

Competency-Based
Competitive Events
Written Exam

Test Number 1029
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.

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 © 2010 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. This exam, without modification, is licensed for one-time use on a date specified by the licensee (state DECA advisor or designee), on or before MARCH 31, 2010. **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. Which of the following groups often is affected by administrative law:
 - A. Businesses
 - B. Attorneys
 - C. Juries
 - D. Guardians
2. A form of business ownership in which the owners own shares of stock is known as a
 - A. corporation.
 - B. consolidation.
 - C. partnership.
 - D. proprietorship.
3. Financial managers who are legally responsible for their clients' investments must demonstrate fiduciary responsibility, which involves
 - A. making risky investments without their clients' knowledge.
 - B. selling financial products that generate the highest commissions.
 - C. acting in the best interests of their clients.
 - D. speaking with their clients once a year to review their portfolios.
4. Which of the following is an estate-tax deduction:
 - A. Valuable art and collectibles left to children
 - B. Property passing directly to the surviving spouse
 - C. Charitable contributions that are unqualified
 - D. Money left to friends or distant relatives
5. Colin bought 35 shares of stock at \$23.50 per share and recently sold all of the stock for \$53.00 per share. What type of tax will Colin pay?
 - A. Capital gains
 - B. Sales
 - C. Excise
 - D. Gift
6. The primary reason that financial-services businesses hire compliance officers is to
 - A. monitor international trade agreements and activities.
 - B. determine ways in which the businesses can lower their tax obligations.
 - C. develop and enforce customer-service policies for the industry.
 - D. ensure that the businesses are following industry regulations.
7. Which of the following is an advantage to businesses of using virtual-auditor technology:
 - A. The ability to monitor competitors' strategies
 - B. The continuous inspection of transactional data
 - C. The capability of streamlining workflow
 - D. The unlimited access to credit information
8. A virtual auditor that determines inconsistencies and errors by examining data from multiple financial systems is using the _____ reasoning process.
 - A. incremental
 - B. contextual
 - C. cross-source
 - D. temporal
9. Sometimes, the ability to follow directions is a skill that is necessary for survival. This is known as a(n) _____ skill.
 - A. academic
 - B. family
 - C. social
 - D. life
10. What is one way businesspeople can improve their active listening skills?
 - A. Asking questions during the speaker's message to reduce barriers
 - B. Concentrating on remembering what the speaker says
 - C. Controlling the conversation by monitoring their own nonverbal language
 - D. Paying more attention to the speaker's nonverbal cues than to her/his tone of voice

11. One reason business employees often use note cards when making oral presentations is because the cards help them to
 - A. look important.
 - B. remember key points.
 - C. write down questions.
 - D. memorize the data.
12. A persuasive message that asks a person to do something should be written in a way that makes it easy for the person to
 - A. respond positively.
 - B. organize logically.
 - C. answer politely.
 - D. read slowly.
13. Which of the following is a characteristic of an effective, informal business report:
 - A. Imprecise
 - B. Logical
 - C. Lengthy
 - D. Obscure
14. A request made by an employee to a supervisor is an example of what type of communication?
 - A. Upward
 - B. Downward
 - C. Grapevine
 - D. Horizontal
15. Which of the following is most likely to happen to employees who are discourteous to the business's customers:
 - A. They may be promoted.
 - B. They may be fired.
 - C. They may win an award.
 - D. They may lose their benefits.
16. Which of the difficult customer types may become your best and most loyal customer, once they learn to trust you?
 - A. Dishonest
 - B. Suspicious
 - C. Disagreeable
 - D. Slow/Methodical
17. When providing services to clients, financial professionals have the responsibility to supply
 - A. bank statements.
 - B. payment options.
 - C. credit counseling.
 - D. accurate information.
18. By using simple data-mining techniques to gather data from internal databases, businesses can often identify
 - A. employee incentives.
 - B. competitors' motives.
 - C. customer trends.
 - D. mathematical theories.
19. A business selects specific characteristics about its customers and uses software to obtain data from its database, which will help the business identify, evaluate, and group its customers' buying behaviors. The business is using the _____ data-mining technique.
 - A. primary
 - B. organic
 - C. statistical
 - D. clustering
20. The law of demand states that as the price of a product increases, the demand for that product will
 - A. increase.
 - B. remain the same.
 - C. decrease.
 - D. increase, then decrease.
21. Which of the following is a characteristic of the organic organizational business structure:
 - A. Centralized authority
 - B. Specialization emphasis
 - C. Delegation emphasis
 - D. Inflexible procedures
22. Which of the following statements is true about private enterprise:
 - A. Poverty is eliminated.
 - B. Excessive competition is discouraged.
 - C. Government determines prices.
 - D. Individuals make economic choices.

23. What factor that affects profit can be controlled by a business?
- A. Chance
 - B. Economy
 - C. Expenses
 - D. Demand
24. According to the law of diminishing returns, what is the result of more and more workers being added to the production process if all other factors remain unchanged?
- A. Output will decrease significantly.
 - B. Output will increase by smaller and smaller increments.
 - C. Output will increase proportionately with each worker.
 - D. Output will remain constant.
25. Which of the following is an example of a country's trade deficit:
- A. Imports = \$5 million, exports = \$3 million
 - B. Imports = \$3 million, exports = \$5 million
 - C. Imports = \$0, exports = \$3 million
 - D. Imports = \$5 million, exports = \$5 million
26. How can you let people know that you are really thinking about what they are saying?
- A. By making jokes
 - B. By using clichés
 - C. By asking questions
 - D. By making comments
27. To be considered a person with initiative, you must
- A. practice initiative from time to time.
 - B. demonstrate initiative on a regular basis.
 - C. cooperate with those who have initiative.
 - D. tell people you have initiative.
28. Evaluative information about you or your behavior is known as
- A. negative feedback.
 - B. feedback.
 - C. positive feedback.
 - D. internal feedback.
29. An example of social change would be a change in
- A. highway speed limits.
 - B. hair and clothing styles.
 - C. video game development.
 - D. product-safety standards.
30. What is one factor that determines a manager's credibility with employees?
- A. Reputation
 - B. Creativity
 - C. Patience
 - D. Aptitude
31. Which of the following are characteristics of adaptable people:
- A. Fairness and fear
 - B. Creativity and resistance
 - C. Empathy and disrespect
 - D. Objectivity and attentiveness
32. How does empathy help coworkers to be fair to each other?
- A. Empathy gives coworkers the ability to learn a job quickly.
 - B. Coworkers with empathy are better able to understand others.
 - C. Coworkers with empathy are not likely to have disagreements.
 - D. Empathy helps coworkers to understand legal guidelines.
33. Which of the following is not a federal law regulating the granting of credit:
- A. Equal Credit Opportunity Act
 - B. Uniform Commercial Credit Code
 - C. Truth-in-Lending Act
 - D. Fair Credit Reporting Act
34. The single most important aspect of making a financial plan and setting goals is
- A. making enough money.
 - B. learning to make hard choices.
 - C. getting started now.
 - D. choosing a career path.
35. Which of the following factors influences the time value of money:
- A. Interest rates
 - B. Financial needs
 - C. Banks
 - D. World events

36. Compounding can be described as
- A. risking the stock market.
 - B. avoiding inflation.
 - C. meeting financial needs.
 - D. earning interest upon interest.
37. The primary purpose of financial institutions is to help clients manage their money, and the primary purpose of insurance companies is to provide insurance products that help clients _____ their _____.
- A. reduce, assets
 - B. increase, profitability
 - C. strengthen, investments
 - D. minimize, risk
38. That is investing in a money market, which buys and sells products such as
- A. shares of stock.
 - B. treasury bills.
 - C. agricultural goods.
 - D. technology.
39. Recently, the Second-Fourth Bank merged with the Wide World Insurance Company. This is an example of
- A. liquidation.
 - B. convergence.
 - C. divergence.
 - D. endowment.
40. A primary factor that has led to the consolidation of financial firms is the desire
- A. to lower risks.
 - B. for fewer assets.
 - C. for fewer products.
 - D. to lower costs.
41. In relation to the business cycle, the stock prices of non-cyclical industries tend to
- A. steadily decrease during the expansion phase.
 - B. increase dramatically during the contraction phase.
 - C. remain steady throughout all phases.
 - D. increase slightly during the trough phase.
42. In the past 20 years, Country X has reformed its trade policies and currency exchange rate system. As a result, foreign investment is increasing, and the country's business activity and gross domestic product is rapidly growing. This is an example of a(n)
- A. industrial-based market.
 - B. integrated financial market.
 - C. recession-proof economy.
 - D. emerging market economy.
43. Which of the following statements about hedge funds is true:
- A. Hedge funds are designed to generate conservative financial returns.
 - B. Hedge funds involve private investment partnerships.
 - C. Government agencies usually manage hedge funds.
 - D. Investment options for hedge funds are limited in scope.
44. The section of the SEC web site that houses companies' filings is called
- A. EDWIN.
 - B. EDGAR.
 - C. EDMUND.
 - D. EDWARD.
45. On a stock table, net change shows you the difference between
- A. the highest and lowest prices for the day.
 - B. last year's average price and this year's average price.
 - C. the day's closing price and the previous day's price.
 - D. the highest and lowest prices for the year.
46. If a stock price rises and falls sharply within a 52-week period, it is said to be
- A. volatile.
 - B. stable.
 - C. healthy.
 - D. solid.

