

Competency-Based
Competitive Events
Written Exam
for District/Regional Use

Test Number 1057
Booklet Number _____

Finance Cluster Exam

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

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1. The judge based his/her legal decision by considering a similar decision made in another court. This is an example of which source of law?
 - A. Statutory
 - B. Constitutional
 - C. Uniform
 - D. Case
2. Which of the following is a characteristic of a product trade-name franchise:
 - A. The franchisee can choose the name of the business.
 - B. It is not open to the public.
 - C. The franchisee has unlimited liability.
 - D. It is owned by shareholders.
3. Which of the following pieces of legislation allows for the consolidation of commercial and investment banks, insurance companies, and securities firms:
 - A. Glass-Steagall Act
 - B. Community Reinvestment Act
 - C. Sarbanes-Oxley Act of 2002
 - D. Gramm-Leach-Bliley Act
4. Which of the following mutual funds is most likely to be tax inefficient:
 - A. A fund with a high portfolio turnover rate
 - B. A fund with a low portfolio turnover rate
 - C. A fund that concentrates on a specialized sector
 - D. A fund that attempts to match a broad market index
5. Compliance in the finance industry involves financial institutions operating within
 - A. different relationships.
 - B. specific territories.
 - C. organizational plans.
 - D. regulatory guidelines.
6. At the end of the last accounting period, the XYZ Company's virtual auditor reported that an expense account used to purchase gifts for clients had an erroneous credit balance rather than the anticipated debit balance. Which of the following reasoning techniques did the virtual auditor use to identify the noncompliant account:
 - A. Temporal reasoning
 - B. Incremental reasoning
 - C. Cross-source reasoning
 - D. Comparative reasoning
7. What do environmental distractions to active listening include?
 - A. Personal matters that cause us to worry
 - B. The speaker's appearance and manner
 - C. Poor lighting and noise
 - D. Strong opinions about the topic
8. Individuals who are able to defend their ideas objectively usually are able to provide others with
 - A. unrelated statistics.
 - B. emotional information.
 - C. personal opinions.
 - D. logical evidence.
9. Which of the following is not a reason to participate in a discussion:
 - A. To organize your thoughts
 - B. To gain confidence
 - C. To declare your opinion
 - D. To think critically
10. The Putnam Company requires its employees to use the Modern Language Association (MLA) stylebook when writing business documents because it provides
 - A. consistency.
 - B. creativity.
 - C. flexibility.
 - D. accuracy.
11. The focus of most letters that a business writes to its customers should be about the
 - A. customers' opinions.
 - B. business's services.
 - C. business's history.
 - D. customers' interests.

12. A collection letter that a business writes to customers to encourage them to pay is an example of a(n) _____ message.
- A. aggressive
 - B. informational
 - C. threatening
 - D. persuasive
13. A basic purpose of writing a daily activity report is to provide a(n)
- A. basis for recommendations to employees.
 - B. permanent record of simple but important facts.
 - C. overview of work completed and planned.
 - D. evaluation of the achievement of company goals.
14. The overall reason that supervisors try to establish good communication with staff members is to
- A. plan social activities.
 - B. counsel individual employees.
 - C. provide job training.
 - D. support the work effort.
15. When Andrew helps Mrs. Green select a product, he summarizes Mrs. Green's request in his own words to clarify his understanding. Andrew is engaging in
- A. nonverbal communication.
 - B. active listening.
 - C. creative thinking.
 - D. idle conversation.
16. Employees need to have a thorough knowledge of business policies in order to
- A. write operating manuals.
 - B. explain policies to customers.
 - C. schedule personal leave.
 - D. discuss policies with competitors.
17. One way a company can reinforce its image is by
- A. identifying economic resources.
 - B. developing a financial plan.
 - C. conducting a competitive analysis.
 - D. training its employees.
18. One of the responsibilities of finance professionals is to provide clients with services that the clients usually are
- A. not willing to purchase.
 - B. unable to obtain by themselves.
 - C. incapable of understanding.
 - D. convinced they do not need.
19. Businesses use data-cleansing applications to
- A. update their databases.
 - B. calculate statistical data.
 - C. duplicate internal records.
 - D. generate necessary reports.
20. Teenagers only need two pairs of jeans—one to wear and one to wash—but they often feel that they need at least 10 pairs of jeans because most teenagers have unlimited
- A. assets.
 - B. wants.
 - C. funds.
 - D. goods.
21. The price that seldom, if ever, actually exists in the marketplace is the _____ price.
- A. relative
 - B. equilibrium
 - C. market
 - D. list
22. A business creates an organizational design in which no employee has to report to more than one manager at a time. This is following an organizational principle called
- A. line authority.
 - B. the scalar principle.
 - C. span of control.
 - D. unity of command.
23. Which of the following is a true statement about globalization and political barriers:
- A. Many countries are sealed off from the rest of the world due to communism.
 - B. The world is much more politically open than it used to be.
 - C. The United States has very few trading partnerships with other countries.
 - D. In the future, there will be more political barriers between countries.

