



Competency-Based
Competitive Events
Written Exam
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Test Number 1262
Booklet Number _____

Business Management and Administration Exam

Human Resource Management
Retail Management

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

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This comprehensive exam was developed by the MBA Research Center exclusively for DECA's 2021-2022 Competitive Events Program. Items have been randomly selected from the MBA Research Test-Item Bank and represent a variety of instructional areas. Performance indicators for this exam are at the prerequisite, career-sustaining, specialist, manager, and owner levels. A descriptive test key, including question sources and answer rationale, has been provided to the DECA chartered association advisor.



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1. Which of the following is an important step to take to ensure a protest is peaceful and effective:
 - A. Avoid violence and vandalism during the protest.
 - B. Demonstrate your importance by using harsh, insulting language.
 - C. Obtain your senator's permission before assembling the protest.
 - D. Argue against any opponents to your protest.

2. Which of the following is an example of a voluntary debtor-creditor relationship:
 - A. Owing punitive damages
 - B. Receiving a monetary gift
 - C. Requesting specific information
 - D. Obtaining a loan from a bank

3. Which of the following is a benefit of settling a case instead of going to trial:
 - A. Settlements are less predictable.
 - B. Settlements ensure a chance at appeal.
 - C. Settlements involve a "guilty" or "not guilty" verdict.
 - D. Settlements are more private.

4. Red Ruby Jewelry is suing another jewelry company for an intellectual property violation. During which phase of the litigation process should Red Ruby Jewelry's lawyers interview potential witnesses?
 - A. Discovery
 - B. Pleadings
 - C. Trial
 - D. Appeal

5. The person who files a lawsuit is the
 - A. plaintiff.
 - B. defendant.
 - C. lawyer.
 - D. judge.

6. Which of the following is true of arbitration:
 - A. It is an adversarial process.
 - B. It usually has a win-win outcome.
 - C. It is a cooperative process.
 - D. It is more expensive than litigation.

7. What type of analytical report is likely to contain the following statement?

"Based on the facts presented, it is my recommendation that we continue with the existing course of action and complete the road closures and updates to enhance the city's infrastructure."

 - A. Justification report
 - B. Market analysis report
 - C. Due diligence report
 - D. Troubleshooting report

8. Which of the following is an example of a purpose statement in a research report:
 - A. In 2005, Sims Research surveyed 150,000 college professors.
 - B. In this study, we will examine the causes and effects of climate change.
 - C. The quality of soil may affect plant growth.
 - D. 2,500 residents reported power outages during the ice storm.

9. A farmer has 1,000 acres. They decide to plant apple trees on 800 acres and raise cows on the remaining 200 acres. If they wanted to raise more cows, they would have to reduce the amount of land allotted to growing apples. This is an example of
 - A. opportunity cost.
 - B. distribution.
 - C. efficiency.
 - D. utility.

10. A music streaming service has two versions: one with advertisements and one without advertisements for a monthly fee. What business model does this describe?
 - A. Freemium
 - B. Franchise
 - C. Auction
 - D. Affiliate

11. The formula for calculating gross profit is
 - A. income from sales minus cost of merchandise.
 - B. net profit plus cost of merchandise.
 - C. income from sales minus net profit.
 - D. income from sales minus operating expenses.