47. Bonding employees is a way of reducing _____ risk in business.
- A. natural
 - B. unknown
 - C. human
 - D. economic
48. Which of the following is a reason why accurate accounting is important to business:
- A. To maintain financial control
 - B. To organize governmental support
 - C. To obtain legal information
 - D. To monitor banking regulations
49. A business's cash flow statement for one month indicates cash sales of \$4,275, credit sales of \$2,960, shipping costs of \$525, and fixed expenses of \$2,380. Calculate the total cash receipts.
- A. \$2,960
 - B. \$4,275
 - C. \$6,655
 - D. \$7,235
50. Which of the following is a characteristic of a profit-and-loss statement:
- A. Shows the owner's financial position
 - B. Is the same as a balance sheet
 - C. Summarizes expenses and revenue from sales
 - D. Lists assets and liabilities
51. Which of the following business functions monitors and controls the firm's revenue and debt:
- A. Payroll
 - B. Operations
 - C. Licensing
 - D. Finance
52. To be useful to businesses, financial information should be
- A. timely and understandable.
 - B. reliable and creative.
 - C. vague and transferable.
 - D. sensitive and logical.
53. Recommending corrective measures after identifying differences between budget projections and actual monies spent is considered a(n) _____ function in financial-information management.
- A. control
 - B. planning
 - C. organizing
 - D. maintaining
54. A primary reason why businesses implement financial audit trails is to
- A. evaluate their profitability ratios.
 - B. ensure that financial reports are prepared quickly.
 - C. monitor the daily activities of the securities exchanges.
 - D. reduce risks associated with intentional data tampering.
55. To protect the integrity of archived financial information, businesses might consider using different types of
- A. service procedures.
 - B. storage strategies.
 - C. monetary exchanges.
 - D. production methods.
56. An advantage to businesses that use master data management applications is the _____ of the data.
- A. variation
 - B. consistency
 - C. replication
 - D. complexity
57. 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.
58. To facilitate the long-term budgeting process, it is helpful for businesses to use budgeting software applications that allow them to
- A. translate text.
 - B. manage clients.
 - C. develop graphics.
 - D. merge entries.

59. Which of the following financial analysis applications provides a business with information about its delinquent or aging customer accounts:
- A. Accounts receivable
 - B. Depreciation
 - C. Cost
 - D. Accounts payable
60. 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
61. If a business wants to separate a large SQL server database table into separate file groups, it would use the _____ function.
- A. partitioning
 - B. edit
 - C. merge-cells
 - D. view
62. The purpose of using the locking function for a database is to
- A. allow users to import data from external programs.
 - B. ensure that only one person can edit data fields.
 - C. develop reports and summarize various data.
 - D. set queries to retrieve data from specific data fields.
63. Because the Keller Company is a public corporation, it must provide its shareholders with accurate financial information in a(n)
- A. accounting portfolio.
 - B. informal monthly contract.
 - C. complex memorandum.
 - D. annual report.
64. A business that fails to provide accurate financial information in the required timeframe to a government agency may be subject to
- A. monetary fines.
 - B. tax reductions.
 - C. payroll exemptions.
 - D. regulatory subsidies.
65. The XTY Company is experiencing a cash-flow problem, and is falling behind in paying its bills. It recently received payment on an invoice in the amount of \$450 and wants to use it to pay its vendors. Review the following information and determine which vendor the company should pay first: Vendor A, \$300, due in two weeks; Vendor B, \$75, due five days ago; Vendor C, \$325, due 30 days ago; Vendor D, \$110, due in three days.
- A. Vendor B
 - B. Vendor A
 - C. Vendor C
 - D. Vendor D
66. The AMB Company records its financial transactions at the time they occur, even if money is not exchanged. This is an example of a business using the _____ accounting system.
- A. manual
 - B. accrual
 - C. supplemental
 - D. incremental
67. The financial accounting system is used to provide required financial reports to external audiences, including
- A. operations managers and stockholders.
 - B. stockholders and government agencies.
 - C. vendors and inventory analysts.
 - D. banks and company bookkeepers.
68. As a financial analyst for the Webster Company, an important aspect of Jane's job is to monitor Webster's stock prices, as well as its competitors' stock prices. In the past several weeks, Jane has noted that the industry, in general, has experienced a steady decrease in stock prices. These falling prices indicate that economic conditions are headed toward a _____ market.
- A. bull
 - B. bear
 - C. trough
 - D. peak

69. 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
70. Before approving a loan application, a bank is likely to analyze the applicant's
- A. performance goals.
 - B. inflation rate.
 - C. brand preferences.
 - D. debt ratio.
71. A primary reason why businesspeople analyze financial variances is to
- A. increase market share.
 - B. identify problems.
 - C. negotiate contracts.
 - D. organize workflow.
72. Which of the following is an example of a businessperson making a business decision by analyzing financial data:
- A. So she can prepare the company's tax return, Kate obtains the necessary financial documents and forms.
 - B. William asks the staff accountant to prepare the company's profit-and-loss statement for next Tuesday's executive board meeting.
 - C. Timothy obtains a copy of the business's credit rating report from a credit bureau.
 - D. After reviewing sales forecasts and income statements, Angela determines that the company has enough money to hire a new employee.
73. A commission or bonus is an example of a form of
- A. employee contract.
 - B. assistance program.
 - C. benefit.
 - D. compensation.
74. How does the selling function of marketing benefit businesses?
- A. Generates profit
 - B. Creates employment opportunities
 - C. Fosters competition
 - D. Increases product options
75. Using a computer-generated slideshow to highlight product information would be most appropriate in which of the following business situations:
- A. Formal sales presentation
 - B. Project-team status meeting
 - C. Employee performance review
 - D. Union contract negotiations
76. Carson is a staff accountant, and he needs to look at last year's tax return. However, he can't find it anywhere. Which information management guideline is not being followed in this situation?
- A. Make sure that information is accurate.
 - B. Make sure that information is retrievable.
 - C. Set and consistently follow organizational information management practices.
 - D. Prioritize information management needs according to business needs.
77. Which of the following is a characteristic common to all integrated software packages:
- A. Performs interrelated functions
 - B. Calculates breakeven points
 - C. Requires minimal training
 - D. Includes forecasting tools
78. Businesses that use computer software to track the customers' billing information and sales transactions create records about their customers'
- A. personal preferences.
 - B. financial plans.
 - C. income level.
 - D. payment history.
79. What type of business records would provide a company with information about the movement of its products?
- A. Inventory
 - B. Credit
 - C. Accounts payable
 - D. Sales expense reports

80. Statistical findings reveal that the Benson Company earned a 35% net profit on the funds it spent on a project. The statistics provided the Benson Company with information about the business's
- A. sales commission rate.
 - B. retention rate.
 - C. sales strategies.
 - D. return on investment.
81. Maintenance and repairs is an operations activity that includes
- A. quality inspection.
 - B. production planning.
 - C. custodial work.
 - D. financial analysis.
82. Who is responsible for reporting unsafe conditions or equipment that is not in good operating order?
- A. Company managers
 - B. All employees
 - C. Safety supervisors
 - D. Department managers
83. When project managers prepare to-do lists and schedule activities, they are using _____ skills.
- A. problem-solving
 - B. information-based
 - C. creative-thinking
 - D. time-management
84. Which of the following marketing functions helps businesses to deliver quality products on time in order to satisfy customer needs:
- A. Advertising
 - B. Purchasing
 - C. Financing
 - D. Organizing
85. A company that makes one specialty item at a time is using what type of production system?
- A. Batch
 - B. Unit
 - C. Mass
 - D. Assembly line
86. Which of the following factors do businesses need to consider in order to make a profit even if their sales are good:
- A. Expenses
 - B. Policies
 - C. Assets
 - D. Contracts
87. Personal appearance should be important to a business's employees because
- A. their image affects company image.
 - B. it makes them attractive to others.
 - C. workers with a good appearance get promotions.
 - D. unattractive workers are unlikely to be hired.
88. Individuals are more likely to reach their personal goals if they have
- A. avoided making the goals too specific.
 - B. had help in setting the goals.
 - C. analyzed all their personal dreams.
 - D. put their goals in writing.
89. A member of a sales team said, "Our sales always decline this time of year. We just need to wait a few months until they pick up again." What barrier to creativity is the sales-team member exhibiting?
- A. Criticism
 - B. Need to be right the first time
 - C. Limiting code of behavior
 - D. Stress
90. What do people usually take into consideration when identifying occupations that they want to pursue in life?
- A. Social attitude
 - B. Personal conduct
 - C. Mental health
 - D. Natural talent
91. The job interviewer told Elizabeth at the end of the interview that he couldn't offer her the job because she lacked a particular skill that the job required. Elizabeth's next step should be to
- A. write the interviewer a follow-up letter.
 - B. look for another similar job opportunity.
 - C. file a formal complaint with the EEOC.
 - D. look for training in the required job skill.

