



SAMPLE EXAM

ENTREPRENEURSHIP

THE ENTREPRENEURSHIP EXAM IS USED FOR THE
FOLLOWING EVENTS:

ENTREPRENEURSHIP SERIES

ENTREPRENEURSHIP TEAM DECISION MAKING

These test questions were developed by the MBA Research Center. Items have been randomly selected from the MBA Research Center's Test-Item Bank and represent a variety of instructional areas. Performance indicators for these test questions are at the prerequisite, career-sustaining, and specialist levels. A descriptive test key, including question sources and answer rationale, has been provided.

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1. What type of law addresses issues that interfere with a firm's right to do business?
 - A. Environmental
 - B. Criminal
 - C. Judiciary
 - D. Tort
2. How can you attempt to cancel a contract without facing legal action?
 - A. Breach the contract and refuse to pay the other party.
 - B. Bring a lawsuit against the other party.
 - C. Send a request to the other party asking for cancellation.
 - D. Cancel the contract within a year of signing it.
3. Which of the following forms of business ownership must obtain a charter from the state(s) in which it operates:
 - A. Corporation
 - B. Sole proprietorship
 - C. Partnership
 - D. Consolidation
4. Which of the following is a personal factor that affects the choice of a form of business ownership:
 - A. Market considerations
 - B. Business experience
 - C. Area of the country
 - D. Economic conditions
5. Which of the following is a condition that must exist for channels to be effective:
 - A. Channel members must have varying goals.
 - B. They must have at least five members.
 - C. They must be properly managed.
 - D. Channel members must not share tasks.
6. Indirect channels of distribution are the only channels that involve
 - A. industrial users.
 - B. intermediaries.
 - C. producers.
 - D. ultimate consumers.
7. The Barker Company is determining which channel of distribution to use by considering the number of potential customers in various geographic regions. The company is focusing on
 - A. employees' capabilities.
 - B. branding issues.
 - C. product benefits.
 - D. market factors.
8. What is one of the reasons why a supervisor might prepare a formal business report?
 - A. To compile sales expenses
 - B. To request pricing information
 - C. To analyze marketing trends
 - D. To schedule training sessions
9. When a customer sees a news story on TV about a certain company or brand, it's an example of a(n)
 - A. brand promise.
 - B. touchpoint.
 - C. advertisement.
 - D. slogan.
10. One of the benefits of competition to consumers is that competition encourages
 - A. businesses to limit their product lines.
 - B. businesses to develop new products.
 - C. government to fix prices.
 - D. government to finance business activity.
11. Which of the following was one of government's original roles in business:
 - A. Acting as a referee
 - B. Regulating technology
 - C. Ensuring a business's profitability
 - D. Protecting the environment
12. Which of the following economic concepts influences the cost of the production process:
 - A. Balance of payments
 - B. Economies of scale
 - C. Distribution of income
 - D. Inelasticity of demand
13. Changing parts of a game that is marketed in other countries so the game conforms to local customs and preferences is an example of
 - A. customization.
 - B. cultural sensitivity.
 - C. globalization.
 - D. nationalization.

14. In persuasion, what technique should you follow to be ready to answer questions and give proof?
- A. Attract attention.
 - B. Be reasonable.
 - C. Make it personal.
 - D. Do your homework.
15. How does a goal differ from a vision?
- A. A goal is broad and far-reaching.
 - B. A goal is concrete and measurable.
 - C. A goal is abstract and indefinite.
 - D. There is no difference—the two are the same.
16. If an employee is content with the way things are currently done at work, they are more likely to _____ workplace changes.
- A. understand
 - B. look forward to
 - C. accept
 - D. resist
17. Tory is a new business owner offering data management services for medical records to hospitals. How can she identify what hospital administrators will expect from her service?
- A. Entertain hospital administrators at a sporting event
 - B. Read about trends impacting the hospital industry
 - C. Read patient reviews about each hospital
 - D. Research each hospital's financial information
18. Gianna is attempting to build a strategic relationship with Nico, who is an influential member of the local business community. What is one technique Gianna could use to build the relationship?
- A. Establishing dominance and control
 - B. Finding a shared vision
 - C. Seeking a deal as quickly as possible
 - D. Focusing on Nico's shortcomings
19. Which of the following businesses best represents an innovative entrepreneurial endeavor:
- A. Starting a clothing business online
 - B. Buying a small local coffee shop from its founder
 - C. Opening a new pizza franchise
 - D. Developing and selling a new wood-cutting device
20. Arielle knows that she would be a good entrepreneur because she
- A. can withstand ups and downs.
 - B. likes to see immediate results of her work.
 - C. is easily interested by many different ideas.
 - D. depends on others to get work done.
21. Which of the following statements regarding international trade is true:
- A. Businesses shipping internationally must use freight forwarding services.
 - B. Only large companies typically benefit from conducting international trade.
 - C. Online businesses can easily become involved in international trade.
 - D. Foreign language skills are required to conduct international trade.
22. Entrepreneurial discovery is an important process in a free enterprise economic system because an entrepreneur or small-business owner can
- A. change legal requirements.
 - B. form a technological monopoly.
 - C. improve economic sanctions.
 - D. satisfy an unmet demand.
23. When generating product ideas as a group, who typically guides the discussion?
- A. Innovator
 - B. Negotiator
 - C. Mentor
 - D. Facilitator
24. The financial section of a feasibility study must include sources of
- A. funding.
 - B. materials.
 - C. staffing.
 - D. technology.

25. What financial tool do entrepreneurs use to plan, monitor, and manage their ventures' income and expenses?
- A. Inbound-call report
 - B. Request for proposal
 - C. Environmental scan
 - D. Operating budget
26. An entrepreneur is most likely to discuss the concept for a new business with an industry expert when the entrepreneur
- A. lacks knowledge or experience in the field.
 - B. needs to obtain a commercial bank loan.
 - C. wants to increase the business's profit margins.
 - D. is ready to plan promotional activities.
27. Karla is obtaining a short-term simple interest loan to start her home-based business. If she borrows \$3,000 at a 4.25% interest rate and pays the loan back two years after obtaining the loan, how much interest will Karla pay?
- A. \$255
 - B. \$127.50
 - C. \$3,255
 - D. \$3,127.50
28. Which of the following is a sign that a company may need to hire more employees:
- A. Company revenue is below target.
 - B. Employees are underworked.
 - C. The company is often unable to meet its deadlines.
 - D. Employees are happy with working conditions.
29. Al is thinking about moving his company's headquarters to another city, which would be expensive but would bring the company closer to the raw materials needed for manufacturing. The benefit of moving is
- A. feasibility.
 - B. demand.
 - C. proximity.
 - D. independence.
30. Small-business owners develop and use operating procedures so that everyday tasks are performed in a(n) _____ way.
- A. diverse
 - B. imprecise
 - C. standard
 - D. innovative
31. Which factor tends to reduce employee productivity and has a negative effect on the success of a new business?
- A. Poor communication
 - B. Narrow product lines
 - C. Clear quality standards
 - D. Short-term goals
32. To stay competitive, business owners must adapt to changes in the business environment by monitoring external factors such as
- A. profit margins.
 - B. economic conditions.
 - C. product development.
 - D. staffing needs.
33. The profit a business earns can be determined from the business's
- A. income statement.
 - B. balance sheet.
 - C. budget.
 - D. assets.
34. Calculate a business's cash receipts if it has \$12,450 in sales, earns \$78 in interest, collects \$625 in sales tax, and owns \$5,700 worth of equipment.
- A. \$13,153
 - B. \$12,528
 - C. \$18,853
 - D. \$17,150
35. Which of the following is an example of a current asset:
- A. Checking account
 - B. Building
 - C. Machinery
 - D. Land

36. Which of the following is an example of business process thinking:
- A. A company strives to fix its method of internal communications.
 - B. The marketing department and finance department avoid interacting.
 - C. Whenever a customer complains about slow service, servers are fired.
 - D. A company prioritizes product promotions over product development.
37. Which of the following types of credit might business owners obtain to purchase seasonal goods for resale:
- A. Mortgage debts
 - B. Short-term loans
 - C. Stocks and bonds
 - D. Accounts receivable
38. Which of the following is a benefit of debt financing when starting a business:
- A. You have control over how the money is spent.
 - B. You don't need to pay interest on the money.
 - C. You have help from knowledgeable, experienced investors.
 - D. You don't have to pay back the money if the business fails.
39. When businesses divide the change in total revenue by the marginal product, they are calculating the
- A. marginal revenue.
 - B. break-even point.
 - C. earned income.
 - D. cash-flow level.
40. Which of the following is an advantage of the jury of executive opinion method of sales forecasting:
- A. It is based on the opinion of outside experts.
 - B. All opinions expressed carry equal weight.
 - C. It is a quick and easy method to use.
 - D. All opinions gathered are from sales executives.
41. Which of the following financial analysis methods involves comparing the same items on a company's financial statements for two or more periods:
- A. Fundamental analysis
 - B. Vertical analysis
 - C. Technical analysis
 - D. Horizontal analysis
42. Which of the following is an onboarding activity:
- A. Grievances
 - B. Compliance
 - C. Orientation
 - D. Exit interviews
43. Job applications provide human resources personnel with information about an applicant's training, skills, education, and
- A. intelligence levels.
 - B. employment history.
 - C. hobbies and interests.
 - D. insurability levels.
44. Which of the following is the primary stakeholder influencing corporate governance:
- A. Organizational employees
 - B. Company shareholders
 - C. The board of directors
 - D. High-level company executives
45. What is the main purpose of encouraging feedback during an employee training session?
- A. To ensure employees understand the material
 - B. To identify employees with leadership skills
 - C. So employees can evaluate the training session
 - D. So employees can build better relationships
46. What approach to managing people is intended to discourage further violations of company rules after infractions have already occurred?
- A. Corrective
 - B. Termination-at-will
 - C. Preventive
 - D. Open-door management