12. A country imports \$15,132,820 worth of goods and services, exports \$15,694,454 worth of goods and services, and pays \$1,750,500 in foreign aid. What is the amount of the country's trade surplus?
- A. \$2,312,134
B. \$561,634
C. \$1,188,866
D. \$852,820
13. The value of a country's currency declines when it implements policies that restrict trade. What is the primary factor affecting the change in value of the currency in this situation?
- A. Civil unrest
B. Isolationism
C. Demographics
D. Cultural differences
14. Thinking about the consequences is part of which step of the ethical dilemma response process?
- A. Reflect on the outcome.
B. Get the facts.
C. Consider all your potential actions.
D. Identify the dilemma.
15. John's supervisor provides only general guidance, avoids giving specific or detailed directions, and wants employees to function independently. What leadership style is the supervisor following?
- A. Democratic
B. Authoritarian
C. Laissez-faire
D. Assertive
16. Ryan buys a car, but he stops making payments after a few months. The seller is able to repossess the car because it has a(n) _____ on the title.
- A. lien
B. installment
C. rating
D. principal
17. Which of the following is an example of an individual setting a financial goal:
- A. Saving enough money to retire in 10 years
B. Making a will to distribute personal assets
C. Reviewing various health insurance options
D. Obtaining a credit card for emergencies
18. After learning that her accountant treated another customer unethically, Bethany decided to hire a different firm for the next year. This is an example of how
- A. ethics reduce legal liability.
B. ethics affect customer loyalty.
C. customers control a company's ethical policies.
D. accountants cannot control customer satisfaction.
19. Items of value are listed under which of the following components of the balance sheet:
- A. Assets
B. Liabilities
C. Owner's equity
D. Notes
20. If the cash from operating activities is consistently greater than the company's net income, the company's net earnings are of a(n) _____ quality.
- A. excessive
B. low
C. moderate
D. high
21. What should a company review to determine whether the business is profitable?
- A. Accounts receivable ledger
B. Income statement
C. Cash flow statement
D. Monthly sales receipts
22. Which of the following helps you determine the total cost of a consumer loan:
- A. Origination fees
B. Annual percentage rate
C. Repayment terms
D. Credit score
23. Which of the following is an example of receiving information:
- A. Looking at a list of random addresses
B. Taking a language course
C. Reading a travel itinerary
D. Learning to take someone's temperature

24. Which of the following is a true statement regarding knowledge management and employees:
- A. Knowledge management can be successful without employee involvement.
 - B. Not every employee should be expected to contribute knowledge.
 - C. Contributing knowledge should be a simple task for employees.
 - D. The company benefits from knowledge management, but individual employees do not.
25. What is a primary characteristic of intellectual capital?
- A. Observable
 - B. Factual
 - C. Intangible
 - D. Reliable
26. Which of the following organizational cultures is most likely to promote knowledge management:
- A. A collaborative, open working space
 - B. A silent office filled with closed-off cubicles
 - C. A company that struggles to keep documents organized
 - D. A competitive, "everyone for themselves" environment
27. A business establishes virtual workspaces for several project teams in which information and expertise are continuously updated and shared among all of the work teams' members. What form of knowledge management technology is the business using?
- A. Remote search engines
 - B. Knowledge repositories
 - C. Knowledge-mapping tools
 - D. Decision support systems
28. Corsica Steel Mill has developed a new process to reduce the time it takes to complete a phase of production. To legally protect this new process from unauthorized use, the company should obtain a
- A. patent.
 - B. copyright.
 - C. trademark.
 - D. trade name.
29. Which of the following actions is most likely to help a business protect its trade secrets:
- A. Require employees to develop a noncompete agreement
 - B. Apply for copyright protection with the government
 - C. Publish a nondisclosure statement on its website
 - D. Limit access to the sensitive information
30. Over the years, Malcolm has implemented strategies that help him perform and complete a work activity more efficiently. The department manager has asked Malcolm to write down the steps of the process so that the instructions will be available for coworkers and employees in the future. This is an example of
- A. data procurement.
 - B. confidential information.
 - C. project management.
 - D. knowledge codification.
31. Which of the following is a characteristic of effective knowledge harvesting:
- A. Limited input
 - B. Short-term outlook
 - C. Static in nature
 - D. Systematic process
32. Ralph hosts a video conference about a trade show he recently attended. Which of the following knowledge management processes is Ralph practicing:
- A. Acquisition
 - B. Sharing
 - C. Creation
 - D. Refinement
33. When it comes to buying behavior, people tend to
- A. purchase products contrary to their needs.
 - B. satisfy their most urgent needs first.
 - C. satisfy their less urgent needs first.
 - D. exhibit no identifiable pattern.
34. Why is it important for businesses to manage employee information in a way that keeps it secure?
- A. To be secretive
 - B. To be ethical
 - C. To beat the competition
 - D. To avoid publicity