92. Essential qualifications for working in the financial-services industry include all of the following *except*
- A. good communication skills.
 - B. mathematical and analytical skills.
 - C. the ability to speak a foreign language.
 - D. the ability to work independently.
93. Successful bank managers and supervisors usually move up the career ladder as a result of beginning their employment as
- A. volunteers.
 - B. tellers.
 - C. interns.
 - D. apprentices.
94. To maintain their licensure, many finance professionals are required to participate in
- A. liberal training programs.
 - B. organizational staff meetings.
 - C. chamber of commerce activities.
 - D. continuing education classes.
95. Joining a professional organization is one way for financial planners to
- A. formulate business plans.
 - B. establish personal priorities.
 - C. build business contacts.
 - D. develop organizational charts.
96. What is a potential negative consequence to a business that fails to manage risk by implementing an ethics training program for employees?
- A. Increased credit rating
 - B. Inflated profit margins
 - C. Decreased conflict
 - D. Damaged reputation
97. One way for a company to manage its risk in relation to its employees' workplace behavior is by
- A. permitting employees to use company resources for personal use.
 - B. providing employees with the flexibility to change company policies.
 - C. allowing employees to view all company records.
 - D. encouraging employees to report workplace misconduct.
98. Which of the following is a form of technology that businesses use to reduce the risk of robbery and theft within their facilities:
- A. Surveillance cameras
 - B. Deadbolt locks
 - C. Electronic cash registers
 - D. Kiosks
99. Which of the following is an internal activity that companies use to control their risk levels:
- A. Lenient credit policies
 - B. Excessive inventory to meet potential customer needs
 - C. Substandard equipment to save on equipment costs
 - D. Accurate financial records
100. Managers need to be familiar with the latest technology, government regulations, innovations and trends within the industry, and competitors' activities. What category of resource is this?
- A. Financial
 - B. Human
 - C. Material
 - D. Information

KEY

Test Number 1029

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 © 2010 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. This exam, without modification, is licensed for one-time use on a date specified by the licensee (state DECA advisor or designee), on or before MARCH 31, 2010. **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. A
Businesses. Administrative law deals with the rules and regulations that have been established by governmental agencies. These rules and regulations have an effect on most businesses in some manner, such as issuing licenses to operate, prohibiting unfair trade practices, and requiring equal employment opportunities. Businesses must comply with the regulations or face the possibility of being penalized for violations. Attorneys, juries, and guardians usually are not affected by administrative law.
SOURCE: BL:074
SOURCE: Miller, R.L., & Jentz, G.A. (2005). *Fundamentals of business law* (6th ed.) [pp. 6-7]. Mason, OH: Thomson/South-Western.

2. A
Corporation. A corporation is owned by the people who have purchased shares of stock in the business. A partnership is a form of business ownership in which the business is owned by two or more people. A proprietorship is a business owned by one person. A consolidation is the joining of two or more companies to form a new company.
SOURCE: BL:003
SOURCE: BA LAP 7—Own It Your Way

3. C
Acting in the best interests of their clients. In the financial industry, a fiduciary is a financial professional who has been given legal authority to make financial transactions on behalf of an individual or business—the owner of the financial product (e.g., stock). Because the fiduciary has been given legal authority to act on behalf of a client, s/he must act in the best interest of the client. Fiduciary responsibility involves making wise financial decisions and obtaining financial products that will help the client achieve his/her financial goals. A fiduciary does not focus on selling products that generate the highest commissions or make risky investments without the client's knowledge. A responsible, ethical fiduciary is transparent and trustworthy and continuously communicates with her/his clients rather than communicating with them only once a year.
SOURCE: BL:133
SOURCE: Sais, J., & Sais, M. (2009). *Meeting your fiduciary responsibility*. Retrieved October 22, 2009, from <http://www.investopedia.com/articles/08/fiduciary-responsibility.asp#>

4. B
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. (2009). *Frequently asked questions on estate taxes*. Retrieved October 22, 2009, from <http://www.irs.gov/businesses/small/article/0,,id=108143,00.html#5>

5. A
Capital gains. When investments such as stocks, bonds, and real estate are sold at a profit, the stockholder may be required to pay a capital gains tax. A capital gain is the difference between the purchase price and sales price of an asset (e.g., stock). A sales tax is a tax on a retail item. An excise tax is a tax for nonessential products, such as gasoline. A gift tax is a tax on something of value (e.g., money) given to another person. Usually, the gift giver pays the tax.
SOURCE: BL:134
SOURCE: Internal Revenue Service. (n.d.). *Tax facts about capital gains and losses*. Retrieved October 22, 2009, from <http://www.irs.gov/newsroom/article/0,,id=106799,00.html>

6. D

Ensure that the businesses are following industry regulations. Because financial-services businesses must follow many types of regulations, many of them hire compliance officers to ensure that the business is in compliance at all times. Compliance officers monitor regulations, develop and implement compliance-related business policies, ensure that employees understand compliance issues, identify and appropriately respond to noncompliance issues, and implement corrective action as needed. Accountants determine actions that a business can take to lower its tax obligation, such as identifying appropriate deductions. A business's compliance officer does not develop customer-service policies for the industry. A compliance officer may need to monitor international trade regulations, if the company conducts business at the international level.

SOURCE: CC:003

SOURCE: Compliance Week. (2004, March 16). *Job description: Typical chief compliance officers responsibilities*. Retrieved October 23, 2009, from <https://www.complianceweek.com/article/548/job-description-typical-chief-compliance-officer-responsibilities>

7. B

The continuous inspection of transactional data. A virtual auditor is a type of compliance technology that uses multiple reasoning processes to help the business identify errors and compliance violations. The advantage to using virtual-auditor technology is that it is continuously inspecting and reviewing financial transactions and processes in real time, so the business can identify and correct problems quickly. A business does not use virtual-auditor technology to monitor competitors' activities or to allow unlimited access to confidential credit information. A business might use project-management software to streamline and track the workflow of a project.

SOURCE: CC:004

SOURCE: Taylor, P. (2006, September). *IT's role in financial process improvements*. Retrieved October 23, 2009, from <http://www.information-management.com/specialreports/20060919/1063493-1.html>

8. C

Cross-source. A virtual auditor is a type of compliance technology that uses multiple reasoning processes to continuously review financial transactions and processes. The reasoning processes help the business to identify errors and/or compliance violations. Cross-source reasoning is used to compare financial transactions and processes across multiple financial systems and determine inconsistencies and errors. Incremental reasoning involves studying a series of events as they occur to determine if the chain of events as a whole represents a potential compliance violation. 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.

SOURCE: CC:004

SOURCE: Taylor, P. (2006, September). *IT's role in financial process improvements*. Retrieved October 23, 2009, from <http://www.information-management.com/specialreports/20060919/1063493-1.html>

9. D

Life. Life skills are basic skills necessary to survive. Following directions, then, is not a skill you can afford to be without. Skills necessary for survival are not known as family skills, academic skills, or social skills.

SOURCE: CO:119

SOURCE: QS LAP 24—Simon Says

10. B
Concentrating on remembering what the speaker says. One technique people use to improve listening skills is to make a conscious effort to try to focus and remember what the speaker says. Staying focused on the message and filtering out noise as much as possible improves the chances of remembering and accurately understanding the message. Listeners may want to be aware of their own body language (e.g., facial expressions, crossed arms) because their nonverbal cues are also being interpreted by the speaker and can affect communication. However, monitoring one's own nonverbal cues does not necessarily mean that the listener takes control of the conversation. Asking questions during the speaker's message does not necessarily reduce listening blocks or barriers. To decipher a message accurately, the listener must not only pay attention to the speaker's words but also to her/his nonverbal cues and voice tone. Nonverbal cues are not necessarily more important than tone of voice.
SOURCE: CO:017
SOURCE: Leskiar, R.V., & Flatley, M.E. (2005). *Basic business communication: Skills for empowering the Internet generation* (10th ed.) [pp. 424-426]. Boston: McGraw-Hill/Irwin.
11. B
Remember key points. Business employees often write brief notes on small cards to help them remember to discuss important points they want to present to the audience. The notes serve as a guide to help employees stay focused on the information they need to present and keep them from getting off track. The notes are often a mini-outline of the presentation. Employees do not use note cards to look important, write down questions, or memorize the data.
SOURCE: CO:025
SOURCE: Lehman, C. & DuFrene, D. (2005). *Business communication* (14th ed.) [pp. 499-500]. Mason, OH: South-Western.
12. A
Respond positively. Persuasive messages often ask people to do something, such as buy a product, make a donation, give a speech, etc. To be effective, the message should be written in a way that makes it easy for the person to respond positively and agree to do what is asked. The messages might contain toll-free telephone numbers, an offer to deliver a product for free, or to pick up a donation. People are more likely to respond positively if it is easy to do so. Persuasive messages do not need to be read slowly. The writer of the message organizes it logically. People might politely answer persuasive messages, but the intent is to have them respond positively.
SOURCE: CO:031
SOURCE: Hyden, J. S., Jordan, A. K., Steinauer, M. H., & Jones, M. J. (2006). *Communicating for success* (3rd ed.) [pp. 333-335]. Mason, OH: Thomson South-Western.
13. B
Logical. Effective, informal business reports include short letters and brief memorandums. Since their purpose is to transmit important information in a format that can be read and understood quickly, informal reports should follow a logical sequence using clear, precise, easy-to-understand language.
SOURCE: CO:094
SOURCE: Lehman, C. & DuFrene, D. (2005). *Business communication* (14th ed.) [pp. 336-337]. Mason, OH: South-Western.
14. A
Upward. Upward communication is defined as communication that moves up the chain of command, e.g., employee to supervisor. Downward communication moves down the chain from management to employees. Horizontal communication is communication with someone on the same level within the business. Grapevine communication is unofficial messages passed among fellow employees.
SOURCE: CO:014
SOURCE: Bovée, C. L., & Thill, J. V. (2008). *Business communication today* (9th ed.) [p. 5]. Upper Saddle River, NJ: Pearson Prentice Hall.