47. Which of the following is a way that marketers can use data to follow up on any problems or issues with a product:
- A. Providing salespeople with additional training
 - B. Determining what new products to offer
 - C. Deciding which wholesalers to use for distribution
 - D. Budgeting for product development
48. Marketing research can affect the business's marketing mix by providing information about various locations that will influence the business's _____ decision.
- A. price
 - B. promotion
 - C. place
 - D. product
49. Identify the marketing function in the following situation: While shopping at the mall, Susan is asked her opinion of different brands of shampoo.
- A. Behavioral segmentation
 - B. Promotion
 - C. Marketing-information management
 - D. Specialty advertising
50. Which of the following actions is most appropriate for a business to take when competitors introduce similar products to the marketplace:
- A. Increase its prices to improve its image
 - B. Adjust its marketing strategies
 - C. Reduce its advertising efforts
 - D. Focus on its working conditions
51. An overall purpose of market segmentation is to divide the market
- A. into well-defined groups of consumers.
 - B. by distance from store or producer.
 - C. into consumer or industrial markets.
 - D. by consumer or industry income.
52. Which of the following situations is an example of a business using niche marketing:
- A. A soft drink manufacturer advertises its product during a national television broadcast.
 - B. A national petroleum company offers credit cards for use at its gas and service stations.
 - C. A chemical manufacturer offers a hand soap that contains an antibacterial agent.
 - D. An athletic footwear company produces a line of shoes for children who play soccer.
53. One reason why it is important to accurately forecast sales for a marketing plan is because the forecast is the basis of other
- A. pricing strategies.
 - B. operational activities.
 - C. business reports.
 - D. management techniques.
54. A controversial way for an organization to collect data on consumer purchasing habits and use the data to assess advertising objectives is by using
- A. detailed consumer questionnaires.
 - B. online tracking methods.
 - C. random phone surveys.
 - D. indirect response techniques.
55. Why do businesses establish specifications for selecting hardware and software systems?
- A. To obtain systems that perform required functions
 - B. To develop training programs for employees
 - C. To analyze the prices of various vendors
 - D. To keep up with the latest technological fads
56. Which of the following is a primary purpose of data mining:
- A. To locate someone
 - B. To identify patterns
 - C. To spy on competitors
 - D. To attract customers
57. Which of the following is a reason why a small business might share its financial records:
- A. To convince a supplier to offer discounts on products purchased
 - B. To persuade a customer of the business's excellent service
 - C. To show competitors why brand competition is useless
 - D. To prove the business's net worth to acquire a bank loan

58. What type of internal business record will help a firm determine the status of its supplies?
- A. Credit report
 - B. Income statement
 - C. SWOT analysis
 - D. Inventory report
59. Which of the following is an operations activity in business:
- A. Selecting media
 - B. Contacting customers
 - C. Obtaining resources
 - D. Analyzing investments
60. Electrical hazards, slipping and tripping, and violence are all examples of potential _____ in the workplace.
- A. non-negotiables
 - B. compromises
 - C. safety issues
 - D. success indicators
61. Why might a business decide to purchase goods for a price higher than the lowest possible price?
- A. To arrange flexible contracts
 - B. To spend additional funds
 - C. To satisfy a favorite vendor
 - D. To obtain a needed delivery date
62. Three-way light bulbs are all made with the same size base. This is an example of a production process that uses _____ parts.
- A. segmented
 - B. standardized
 - C. branded
 - D. graded
63. Businesses that develop and implement procedures for employees to follow to expedite task completion are trying to establish efficient _____.
- A. production processes.
 - B. workflows.
 - C. management techniques.
 - D. supervision.
64. Abbra-Kadabra Company examined its expenses for electricity for the past six months and found the average electric bill to be \$2,300 per month, with a high of \$2,375 and a low of \$2,250 during that period. This type of expense would be classified as a _____ cost.
- A. variable
 - B. fixed
 - C. semi-variable
 - D. nonoperating
65. A business's budget estimated \$165,500 in sales each month for the next four months, with 55% of that amount each month being for expenses. If actual sales for the four-month period were \$690,000 and expenses were 55% of the actual sales, by what amount did the business's income increase?
- A. \$14,500
 - B. \$13,900
 - C. \$12,600
 - D. \$15,100
66. One of the primary goals of supply chain management is to _____.
- A. minimize overall value to the customer.
 - B. gain a competitive advantage in the marketplace.
 - C. set prices for products that maximize profits.
 - D. control customer perceptions of a business.
67. Wellston Industries wants to compare a current business situation with a target situation. Which of the following tools will help Wellston obtain the information that it wants:
- A. Mind map
 - B. Gap analysis
 - C. Decision tree
 - D. Critical path
68. Income from sales, cost of goods sold, gross profit on sales, operating expenses, and net profit or loss are all part of a(n) _____.
- A. sales budget.
 - B. balance sheet.
 - C. income statement.
 - D. marketing plan.

69. A manufacturing company is required by the local government to dispose of its waste in an environmentally safe way. This is an example of how process design can be affected by _____ factors.
- A. natural
 - B. human
 - C. technological
 - D. regulatory
70. One of the main external factors that may cause a firm to change its business processes is
- A. high operating costs.
 - B. desire for growth.
 - C. low employee morale.
 - D. competition.
71. How does supply chain management increase customer satisfaction?
- A. Enhances data quality
 - B. Integrates information throughout an organization
 - C. Improves cash flow
 - D. Reduces the time it takes for goods to reach consumers
72. Which of the following should a person do first when facing the need to make a decision:
- A. Evaluate information
 - B. Make a choice
 - C. Analyze results
 - D. Define the objective
73. What is a benefit of corporate governance?
- A. Improved access to capital
 - B. Increased distance from investors
 - C. Ability to bypass sustainability efforts
 - D. Freedom from stakeholder interference
74. Members of a board of directors are
- A. not able to make decisions.
 - B. required to be stockholders.
 - C. a business's vendors.
 - D. elected by stockholders.
75. Which of the following is an example of an external mechanism of corporate governance:
- A. A company's business objectives
 - B. Board of directors' policies
 - C. Government regulations
 - D. A company's code of conduct
76. Most employers require applicants to complete
- A. reference checks.
 - B. letters of intent.
 - C. resumes.
 - D. application forms.
77. Performance standards should be
- A. informally discussed.
 - B. subjective.
 - C. measurable.
 - D. extremely challenging.
78. What pricing strategy would be most effective for a business that wants to create an image of excellent quality and prestige?
- A. High
 - B. Wholesale
 - C. Moderate
 - D. Discount
79. The Salty Pretzel Company, which has been doing very well in the market, shifts its pricing objectives to maximize profits. Most likely, The Salty Pretzel Company is
- A. obtaining market share.
 - B. creating an exclusive image.
 - C. trying to improve cash flow.
 - D. stabilizing prices.
80. Which of the following is an internal method that a company uses to facilitate ongoing product and market opportunity recognition:
- A. Customer interviews
 - B. Task force meetings
 - C. Vendor surveys
 - D. Association membership
81. Reliability, courtesy, and competence are primary factors that a company should consider when it develops strategies to
- A. evaluate its customers' experiences.
 - B. personalize its mass advertising messages.
 - C. improve the competition's market share.
 - D. comply with local ordinances.

82. Which of the following is a good reason why a business would remove a product from its product mix and replace it with another:
- A. The company wants to expand its product line.
 - B. The product has become a fast seller.
 - C. The company wants to increase its market share.
 - D. The product has become a collectible.
83. Why has enterprise risk management developed?
- A. Declining quality standards
 - B. The elimination of certain insurance plans
 - C. Reduced government regulation
 - D. An increasingly diverse array of risks
84. External factors that affect a company's promotional decisions include
- A. competition and technology.
 - B. environment, product, and price.
 - C. distribution and technology.
 - D. product, social trends, and demand.
85. The advertising medium that can best reach a targeted customer with a specific message is
- A. TV.
 - B. email.
 - C. magazines.
 - D. billboard ads.
86. Jamie is a loyal customer of Glamor Girl cosmetics. She purchases every new product the company releases, writes glowing reviews online, and tells her friends and family to try the brand's cosmetics. Jamie could be described as a
- A. potential customer.
 - B. late adopter.
 - C. brand evangelist.
 - D. discount customer.
87. One of the most important, fundamental keys to successful change management is
- A. ensuring changes do not impact competitiveness.
 - B. focusing on processes over people.
 - C. minimizing use of resources.
 - D. involving everyone in the organization.
88. Nelly recently purchased a new toaster oven. The manufacturer of the toaster oven offered a special promotion where Nelly could receive \$50 cash back if she mailed her proof of purchase to the company. This is known as a
- A. coupon.
 - B. point-of-sale promotion.
 - C. rebate.
 - D. sweepstakes.
89. Why do some businesses sponsor local events?
- A. To generate revenue
 - B. To create news
 - C. To obtain publicity
 - D. To sell products
90. Which of the following is a task involved in quality assurance:
- A. Repairing defective goods to maintain quality
 - B. Inspecting products to ensure quality
 - C. Making changes for better quality
 - D. Training employees to strive for quality
91. Which of the following is a true statement regarding the relationship between risk and business objectives:
- A. The more objectives a business has, the less risk it faces.
 - B. Objectives should never be modified because of risk.
 - C. Effective business objectives are not risky.
 - D. Risks help businesses determine objectives.
92. Which of the following minimizes the costs associated with maintaining a product mix:
- A. High breadth
 - B. Shallow depth
 - C. Economy image
 - D. Premium value

93. All goods or services sold to customers should
- A. be of the finest quality.
 - B. be needed by the customers.
 - C. have many possible uses.
 - D. have the lowest possible price.
94. Which of the following parts of a business plan includes the history of the business:
- A. Strategy and implementation
 - B. Market analysis
 - C. Company description
 - D. Executive summary
95. The ski shop manager set an objective to increase sales by 10% over the previous year even though the forecast was for a mild and rainy winter. The manager's objective was
- A. unrealistic.
 - B. practical.
 - C. reasonable.
 - D. scientific.
96. Which of the following identifies an upward economic trend:
- A. Businesses are using more computers.
 - B. Sales in the auto industry are increasing.
 - C. Businesses must meet stricter licensing requirements.
 - D. The number of firms accused of price fixing is increasing.
97. Which of the following technologies do many businesses use to monitor key performance indicators:
- A. Firewalls
 - B. Dashboards
 - C. Extranets
 - D. Terabytes
98. What company has the highest sales-to-receivables ratio based on the following information: Company A has sales of \$250,000 and accounts receivable of \$20,000; Company B has sales of \$275,000 and accounts receivable of \$25,000; Company C has sales of \$300,000 and accounts receivable of \$30,000; and Company D has sales of \$290,000 and accounts receivable of \$32,000.
- A. Company D
 - B. Company B
 - C. Company C
 - D. Company A
99. For successful innovation in the workplace, employees should have a desire to learn and be willing to
- A. accept change.
 - B. follow procedures.
 - C. exhibit bias.
 - D. suppress ideas.
100. The advantage to a business that uses opt-in email to promote its products is that the business can
- A. customize offers.
 - B. influence demographics.
 - C. predict trends.
 - D. control sales.