24. Which of the following is a false statement about the freedom to own, use, buy, and sell private property in a private enterprise system:
- A. People are free to decide how to spend their income.
 - B. People can decide how the things they own will be used.
 - C. People need a government permit to make a sale.
 - D. People are free to buy anything that can legally be sold.
25. Some businesses are able to avoid potential risks by taking actions to _____ them.
- A. examine
 - B. overlook
 - C. eliminate
 - D. disregard
26. One of the reasons that has caused government's role in business to expand is that
- A. products have become very technical.
 - B. people's attitudes have changed.
 - C. costs of production have continued to increase.
 - D. competition in the marketplace has increased.
27. Why does the Federal Reserve System raise interest rates?
- A. To fight inflation
 - B. To increase demand for products
 - C. To decrease supply of products
 - D. To overcome inequalities of income distribution
28. In emotional intelligence, which of the following demonstrates self-management:
- A. Effective communication
 - B. A positive attitude
 - C. Recognition of others
 - D. A sense of teamwork
29. Seeing the bright side of things is an example of
- A. organizational skills.
 - B. positive attitude.
 - C. industriousness.
 - D. loyalty.
30. Before you make a decision, you consider how your actions will affect your family, friends, classmates, or community. You are showing _____ responsibility.
- A. personal
 - B. social
 - C. legal
 - D. ethical
31. What type of feedback motivates a person to continue a specific behavior?
- A. Vague
 - B. Positive
 - C. Practical
 - D. Environmental
32. Another employee is upset because of a reprimand from the manager. You listen quietly and then share how you handled a reprimand. You are demonstrating _____ behavior.
- A. critical
 - B. indifferent
 - C. empathetic
 - D. impatient
33. Many cultural sensitivity issues can be solved by focusing on
- A. stereotypes.
 - B. communication.
 - C. religious differences.
 - D. business goals.
34. Which stage of negotiation do many people consider the most important part of the process:
- A. Preparation
 - B. Concession
 - C. Assessment
 - D. Mediation
35. Why is it important for employees to learn how to manage stress?
- A. To remain healthy
 - B. To prioritize tasks
 - C. To budget time
 - D. To achieve goals

36. Which of the following is an important part of successful leadership:
- A. Aggressive behavior
 - B. Limited negotiation
 - C. Effective communication
 - D. Technical training
37. Which of the following is the most common investment for an individual who hopes to lessen the financial burden for dependent children with a case settlement in the event of the individual's death:
- A. Business investments
 - B. Securities such as stocks and bonds
 - C. Life insurance
 - D. Real estate purchases
38. Which of the following is not a key factor involved with compounding growth:
- A. How long your money is invested
 - B. The amount of money you invest
 - C. The risk of the stock market
 - D. How much your investment grows each year
39. What is the key to successful investing?
- A. Avoiding opportunity costs
 - B. Inflation
 - C. Getting started early
 - D. The rule of 72
40. What is one thing you can do to protect yourself from becoming a victim of identity theft?
- A. Use unusual passwords rather than your birth date to access your bank accounts.
 - B. Place your Social Security number or your social insurance number on all documents.
 - C. Keep your passport with you at all times.
 - D. Always pay with cash rather than credit cards or check.
41. Which of the following are examples of deposit-taking financial institutions:
- A. Commercial banks, corporations, and mutual savings banks
 - B. Credit unions, savings and loan associations, and commercial banks
 - C. Savings and loan associations, mutual savings banks, and insurance firms
 - D. Commercial banks, credit unions, and brokerages
42. Sam purchases 50 shares of stock in an open corporation. In which of the following financial markets is Sam investing:
- A. Diversified
 - B. Real estate
 - C. Securities
 - D. Money
43. Supervised by the Federal Reserve Board, The DAB Company provides investment advisory services, insurance underwriting, securities underwriting, and merchant banking services. The DAB Company is an example of a(n)
- A. commodities investor.
 - B. accounting firm.
 - C. central bank.
 - D. financial holding company.
44. Which of the following is an example of arbitrage:
- A. A business places a percentage of its income into a retirement account for employees.
 - B. An individual earns interest on his/her money by agreeing to leave it in a financial institution for a certain timeframe.
 - C. An individual buys 10 shares of stock for \$150 per share on one market, and immediately sells each share for \$200 on another market.
 - D. A business sells corporate bonds to obtain funds to finance major expansion efforts.
45. Which of the following statements about hedge funds is true:
- A. Investment options for hedge funds are limited in scope.
 - B. Hedge funds are designed to generate conservative financial returns.
 - C. Government agencies usually manage hedge funds.
 - D. Hedge funds involve private investment partnerships.
46. Publicly-traded companies are required by law to provide
- A. company report cards.
 - B. stock research.
 - C. financial statements.
 - D. yearly newsletters.