15. B
They may be fired. More people lose their jobs because they can't get along with other people than for any other reason. Establishing positive customer/client relations is very important to a business's success. Employees who damage customer relations are not likely to be promoted or given awards. Benefits cannot be taken away for misconduct.
SOURCE: CR:003
SOURCE: Bailey, L.J. (2003). *Working: Career success for the 21st century* (3rd ed.) [pp. 139-140]. Mason, OH: South-Western.
16. B
Suspicious. Suspicious customers only want the facts, and they don't like being pushed. Once you gain their confidence and trust, you will have a customer for life. Dishonest customers may steal goods or purchase items, use them, and return them for a full refund, if they can get away with it. Disagreeable customers are negative, quick tempered, and may never be your best customer. Slow/Methodical customers generally need help to feel comfortable about buying a good/service each time they go shopping.
SOURCE: CR:009
SOURCE: CR LAP 3—Making Mad Glad (Handling Difficult Customers)
17. D
Accurate information. Financial professionals often invest money for clients. As a result, they should provide clients with accurate information about the performance of possible investments. Some investments are more secure than others. Those clients who do not want to take risks should know which investment options are the safest. Financial professionals have this information and should supply it to clients. Financial professionals do not necessarily offer payment options. Not all financial professionals supply credit counseling. Financial professionals usually do not supply clients with bank statements.
SOURCE: CR:012
SOURCE: Kapoor, J.R., Dlabay, L.R., Hughes, R.J., & Hoyt, W.B. (2005). *Business and personal finance* (pp. 293-295). New York: Glencoe/McGraw-Hill.
18. C
Customer trends. Data mining involves collecting data from large databases to identify patterns and correlations among the data. Businesses can search their internal databases for data that identify changes in the buying and usage habits of existing customers. By using data-mining techniques, a business can often obtain data that aid in identifying customer trends, such as an increase or decrease in credit-card usage. Businesses are likely to use external databases rather than internal databases to gather data about competitors. Businesses do not use data-mining techniques to gather data from internal databases to determine employee incentives or mathematical theories.
SOURCE: CR:024
SOURCE: CRM Today. (2001-2009). *Data mining and crm*. Retrieved October 26, 2009, from http://www.crm2day.com/content/t6_librarynews_1.php?id=EpFEAKAFpuEZkNWvTr
19. D
Clustering. Data mining is the process of searching computer databases to look for patterns and relationships among data. Businesses can use many types of data-mining techniques to search databases. Clustering involves selecting various characteristics of a market (e.g., geographic location, value orientation) that the business wants to explore. The data-mining software selects the data that meet the criteria and separates or clusters the data into appropriate categories. After clustering occurs, businesses can analyze the data, which may include statistics. Organic and primary are not types of data-mining techniques.
SOURCE: CR:024
SOURCE: CRM Today. (2001-2009). *Data mining and crm*. Retrieved October 26, 2009, from http://www.crm2day.com/content/t6_librarynews_1.php?id=EpFEAKAFpuEZkNWvTr

20. C
Decrease. The law of demand is an economic principle that states that the quantity of a good or service that people will buy varies inversely with the price of the good or service. Therefore, as the price goes up, demand goes down; and as the price decreases, demand increases.
SOURCE: EC:005
SOURCE: EC LAP 11—It's the Law (Supply and Demand)
21. C
Delegation emphasis. The organizational business structure is the way a company sets up its workflow. Primary characteristics of the organic organizational business structure include sharing (decentralized) authority; delegating responsibility among employees; and cultivating a broad range of job skills and knowledge (de-specialization) among workers. The advantage of the organic organizational business structure is that it provides the company with a great deal of flexibility.
SOURCE: EC:103
SOURCE: Gibson, J.L., Ivancevich, J.M., Donnelly, J.H., & Konopaske, R. (2003). *Organizations: Behavior, structure, processes* (11th ed.) [pp. 392-393]. Boston: Irwin/McGraw-Hill.
22. D
Individuals make economic choices. For example, individuals may choose what they wish to purchase, where they want to work, and what they will do with their private property. The United States is an example of private enterprise, and many people in the United States live at or below the poverty level. Prices are determined by the interaction of supply and demand, and the government rarely sets prices. Competition, a rivalry between two or more businesses to attract scarce customer dollars, is encouraged in a private enterprise system.
SOURCE: EC:009
SOURCE: EC LAP 15—Private Enterprise
23. C
Expenses. Expenses must be deducted from income to determine profit. A business can try to keep its expenses as low as possible. A business cannot control economic conditions or chance events, such as an earthquake. A business can try to increase demand through techniques such as competitive pricing and promotion, but it cannot control demand.
SOURCE: EC:010
SOURCE: EC LAP 2—Risk Rewarded
24. B
Output will increase by smaller and smaller increments. For example, as additional workers continue to be added to a production process—past a certain point—they need more space, access to equipment, etc. Since these factors are unchanged (space and equipment), the workers become less efficient in doing their jobs. Output overall does increase with additional workers, but it does so by smaller and smaller amounts. Output does not decrease, because more workers will always produce some increase in output, however small. Output will not increase proportionately to the additional resources dedicated to the project since, at some point, the workers will become less efficient. Output does not remain constant when additional workers are added to the production process.
SOURCE: EC:023
SOURCE: Gottheil, F.M. (2002). *Principles of economics* (3rd ed.) [pp. 174-175]. Mason, OH: South-Western.
25. A
Imports = \$5 million, exports = \$3 million. A trade deficit is an unfavorable balance of trade in which a nation's imports are greater than its exports. In this situation, there is a \$2 million trade deficit (\$5 million imports - \$3 million exports = \$2 million trade deficit).
SOURCE: EC:016
SOURCE: EC LAP 4—Beyond US (International Trade)

26. C
By asking questions. By asking appropriate questions, you show that you are doing more than just making comments and listening. Your questions tell people that you want more information about the topic and that you are really thinking about the information being given. Making jokes or answering with clichés, such as "really," indicates you are not listening well or taking the speaker seriously.
SOURCE: EI:020
SOURCE: Bovée, C. L., & Thill, J. V. (2008). *Business communication today* (9th ed.) [pp. 53-54]. Upper Saddle River, NJ: Pearson Prentice Hall.
27. B
Demonstrate initiative on a regular basis. Initiative is a personal trait expressed by a consistent pattern of behavior. To be viewed as a person with initiative, you must demonstrate that trait regularly over a period of time. Telling people that you have initiative, practicing initiative from time to time, or cooperating with those who have initiative would not be sufficient.
SOURCE: EI:024
SOURCE: EI LAP 2—Hustle! (Taking Initiative at Work)
28. B
Feedback. Feedback can come in several different forms. Internal feedback is self-evaluation; it can be negative or positive. Negative feedback involves criticism, indicating a needed change in behavior. Positive feedback involves praise, tending to reinforce present behavior.
SOURCE: EI:003
SOURCE: EI LAP 15—Grin and Bear It (Using Feedback for Personal Growth)
29. B
Hair and clothing styles. Social changes are shifts in values, tastes, habits, and composition of society. Changes in hair and clothing styles are examples of social changes. Changes in highway speed limits and product-safety standards are examples of governmental changes. The development of video games is an example of technological changes.
SOURCE: EI:026
SOURCE: Wikipedia. (n.d.). *Dress code*. Retrieved November 2, 3009, from http://en.wikipedia.org/wiki/Dress_code
30. A
Reputation. A manager who has the reputation of being knowledgeable and experienced usually has credibility with employees. Credibility is believability, and employees are more likely to believe a manager who has the appropriate background and ability. Managers who have a reputation of being unethical or poorly informed often have difficulty persuading employees because the managers lack credibility. Aptitudes are natural talents for learning specific skills. Creativity is the ability to generate unique ideas, approaches, or solutions. Patience is the ability to endure life's aggravations and difficulties calmly.
SOURCE: EI:012
SOURCE: Hyden, J. S., Jordan, A. K., & Steinauer, M. H. (2006). *Communicating for success* (3rd ed.) [p. 326]. Mason, OH: Thomson South-Western.
31. D
Objectivity and attentiveness. Adaptable people consistently exhibit certain attitudes or behavior, regardless of the circumstances. Some characteristics of adaptable people include objectivity; attentiveness; empathy; confidence; a respectful, positive, and self-corrective attitude; and constructive (positive) risk taking. Resistance, disrespect, and fear are not attributes of adaptable people. Increased creativity is considered a positive outcome of adaptable behavior, rather than a characteristic of adaptability.
SOURCE: EI:006
SOURCE: QS LAP 15—Stuff Happens