KEY

Test Number 1249

Entrepreneurship Exam

ENT – Entrepreneurship Series Event

ETDM – Entrepreneurship Team Decision Making Event

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1. D

Tort. The concept of wrongful action is the basis of all torts. Tort law that applies to business involves the wrongful interference with the right of a business to operate. Therefore, business torts are wrongful actions against a business that cause it harm in some way. An example might be unfair competition. Criminal law addresses issues that involve wrongdoing against society, such as robbery and murder. Environmental law addresses issues that affect the environment and natural resources. Judiciary refers to the judicial branch of a government and the ways in which court systems are established.

SOURCE: BL:069 Identify the basic torts relating to business enterprises

SOURCE: Laws.com. (2020, September 12). *A brief overview of tort law*. Retrieved August 23, 2021, from <https://tort.laws.com/tort-law>

2. C

Send a request to the other party asking for cancellation. The first step you can take to attempt to get out of a contract is to communicate with the other party and ask for cancellation. The other party might be willing to let you out of the contract for free or for a small price. Bringing a lawsuit against the other party will not help you avoid legal action. Breaching the contract and refusing to pay will almost certainly lead to legal action. While there might be a "cooling off" period during which you can cancel the contract without penalty, it is generally much shorter than a year.

SOURCE: BL:002 Describe the nature of legally binding contracts

SOURCE: Soble, D. (2020, January 18). *Terminating a contract: The many ways to end a legally binding relationship*. Retrieved August 23, 2021, from <https://provenresource.com/terminating-a-contract-the-many-ways-to-end-a-legally-binding-relationship/>

3. A

Corporation. To incorporate a business in the United States, you must apply for a charter with the state government where the business is located. To obtain a charter, a document containing information about the firm, called Articles of Incorporation, must be filed with the state. A sole proprietorship is owned and managed by one person. A partnership is a business owned by two or more persons. Neither of these forms of ownership requires a charter. Consolidation is the joining of two or more companies to form a new company.

SOURCE: BL:003 Explain types of business ownership

SOURCE: LAP-BL-003—Own It Your Way (Types of Business Ownership)

4. B

Business experience. An individual's business experience is a personal factor that determines the type of ownership for which the individual is qualified. In some cases, individuals have had sufficient experience in a particular field to qualify them to go into business for themselves—a sole proprietorship. In other cases, the individual may have expertise that can be combined with that of another person, or persons, to form a partnership or corporation. Market considerations, area of the country, and economic conditions are factors other than personal qualifications that may affect the decision.

SOURCE: BL:006 Select form of business ownership

SOURCE: LAP-BL-006—Taking Care of Business (Selecting Forms of Business Ownership)

5. C

They must be properly managed. To be effective, channels must be properly managed. Channel members must share common goals, and channel members must share tasks appropriately. Channels can be effective no matter how many members they have.

SOURCE: CM:001 Explain the nature and scope of channel management

SOURCE: LAP-CM-001—Chart Your Channels (Channel Management)

6. B

Intermediaries. Intermediaries are also called middlemen, and they include sales agents, wholesalers, and retailers who perform specific functions in the movement of goods from producers to consumers. Direct channels of distribution do not involve intermediaries. All channels of distribution involve producers and either industrial users or ultimate consumers.

SOURCE: CM:003 Explain the nature of channels of distribution

SOURCE: LAP-CM-003—Channel It (Channels of Distribution)

7. D

Market factors. When a business selects its channels of distribution, it considers market factors, including the geographic location of the target market. If a target market is clustered in a few geographic regions, a business might decide that it would be more cost-effective and efficient to sell direct than it would be to sell through several wholesalers. On the other hand, if the target market covers several large geographic regions, the business might use several wholesalers or set up regional sales offices and/or distribution centers. Other market factors that a business considers include the type of market and the average size of an order. Branding issues and product benefits are product factors that the business considers, and employees' capabilities are organizational factors that the business considers.

SOURCE: CM:010 Select channels of distribution

SOURCE: Lesonsky, R. (2015, June 17). *4 market factors you should monitor for business success*. Retrieved August 24, 2021, from <https://www.americanexpress.com/en-us/business/trends-and-insights/articles/monitor-market-factors-business-success/>

8. C

To analyze marketing trends. Complicated and important topics, such as marketing trends, are analyzed in formal business reports. The purpose of formal reports is to define a specific topic or problem area, present and interpret data, draw conclusions, and make recommendations. Supervisors prepare formal business reports to gather all the pertinent information that will help them in making important decisions. They generally use shorter memos to request pricing information and to schedule training sessions.

Compiling sales expenses is an accounting function.

SOURCE: CO:009 Prepare complex written reports

SOURCE: Indeed. (2021, February 22). *How to write a formal business report (with examples)*. Retrieved August 24, 2021, from <https://www.indeed.com/career-advice/career-development/formal-business-report-example>

9. B

Touchpoint. When a customer sees a news story on TV about a certain company or brand, it's an example of a touchpoint. A touchpoint is any interaction between a company and its customers or potential customers. This news story is a form of publicity—it's not a brand promise, an advertisement (which would be paid for by the company), or a slogan (advertising catchphrase).

SOURCE: CR:001 Identify company's brand promise

SOURCE: LAP-CR-006—Share the Promise (Identifying Brand Promise)

10. B

Businesses to develop new products. Competition encourages the development of products that satisfy consumers' needs. Government does not finance business activity. Price fixing is an illegal activity that would not benefit consumers. When businesses limit their product lines, they often create dissatisfaction among customers.

SOURCE: EC:012 Explain the concept of competition

SOURCE: LAP-EC-912—Ready, Set, Compete! (Competition)

11. A

Acting as a referee. When the United States was created, government was not intended to have a hand in business. Businesses would be free to act in their own best interests without government involvement. The basic role of government in business would be as a referee only. Government does not ensure a business's profitability. Regulating technology and protecting the environment are areas of responsibility that government took on as the country grew and business expanded.

SOURCE: EC:008 Determine the relationship between government and business

SOURCE: LAP-EC-016—Regulate and Protect (Government and Business)

12. B

Economies of scale. Economies of scale is the concept that increasing the scale of production will lead to a decrease in the cost of production while increasing the output. This concept affects the cost of production because businesses that apply this concept usually develop large production facilities that produce large quantities of specific items. The larger the facility, the less it costs to produce an item. Balance of payments, distribution of income, and inelasticity of demand are not economic concepts that influence the cost of the production process.

SOURCE: EC:077 Describe the concept of economies of scale

SOURCE: Kenton, W. (2021, April 10). *Economies of scale*. Retrieved August 24, 2021, from <https://www.investopedia.com/terms/e/economiesofscale.asp>

13. B

Cultural sensitivity. Cultural sensitivity involves being sensitive to the customs, habits, and traditions of a particular group of people. When doing business in other countries, it is important to first be aware that people throughout the world live and think very differently than we do. They may have local preferences, habits, and customs that are even contradictory to ours. So, it is important to know what these are and to adapt product names, promotional approaches, and, often, even products themselves where necessary. Customization means inventing a completely new product for a different country's market, while globalization means keeping products and advertising messages the same throughout the world. Nationalization refers to a government taking ownership of something and is not related to the concept of cultural sensitivity.

SOURCE: EI:033 Exhibit cultural sensitivity

SOURCE: LAP-EI-033—Getting To Know You (Cultural Sensitivity)

14. D

Do your homework. It's not enough just to suggest something. You should provide information, reasons, and proof. Anticipate that others may not agree with you at first. Do your homework to be ready. Be prepared to give details and answer questions. When using persuasion, it is important to be reasonable, make your appeal personal, and attract the audience's attention. However, these techniques will not help you prepare to answer questions and give proof.

SOURCE: EI:012 Persuade others

SOURCE: LAP-EI-912—Win Them Over (Persuading Others)

15. B

A goal is concrete and measurable. A goal and a vision are two different things. A goal is a concrete achievement that you want to complete. Goals tend to be more specific, targeted, and measurable than visions. A goal isn't abstract and indefinite like a vision. A vision tends to be broad and far-reaching in scope.

SOURCE: EI:063 Determine personal vision

SOURCE: Robson, P. (2016, November 30). *The difference between goals and visions*. Retrieved August 23, 2021, from <https://medium.com/thrive-global/goals-and-visions-8ebd067f51d5>

16. D

Resist. When people are used to doing things a certain way and are happy with those methods, they usually don't see a need to change and may resist changes. An employee who is content with the way things are is not likely to look forward to changes, accept them, or understand why they are needed.

SOURCE: EI:006 Demonstrate adaptability

SOURCE: LAP-EI-023—Go With the Flow (Demonstrating Adaptability)

17. B

Read about trends impacting the hospital industry. One way to identify what clients will expect is to read about trends impacting their specific industry. Entertaining clients helps form better relationships and goodwill, but it may not help collect much detailed information. Patient reviews and financial information about a business do not provide much information that explains what a client expects from a service provider.

SOURCE: EI:113 Determine stakeholder expectations

SOURCE: Business Queensland. (2020, May 19). *Meeting customers' expectations*. Retrieved August 24, 2021, from <https://www.business.qld.gov.au/running-business/consumer-laws/customer-service/improving/expectations>

18. B

Finding a shared vision. Strategic relationships are successfully formed when both sides share a common vision that they can work toward together. Both parties will be equally motivated to succeed. Establishing dominance and control, seeking a deal as quickly as possible, and focusing on Nico's shortcomings will hinder Gianna from building a strategic relationship with Nico.

SOURCE: EI:114 Establish strategic relationships with others

SOURCE: Lead Generation World. (2019, September 4). *Building strategic relationships for success*. Retrieved August 24, 2021, from <https://leadgenerationworld.com/building-strategic-relationships-for-success/>

19. D

Developing and selling a new wood-cutting device. An innovative entrepreneurial endeavor is one that involves creating or inventing something new to sell in the marketplace, such as a new wood-cutting device. A coffee shop, a pizza franchise, and an online clothing store all sell commonly known products and are not examples of innovative endeavors because nothing new is being developed or invented.