47. Which of the following can you *not* learn about a company by reading a stock table:
- A. If the stock price is up or down
 - B. What breaking news affected the company that day
 - C. What the stock's yearly price range is
 - D. What the day's volume was
48. When the U.S. federal government owes money to a contracted employee or business, the government must pay the employee or business according to the
- A. Early Bird Act.
 - B. Prompt Payment Act.
 - C. Secure Contracting Act.
 - D. Government Guidelines Act.
49. A common transference device is a(n)
- A. insurance policy.
 - B. smoke alarm.
 - C. contingency plan.
 - D. risk checklist.
50. Ethical accounting behavior involves using
- A. due care.
 - B. flexible standards.
 - C. passive concern.
 - D. personal preferences.
51. The Melody Makers Music Company, a privately owned business, brings in \$228,000 in sales during the year. Its cost of goods sold totals \$68,000, and it has operating expenses of \$25,700 for the same year. If the shop wanted to take out a loan to expand, what group of people would be the most interested in this information?
- A. Managers
 - B. Top executives
 - C. Creditors
 - D. Investors
52. Why is it important for businesses to understand the legal considerations for finance?
- A. To avoid penalties
 - B. To manage budgets
 - C. To reduce expenses
 - D. To compensate employees
53. Calculate the amount a business should budget for a special sales promotion if it plans to spend \$15,000 to print 200,000 50-cents-off coupons, \$2,225 advertising the promotion, \$350 mailing the coupons, and expects 75,000 coupons to be redeemed.
- A. \$17,575
 - B. \$15,350
 - C. \$25,225
 - D. \$37,500
54. Which of the following situations could be prevented through the use of a financial-information management system:
- A. Elimination of mergers and acquisitions in the finance industry
 - B. A financial institution's server crashing and preventing employees from entering customer payments
 - C. Different versions of a database application being incompatible so that financial information cannot be shared
 - D. Customer service sending brochures about the company's loans to people who've just taken out loans with the company
55. Which of the following statements regarding the financial-information management function is true:
- A. A financial-information management system can be used to support operations management decisions.
 - B. The financial-information management function is an electronic, web-based activity.
 - C. The financial-information management function's responsibilities have declined in recent years.
 - D. Data in a financial-information management system are typically at least four to six months old.
56. How can a business maintain its ethical responsibility of protecting the privacy of its customers' financial information?
- A. Review inventory systems
 - B. Develop collection procedures
 - C. Monitor competitors' activities
 - D. Implement security policies