32. B
Coworkers with empathy are better able to understand others. Empathy is the ability to put yourself in another person's place. When you can "walk in someone else's shoes," even though you have not had the same experiences, you are better able to understand and to get along with that person. Empathy cannot prevent disagreements, help workers to understand legal guidelines, or enable them to learn a job quickly.
SOURCE: EI:036
SOURCE: Dalton, M., Hoyle, D.G., & Watts, M.W. (2006). *Human relations* (3rd ed.) [p. 243]. Mason, OH: South-Western Cengage Learning.
33. B
Uniform Commercial Credit Code. The Uniform Commercial Credit Code was drawn up to give states a model to follow in writing their own sets of credit laws. It is administered at the state level. The Equal Credit Opportunity Act, the Truth-in-Lending Act, and the Fair Credit Reporting Act are all federal laws regulating credit practices.
SOURCE: FI:002
SOURCE: Answers.com. (2009). *Uniform consumer credit code*. Retrieved November 2, 2009, from <http://www.answers.com/topic/uniform-consumer-credit-code-in-banking>
34. C
Getting started now. The single most important aspect of making a financial plan and setting goals is getting started *now*. Learning to make hard choices, making enough money, and choosing a career path are important aspects of goal setting, but they are not as important as simply getting started.
SOURCE: FI:065
SOURCE: QS LAP 31—Set Yourself Up
35. A
Interest rates. The value of your money changes over time due to many factors—inflation, interest rates, compounding, and even tax rates. That's why it's so important to save and invest wisely. The time value of money is not influenced by financial needs, banks, or world events.
SOURCE: FI:270
SOURCE: QS LAP 30—Supersize Your Money
36. D
Earning interest upon interest. Compounding can best be described as earning interest upon interest. There is no way to avoid inflation; one can only plan to overcome the effects of inflation with careful saving and investing. The compounding growth of the stock market is an excellent way to meet financial needs and goals, but meeting financial needs is not a description of compounding. Although there are risks in the stock market, risking the stock market does not describe compounding.
SOURCE: FI:270
SOURCE: QS LAP 30—Supersize Your Money
37. D
Minimize, risk. Insurance companies sell insurance policies. An insurance policy is a contract that states that the insurer (the insurance company) will pay for specified losses incurred by an individual or another company (policy holder) in return for installment payments (premiums). The purpose of purchasing insurance policies (e.g., life, property, professional liability, etc) is to protect the policyholder's assets and minimize financial losses associated with various risks (e.g., death, fire, and malpractice). By minimizing the policyholder's financial losses, the insurance company is providing a product that protects the policyholder's assets. Many insurance companies now provide financial products (e.g., investments), which are designed to build wealth. The primary purpose of insurance companies is not to provide insurance products that increase the policyholder's profitability but to protect the policyholder from financial losses.
SOURCE: FI:336
SOURCE: The Ohio State University Extension. (2009). *What is the difference between a financial institution and an insurance company?* Retrieved October 22, 2009, from <http://www.extension.org/faq/38945>

38. B

Treasury bills. A financial market is an organized effort or exchange that facilitates the buying and selling of financial assets. There are many types of financial markets, including money markets. Money markets involve the buying and selling of short-term, low-risk financial products such as treasury bills, which are issued by the government. Stock, agricultural goods (soft commodities), and technology are often high-risk investments.

SOURCE: FI:337

SOURCE: Investopedia. (2009). *Money markets: Treasury bills*. Retrieved November 2, 2009, from <http://www.investopedia.com/university/moneymarket/moneymarket2.asp>

39. B

Convergence. Convergence is the merging of financial providers from different financial sectors. For example, convergence occurs when a retail bank merges with an insurance company or when an investment bank merges with a brokerage firm. The merging of different financial sectors provides a broader selection of financial products and a "one-stop shopping" environment for consumers.

Liquidation is the process of selling assets for cash, which is used to settle debts. Divergence is the separation of or difference in something. An endowment is the donation of something, usually money, to an individual or institution (e.g., college). The situation described is not an example of liquidation, divergence, or an endowment.

SOURCE: FI:573

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

40. D

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.

41. C

Remain steady throughout all phases. The business cycle affects the stock prices of various industries in different ways. The demand for the products of non-cyclical industries (e.g., food, beverage, tobacco, healthcare) tends to remain consistent throughout all phases of the business cycle. Therefore, the stock performance of non-cyclical industries tends to remain steady throughout all stages of the business cycle, as well. Changes in the business cycle tend to affect the stock prices of other industries, including energy and capital goods. The energy sector (e.g., oil) is affected by the global supply and demand, which influences energy stock performance. Historically, energy stocks tend to perform best late in the business cycle. Capital goods stocks tend to perform well during expansion phase of the business cycle because businesses are expanding and buying equipment.

SOURCE: FI:574

SOURCE: Fidelity Investments. (1998-2009). *Business cycle and stock performance*. Retrieved October 28, 2009, from <http://personal.fidelity.com/products/funds/content/sector/cycle.shtml>

42. D

Emerging market economy. Emerging markets are growing markets (e.g., stock, bond, commodities, etc.) that result when a country initiates reforms that move it from a closed economy to an open or market economy. An integrated financial market involves a market with barrier-free financial flow. An economic recession is a six-months' contraction in the gross domestic product (GDP). Because circumstances change and many factors affect the health of an economy, economic systems are not recession-proof. An industrial-based market is a market in which businesses sell goods and services to industrial businesses.

SOURCE: FI:575

SOURCE: Heakal, R. (n.d.). *What is an emerging market economy?* Retrieved October 21, 2009, from <http://www.investopedia.com/articles/03/073003.asp>

43. B
Hedge funds involve private investment partnerships. A hedge fund is a pooled investment fund that uses many types of aggressive investment strategies to maximize returns. A hedge fund involves a limited number of investors (private partnership) and requires a large minimum investment amount. Professional financial managers manage hedge funds rather than government agencies.
SOURCE: FI:575
SOURCE: Investopedia. (2009). *Hedge fund*. Retrieved October 21, 2009, from <http://www.investopedia.com/terms/h/hedgefund.asp>
44. B
EDGAR. The section of the SEC web site that houses companies' filings is called EDGAR, which stands for Electronic Data Gathering and Retrieval. EDWIN, EDMUND, and EDWARD are not acronyms for anything on the SEC web site.
SOURCE: FI:274
SOURCE: QS LAP 36—The Source Is With You
45. C
The day's closing price and the previous day's price. Net Change shows the difference between the prices of the one recorded on the stock table and the previous day's price. The highest and lowest prices for the year are found in the 52-week Hi/Lo column. Last year's and this year's average prices and the highest and lowest prices for the day do not appear on stock tables.
SOURCE: FI:275
SOURCE: QS LAP 37—Table Talk
46. A
Volatile. Prices that rise and fall sharply are said to be volatile. Stable, healthy, or solid are not words that would be used to describe a volatile stock.
SOURCE: FI:275
SOURCE: QS LAP 37—Table Talk
47. C
Human. Human risks are the chances of loss caused by human weakness and unpredictability. Bonding employees reduces this risk by providing reimbursement for employee theft. Natural risks result from natural causes such as floods and fires. Economic risks are caused by changes in the market. Unknown is a distractor.
SOURCE: FI:084
SOURCE: BA LAP 2—Risk Management
48. A
To maintain financial control. Financial control of a business is the overall purpose of accounting. Accurate accounting information helps a business to maintain financial control by showing how the business is doing in terms of earning a profit and paying expenses. Businesses use accounting information to make any necessary changes in order to keep the business in good financial condition. The accounting function does not help businesses to monitor banking regulations, organize governmental support, or obtain legal information.
SOURCE: FI:085
SOURCE: FI LAP 5—Show Me the Money (Nature of Accounting)
49. B
\$4,275. Cash receipts refers to the specific sources of money flowing into the business from such things as the sale of goods and services and interest income. Only collected money is recorded under cash receipts. If a business makes \$4,275 from cash sales and \$2,960 from credit sales, only the \$4,275 can be recorded. The \$2,960 in monies owed to the business is referred to as accounts receivable and should not be recorded until it is actually collected. Shipping costs and fixed expenses are cash payments rather than cash receipts.
SOURCE: FI:091
SOURCE: Farese, L. S., Kimbrell, G., & Woloszyk, C. A. (2009). *Marketing essentials* (pp. 773-775). Woodland Hills, CA: Glencoe/McGraw-Hill.