SOURCE: EN:039 Describe the nature of entrepreneurship

SOURCE: Purcell, W. (2019, October 31). *The importance of innovation in business*. Retrieved August 23, 2021, from <https://www.northeastern.edu/graduate/blog/importance-of-innovation/>

20. A

Can withstand ups and downs. One of the most important traits of an entrepreneur is resiliency—the ability to recover from setbacks or obstacles. If Arielle can withstand ups and downs, she is resilient, which would make her a good entrepreneur. Seeing immediate results of your work is not associated with entrepreneurship; sometimes it takes years for hard work to pay off when starting a new business. Entrepreneurship also requires a high degree of focus, so if Arielle is easily interested in different ideas, she might not have the focus necessary to be an entrepreneur. Finally, entrepreneurs need to be independent and able to do much of the necessary work alone. If Arielle depends on others to get work done, she might not be well-suited as an entrepreneur.

SOURCE: EN:040 Explain the role requirements of entrepreneurs and owners

SOURCE: Indeed. (2021, June 9). *Entrepreneurial skills: Definition and examples*. Retrieved August 23, 2021, from <https://www.indeed.com/career-advice/career-development/entrepreneurial-skills>

21. C

Online businesses can easily become involved in international trade. A company that has a website can easily be found by people in foreign countries, and online services make international transactions easy to conduct. Small businesses represent a large majority of international trade. Freight forwarding services are often used by companies, but they are not required. Foreign language skills may be helpful, but they are not required to conduct international trade, since people in many countries speak more than one language and translation services exist.

SOURCE: EN:041 Describe small-business opportunities in international trade

SOURCE: Holden, G. (2021). *How to set up your online business for international trade*. Retrieved August 23, 2021, from <https://www.dummies.com/business/online-business/how-to-set-up-your-online-business-for-international-trade/>

22. D

Satisfy an unmet demand. An opportunity is a circumstance that presents itself. Entrepreneurial discovery is the process of detecting and matching product and market opportunities with one another in a manner that satisfies the market and the business. To do that, an entrepreneur or small-business owner must conduct research to discover what the market needs or wants. The entrepreneurial discovery process does not allow an entrepreneur or small-business owner to form a technological monopoly. The process does not affect economic sanctions, and it does not involve changes in legal requirements.

SOURCE: EN:001 Explain the need for entrepreneurial discovery

SOURCE: Step Change. (2018, May 23). *4 ways to identify unmet customer needs*. Retrieved August 24, 2021, from <https://blog.hellostepchange.com/blog/identify-unmet-customer-needs>

23. D
Facilitator. A facilitator's primary role is to objectively guide the discussion, keep the group on track, and record the group's ideas. A negotiator is an individual who takes part in the negotiation process. Negotiation is the process of persuading or influencing someone to take a certain course of action to achieve a desired outcome. A mentor is an experienced worker who helps new employees adjust to their work environment. An innovator is an individual who creates a new product, strategy, or process.
SOURCE: EN:006 Generate venture ideas
SOURCE: The Change Network. (2018, September 4). *The role of the meeting facilitator*. Retrieved August 24, 2021, from <https://www.changenetwork.com.au/single-post/2018/09/04/the-role-of-the-meeting-facilitator>
24. A
Funding. The financial section of a feasibility study must include sources of funding. You must be certain that you'll have enough money to finance your venture. Materials, staffing, and technology are issues that are covered in other sections of the feasibility study.
SOURCE: EN:038 Determine feasibility of venture ideas
SOURCE: LAP-EN-038—Explore the Possibilities (Conducting Feasibility Studies)
25. D
Operating budget. Budgets are estimates of income and expenses for a specific time period. Budgets are planning tools that help entrepreneurs monitor and manage their ventures' money. Operating budgets estimate the business's day-to-day financial inflows (e.g., sales) and outflows (e.g., payroll and inventory). By setting a budget and comparing it to actual performance, an entrepreneur can evaluate the financial well-being of the venture at regular intervals. Entrepreneurs often consider other sources of information when setting the operating budget, such as requests for proposal, environmental scans, and in-bound call reports. A request for proposal (RFP) is a bid extended to vendors to provide prices for goods and services the business needs. An environmental scan is an analysis of the environment surrounding the business. An inbound-call report is a summary of phone calls processed by sales and service representatives within a specific time period.
SOURCE: EN:008 Explain tools used by entrepreneurs for venture planning
SOURCE: Bamboo HR. (2021). *Operating budget*. Retrieved August 24, 2021, from <https://www.bamboohr.com/hr-glossary/operating-budget/>
26. A
Lacks knowledge or experience in the field. When an entrepreneur discovers a business opportunity, they might need to obtain more in-depth information to develop the business idea. Industry experts are external resources from which an entrepreneur can obtain useful information and ideas when they do not have extensive knowledge or experience in the specific field. An entrepreneur may obtain a bank loan or plan promotional activities after developing and analyzing the venture concept. Increasing profit margins is an issue that entrepreneurs address after the business is open.
SOURCE: EN:012 Assess the need to use external resources for concept development
SOURCE: Tucker, D. (2020, October 20). *9 reasons it's important to work with experts*. Retrieved August 24, 2021, from <https://60secondmarketer.com/2020/10/20/9-reasons-its-important-to-work-with-experts/>
27. A
\$255. New business owners often obtain loans to start their ventures. The amounts, interest rates, and terms of the loans vary. The formula for calculating the interest amount for a simple interest loan is principle (loan amount) X interest rate X time = interest amount in dollars. The amount of interest Karla will pay on her loan is \$255 ($\$3,000 \times 4.25\%$ [or $.0425$] X 2 = \$255).
SOURCE: EN:016 Select sources to finance venture creation/start-up
SOURCE: Hayes, A. (2021, March 23). *Simple interest*. Retrieved August 24, 2021, from https://www.investopedia.com/terms/s/simple_interest.asp

28. C

The company is often unable to meet its deadlines. If a company is having difficulty completing work on time, or if it has had to extend deadlines frequently, then it likely needs to hire more employees. Overworked employees are a sign that a company should hire more employees; underworked employees may mean that a company is overstaffed. If company revenue is below target, a company may not be able to afford new employees. Employees often complain about working conditions when they are overworked, which means more employees are needed. If employees are happy, then it is less likely that the company needs to increase staff.

SOURCE: EN:018 Explain considerations in making the decision to hire staff

SOURCE: Bliss, M. (2020, January 7). *The 10 signs you need to hire more employees*. Retrieved August 24, 2021, from <https://www.simplybusiness.com/simply-u/articles/2020/01/10-signs-you-need-to-hire-more-employees/>

29. C

Proximity. Resources are the items or people that a business uses to accomplish a goal or to make a product. Small-business owners must consider both the costs and the benefits in obtaining resources, such as hiring a new employee, contracting a transportation company, or obtaining raw materials for manufacturing. If AI moves the company's headquarters, the costs are the possibility of losing good employees and the financial burden associated with a large move. The benefit of moving is proximity, or being closer to the raw materials the company needs to manufacture its products. The benefit of being closer is that communication might improve due to the proximity, and the company may save transportation costs since the raw materials are closer to the manufacturing equipment. Demand, feasibility, and independence are not benefits of moving the company.

SOURCE: EN:021 Assess the costs/benefits associated with resources

SOURCE: Dictionary.com. (2021). *Proximity*. Retrieved August 24, 2021, from <https://www.dictionary.com/browse/proximity>

30. C

Standard. Operating procedures are the step-by-step processes that employees follow when performing specific work-related tasks. By developing and implementing operating procedures, small-business owners reduce the amount of time that they spend answering questions and making decisions about routine, day-to-day activities. This reduction occurs because the employees have guidelines or a standard way to complete tasks. Conducting activities in a standard way often increases employee productivity and efficiency. Everyday tasks do not always need to be performed in imprecise, diverse, or innovative ways.

SOURCE: EN:026 Describe the use of operating procedures

SOURCE: Rush, M. (2021). *Standard operating procedures for a business*. Retrieved August 24, 2021, from <https://smallbusiness.chron.com/standard-operating-procedures-business-3228.html>

31. A

Poor communication. Productivity is the amount of work that employees (human resources) perform in a given period, such as output per hour. If management does not clearly communicate the business's goals, processes, needs, and expectations to employees, they will not know how to perform their jobs, which can reduce their productivity. Lower productivity often results in lower customer satisfaction, which negatively affects the business. Narrow product lines, clearly expressed quality standards, and short-term goals do not have a negative effect on the business.

SOURCE: EN:030 Explain the impact of resource productivity on venture success

SOURCE: Smarp. (2020, July 9). *11 reasons why business communication is critical to your company's success*. Retrieved August 24, 2021, from <https://blog.smarp.com/11-reasons-why-business-communication-is-crucial-for-companys-success>

32. B

Economic conditions. Because the business environment is always changing, it is important for business owners to monitor these changes and adapt to them as appropriate so they remain competitive in the marketplace. An external factor that affects the business environment is the economic conditions in which the business operates. For example, in an area where the economy is doing well, people tend to spend more money, driving up demand for certain products. If the business does not adjust to demand increases, it will lose sales. Profit margins, product development, and staffing needs are internal factors that affect the business.

SOURCE: EN:033 Adapt to changes in business environment

SOURCE: Sherman, F. (2019, March 8). *What are internal & external environmental factors that affect business?* Retrieved August 24, 2021, from <https://smallbusiness.chron.com/internal-external-environmental-factors-affect-business-69474.html>

33. A

Income statement. An income statement is a summary of a business's income and expenses over a period of time. It is also referred to as a profit-and-loss statement. Assets are things of value owned by a business. A balance sheet shows what a business is worth at any point in time. A budget is an estimate of revenue and expenditures.

SOURCE: FI:085 Explain the concept of accounting

SOURCE: LAP-FI-085—Show Me the Money (Nature of Accounting)

34. B

\$12,528. Cash receipts are the money that a business collects (e.g., business income). Cash receipts are all the money flowing into a business, such as sales and interest. To calculate cash receipts, add the sales and interest income ($\$12,450 + \$78 = \$12,528$). Although a business collects sales tax, that money is not income, because it must be paid to the government. Equipment is an asset and is not included in cash receipts.