35. A wholesale distributor would like to track its customers geographically. Which software application would be most effective?
- A. Internet
 - B. Spreadsheet
 - C. Database
 - D. Word processing
36. What is the advantage of using project management computer software that allows several team members to access project information at the same time?
- A. Eliminates the need to analyze variances
 - B. Reduces the need to secure data
 - C. Ensures data accuracy
 - D. Enhances collaboration efforts
37. A company is making big changes to its database. When should the company make these changes?
- A. After work hours or when employees have downtime
 - B. At the beginning of the work week
 - C. Never—changes should not be made to a database.
 - D. Over the employees' lunch breaks
38. In order for data change to be successful, an organization should
- A. enact changes whether or not everyone in the organization agrees.
 - B. be able to revert back to their old processes.
 - C. have one employee capable of making the change.
 - D. be aware of why the change is necessary.
39. Maggie owns an accounting firm and decides to maximize profit by reducing employee expenses. What disadvantage may this cause for Maggie's firm?
- A. Lower employee morale
 - B. Lower profits
 - C. Higher cost of goods
 - D. Higher training costs
40. A corporation is building a facility in the city's business district. The city requires that the facility meet certain size, style, structural, and usage requirements. These requirements are outlined in the town's
- A. zoning ordinances.
 - B. health regulations.
 - C. partnership agreement.
 - D. tax code.
41. A city in the southwestern region of the country requires community businesses to undergo health and safety inspections to determine if the businesses are complying with
- A. securities regulations.
 - B. free trade agreements.
 - C. local ordinances.
 - D. consumer protection laws.
42. An employee who notices the electrical cord to a neon sign is badly frayed should
- A. call an electrician to fix it.
 - B. try to repair the cord.
 - C. assume someone knows about it.
 - D. report it to a supervisor.
43. One way that businesses can reduce the risk of credit card fraud at the point of sale is by
- A. reviewing sales receipts during closing procedures.
 - B. verifying the cardholder's identification.
 - C. conducting a financial audit.
 - D. establishing credit limits for card usage.
44. How can you keep stakeholders engaged throughout the planning process?
- A. Define the project scope.
 - B. Identify project risks.
 - C. Develop quality standards.
 - D. Obtain feedback from your team.
45. Which of the following actions will help a business maintain positive, long-term relationships with its vendors:
- A. Solving problems together
 - B. Limiting communication
 - C. Negotiating aggressively
 - D. Withholding information
46. What is required of businesses to maintain positive, long-term relationships with their suppliers?
- A. Rigid policies
 - B. Flexible lead times
 - C. Autocratic management
 - D. Ongoing communication

47. Cassandra is a buyer for a department store chain. On Tuesday, she placed a seasonal order with an apparel vendor without providing specific models, sizes, colors, or ship dates. What type of order did Cassandra place?
- A. Special
 - B. Blanket
 - C. Standing
 - D. Rush
48. Which of the following is an example of a raw material that a business might inventory for production use:
- A. Stapler
 - B. Toothpaste
 - C. Wood
 - D. Chair
49. What should businesses do before negotiating with vendors?
- A. Make minor concessions
 - B. Implement aggressive tactics
 - C. Assess vendors' strengths and weaknesses
 - D. Adopt a win-lose attitude
50. Which of the following activities would help a company prepare to negotiate prices with a vendor:
- A. Determining the company's long-term and short-term goals
 - B. Asking the vendor to provide a copy of its budget
 - C. Assigning the task of researching standard prices to a new employee
 - D. Reaching out to the vendor's previous customers
51. Which of the following is a main advantage of process performance management:
- A. Catching issues before they become problems
 - B. Minimizing waste
 - C. Saving time during manufacturing
 - D. Improving product design
52. Which of the following is an activity that falls under supply chain management:
- A. Hiring new employees
 - B. Creating advertising campaigns
 - C. Forecasting sales
 - D. Building relationships with vendors
53. Business analysis is essentially the process of helping companies
- A. form.
 - B. change.
 - C. grow.
 - D. communicate.
54. Before Joe starts working on a new assignment, he thinks about the goals of the assignment, the resources he has available to him, and the activities that the project will entail. Joe is implementing
- A. business process thinking.
 - B. personal accountability.
 - C. business objective planning.
 - D. inventory management.
55. Stress and fatigue are _____ factors that can affect business process design.
- A. human
 - B. technological
 - C. regulatory
 - D. government
56. A company develops a new production process so employees can create products while seated. This requires the company to schedule overtime hours but complies with a law that prevents employees from standing for more than eight hours. The company has changed its manufacturing process in response to
- A. employee disabilities.
 - B. regulations.
 - C. costly overtime.
 - D. legal battles.
57. A small brick-and-mortar bookstore will benefit most from a supply chain that is designed to
- A. ship books to customers' homes.
 - B. stock large quantities of best sellers.
 - C. purchase books to fulfill requested orders.
 - D. use an electronic commerce center to handle orders.
58. Online shipment tracking is one example of _____ affecting supply chain management.
- A. globalization
 - B. technology
 - C. economic downturns
 - D. production changes