57. One step that financial-services companies can take to protect their clients' online business transactions from hackers is to
- A. install firewalls.
 - B. use Intranet capabilities.
 - C. limit the number of client transactions.
 - D. avoid encryption methods.
58. A business wants to determine which customers are most likely to buy \$100,000 in products from them in the next year, so it uses its computer system to search for customers who meet a set of criteria related to sales. What process is the business using to obtain the desired financial information?
- A. Surveying
 - B. Accounting
 - C. Data mining
 - D. Industry forecasting
59. An important consideration for financial-services businesses that use data-mining techniques is the way the results are
- A. changed.
 - B. presented.
 - C. argued.
 - D. instructed.
60. Use of budgeting applications that provide real-time data help companies to
- A. increase the amount of line-items in the budget.
 - B. provide information annually to decision-makers.
 - C. secure departmental data from other departments.
 - D. respond quickly to changes in the business environment.
61. What financial analysis application does a business use to evaluate changes in its cash position from month to month?
- A. Fixed costs
 - B. Expense
 - C. Cash flow
 - D. Performance
62. What does the SQL statement "FROM" do at the beginning of a database clause?
- A. Designates tables
 - B. Identifies filter criteria
 - C. Retrieves fields
 - D. Sorts query results
63. Investment firms must accurately report their financial position because
- A. others rely on the information when making credit and/or investment decisions.
 - B. they are trusted to maintain an accurate accounting of people's revenue and expenses.
 - C. they maintain both brick-and-mortar and virtual businesses for trading.
 - D. people know that investment firms would not take advantage of them.
64. According to Securities and Exchange Commission regulations, a publicly traded company's financial statements must be reviewed to ensure that they contain accurate information. Which of the following individuals typically checks the accuracy of a company's financial statements:
- A. Virtual auditor
 - B. Internal accountant
 - C. Forensic accountant
 - D. Independent auditor
65. Which of the following activities would occur in finance rather than in accounting:
- A. Preparing payroll
 - B. Securing business credit
 - C. Processing accounts receivable
 - D. Developing depreciation schedules
66. A business uses the financial accounting system to report the business's financial position to
- A. internal users.
 - B. bookkeepers.
 - C. regional managers.
 - D. external users.
67. If a trend indicates that a business is making more money, the business is most likely to have identified the trend by comparing its _____ from previous time periods.
- A. payroll records
 - B. advertising budgets
 - C. interest rates
 - D. profitability ratios

68. Why would creditors during the tough economic times of the last few years have increased their surveillance of customers' financial information?
- A. To increase their chances of having customers default on their loans
 - B. To make credit easier to obtain once customers have met the desired criteria
 - C. To reduce the likelihood that customers will not pay their bills
 - D. To increase their reliance on Dun and Bradstreet reports
69. Which of the following is a reason to analyze financial data:
- A. To develop financial models
 - B. To identify products which need to be recalled
 - C. To determine a business's qualitative characteristics
 - D. To understand accounting treatment
70. Which of the following workplace-related safety and health issues would most likely be regulated by law:
- A. Health education information sessions
 - B. Weight-management programs
 - C. Smoking cessation support groups
 - D. Storage and disposal of chemicals
71. Marketing is described as creating
- A. exchanges.
 - B. needs.
 - C. gaps.
 - D. advertisements.
72. One of the roles of ethics in information management involves an individual's right to
- A. equity.
 - B. safety.
 - C. dignity.
 - D. privacy.
73. Patrick e-mails a newsletter attachment to 255 of his clients once a month. How can Patrick reduce the need to enter each client's individual e-mail address in the e-mail message header every time he sends out the newsletter?
- A. Flag the message
 - B. Create a distribution list
 - C. Use the copy/paste application
 - D. Delete old contact information
74. Businesses often use presentation software to develop computerized training materials that contain interactive buttons, which allow employees to
- A. test themselves.
 - B. study together.
 - C. access databases.
 - D. conduct research.
75. An advantage to a business that uses collaborative computer software is that its employees can share information quickly, which increases their
- A. productivity.
 - B. independence.
 - C. profit.
 - D. motivation.
76. How long are businesses required to keep their records?
- A. On a seasonal basis
 - B. Varies greatly
 - C. Indefinitely
 - D. One year
77. Accounts-receivable reports and income statements provide the business with information about its
- A. inventory levels.
 - B. revenue sources.
 - C. service ratings.
 - D. staffing needs.

78. Your statistical findings show that the mean and the median of the following data are the same:

Data Set A: 2, 5, 8, 10, 10

Data Set B: 7, 7, 7, 7, 7

Data Set A: Mean = 7, Median = 7

Data Set B: Mean = 7, Median = 7

Just by looking at the data, you can tell the data results are quite different. What statistic do you need to use to show that difference?