SOURCE: FI:092 Prepare cash flow statements

SOURCE: Carrasquillo, P. (2017, September 26). *How to calculate cash receipts.* Retrieved August 24, 2021, from <https://bizfluent.com/how-7924170-calculate-cash-receipts.html>

35. A

Checking account. A checking account is a current asset. This means that it can be converted into cash fairly quickly—in one year or less. Buildings, machinery, and land are fixed assets. They are less easily converted into cash and are meant to be kept for long periods of time.

SOURCE: FI:093 Explain the nature of balance sheets

SOURCE: LAP-FI-093—The Right Balance (The Nature of Balance Sheets)

36. A

A company strives to fix its method of internal communications. Processes are sets of steps used to reach an outcome. Process thinking means keeping processes in mind throughout a project or business venture. An example of a process is a method for communicating internally in an organization. If a company strives to fix its method of internal communications, it is focused on process thinking. Business process thinking involves departments working together rather than avoiding interaction. Firing employees rather than fixing the overall customer service process is not an example of business process thinking. Finally, prioritizing product promotions over product development is not related to business process thinking.

SOURCE: OP:474 Discuss business process thinking and its impact

SOURCE: Tallyfy. (2021). *Importance of process thinking in business management.* Retrieved August 23, 2021, from <https://tallyfy.com/process-thinking/>

37. B

Short-term loans. Businesses often obtain short-term loans to purchase goods to sell quickly. Short-term loans are paid back within a brief period of time, usually 90 days but no longer than one year. Mortgages are agreements with a lending institution that pledge property as collateral in exchange for loans. Stocks and bonds are issued to investors in exchange for lending money to the businesses. Accounts receivable are all monies owed to a business by its customers.

SOURCE: FI:023 Explain the purposes and importance of obtaining business credit

SOURCE: Corporate Finance Institute. (2021). *Short term loan*. Retrieved August 24, 2021, from <https://corporatefinanceinstitute.com/resources/knowledge/finance/short-term-loan/>

38. A

You have control over how the money is spent. One of the biggest benefits of debt financing is the ability to control how the financing is spent. When you take out a business loan, you are in control of what you do with the money. When you obtain equity financing, however, the investors that are helping you start your business have primary control over business decisions. Some of the downsides of debt financing include interest payments and the need to pay the money back even if the business fails. Help from experienced investors is a benefit of equity financing, not debt financing.

SOURCE: FI:340 Discuss factors to consider in choosing between debt and equity capital

SOURCE: Maverick, J.B. (2021, April 26). *Equity financing vs. debt financing: What's the difference?* Retrieved August 24, 2021, from <https://www.investopedia.com/ask/answers/042215/what-are-benefits-company-using-equity-financing-vs-debt-financing.asp>

39. A

Marginal revenue. Marginal revenue, or the extra revenue associated with the production and sale of one additional unit of output for a business, is determined by dividing the change in total revenue by the marginal product. Businesses calculate marginal revenue to determine if they are earning the desired amount of profit by increasing production and selling more items. The break-even point is the level of sales at which revenues equal total costs. Earned income is the amount earned by an employee. Cash flow is the movement of funds into and out of a business.

SOURCE: FI:358 Determine relationships among total revenue, marginal revenue, output, and profit

SOURCE: Tuovila, A. (2021, April 1). *Marginal revenue (MR)*. Retrieved August 24, 2021, from <https://www.investopedia.com/terms/m/marginal-revenue-mr.asp>

40. C

It is a quick and easy method to use. The jury of executive opinion (JEO) method is quick and easy to use because it does not require complicated techniques, expensive equipment, or major amounts of time and effort. It is popular with many companies because it uses the opinions of the companies' own experts rather than those of outsiders. Disadvantages of this method are that all opinions expressed carry equal weight, whether or not they are valid, and that the opinions are gathered from all executives, some of whom are not knowledgeable about sales.

SOURCE: FI:096 Forecast sales

SOURCE: Nasdaq. (2021). *Jury of executive opinion*. Retrieved August 24, 2021, from <https://www.nasdaq.com/glossary/j/jury-of-executive-opinion>

41. D

Horizontal analysis. Horizontal analysis is a comparison of the same items on a company's financial statements for two or more periods. It involves comparing the value of a certain account at the end of year one with the value of that same account at the end of year two, for instance, and calculating the difference between the values. Vertical analysis involves stating each dollar amount on a financial statement as a percentage of another amount on the statement or a base amount. After calculating these percentages, you can compare them with each other, with previous years' figures, or with percentages of other companies in the same industry. Technical analysis involves using historical information from market activity, prices, and volume to evaluate securities and predict future price activity. Fundamental analysis involves studying all aspects of a company in an effort to understand its intrinsic value.

SOURCE: FI:334 Describe types of financial statement analysis (e.g., ratio analysis, trend analysis, etc.)

SOURCE: Tuovila, A. (2021, July 10). *Horizontal analysis*. Retrieved August 24, 2021, from <https://www.investopedia.com/terms/h/horizontalanalysis.asp>

42. C

Orientation. Orientation is an onboarding activity, an HR management activity that gets new employees started on the job. It may involve giving an employee a tour of the facilities and making introductions, giving the employee information about company procedures and policies, and familiarizing the employee with their new workspace and equipment. Compliance is an HR management activity that involves making sure the company is following laws and regulations. Grievances are formal employee complaints made to an HR representative. Exit interviews are conducted with an employee who is leaving, not one who is new to the job.

SOURCE: HR:410 Discuss the nature of human resources management

SOURCE: LAP-HR-410—People Pusher (Nature of Human Resources Management)

43. B

Employment history. A company often requires job applicants to complete an employment application. The application provides the company with a snapshot of an applicant's education, skills, training, and employment history. The company uses the information to determine if the applicant meets the minimal requirements for a specific position. Companies do not use employment applications to measure an applicant's intelligence levels, to inquire about an applicant's hobbies and interests, or to determine the applicant's insurability levels.

SOURCE: HR:354 Screen job applications/resumes

SOURCE: Doyle, A. (2021, January 22). *Job applications: Types, forms, and samples*. Retrieved August 23, 2021, from <https://www.thebalancecareers.com/job-application-form-sample-2061607>

44. C

The board of directors. The board of directors is the primary stakeholder affecting corporate governance. The board of directors exists to make important decisions for the company, including appointing corporate officers, setting executive compensation, and making dividend policies. The board of directors directly influences the company's corporate governance. Company shareholders, employees, and executives are not the primary stakeholders affecting corporate governance.

SOURCE: PD:302 Identify the factors that impact governance structures

SOURCE: Chen, J. (2021, July 4). *Corporate governance*. Retrieved August 23, 2021, from <https://www.investopedia.com/terms/c/corporategovernance.asp>

45. A

To ensure employees understand the material. Encouraging employees to provide feedback during a training session gives them opportunities to ask questions so the trainer can ensure they understand the material. Team-building activities and group work are better techniques to help employees build relationships during a training session. There are more effective ways to identify employees with leadership skills than evaluating their feedback during a training session. Trainers who ask employees to evaluate a training session usually do so after the training session is complete.

SOURCE: HR:392 Train staff

SOURCE: McQuerrey, L. (2019, July 24). *How to conduct a training session effectively*. Retrieved August 23, 2021, from <https://bizfluent.com/how-4555347-conduct-training-session-effectively.html>

46. A

Corrective. There are two general approaches to remedial action that supervisors can use: preventive and corrective. Preventive discipline is essentially an approach to managing people in such a way that behaviors which would require discipline are prevented. One action that supervisors can use to prevent discipline problems is open-door management: a policy permitting employees to voice their complaints, grievances, or problems to successively higher levels of management. Corrective discipline is intended to discourage further violations after infractions have already occurred. It may consist of one or several forms of action, including progressive discipline, corrective counseling, and constructive criticism. Termination-at-will is a policy that allows for the discharge of any employee without cause, provided there is no legal restriction or contract which applies to the situation.

SOURCE: HR:369 Explain the nature of remedial action

SOURCE: UC Merced. (2021). *How to conduct corrective action (discipline)*. Retrieved August 23, 2021, from <https://hr.ucmerced.edu/employeeelabor-relations/employeeelabor-relations-how-to/how-conduct-corrective-action-discipline>

47. A

Providing salespeople with additional training. Data may show that salespeople need additional training for a certain product. This is something marketers want to provide so sales and profits can be as high as possible. Determining what new products to offer, deciding which wholesalers to use for distribution, and budgeting for product development are all activities that should take place before a product hits the market.

SOURCE: IM:012 Describe the need for marketing data

SOURCE: LAP-IM-012—Data Do It (Need for Marketing Data)

48. C

Place. Marketing research can tell the business the advantages and disadvantages of various locations so that the business can choose the location that would get its products in the right place at the right time. The price decision involves deciding the amount of money marketers will ask in exchange for their products; the product decision involves deciding what goods, services, or ideas to sell; and the promotion decision involves selecting the types of communications that will be used to inform, persuade, or remind customers of their products.

SOURCE: IM:010 Explain the nature of marketing research

SOURCE: LAP-IM-010—Seek and Find (Marketing Research)

49. C

Marketing-information management. Gathering information through surveys is an example of the marketing-information management function. Specialty advertising is categorized as "other media" such as pens and calendars embossed with a company's name. Behavioral segmentation is the division of a market based on customers' responses to a product. Promotion communicates information about goods, services, images, and/or ideas to achieve a desired outcome.

SOURCE: MK:002 Describe marketing functions and related activities

SOURCE: LAP-MK-001—Work the Big Seven (Marketing Functions)

50. B

Adjust its marketing strategies. Changes in the marketplace require changes in marketing strategy. Changes such as an increase in operating expenses, tighter government regulations, and the entry of new competitors in the marketplace require that businesses have flexible strategies so they can respond quickly to those changes. Pricing changes and advertising efforts are often considerations when a new competitor arrives on the scene. The business is more likely to increase advertising and reduce its prices, depending on the competitors' marketing and positioning activities. The business should always be concerned about maintaining safe working conditions, but this consideration does not impact marketing decisions in relation to its competitors.