50. C
Summarizes expenses and revenue from sales. A profit-and-loss statement is a business's financial picture that lists all revenue and expenses for a certain time period. A profit-and-loss statement is not the same as a balance sheet. Characteristics of a balance sheet include listing assets and liabilities and showing the owner's financial position.
SOURCE: FI:094
SOURCE: FI LAP 4—Watch Your Bottom Line (Income Statements)
51. D
Finance. Finance is the process of obtaining funds and using them to achieve the goals of the business. Revenue is the business's sales or gross income. Revenue is one way of obtaining money, while debt is the amount of money the business owes others—its expenses. Operations refers to the overall management function that plans, controls, and monitors the day-to-day activities so the firm can continue functioning. Licensing is a permission that an owner or authority grants for another entity to conduct a specific activity. Payroll is the sum of money paid to employees in a given period and is one of many activities that the business's financial function monitors.
SOURCE: FI:354
SOURCE: Ivancevich, J.M., & Duening, T.N. (2007). *Business principles, guidelines, and practices* (2nd ed.) [p. 543]. Mason, OH: Thomson.
52. A
Timely and understandable. Businesses obtain internal and external financial information to make decisions about their business activities. To make sound decisions, a business needs reliable and timely information that is presented in an understandable or logical way. The information should also be specific and relate to the situation at hand. Financial information does not need to be creative, transferable, or sensitive.
SOURCE: FM:001
SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (pp. 342-343). South-Western Cengage Learning.
53. A
Control. Financial control is the process of analyzing and adjusting the financial plan to correct for forecasted events that do not occur. By recommending corrective measures, the person is controlling a business's finances. Development of a financial plan represents the planning function in finance. Financial information is organized into a useful format for decision-makers. Keeping financial records up to date represents maintenance; however, maintenance is not a management function.
SOURCE: FM:002
SOURCE: Bovée, C. L., & Thill, J. V. (2008). *Business in action* (4th ed.) [pp. 175-179]. Upper Saddle River, NJ: Pearson Prentice Hall.
54. D
Reduce risks associated with intentional data tampering. The purpose of an audit trail is to record the step-by-step process of all financial transactions, which may or may not include securities trades. By maintaining audit trails, businesses can trace unethical behavior associated with financial data tampering. Employees may be less likely to intentionally tamper with financial data if they know financial audit trails are in place and activities can be monitored and tracked. The primary reason why businesses use financial audit trails is not to ensure that financial reports are prepared quickly or to evaluate profitability ratios.
SOURCE: FM:003
SOURCE: de Jager, P. (2002, September/October). *Ethics: Good, evil, and moral duty*. Retrieved October 26, 2009, from http://findarticles.com/p/articles/mi_qa3937/is_200209/ai_n9143308/pg_2/?tag=content;col1

55. B

Storage strategies. Businesses are legally required to keep certain types of financial information for a specific period of time. Because many businesses must keep a large amount of financial information, they must consider how to archive, or store, historic information. Businesses often store information on magnetic or optical tapes and disks or a combination of different methods. Because technology is evolving, the types of storage options change, so businesses must keep up with the technology. It is important to keep up with technology because businesses must be able to retrieve archived records in formats that are readable and usable at any given time. Service procedures, monetary exchanges, and production methods will not protect the integrity of archived financial information.

SOURCE: FM:003

SOURCE: Tongish, S. (2003, July 14). *Do you have a data storage strategy?* Retrieved October 26, 2009, from <http://www.out-law.com/page-3720>

56. B

Consistency. Master data management involves the collection, storage, accessibility, and maintenance of the business's nontransactional data (e.g., product, employee). Effective master data management involves providing consistent, accurate data for all employees who use the data throughout the organization. An important aspect of master data management is ensuring that the organization uses one rather than several versions of a particular computer application. Effective master data management applications reduce the replication of data records. Master data management applications often handle complex data; however, if the complex data are not consistent, the data are not useful to the employees who use it.

SOURCE: FM:011

SOURCE: Wolter, R., & Haselden, K. (2006, November). *The what, why, and how of master data management*. Retrieved October 23, 2009, from <http://msdn.microsoft.com/en-us/library/bb190163.aspx>

57. B

Presented. Unless data-mining results are presented in a useful and clear manner, they are meaningless to researchers. Changing results can skew the validity of the results. Researchers can't argue about the validity of the results unless the results are meaningful enough to interpret them. People rather than results are instructed.

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. D

Merge entries. Budgets help businesses manage their money. Businesses often use software programs to facilitate the budgeting process, which is an estimate of income and expense for a specific timeframe. Because financial circumstances change, businesses may need to change various aspects of their long-term budgets. A software program that has the ability to merge entries across an organization's various departments is useful in keeping budget information consistent and accurate. Businesses use customer relationship management (CRM) software to manage clients' accounts. Businesses use computer-drawing and photo-alteration programs (e.g., Adobe Illustrator and Adobe Photoshop) to develop graphics. Businesses use translation software to translate text in one language to another language.

SOURCE: FM:013

SOURCE: Tyler Technologies. (n.d.). *Budgeting*. Retrieved October 27, 2009, from <http://www.tylertech.com/Default.aspx?tabid=280>

59. A

Accounts receivable. Computer software applications can calculate and summarize many types of financial data. By using the accounts-receivable application, the business can determine the amount of money coming into the business and from whom. Accounts-receivable applications can isolate delinquent or aging accounts. By knowing which accounts are late with their payments, the business can take steps to follow up with the customer to obtain payment. Depreciation is the reduction in value of goods or assets occurring over a period of time. Cost analysis is used to determine the costs associated with a variety of business functions and activities, such as inventory and advertising. Accounts payable are the monies owed by the business to others.

SOURCE: FM:014

SOURCE: MicroStrategy.com. (n.d.). *Financial analysis*. Retrieved October 28, 2009, from <http://latam.microstrategy.com/financial-analysis/>

60. C

Cash flow. Computer applications aid businesses in analyzing many types of financial issues. Businesses often want to evaluate the changes in their cash position. To evaluate changes in cash position, the business would analyze its cash flow. Cash flow is the movement of funds into and out of the business. Evaluating cash flow helps the business forecast and determine the amount of cash it has to work with at any given time. Expenses are cash outflows and are one aspect of analyzing the business's cash flow. Fixed costs are expenses that are not affected by changes in sales volume. Analyzing performance may involve evaluating the productivity and efficiency of different resources (e.g., human, materials, equipment).

SOURCE: FM:014

SOURCE: MicroStrategy.com. (n.d.). *Financial analysis*. Retrieved October 28, 2009, from <http://latam.microstrategy.com/financial-analysis/>

61. A

Partitioning. SQL (Structured Query Language) is the standard language for building and obtaining information from a database. Businesses often want to separate tables of information into separate file groups to isolate or categorize data. The partitioning function allows users to perform this activity. The edit function allows users to change data. The merge cells function allows users to combine cells in a spreadsheet program. View is a dropdown menu in Windows programs that allows users to change the way they see various elements (e.g., document size, toolbars) on their computers.

SOURCE: FM:015

SOURCE: Chapple, M. (2009). *Partitioning a SQL server database table*. Retrieved October 29, 2009, from <http://databases.about.com/od/sqlserver/a/partitioning.htm>

62. B

Ensure that only one person can edit data fields. Many databases allow users to view the same information at the same time. The locking function prevents more than one person at a time from making changes to the database. The import function allows users to import data from external programs. The primary purpose of the locking function is not to develop reports, summarize data, or set queries.

SOURCE: FM:015

SOURCE: Berry, D. (2009). *Concurrency control and locking*. Retrieved October 30, 2009, from http://www.service-architecture.com/database/articles/concurrency_control_and_locking.html

63. 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.

