 - C. yield code.
 - D. ticker symbol.

47. Information about a company, such as annual or monthly income statements, cash flow analysis, break-even analysis, and balance sheet are examples of _____ information.
- A. secondary
 - B. qualitative
 - C. external
 - D. internal
48. What type of accounting method is your company using if it records sales as they happen, even if no money changes hands then?
- A. Income
 - B. Cash
 - C. Credit
 - D. Accrual
49. A business estimates that its cash flow from sales during the coming season will be higher than for the same period last year, based on last year's financial information and
- A. realistic goals.
 - B. future earnings.
 - C. potential costs.
 - D. industry trends.
50. One reason why creditors review a business's income statement is to decide if the business will be able to
- A. increase staff.
 - B. expand operations.
 - C. repay a loan.
 - D. develop new products.
51. Budgets can be described in terms of
- A. savings, sales, and success.
 - B. account books, bills, and bankruptcy.
 - C. desires, debt, and discipline.
 - D. money, maps, and management.
52. Why is it important for businesses to keep accurate accounts-receivable information?
- A. To evaluate interest rates
 - B. To forecast sales
 - C. To classify stocks
 - D. To monitor aging accounts
53. Developing an effective system to gather, organize, and store financial information helps a business evaluate
- A. the need for depreciation tables.
 - B. the productivity rates of its human resources.
 - C. its financial well-being at any given time.
 - D. its ability to collaborate with vendors.
54. What is an effective way for a business to reduce risks associated with the unethical manipulation of financial data?
- A. Interview forensic accountants
 - B. Organize a network database
 - C. Use auditing software applications
 - D. Limit financial transactions
55. The foundation of the principle of least authority is that computer data are more secure when access to specific types of data are only available to
- A. the customers who request it.
 - B. mid-level managers.
 - C. personnel during set time periods.
 - D. the people who need it.
56. What is a primary purpose of data mining?
- A. To identify hidden patterns
 - B. To calculate statistical ratios
 - C. To collect data from vendors
 - D. To resolve unidentified problems
57. What type of data-mining approach involves using "if...then" scenarios to classify customers in a database?
- A. Decision trees
 - B. Neural networking
 - C. Rule induction
 - D. Fuzzy logic
58. Primary functions of basic budgeting software applications include forecasting and
- A. sequencing.
 - B. materials allocation.
 - C. scheduling.
 - D. debt management.

59. A finance employee with the City Mutual Insurance Company is reviewing a computer-generated report that indicates the amount of money the company has disbursed to employees who have worked overtime in the past year. What type of financial information is the employee analyzing?
- A. Sales
 - B. Production rates
 - C. Accounts payable
 - D. Payroll
60. What computer function allows a finance employee to save specific data that are currently stored in a database into a spreadsheet program?
- A. Filter
 - B. Conversion
 - C. Replication
 - D. Export
61. Which of the following processes is used to verify that a corporation is providing its shareholders with accurate information about its financial status:
- A. Auditing
 - B. Batching
 - C. Planning
 - D. Smoothing
62. Which of the following establishes the guidelines for the way that a publicly-owned company reports its financial position:
- A. The stockholders
 - B. The board of directors
 - C. The accounting department
 - D. The federal government
63. The primary purpose of the accounting function is to prepare and present relevant financial information, while the primary purpose of the finance function is to
- A. modify accounts receivable based on the information provided.
 - B. use the information to make financial decisions.
 - C. apply the information to calculate the business's equity.
 - D. adjust journal entries based on the information provided.
64. Which of the following statements is true about accounting systems:
- A. The managerial accounting system is useful for planning and internal decision making.
 - B. The financial accounting system focuses on segments of the company rather than the company as a whole.
 - C. The government requires all businesses to use the managerial accounting system.
 - D. The financial accounting system is used by external audiences, so reporting flexibility is an advantage to the business.
65. When a business is using the financial accounting system to prepare and report financial information, what should it do?
- A. Implement the financial data registration guidelines (FDRG).
 - B. Follow accounting standards such as GAAP or IFRS.
 - C. Include more data than is needed to establish credibility.
 - D. Attach copies of all transaction receipts to the reports or forms.
66. What type of financial information might a business use to identify sales trends?
- A. Liquidity ratios
 - B. Cash outflows
 - C. Customers' invoices
 - D. Break-even analyses
67. Which of the following is a source of internal financial information that may be used to identify trends:
- A. Customer credit reports
 - B. Consumer Price Index
 - C. Stock tables
 - D. Comparative balance sheet
68. As Tom is reviewing a customer's credit report to determine if the company should offer the customer a line of credit, he should use the company's _____ to guide his decision.
- A. payment history
 - B. purchasing policies
 - C. accounting method
 - D. credit standards