SOURCE: MP:001 Explain the concept of marketing strategies

SOURCE: LAP-MP-002—Pick the Mix (Nature of Marketing Strategies)

51. A

Into well-defined groups of consumers. Segmenting the market into well-defined groups of consumers enables the business to know as much as possible about customers or potential customers, which helps the business market its products effectively. This is the overall purpose of market segmentation. Dividing the market by consumers' incomes or their locations is an aspect of market segmentation. Consumer markets are composed of individuals who purchase goods or services to satisfy their personal desires. Industrial markets are composed of businesses which purchase items for use in the operation of their businesses, for resale, or for making other goods.

SOURCE: MP:003 Explain the concept of market and market identification

SOURCE: LAP-MP-003—Have We Met? (Market Identification)

52. D

An athletic footwear company produces a line of shoes for children who play soccer. A niche market is a specific or narrow classification of customers in a market segment. An athletic shoe manufacturer produces shoes for people who engage in athletic activities. If the shoe company designs and sells footwear for a specific type of activity (e.g., soccer), it is appealing to a specific group within its larger market segment. A petroleum company offering credit options to anyone who purchases its gasoline is not necessarily engaging in niche marketing. An antibacterial hand soap is one item in a product line and does not necessarily target any specific or narrow market. Advertising a soft drink during a national television broadcast is an example of a mass marketing activity.

SOURCE: MP:005 Select target market

SOURCE: Ward, S. (2020, August 6). *What is a niche market?* Retrieved August 24, 2021, from <https://www.thebalancesmb.com/niche-market-definition-for-business-2947188>

53. B

Operational activities. The sales forecast, the prediction of future sales over a specific period of time, is the basis for many other operational activities. The forecast affects decisions about production, distribution, purchasing, promotion, etc. Therefore, the sales forecast needs to be as accurate as possible so the business correctly plans the other operational activities. For example, if the forecast is too high, a business might produce substantially more product than it will be able to sell. A sales forecast is not the basis of pricing strategies, business reports, or management techniques.

SOURCE: MP:014 Forecast sales for marketing plan

SOURCE: Metcalf, T. (2018, April 5). *Top 10 reasons why sales forecasting is important.* Retrieved August 24, 2021, from <https://yourbusiness.azcentral.com/top-10-reasons-sales-forecasting-important-24818.html>

54. B

Online tracking methods. Development and widespread use of computer software, computer hardware, and the internet has made it possible for companies to track hits, purchases, and information gathered or requested by consumers. This provides information to understand and develop profiles of consumers. The profiles are used to develop and assess marketing and advertising objectives. The reason this method is controversial is because many feel that the process invades the privacy of the consumer. Consumer questionnaires and phone surveys are ways to collect data, but they are not necessarily considered controversial. Indirect response techniques is not a term used in data collection for profiling use.

SOURCE: MP:031 Develop customer profile

SOURCE: Federal Trade Commission. (n.d.). *How to protect your privacy online.* Retrieved August 24, 2021, from <https://www.consumer.ftc.gov/articles/how-protect-your-privacy-online>

55. A

To obtain systems that perform required functions. There is a wide selection of hardware and software systems, and not all systems meet the specific needs of all businesses. Therefore, businesses establish specifications so they will obtain the systems that have the capability of performing the required functions. For example, some businesses need only basic hardware and a few software programs such as Word and Excel. Other businesses may need more complex hardware and a vast selection of software programs to manage manufacturing, distribution, billing, and customer service. Businesses do not establish specifications to develop training programs for employees, to analyze the prices of various vendors, or to keep up with the latest technological fads.

SOURCE: NF:091 Establish specifications for selecting hardware/software systems

SOURCE: CMI. (2020). *Choosing the right hardware and software.* Retrieved August 24, 2021, from <https://www.newcmi.com/blog/choosing-the-right-hardware-software>

56. B

To identify patterns. Data mining is the process of analyzing large amounts of information to find patterns, identify outliers, and predict outcomes. Companies use data mining to improve their marketing strategies, cut costs, improve customer service, and more. Data mining is not typically used to locate someone, to spy on competitors, or to attract customers.

SOURCE: NF:148 Discuss the nature of data mining

SOURCE: SAS Institute Inc. (2021). *Data mining: What it is and why it matters.* Retrieved August 23, 2021, from https://www.sas.com/en_us/insights/analytics/data-mining.html#

57. D

To prove the business's net worth to acquire a bank loan. Financial records showing the value of a business would help prove the company's net worth and could be used to acquire a bank loan. Financial records showing profits or expenses would be of little value in proving excellent service. Financial records contain private information that would not be shown to competitors or to suppliers.

SOURCE: NF:001 Describe the nature of business records

SOURCE: LAP-NF-001—Record It (Business Records)

58. D

Inventory report. An inventory report captures information about the status of the firm's supplies or products. For example, the inventory report may indicate that the firm is running low on copy paper for the photocopier and that the paper should be ordered so the firm does not run out. An income statement (profit-and-loss statement) is a financial summary that shows how much money the firm has made or has lost over a period of time. A SWOT analysis is a summary of the firm's strengths, weaknesses, opportunities, and threats. A credit report provides information about the firm's or its customers' credit history.

SOURCE: NF:014 Monitor internal records for business information

SOURCE: Lopienski, K. (2019, July 15). *Guide to reporting on inventory + free inventory report templates*. Retrieved August 23, 2021, from <https://www.shipbob.com/blog/inventory-report/>

59. C

Obtaining resources. Resources refer to any person or item that the business uses to accomplish an objective. Operations management is the process of planning, controlling, and monitoring the day-to-day activities required for the company to function. This includes obtaining and allocating the appropriate types and amounts of resources to do the work, such as employees, equipment, and supplies.

Contacting customers is a sales activity. Selecting media is a promotional activity. Analyzing investments is a financial activity.

SOURCE: OP:189 Explain the nature of operations

SOURCE: LAP-OP-189—Smooth Operations (Nature of Operations)

60. C

Safety issues. There are plenty of safety issues that companies must consider when planning a new workspace or evaluating a current one, including electrical hazards, slipping and tripping from obstacles or slippery floors, and workplace violence. These are all examples of safety issues, not compromises, non-negotiables, or success indicators. A compromise is an agreement between two parties where each side must make sacrifices to reach an outcome that is acceptable for everyone. A non-negotiable is something that is deemed too important not to have. A success indicator is a sign that suggests that a person or organization is achieving success.

SOURCE: OP:151 Identify potential safety issues

SOURCE: Root, G. (2021). *What are some workplace safety issues?* Retrieved August 24, 2021, from <https://smallbusiness.chron.com/workplace-safety-issues-1303.html>

61. D

To obtain a needed delivery date. The people responsible for purchasing should always seek to buy needed goods and services at the lowest possible price, provided quality, delivery, and service do not suffer. It may not be efficient to purchase at the lowest possible price if the materials cannot be delivered on time. Obtaining the needed delivery date is a reason why a business might decide to purchase goods for a price higher than the lowest possible price. A business would not purchase goods for a price higher than the lowest possible price to spend additional funds, satisfy a favorite vendor, or arrange flexible contracts.

SOURCE: OP:015 Explain the nature and scope of purchasing

SOURCE: LAP-OP-015—Buy Right (Purchasing)

62. B

Standardized. Some production processes, such as mass production, use standardized parts to make large quantities of similar products. Standardized parts are interchangeable. Grading is the process of rating products according to certain established standards or characteristics. Branding is the ongoing decision-making process about the use of brands. Segmenting divides people or things into sections according to certain criteria.

SOURCE: OP:017 Explain the concept of production

SOURCE: LAP-OP-017—Can You Make It? (Nature of Production)

63. B

Workflows. Businesses want to establish efficient procedures to expedite task completion and make it possible for employees to do their jobs correctly. Businesses establish efficient workflows by developing and implementing procedures for employees to follow so they can avoid making mistakes. If employees have specific procedures to follow, they are more likely to be able to work efficiently and achieve quality. Production processes are the ways that products are produced. Management techniques are ways of supervising personnel.

SOURCE: OP:022 Establish efficient operating systems

SOURCE: Monday.com. (2020, December 27). *What is a workflow and how can it boost productivity?* Retrieved August 24, 2021, from <https://monday.com/blog/productivity/what-is-a-workflow/>

64. C

Semi-variable. Semi-variable costs are expenses that change very little and are not affected by sales volume as much as variable costs. Fixed costs are going to remain the same no matter how many units of a product are produced or marketed. Variable costs vary according to changes in sales volume or sales revenue and can also change in proportion to the number of items produced. Nonoperating costs are costs to the company for goods for which they resell or raw materials that are used to produce goods or services to be sold.

SOURCE: OP:024 Explain the nature of overhead/operating costs

SOURCE: Tuovila, A. (2020, October 29). *Semi-variable cost*. Retrieved August 23, 2021, from <https://www.investopedia.com/terms/s/semivariablecost.asp>

65. C

\$12,600. Businesses use budget information to monitor sales and expenses and to compare budgeted amounts with actual figures. If sales increase over the amount budgeted and expenses remain steady, the business's income will also increase. In this example, the business's actual sales increased over the budgeted amount. To calculate the increase in income, first determine the budgeted four-month sales total ($\$165,500 \times 4 = \$662,000$). Then, calculate the amount of that figure that was budgeted for expenses ($\$662,000 \times 55\%$ [or $.55$] = $\$364,100$). Then, subtract budgeted expenses from budgeted sales to calculate budgeted income ($\$662,000 - \$364,100 = \$297,900$). Next, calculate the amount of expenses based on actual sales ($\$690,000 \times 55\%$ [or $.55$] = $\$379,500$). Subtract expenses from actual sales to calculate actual income ($\$690,000 - \$379,500 = \$310,500$). To determine the increase in income, subtract budgeted income from actual income ($\$310,500 - \$297,900 = \$12,600$).

SOURCE: OP:030 Use budgets to control operations

SOURCE: Inc. (2021, January 5). *How to start a business budget*. Retrieved August 24, 2021, from <https://www.inc.com/encyclopedia/businessbudget.html>

66. B

Gain a competitive advantage in the marketplace. Supply chain management involves supervising the complete process of getting products into the marketplace, from production to purchase by an end consumer. Two of the main goals of supply chain management are maximizing the value that is provided to the customer and gaining a competitive advantage in the marketplace by moving goods effectively and efficiently. Setting prices and controlling customer perceptions are not primary goals of supply chain management.