64. A
Monetary fines. Businesses that do not provide accurate and timely financial information in the appropriate format to the government may be required to pay fines, which are costly to businesses. The government would not reward business delinquency by offering tax reductions, payroll exemptions, or subsidies (financial assistance).
SOURCE: FM:004
SOURCE: Financial Industry Regulatory Authority. (2009, October 12). *FINRA fines Citigroup for failing to supervise tax-related stock transactions*. Retrieved October 27, 2009, from <http://www.finra.org/Newsroom/NewsReleases/2009/P120206>
65. C
Vendor C. Sometimes, businesses experience temporary or short-term cash-flow problems when the anticipated inflow of cash falls short. When this type of situation occurs, the business needs to determine how to handle it. To do this, the business needs to carefully monitor its cash flow, so it can plan how and when it will pay its bills. XTY should pay Vendor C first because it is the oldest invoice that hasn't been paid. A business's credit rating can be negatively affected if the business does not pay its bills within a reasonable amount of time. Although Vendor B's bill was due five days ago, the business is probably within its payment grace period with the vendor. The bills that are not yet due should be paid after the overdue bill is paid.
SOURCE: FM:005
SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (pp. 72,77, 122). South-Western Cengage Learning.
66. B
Accrual. The accrual accounting system records a business's financial transactions at the time they occur, even if money is not exchanged at that time. Accrual accounting systems can be implemented by computer or manually. A manual accounting system processes financial information by hand. Supplemental and incremental are not terms that businesses commonly use to describe types of accounting systems.
SOURCE: FM:006
SOURCE: Guerrieri, D.J., Haber, F.B., Hoyt, W.B., & Turner, R.E. (2007). *Accounting: Real-world applications & connections* (First-Year Course) [p. A-26]. New York: Glencoe/McGraw-Hill.
67. B
Stockholders and government agencies. Businesses use the financial accounting system to report their financial positions to external audiences. An external audience consists of businesses or individuals who are not involved in the day-to-day operations of the business. For example, vendors often want financial information before they offer a business credit. In addition, banks require businesses to provide various types of financial information to obtain loans. Governments also require businesses to provide certain types of financial reports to regulatory agencies and shareholders. Company bookkeepers, operations managers, and inventory analysts are internal users of financial reports.
SOURCE: FM:006
SOURCE: Guerrieri, D.J., Haber, F.B., Hoyt, W.B., & Turner, R.E. (2004). *Accounting: Real-world applications & connections* (First-Year Course) [pp. 33-34]. New York: Glencoe/McGraw-Hill.
68. B
Bear. Corporations continuously monitor their stock prices. If stock prices decrease over time, it may indicate a downturn in the market. This condition is called a bear market. When stock prices increase over time, the condition is called a bull market. A drop in the business's stock prices may indicate that the business may need to take action to improve performance. Trough and peak are phases in the business cycle.
SOURCE: FM:008
SOURCE: Investopedia. (2009). *Bear market*. Retrieved October 30, 2009, from <http://www.investopedia.com/terms/b/bearmarket.asp>

69. D

Profitability ratios. Profitability ratios measure the business's ability to generate profit. By comparing the profitability ratios from consecutive time periods (e.g., quarterly), the business can determine if it is generating profits. If profits tend to increase, then it is likely that the business is generating more revenue or making money. Advertising budgets, interest rates, and payroll records do not provide information about the business's profitability.

SOURCE: FM:008

SOURCE: Peavler, R. (n.d.). *What are the five categories of financial ratios and what do they measure?* Retrieved October 30, 2009, from <http://bizfinance.about.com/od/financialratios/f/finratioanal2.htm>

70. D

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.

71. B

Identify problems. A variance is the difference between an expectation and an occurrence. By comparing and contrasting two or more sets of financial data, a businessperson can determine if there are differences and patterns among the data. Detection of these differences and patterns often identifies problems. After the problems are identified, the businessperson can take corrective action. Depending on the nature of the problem, the business might take steps to increase market share or it might make changes to improve workflow. Information obtained from financial variances may be helpful when negotiating certain types of contracts; however, the primary reason for analyzing financial variances is not to negotiate contracts.

SOURCE: FM:010

SOURCE: Microsoft. (2009). *Conducting variance analysis*. Retrieved October 29, 2009, from <http://office.microsoft.com/en-us/excel/HA011545141033.aspx>

72. D

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.

73. D
Compensation. A commission or bonus is an example of a form of compensation. Compensation is pay for work completed. It comes in different forms for different employees. Some make an hourly wage; others, a yearly salary. Compensation may also include certain financial incentives, such as commissions or bonuses. HR management oversees compensation and benefits for all employees. Benefits are advantages employees receive in addition to their monetary compensation, such as health insurance, retirement accounts, paid vacation and sick time, etc. Employee contracts may include terms involving commission or bonuses, but these forms of compensation are not types of contracts. Employee-assistance programs do not involve compensation.
SOURCE: HR:410
SOURCE: HR LAP 35—People Pusher (Nature of Human Resources Management)
74. A
Generates profit. Every business has a selling function. Selling benefits business by enabling businesspeople to create a desire for their products, to move goods from producers to consumers, and to make a profit. Businesses need to sell their products to make a profit in order to continue operating. Selling benefits society by creating employment opportunities and fostering competition. Selling benefits customers by increasing product options.
SOURCE: MK:002
SOURCE: MK LAP 1—Work the Big Six (Marketing Functions)
75. A
Formal sales presentation. Presentation software is often used to provide visual support for oral presentations. Presentation software is often used during sales presentations to provide customers or prospective customers with visual information about the product's attributes and benefits. Graphic depictions of products are especially useful for items that cannot be easily transported to other locations because the audience can see an image of the product. Status meetings, employee performance reviews, and union contract negotiations are not the most appropriate business situations in which to use a computer-generated slideshow to highlight product information. The purpose of a status meeting is to update the team about various aspects of a project. An employee performance review is a tool to provide workers with feedback about their work efforts. Union contract negotiations occur when management and labor representatives meet to reach agreement about the workers' pay, benefits, working conditions, etc.
SOURCE: NF:080
SOURCE: Farese, L. S., Kimbrell, G., & Woloszyk, C. A. (2009). *Marketing essentials* (pp. 201-202). Woodland Hills, CA: Glencoe/McGraw-Hill.
76. B
Make sure that information is retrievable. When Carson is unable to find last year's tax return when he needs it, information is not retrievable. This will slow down Carson's productivity on the job. The tax return may or may not be accurate. Setting and following organizational practices and prioritizing according to business needs may or may not relate to Carson's information not being retrievable.
SOURCE: NF:110
SOURCE: NF LAP 3—In the Know (Nature of Information Management)
77. A
Performs interrelated functions. Integrated software applications consist of two or more related computer programs that work together to record information or perform specific business tasks or functions. For example, Microsoft Office combines a variety of programs that perform word-processing, spreadsheet, slideshow presentation, desktop publishing, and database functions. Some integrated software packages are customized to perform interrelated activities for a specific industry, such as travel and hospitality. Not all integrated software packages calculate breakeven points or include forecasting tools. Because integrated software options vary, the level of training that users need also varies.
SOURCE: NF:088
SOURCE: eNotes.com. (2009). *Integrated software*. Retrieved October 30, 2009, from <http://www.enotes.com/business-finance-encyclopedia/integrated-software>

78. D
Payment history. Businesses keep many types of records about their customers. Billing information and sales transactions contain information about the dollar amount owed, sales tax, payment methods, date of payment, etc. Keeping these types of records for extended time frames provides the business with the customer's payment history. Billing information and sales transactions do not always provide specific information about the customers' financial plans, income levels, or personal preferences.
SOURCE: NF:002
SOURCE: Massachusetts Institute of Technology. (2003, January 28). *Create/Maintain customer master records*. Retrieved October 30, 2009, from <http://web.mit.edu/cao/www/AR/bp/arb1.htm>
79. A
Inventory. All the stock that a business has on hand is called inventory. Businesses keep records of their inventory to determine which items are moving quickly, which items are moving slowly, and when it is time to order additional items. Credit, accounts payable, and sales expense reports do not provide a company with information about the movement of its products.
SOURCE: NF:014
SOURCE: Farese, L. S., Kimbrell, G., & Woloszyk, C. A. (2009). *Marketing essentials* (pp. 510-512). Woodland Hills, CA: Glencoe/McGraw-Hill.
80. D
Return on investment. The return on investment is calculated by dividing the net profit by the amount spent. This type of information helps the business measure the success of a specific business activity. Retention rates provide information about repeat customers. Sales strategies are the activities salespeople use to sell products. A sales commission rate is a form of compensation paid to salespeople that is based on a certain percentage of sales volume or sales dollars.
SOURCE: NF:093
SOURCE: Winthorp, A. (2007, September 21). *Using statistics to measure business performance*. Retrieved October 30, 2009, from <http://ezinearticles.com/?Using-Statistics-To-Improve-And-Measure-Business-Performance&id=744164>
81. C
Custodial work. Maintenance and repairs is an operations activity that includes custodial work, as well as other routine upkeep of a business's equipment and facilities. It does not include planning the production process, inspecting goods for quality, or analyzing finances.
SOURCE: OP:189
SOURCE: OP LAP 3—Smooth Operations (Nature of Operations)
82. B
All employees. All employees should know and practice good safety habits. It is also the responsibility of all employees to report unsafe equipment and/or facilities so that the situation can be corrected immediately without endangering customers or employees. Managers and supervisors are categories of employees, and they may be the ones who take steps to correct the problem.
SOURCE: OP:007
SOURCE: Paster, T. (2007). *The HACCP food safety training manual* (pp. 3-7). Hoboken, NJ: John Wiley & Sons.
83. D
Time-management. Time management is the process of controlling events in order to accomplish priorities. Time-management skills are techniques that can be applied to aid in the wise use of time. These techniques include preparing to-do lists and scheduling activities. By developing time-management skills, project managers will be able to plan and control activities to do the required work in the amount of time that is available. Creative thinking is a process that generates new ideas, approaches, and solutions. Managers use information to prepare to-do lists and schedule activities, but the process is not considered to be information-based. Problem-solving skills involve the ability to find solutions to obstacles or problems.
SOURCE: OP:002
SOURCE: QS LAP 18—Make It Happen

84. B

Purchasing. Purchasing is the planning and procedures necessary to obtain goods and services for use in the business or for resale. Purchasing is of great importance because businesses must deliver quality products on time in order to satisfy customer needs. Businesses must be able to purchase quality raw materials in order to produce quality finished products that customers want to buy. Also, businesses must have purchased items delivered on time in order to make them available when customers want them.