69. What should a business analyze to determine if it has the necessary funds available to pay its creditors for the next two weeks?
- A. Mutual-funds statement
 - B. Business plan
 - C. Capital-investment plan
 - D. Cash-flow statement
70. What types of financial data are analyzed to indicate variances in a business's profitability?
- A. Depreciation rates and insurance premiums
 - B. Investment income and depreciation rates
 - C. Sales and investment income
 - D. Insurance premiums and sales
71. A tool that businesses can use to orient new employees is a(n)
- A. exit interview.
 - B. employee handbook.
 - C. job résumé.
 - D. performance appraisal.
72. Which of the following is a result that is likely to occur when companies take negative actions:
- A. Fewer legal problems
 - B. Increased efficiency
 - C. Excellent business reputation
 - D. High employee turnover
73. Which of the following is usually the quickest way that businesses can obtain information about unknown potential new vendors that are located in other parts of the country:
- A. Send an e-mail
 - B. Search the Web
 - C. Fax a request
 - D. Phone an agent
74. Businesses often use word-processing computer software to produce
- A. business plans, contracts, and spreadsheets.
 - B. complex graphics, letters, and reports.
 - C. research reports, spreadsheets, and tables.
 - D. detailed reports, memos, and contracts.
75. In which of the following situations would a business use a spreadsheet software program to estimate the effect of change on its financial situation:
- A. Mailing labels are needed for a catalog.
 - B. Sales are expected to increase by 5%.
 - C. Customers purchased more products.
 - D. Salesperson kept all appointments.
76. The primary purpose for record keeping is to provide information about what is happening with the
- A. economy.
 - B. country.
 - C. business.
 - D. industry.
77. An ongoing trend that affects how efficiently businesses operate is
- A. product classification methods.
 - B. stable economic conditions.
 - C. predictable buying motives.
 - D. technology improvements.
78. Which of the following is a true statement about a business's environment:
- A. It can be avoided.
 - B. It is always changing.
 - C. It consists of the economy and technology.
 - D. It may not affect the business, depending on the industry.
79. The federal government collects information about work-related accidents in order to
- A. establish insurance premiums.
 - B. identify accident trends.
 - C. provide medical treatment recommendations.
 - D. regulate business activities.
80. Which of the following would be most effective in improving a business's security:
- A. Establishing longer hours of operation
 - B. Raising prices
 - C. Having fewer sales
 - D. Using closed-circuit television

81. Cutting costs is one way for a business to manage a project's _____ resources.
A. intangible
B. human
C. financial
D. support
82. Determining which tasks need to be performed and when they need to be completed is an important aspect of
A. staff training.
B. project planning.
C. information analysis.
D. inventory control.
83. What kind of product utility is most likely to result from production activities?
A. Possession
B. Place
C. Time
D. Form
84. Three employees regularly use the business's postage machine for their personal mail. If they each take 39 cents worth of postage four times a week, calculate the amount they are adding to the business's expense in a year.
A. \$239.39
B. \$243.36
C. \$251.31
D. \$227.35
85. Before a person can become more orderly and systematic, s/he must _____ all current activities.
A. prioritize
B. perform
C. schedule
D. identify
86. Which of the following should you do when you fail to reach a goal:
A. Give up goal-setting.
B. Find someone to blame.
C. Congratulate yourself.
D. Find out what went wrong.
87. Prioritizing activities helps you to make the most efficient use of your
A. time.
B. disposable income.
C. product knowledge.
D. tact.
88. Which of the following is a good source of detailed information about specific career opportunities in business:
A. Classified ads in urban newspaper
B. Web sites of professional organizations
C. Community-college student centers
D. Corporate human-resource departments
89. What type of information can be included in an interview follow-up letter?
A. Brief reminder of qualifications
B. Chronological review of employment
C. Detailed description of education
D. Explanation of salary expectations
90. Which of the following jobs involves determining the value of property:
A. Actuary
B. Underwriter
C. Real estate agent
D. Real estate appraiser
91. Which of the following is *not* a reason for faster-than-average employment growth of financial analysts and personal financial advisors:
A. Globalization of the securities markets makes investing more complicated.
B. Generally speaking, the U.S. population is better educated.
C. Generally speaking, the U.S. population is worse off financially than before.
D. A large segment of the population, namely Baby Boomers, is facing retirement.
92. Who is mostly likely going to need a college degree and a financial certification to perform his/her job duties?
A. Lola McGinn, Bookkeeper, Toothman Dental Office
B. Ken Dusseldorf, Lead Teller, Main Street Bank
C. Carol Hershberger, Financial Analyst, CCB Corporation
D. Ted Weston, Production Specialist, National Express International

93. One way to build professional relationships in the finance industry is to
- A. implement a referral system.
 - B. read about industry trends.
 - C. encourage others to discuss their finances.
 - D. print new business cards for distribution.
94. Which of the following is a true statement about risk management and ethical behavior in business:
- A. Businesses often reduce the risk of financial loss by providing ethics training for their employees.
 - B. Because employees understand right from wrong, they tend to reduce risk levels rather than increase them.
 - C. Risk primarily involves the ways in which a firm invests in the stock market, so ethics are not an issue.
 - D. If employees always behave in an ethical manner, the business will virtually eliminate its risk factors.
95. To save money, an automobile manufacturer imports substandard parts for its car engines. Many of the cars that contain engines with the imported parts have caught on fire. Now, the manufacturer is facing a class-action lawsuit. This is an example of risk associated with
- A. product safety.
 - B. domestic trade.
 - C. service quality.
 - D. trade secrets.
96. A business can protect its computerized financial data from losses associated with fire, flood, and electrical outages by
- A. changing passwords and encryption techniques periodically.
 - B. installing intrusion detection systems.
 - C. performing back-up procedures on a regular basis.
 - D. implementing a manual filing system.
97. Training programs that address gender-related issues at work may lower a financial firm's legal risks associated with
- A. structural damage.
 - B. sexual harassment.
 - C. widespread illness.
 - D. financial information.
98. What internal factors do businesses need to evaluate so they can take steps to effectively control their risks?
- A. Exchange rates
 - B. Loss exposures
 - C. Regulatory issues
 - D. Industry trends
99. Which of the following is an uninsurable external risk to businesses:
- A. Natural disasters
 - B. Inventory
 - C. Personal injury
 - D. Tax increases
100. When a manager plans, organizes, and controls the supplies that the employees use to do the firm's work, s/he is managing which type of resource:
- A. Information
 - B. Human
 - C. Financial
 - D. Material