SOURCE: OP:303 Discuss the nature of supply chain management

SOURCE: Fernando, J. (2021, April 10). *Supply chain management (SCM)*. Retrieved August 23, 2021, from <https://www.investopedia.com/terms/s/scm.asp>

67. B

Gap analysis. A business uses a gap analysis to compare the current status of an activity or process with the desired outcome for that activity or process. Businesses use gap analyses to evaluate many types of business functions and activities including necessary skills, training, technology, and profitability. A mind map is a creative-thinking technique that involves generating ideas by making associations. A decision tree is a method that businesses often use to facilitate the decision-making process. It involves using a tree-shaped image in which each branch of the tree represents a possible occurrence or outcome.

Critical path refers to a project management tool that illustrates all activities needed to complete a task in the order in which they need to be performed.

SOURCE: OP:327 Discuss the nature of business analysis

SOURCE: Kenton, W. (2020, November 27). *Gap analysis*. Retrieved August 23, 2021, from <https://www.investopedia.com/terms/g/gap-analysis.asp>

68. C

Income statement. An income statement is a financial summary that shows how much money the business has made or lost. It is also called a profit-and-loss statement. A balance sheet shows a firm's assets, liabilities, and owner's equity. A marketing plan is a set of procedures or strategies for attracting the target customer to the business. A sales budget is an estimate of expenditures related to sales.

SOURCE: FI:094 Describe the nature of income statements

SOURCE: LAP-FI-094—Watch Your Bottom Line (Income Statements)

69. D

Regulatory. Because the manufacturing company is required by local government to dispose of its waste safely, the company must design its waste disposal process to abide by the regulations. This is an example of regulatory factors affecting business process design. Human factors affecting process design include stress, employee morale, and fatigue. Technological factors that can affect process design include the cost of any equipment or hardware that is necessary for the process. The term "natural factors" is not usually used to describe factors affecting process design.

SOURCE: OP:475 Describe the factors that influence business process design

SOURCE: Taylor, H. (2017, September 26). *Factors that affect process design*. Retrieved August 23, 2021, from <https://bizfluent.com/list-7444011-factors-affect-process-design.html>

70. D

Competition. Competition is one of the main external factors that may cause a firm to change its business processes. Although desire for growth, low employee morale, and high operating costs are reasons to change business processes, these are all internal factors.

SOURCE: OP:476 Explain the causes of business process changes

SOURCE: Gleeson, P. (2019, February 12). *Factors that may cause change in an organization*. Retrieved August 23, 2021, from <https://smallbusiness.chron.com/factors-may-cause-change-organization-203.html>

71. D

Reduces the time it takes for goods to reach consumers. Supply chain management reduces the time it takes for goods to reach consumers, which improves customer satisfaction. Integrating information throughout an organization, improving cash flow, and enhancing data quality do not directly increase customer satisfaction.

SOURCE: OP:477 Explain the impact of supply chain on business performance

SOURCE: Flexe. (2019, September 26). *4 supply chain secrets to drive customer satisfaction*. Retrieved August 23, 2021, from <https://www.flexe.com/articles/4-supply-chain-secrets-to-drive-customer-satisfaction>

72. D

Define the objective. The first step in the decision-making process is identifying what it is you want to do and defining the objective. The decision-making process begins when a person becomes aware of a situation and sees the need to make a decision. Making a choice, analyzing results, and evaluating information are steps in the decision-making process that occur after the objective is defined.

SOURCE: PD:017 Make decisions

SOURCE: LAP-PD-017—Weigh Your Options (Decision-Making)

73. A

Improved access to capital. Corporate governance includes the structures and processes that direct and control companies. Evidence indicates that well-governed companies receive higher market valuations and have increased capital flows. Strong corporate governance practices do not increase distance from investors; rather, corporate governance makes companies more accountable and transparent to investors. Corporate governance does not give companies the ability to bypass sustainability efforts. It instead gives them more tools to increase sustainability. Finally, corporate governance increases stakeholder involvement, rather than limiting it.

SOURCE: PD:213 Discuss the importance of corporate governance in business

SOURCE: Management Study Guide. (2021). *Corporate governance - Definition, scope and benefits*. Retrieved August 23, 2021, from <https://www.managementstudyguide.com/corporate-governance.htm>

74. D

Elected by stockholders. A board of directors is elected by stockholders. Board members may be stockholders, but they are not required to be. Vendors are not board members. The board of directors makes many decisions for the business.

SOURCE: PD:214 Describe the components of a well-governed company (e.g., board of directors, reporting, transparency, internal and external audit functions)

SOURCE: Chen, J. (2021, April 12). *Board of directors (B of D)*. Retrieved August 23, 2021, from <https://www.investopedia.com/terms/b/boardofdirectors.asp>

75. C

Government regulations. External mechanisms are controls that come from outside of the organization. An example is government regulations that are imposed upon a company. Internal mechanisms come from within an organization. A board of directors' policies, a company's business objectives, and a company's code of conduct are all internal mechanisms of control.

SOURCE: PD:302 Identify the factors that impact governance structures

SOURCE: Davoren, J. (2021). *Three types of corporate governance mechanisms*. Retrieved August 23, 2021, from <https://smallbusiness.chron.com/three-types-corporate-governance-mechanisms-66711.html>

76. D

Application forms. Most employers require applicants to complete an application form for the position under consideration. It is completed prior to the job interview so that the interviewer has an opportunity to review the information supplied on the application form before talking with the applicant. Letters of intent and resumes are initiated by applicants, while reference checks are conducted by employers.

SOURCE: HR:356 Select and hire new employees

SOURCE: CareerOneStop. (2021). *Job applications*. Retrieved August 23, 2021, from <https://www.careeronestop.org/JobSearch/Resumes/job-applications.aspx>

77. C

Measurable. When an organization is developing performance standards, it should ensure that those standards are measurable so that they can actually be used to evaluate performance. Performance standards should be objective rather than subjective. They also should be clearly stated in writing rather than informally discussed. Finally, performance standards should be realistic rather than extremely challenging.

SOURCE: PD:256 Establish performance standards to meet organizational goals

SOURCE: U.S. Office of Personnel Management. (n.d.). *Performance management cycle*. Retrieved August 24, 2021, from <https://www.opm.gov/policy-data-oversight/performance-management/performance-management-cycle/planning/developing-performance-standards>

78. A

High. High prices suggest high quality and prestige to customers, while moderate or discount prices are associated with low quality. Wholesale prices are what the business pays for the items it buys for resale.

SOURCE: PI:001 Explain the nature and scope of the pricing function

SOURCE: LAP-PI-001—The Price Is Right (Nature of Pricing)

79. C

Trying to improve cash flow. The Salty Pretzel Company is using a profit-oriented pricing objective of maximizing profits. Because there is no indication that the company is in financial trouble, it is most likely trying to improve cash flow for one reason or another. If the company was trying to create an exclusive image, it would use a sales-oriented pricing objective to do so. The company already has market share and would lower prices to capture more. The company is most likely increasing prices, not stabilizing them.

SOURCE: PI:002 Explain factors affecting pricing decisions

SOURCE: LAP-PI-003—Make Cents (Factors Affecting Selling Price)

80. B

Task force meetings. A task force is a group of employees who work in different company departments (e.g., sales, finance) that meets on a regular basis. During the meetings, the task force generates ideas and discusses new product and market opportunities. Because each member represents a different aspect of the business, a task force is often an effective way to facilitate product and market development. Interviewing customers, distributing vendor surveys, and belonging to a trade association are external methods of recognizing product and market opportunities.

SOURCE: PM:136 Create processes for ongoing opportunity recognition

SOURCE: Sarokin, D. (2019, October 21). *What are the characteristics of a task force group in business?* Retrieved August 24, 2021, from <https://smallbusiness.chron.com/characteristics-task-force-group-business-20615.html>

81. A

Evaluate its customers' experiences. Customers' experiences with a firm are greatly influenced by the service the company provides. By evaluating its customers' experiences, a company can determine ways in which it is achieving customer satisfaction and ways in which it needs to improve. To evaluate its customers' experiences, the company must ask its customers what they like and dislike about the business, which is often done by conducting a survey or interview. When developing the questions, the company should consider the various factors that affect the customers' experiences, such as reliability (e.g., delivery), courtesy (e.g., employees' attitudes), and competence (e.g., product knowledge). Mass advertising messages are nonpersonal rather than personal. A company's goal is to improve its own market share, not the competition's market share. Knowing and understanding regulations help businesses comply with local ordinances.

SOURCE: PM:138 Evaluate customer experience

SOURCE: Moore, S. (2019, May 28). *How to measure customer experience*. Retrieved August 24, 2021, from <https://www.gartner.com/smarterwithgartner/how-to-measure-customer-experience/>

82. C

The company wants to increase its market share. Most businesses have goals for their firms, and the products they sell should help the firms achieve those objectives. When a product no longer helps a business attain its share of a particular market, the firm may decide to replace it with a product that may do so. The firm in this case is not expanding its product line, since it is simply replacing one product with another. A product that sells well or is a collectible would be a good reason for the company to keep the product in its product mix.

SOURCE: PM:003 Explain the concept of product mix

SOURCE: LAP-PM-003—Mix and Match (The Nature of the Product Mix)

83. D

An increasingly diverse array of risks. In the past, risks were managed through the purchase of insurance. However, companies have begun to manage many different types of risks that need to be managed on a broader level. Enterprise risk management is now a plan-based strategy that is incorporated throughout an organization. Enterprise risk management has not developed due to the elimination of certain insurance plans, reduced government regulation, or declining quality standards.