Advertising promotes a business's products. Financing helps a business obtain funds to market products. Organizing is the management function of setting up the way the business's work will be done.

SOURCE: OP:015

SOURCE: OP LAP 2—Buy Right (Purchasing)

85. B

Unit. The system that produces one item at a time or small quantities of an item at one time is unit production. This system also is known as job shop or jobbing and is used by businesses such as custom-car manufacturers and made-to-order clothiers. Batch production is the system of making small batches of a product at one time, such as several gallons of a certain color of paint. Mass production is the system of making large quantities of a standard product, such as televisions and radios. Assembly line is the system of specialized machines or work stations placed in a certain order to make large quantities of a specific product.

SOURCE: OP:017

SOURCE: BA LAP 1—Nature of Production

86. A

Expenses. Expenses are the monies that a business spends. Businesses should consider their expenses because uncontrolled expenses reduce profits, which ultimately may lead to business failure. Businesses should not make the mistake of ignoring expenses because sales are good. Even if sales are good, uncontrolled expenses could eliminate all profits. Policies are general rules to be followed by company personnel. Contracts are agreements between two or more businesses stating that one party is to do something in return for something provided by the other party. Assets are anything of value that a business owns.

SOURCE: OP:025

SOURCE: Bovée, C. L., Thill, J. V., & Mescon, M. H. (2007). *Excellence in business* (3rd ed.) [pp. 533-534]. Upper Saddle River, NJ: Pearson Prentice Hall.

87. A

Their image affects company image. Employees of many businesses can expect a great deal of customer contact. Customers form an image of the company and it is often based on or affected by the appearance of the firm's employees. Appearance doesn't necessarily prevent employment or ensure promotion. Being attractive to others is a personal reason for maintaining appearance.

SOURCE: PD:002

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

88. D

Put their goals in writing. Goal setters should write down their goals. This helps to visualize the goals, to clarify them, and to plant them firmly in the mind. Goals should be in specific, measurable terms. They also should be personal goals, not goals someone else has helped you to set. Analyzing dreams may help in setting goals but not in reaching them.

SOURCE: PD:018

SOURCE: PD LAP 16—Go For the Goal (Goal Setting)

89. C

Limiting code of behavior. It is easy to fall into patterns of behavior that suffocate creativity. People convinced that their problems are unavoidable won't look for solutions. Stress is due to worry and fatigue. Creativity requires people to explore alternatives and take risks; therefore, people who have to be right the first time can't take the chance of being wrong.

SOURCE: PD:012

SOURCE: PD LAP 2—Creativity

90. D

Natural talent. Aptitudes are natural talents or abilities for learning specific skills. People usually consider their natural talents when identifying occupations, because their abilities are an indication of what type of work they will be able to do the best and enjoy the most. For example, a person with good hand skills who has the ability to attractively combine colors and materials might consider a career in design or visual merchandising. Mental health is a person's soundness of mind. Personal conduct is the way a person behaves. Social attitude is a person's point of view about society.

SOURCE: PD:023

SOURCE: Bailey, L.J. (2007). *Working* (4th ed) [p. 174]. Mason, OH: South-Western Cengage Learning.

91. A

Write the interviewer a follow-up letter. Expressing appreciation for the interview is just as important when you know you won't get the job as it is when you believe you might be hired. It makes a good impression on the company, puts your name into their files and, in some cases, may make them reconsider their decision. The letter should be written while the details of the interview are fresh in your mind. After that, you might want to find out about training for the skill you lack and to look for a similar job opportunity. There is no basis for filing a complaint in this case.

SOURCE: PD:029

SOURCE: Bailey, L.J. (2003). *Working: Career success for the 21st century* (3rd ed.) [p. 71]. Mason, OH: South-Western.

92. C

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

SOURCE: PD:152

SOURCE: QS LAP 51—Careers in the Money

93. B

Tellers. There are a wide range of employment opportunities available in banking; however, most employees begin their careers as tellers. Tellers must learn about all the products and services that are available as well as work with customers on a regular basis. Effective tellers are often promoted to head teller when positions become available. From that point, they may move into higher levels of management such as branch manager or manager of a specific department. Many banks prefer to promote from within, which creates new opportunities for successful tellers. Interns usually are students who are learning more about the banking industry. Banks usually do not have volunteers or hire apprentices.

SOURCE: PD:152

SOURCE: American Bankers Association (2005). *Today's teller: Developing basic skills* (pp. 3-4). Washington: Author.

94. D

Continuing education classes. Many finance professionals are required to have a certain level of education to perform their jobs. In addition to obtaining the necessary education, many finance professionals must pass an exam to receive a license, so they can carry out specific finance activities. And, in many jurisdictions, finance professionals are required to take continuing education classes every year from accredited institutions to maintain and keep their licenses. To maintain their professional licensure, finance professionals are not required to participate in staff meetings, chamber of commerce activities, or liberal training programs.

SOURCE: PD:082

SOURCE: Certified Financial Planner. (n.d.). *Continuing education standards*. Retrieved October 27, 2009, from <http://www.cfp.net/certificants/ce.asp#1>

95. C

Build business contacts. A professional organization is a group of persons in the same profession who form a society to further their common interests. The primary focus of the professional organization is to expand professional knowledge and maintain high professional standards. Joining a professional organization helps financial planners network with others in the same field. Networking provides financial planners with information about employment opportunities and prospective client contacts. Financial planners do not join professional organizations to establish personal priorities, formulate business plans, or develop organizational charts.

SOURCE: PD:153

SOURCE: Kearsley, S. (n.d.). *It pays to join a professional association*. Retrieved October 27, 2009, from <http://www.jobweb.org/studentarticles.aspx?id=898>

96. D

Damaged reputation. The purpose of an ethics training program is to advise employees about the business's expectations in relation to workplace behavior. When employees don't have a clear understanding of the business's expectations, they put the business at risk. Employees who do not follow the business's ethics guidelines may cross a legal line without knowing they have done so. If employees cross ethical lines, and perhaps break the law, the business may obtain a poor reputation. When a business experiences a poor or damaged reputation, customers may start buying from the business's competitors, which reduces the business's sales and profits. Unethical behavior increases the risk of workplace conflict. If the business is unable to pay its debts, the business's credit rating is likely to decrease.

SOURCE: RM:041

SOURCE: Ebersole, G. (n.d.). *Ten most significant risks and costs of unethical behavior in business*. Retrieved October 29, 2009, from <http://ezinearticles.com/?Ten-Most-Significant-Risks-and-Costs-of-Unethical-Behavior-in-Business&id=427722>

97. D

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. (n.d.). *Ten most significant risks and costs of unethical behavior in business*. Retrieved October 29, 2009, from <http://ezinearticles.com/?Ten-Most-Significant-Risks-and-Costs-of-Unethical-Behavior-in-Business&id=427722>

98. A

Surveillance cameras. By placing surveillance cameras throughout the facility, the business can monitor activities. Visible surveillance cameras tend to discourage robbery and theft. If an individual robs or steals from the business, the surveillance camera will provide a videotape of the activities, which increases the chances of catching the assailant. Electronic cash registers are used to process sales transactions. Kiosks are structures located in public places that are designed to provide information and sell products. Deadbolt locks are manual rather than electronic security devices.

SOURCE: RM:042

SOURCE: Kimiecik, R. C., & Thomas, C. (2006). *Loss prevention in the retail business* (pp. 69-70, 185, 187-188). Hoboken, NJ: John Wiley & Sons.

99. D

Accurate financial records. Many internal and external factors affect the business's level of risk—the possibility of financial loss. To remain viable in the marketplace, a business must take steps to minimize risk. One internal control that businesses use to minimize risk is to maintain accurate financial records. Businesses must comply with government regulations (e.g., pay taxes). If the business fails to comply with the regulations, it could be subject to penalties and fines that can be very costly to the business. By maintaining accurate financial records, businesses can minimize these types of risks. If the business orders too much inventory, it risks financial loss on the products that it cannot move. If the business implements lenient credit policies, it increases risks associated with delinquent and nonpaying customers. Substandard equipment may be prone to malfunctioning, and may be hazardous for employees, which increases the business's risk levels.

SOURCE: RM:058

SOURCE: International Federation of Accountants. (2007, August). *Internal control from a risk-based perspective*. Retrieved October 28, 2009, from http://www.ifac.org/members/Downloads/Internal_Control_from_a_Risk-based_Perspective_August_2007.pdf

100. D

Information. Information resources are made up of knowledge, facts, or data. All forms of information are an important resource for a business. Human resources are people who work to produce goods and services. Material resources are equipment and suppliers used by businesses in their operation.

Financial resources are all the sources of money available to the business.

SOURCE: SM:001

SOURCE: BA LAP 6—Manage This! (Nature of Management)