- A. Measure of central tendency
 - B. Average
 - C. Geometric mean
 - D. Variance
79. Why is it important for businesses to follow local health ordinances?
- A. To lower the need for medical care facilities
 - B. To prevent accidents in the workplace
 - C. To protect the natural environment
 - D. To reduce the risk of widespread illness
80. Which of the following is a major effect of employee accidents on a business:
- A. Reduction of benefits
 - B. Loss of career
 - C. Financial loss
 - D. Lower insurance rates
81. When a workplace security issue occurs, an employee should report the problem to the appropriate _____ agency.
- A. welfare
 - B. fire prevention
 - C. health
 - D. law enforcement
82. When creating project plans, what do businesses often develop in the event of a crisis or unexpected situation?
- A. Contingency plan
 - B. Suggestion program
 - C. Escape mechanism
 - D. Modified schedule
83. A business buying certain office products from a specific vendor that delivers at predetermined times and guarantees a set price for one year is an example of using the _____ purchasing method.
- A. lowest-bidder
 - B. competitive-bid
 - C. blank-check
 - D. standing-order
84. An advantage to businesses of using quality control methods is that these methods often
- A. increase waste.
 - B. involve time.
 - C. reduce costs.
 - D. require directions.
85. What might a business do if it decided that its operating expenses were excessive?
- A. Purchase supplies
 - B. Decrease sales
 - C. Borrow funds
 - D. Reduce staff
86. Which of the following involves making a list of all the things that you need to accomplish:
- A. Identify activities
 - B. Prioritize activities
 - C. Perform activities
 - D. Classify activities
87. Jeff's current goals in life are to become a businessman, continue his exercise classes, and earn a high salary. What types of goals has Jeff identified?
- A. Career, physical, financial
 - B. Physical, emotional, career
 - C. Social, physical, educational
 - D. Educational, social, ethical
88. Natalia is upset because she was supposed to work on a certain account today, but her boss switched her to another account at the last minute. Which time-management principle does she need to learn?
- A. Plan meetings wisely
 - B. Know when and how you work best
 - C. Be flexible
 - D. Get enough sleep

89. Which of the following is most likely to satisfy an individual's social needs:
- A. Opportunity for promotion
 - B. Relationships with friends
 - C. Praise from the supervisor
 - D. Job security
90. Jacob is interested in pursuing a specific business career and sets up a time to talk with a person who works in his field of interest. Jacob is obtaining career information by initiating a(n)
- A. job evaluation.
 - B. internship.
 - C. discussion forum.
 - D. exploratory interview.
91. Which of the following is an example of networking for career advancement:
- A. Reading want ads in the newspaper
 - B. Looking up jobs on the Internet
 - C. Contacting friends of the family
 - D. Asking school counselors for advice
92. Which of the following titles belongs to a financial manager:
- A. Procurement clerk
 - B. Bill and account collector
 - C. Treasurer
 - D. Billing clerk
93. In what finance position would you be responsible for overseeing your business's investments and raising capital for the business?
- A. Treasurer
 - B. Risk manager
 - C. Loan officer
 - D. Actuary
94. A primary aspect of Bridget's job is to evaluate her company's internal financial information and the external factors that affect the company's financial well-being. Bridget synthesizes her findings and makes financial recommendations to the company's officers. Which of the following certifications is Bridget most likely to have:
- A. Certified Loan Officer (CLO)
 - B. Chartered Life Underwriter (CLU)
 - C. Chartered Financial Analyst (CFA)
 - D. Certified Annuity Specialist (CAS)
95. To build professional relationships, a finance professional might talk with friends, family, and business associates to discuss ways in which s/he can advance in his/her career. This is an activity called
- A. selling.
 - B. socializing.
 - C. networking.
 - D. coordinating.
96. Which of the following risks might result from ethical misconduct:
- A. Increased employee support of the company
 - B. Decreased whistle-blowing
 - C. Decreased company value
 - D. Increased positive publicity
97. Which of the following technologies has proven very successful in creating "what-if" scenarios in the finance industry:
- A. Financial reporting and consolidation
 - B. Digital dashboards
 - C. Time value of money calculators
 - D. Account reconciliation
98. What can businesses do to reduce risks associated with noncompliance?
- A. Obtain customer feedback
 - B. Evaluate competitors
 - C. Monitor regulations
 - D. Allocate operating funds
99. An employee with the DPB Company left a small box in the middle of the business's reception area. Unfortunately, a client did not see the box, fell, and was seriously injured. Now, the DPB Company must pay several thousand dollars to cover the client's medical bills. This hurts the company's financial well-being. What internal steps could the company have taken to control the risk associated with this type of financial loss?
- A. Review and evaluate health insurance options
 - B. Purchase and maintain a crime insurance policy
 - C. Implement and monitor safety policies
 - D. Develop and follow a detailed business plan

100. A control that financial institutions have implemented to protect bank accounts when debit cards are used to pay for online transactions is
- A. PIN debits.
 - B. malware.
 - C. e-invoicing.
 - D. PEPPOL (Pan-European Public Procurement On-line).