SOURCE: RM:062 Discuss the nature of enterprise risk management (ERM)

SOURCE: Hayes, A. (2021, June 2). *Enterprise risk management (ERM)*. Retrieved August 23, 2021, from <https://www.investopedia.com/terms/e/enterprise-risk-management.asp>

84. A
Competition and technology. The environment, social trends, and demand, in addition to competition and technology, are external factors, or influences from outside the business, that influence promotional decisions. Product, price, and distribution are internal factors.
SOURCE: PR:001 Explain the role of promotion as a marketing function
SOURCE: LAP-PR-002—Razzle Dazzle (Nature of Promotion)
85. B
Email. The main advantage of email marketing is that, using email contact lists, the business can send its message only to those people most likely to buy its products. For example, an electronics store can send sale notices to its best customers who are most likely to buy the store's goods. Billboard ads, TV, and magazines reach a wide variety of people who may not be potential customers.
SOURCE: PR:007 Explain types of advertising media
SOURCE: LAP-PR-003—Ad-quipping Your Business (Types of Advertising Media)
86. C
Brand evangelist. Brand evangelists are loyal customers who act as unofficial brand ambassadors to their friends and family members by recommending and endorsing the brand's products. In this example, Jamie could be described as a brand evangelist—not a late adopter, potential customer, or discount customer. A late adopter is skeptical of a new product and therefore slow to begin using or buying that good or service. A potential customer is someone with a particular want or need who is highly likely to purchase your product. A discount customer is someone that makes purchasing decisions based on the size of current markdowns.
SOURCE: PR:247 Describe word-of-mouth channels used to communicate with targeted audiences
SOURCE: Hodak, B. (2020, August 11). *What is a brand evangelist?* Retrieved August 23, 2021, from <https://brittanyhodak.com/what-is-a-brand-evangelist/>
87. D
Involving everyone in the organization. Change management impacts entire organizations. Therefore, everyone needs to be involved in the process. Focusing on processes over people, using as few resources as possible, and ensuring changes do not impact competitiveness are not keys to successful change management.
SOURCE: SM:095 Explain the nature of change management
SOURCE: Candito, N. (2017, August 15). *The 4 dos of change management*. Retrieved August 23, 2021, from <https://www.forbes.com/sites/grouphink/2017/08/15/the-4-dos-of-change-management/2/#3a53e2456768>
88. C
Rebate. A rebate is a sales promotion in which part of the price a customer pays for a good is given back to the customer. Rebates usually require customers to mail proof of purchase to receive their money back. This example does not demonstrate a point-of-sale promotion, coupon, or sweepstakes. Point-of-sale promotions are promotions located where the customer purchases a good or service, such as in a store. A coupon is a printed or online certificate that entitles the holder to a reduced purchase price. A sweepstakes is a game of chance in which a customer wins a prize.
SOURCE: PR:249 Identify communications channels used in sales promotion
SOURCE: Hayes, A. (2021, August 17). *Rebate*. Retrieved August 23, 2021, from <https://www.investopedia.com/terms/r/rebate.asp>

89. C

To obtain publicity. By sponsoring an event, businesses are using the event as a communications channel to provide information to others. The goal of sponsoring an event is to obtain publicity, which is any nonpersonal presentation of ideas, goods, or services that is not paid for by the company or individual that benefits from or is harmed by it. In many cases, the media report on the event and include information about the sponsors. As a result, the businesses obtain publicity. Businesses that sponsor local events are not creating news. Businesses do not sponsor local events to generate revenue or to sell products. However, by obtaining publicity, they might attract more customers which will result in selling more products and generating more revenue.

SOURCE: PR:250 Explain communications channels used in public-relations activities

SOURCE: Friedman, S. (2021, January 7). *Why your marketing plan should include sponsorship*. Retrieved August 23, 2021, from <https://www.thebalancesmb.com/sponsorship-a-key-to-powerful-marketing-2295276>

90. D

Training employees to strive for quality. Quality assurance is a process that businesses use to prevent defective products from being created. The focus of quality assurance is planning ahead and getting things right the first time. An important aspect of quality assurance is training employees to strive for quality. When employees receive proper training, the goods that they make and the services that they provide are more likely to meet quality standards during the production process. Quality control involves inspecting products for defects after the production process. In some situations, quality control involves repairing defective products to meet quality standards. Quality improvement is the willingness to make changes to maintain quality or make it better.

SOURCE: QM:001 Explain the nature of quality management

SOURCE: LAP-QM-001—Keep It Quality (Nature of Quality Management)

91. D

Risks help businesses determine objectives. When businesses are determining their objectives, they must consider risks related to these objectives and ensure that these risks are manageable. Objectives should be modified because of risk. If a new risk threatens a business objective, it should be changed to accommodate that risk. Business objectives almost always have at least some risk associated with them. Finally, the number of objectives is not necessarily related to the amount of risk.

SOURCE: RM:044 Discuss the relationship between risk and business objectives

SOURCE: Pike, R. (2018, October 31). *Building a bridge between risk management and business objectives*. Retrieved August 24, 2021, from <https://www.finance-monthly.com/2018/10/building-a-bridge-between-risk-management-and-business-objectives/>

92. B

Shallow depth. Depth is a product-mix dimension referring to the number of products and the assortment of sizes, colors, and models offered in a product line. If the depth is shallow, there are fewer products available in each category. This minimizes costs by reducing the level of inventory that needs to be maintained. A business with shallow depth has less money tied up in inventory than a business that carries a wide assortment. High breadth does not minimize costs, because it involves carrying a lot of items in the product mix. Economy image and premium value do not minimize the costs associated with maintaining a product mix.

SOURCE: PM:006 Plan product mix

SOURCE: Suttle, R. (2019, February 12). *What is a product mix?* Retrieved August 24, 2021, from <https://smallbusiness.chron.com/product-mix-639.html>

93. B

Be needed by the customers. Selling should try to fill the needs and wants of consumers. The lowest price is not always the best choice, because some customers need or want better quality. Some products need to fill only one need to completely satisfy a customer. There are times when the best quality is not needed or desired by customers.

SOURCE: SE:017 Explain the nature and scope of the selling function

SOURCE: LAP-SE-017—Sell Away (The Nature and Scope of Selling)

94. C

Company description. The company description accurately portrays the new company or venture, provides a history of the company, and shows the current business structure, among other things. In the market analysis, you see how the market has responded (or is likely to respond) to the new company or product/venture. The strategy and implementation section shows how the business intends to do what it has planned. The executive summary gives an overview of the entire document.

SOURCE: SM:007 Explain the nature of business plans

SOURCE: LAP-SM-007—Plan Now, Succeed Later (Nature of Business Plans)

95. A

Unrealistic. Setting goals and objectives helps a company move forward, but the goals must be realistic. Expecting increased sales when the forecast predicts poor skiing weather is unrealistic. Companies that set unrealistic goals are less likely to achieve those goals. If they plan for the unrealistic goals, acquire additional inventory, and hire more staff, they may encounter failure. Practical, reasonable, and scientific are characteristics of realistic goals and objectives.

SOURCE: SM:008 Develop company goals/objectives

SOURCE: The Happy Manager. (2021). *What are Smart objectives?* Retrieved August 24, 2021, from <https://the-happy-manager.com/tips/smart-objectives/>

96. B

Sales in the auto industry are increasing. Auto sales are one of the economic indicators that indicate the state of the economy. Increasing auto sales indicate economic growth and health. Stricter licensing requirements and an increase in price-fixing cases would be the result of stronger government regulations. The increased use of computers is a technological trend.

SOURCE: SM:011 Explain external planning considerations

SOURCE: Corporate Finance Institute. (2021). *Economic conditions*. Retrieved August 24, 2021, from <https://corporatefinanceinstitute.com/resources/knowledge/economics/economic-conditions/>

97. B

Dashboards. Dashboards are types of computer-generated, custom-designed reports that indicate the overall situation of a business. They present a set of key performance indicators that, when viewed together, give a snapshot of the health of the company. Managers use dashboards to track the condition of the company and identify potential problems so they can make adjustments before any harm is done. Firewalls, extranets, and terabytes are not used to monitor key performance indicators.

SOURCE: SM:027 Identify and benchmark key performance indicators (e.g., dashboards, scorecards, etc.)

SOURCE: Karlson, K. (2021). *What is a KPI tracking dashboard? [Complete guide]*. Retrieved August 24, 2021, from <https://www.scoro.com/blog/what-is-kpi-tracking-dashboard/>

98. D

Company A. Businesses often compare their sales-to-receivables ratios with industry standards to determine if they are collecting cash as quickly as others. If businesses find that they have low sales-to-receivables ratios, they might make adjustments to their collection procedures to receive payment in a more timely manner. To calculate Company A's sales-to-receivables ratio, divide sales by accounts receivable ($\$250,000 / \$20,000 = 12.5$). This figure indicates that receivables turn over more than 12 times a year, which means there is a shorter time between making the sale and collecting the cash for Company A than there is for the others. Company B's sales-to-receivables ratio is 11, Company C's sales-to-receivables ratio is 10, and Company D's sales-to-receivables ratio is 9.1.

SOURCE: SM:005 Analyze operating results in relation to budget/industry

SOURCE: Murphy, C. (2021, April 7). *Receivables turnover ratio*. Retrieved August 24, 2021, from <http://www.investopedia.com/terms/r/receivableturnoverratio.asp>

99. A

Accept change. Innovation is the process of creating new or more effective products, processes, services, technologies, or ideas. Creating something new requires change. When a business encourages its employees to learn about new processes, customer wants, market needs, and trends, innovation is more likely to occur. Exhibiting bias and suppressing ideas may have a negative effect on innovation. Following certain types of business procedures is important for creating a safe and fair work environment and does not necessarily affect innovative processes.

SOURCE: SM:094 Describe relationship among innovation, learning, and change

SOURCE: Green, N. (2021, July 14). *How to encourage innovation in the workplace*. Retrieved August 23, 2021, from <https://www.wework.com/ideas/professional-development/creativity-culture/how-to-encourage-innovation-in-the-workplace>

100. A

Customize offers. Direct marketing is an effort to obtain business by sending promotional information to customers directly to their businesses or homes. Opt-in email, which allows a business to send promotional messages with the receivers' permission, gives the business an opportunity to send promotional messages and coupons to the customers who are most likely to purchase the product. By having customers complete a customer profile, the business can customize the promotional offers so that customers receive promotional information about the products that are of the most interest to them. Demographics are the physical and social characteristics of the population. A business can use demographic information to develop messages to appeal to a target market; however, it cannot influence the actual physical and social characteristics of that market. A trend is the general direction in which society is moving. Businesses do not send promotional information to predict trends. A business can take action to try to increase sales, but it cannot control sales.

SOURCE: PR:089 Explain the nature of direct marketing channels

SOURCE: Pavoni, J. (2020, June 16). *The beginner's guide to opt-in email marketing*. Retrieved August 23, 2021, from <https://blog.hubspot.com/insiders/how-to-build-an-opt-in-email-list>