59. Supply chain network design improves service and reduces cost by aligning purchasing, production, warehousing, inventory, and
- A. the sales force.
 - B. marketing.
 - C. transportation.
 - D. promotion.
60. A devastating earthquake in a major exporting country will likely create long-lasting shipping and transportation delays for much of the country's exports. This is an example of a
- A. local regulatory concern.
 - B. national security risk.
 - C. global supply chain issue.
 - D. humanitarian crisis.
61. Which of the following actions can help a business protect its digital assets:
- A. Making an inventory of digital information
 - B. Allowing employees to bring their own devices to work
 - C. Backing up key data once per fiscal year
 - D. Giving employees full access to all company data
62. To prevent sensitive customer data from being stolen by hackers, companies should
- A. ask customers to sign a waiver in case their information is stolen.
 - B. prohibit workers from accessing customer information.
 - C. require that employees follow good password practices.
 - D. refuse to accept credit or debit cards from customers.
63. Anti-malware protection, encryption, routine backups, and operating system updates are all effective tools for
- A. organizing customer information.
 - B. screening potential employees.
 - C. protecting digital assets.
 - D. sorting through financial data.
64. What is the preferred length of a job resume?
- A. Five pages
 - B. Three pages
 - C. From one to two pages
 - D. As long as necessary
65. In which section of the statement of work (SOW) document would you find the following information: "AJB International will be responsible for collecting the research for the project but will not interpret the results."
- A. Scope statement
 - B. Communication plan
 - C. Purpose statement
 - D. Goals and objectives
66. Which component of the statement of work (SOW) is most likely to contain the following information: "With an operating budget of \$1.2 million, we expect to complete the project within six months."
- A. Communication plan
 - B. Cost and schedule estimates
 - C. Project deliverables
 - D. Project scope
67. The primary purpose of developing a work breakdown structure (WBS) for complex projects is to
- A. document the benefits of the project.
 - B. organize the work in a logical sequence.
 - C. monitor human resources and supplies.
 - D. identify potential stakeholders.
68. A project manager has determined that the team completed the software-development phase of the project four days ahead of schedule. What control activity is the project manager performing?
- A. Changing a process
 - B. Evaluating a time constraint
 - C. Tracking a milestone
 - D. Assessing a setback
69. Which of the following is an example of a project manager motivating a project team:
- A. Zoey sends an email requesting each team member provide her with a weekly activity report.
 - B. Marcus tells Thomas that he might work more efficiently if he performed one task before another one.
 - C. Ryan advises Samantha that she will need to perform additional duties while Maggie is on vacation.
 - D. Tamara recognizes how hard her team is working, so she provides lunch for the team members.

70. Which of the following is a part of managing a project team:
- A. Boosting morale
 - B. Managing change
 - C. Preventing scope creep
 - D. Reporting to stakeholders
71. Mia decides to change a future deadline on her project's schedule because she knows that, based on her team's performance, they will not meet the deadline. Mia is taking _____ action.
- A. defect repair
 - B. corrective
 - C. preventative
 - D. productive
72. Releasing equipment, materials, and team members are tasks that are completed during the _____ phase of a project.
- A. closing
 - B. scheduling
 - C. planning
 - D. initiating
73. Determine the type of project-closing report that would most likely contain the following statement: "In review, group members agreed that additional training before the project began and ongoing technical support during the course of the project would have increased overall efficiency."
- A. Stakeholder's expense audit
 - B. Executive summary
 - C. Termination checklist
 - D. Lessons learned document
74. One of the best ways for project managers and their team members to reflect on the positive and negative experiences of a finished project is to
- A. immediately start a new project.
 - B. create a lessons learned document.
 - C. host a company-wide meeting.
 - D. follow a work breakdown structure.
75. One of the most important characteristics of a quality good is
- A. responsiveness.
 - B. tangibles.
 - C. empathy.
 - D. reliability.
76. Which of the following is a factor that keeps quality at the forefront of the modern business world:
- A. Outdated technology
 - B. Weather patterns
 - C. Consumer pressure
 - D. Currency fluctuations
77. The cost associated with throwing out defective products as they come off the production line is a(n) _____ cost.
- A. internal failure
 - B. prevention
 - C. appraisal
 - D. external failure
78. Capability Maturity Model Integration (CMMI) software has the ability to conduct an audit that compares the business's existing production and acquisition processes with the CMMI model. The audit provides information that will allow the business to
- A. manage its human and natural resources effectively.
 - B. develop long-term financial and operating plans.
 - C. determine the best way to comply with government regulations.
 - D. incorporate the best overall quality-improvement processes.
79. Which of the following is a benefit of implementing Six Sigma:
- A. More qualitative results
 - B. Less predictability
 - C. Increased customer satisfaction
 - D. Reliance on guesswork
80. A primary reason it is important for businesses to continuously try to improve work processes is to
- A. motivate employees.
 - B. increase efficiency.
 - C. encourage creativity.
 - D. communicate effectively.
81. What is the potential benefit to a business that continuously takes action to improve the quality of its goods and services?
- A. Increased premiums
 - B. Increased product options
 - C. Higher demand
 - D. Higher costs

82. Last year, several clients filed complaints with a government agency stating that TQS Company's employees used questionable tactics to get them to purchase financial products. One action that the company can take to lower risks associated with their employees' behavior is to
- A. provide ongoing ethics training for all employees.
 - B. require accounting managers to develop a code of conduct.
 - C. develop financial products that better meet clients' needs.
 - D. encourage employees to use their best judgment in selling situations.
83. During the risk management planning stage, companies should
- A. focus on internal issues.
 - B. reward ethical behavior.
 - C. avoid discussing compliance.
 - D. assess their ethical needs.
84. Which of the following technologies has proven very successful in creating "what-if" scenarios in the finance industry:
- A. Time value of money calculators
 - B. Financial reporting and consolidation
 - C. Digital dashboards
 - D. Account reconciliation
85. What technological application do financial businesses use to evaluate how investment portfolios may react to changing conditions in the markets?
- A. Automated oversight
 - B. Stress testing
 - C. Financial compliance
 - D. Threat detection
86. A company wants to be alerted to security breaches and other IT threats. What type of software should the company invest in?
- A. Threat prediction
 - B. Word processing
 - C. Risk management
 - D. Presentation
87. What can a business do if it is exposed to risks that commercial insurance companies do not cover?
- A. Create a trade union
 - B. Acquire a professional association
 - C. Form a captive insurance company
 - D. Establish a risk management committee
88. A company is considering whether to expand its operations into a neighboring country. The company predicts that the expansion will increase profits, but the firm's financial officials are concerned about the strength of the foreign dollar. This is an example of which of the following risk factors associated with international business:
- A. Environmental fluctuations
 - B. Foreign currency exchange
 - C. Domestic financial policies
 - D. Governmental regulations
89. What is the primary purpose of managerial planning?
- A. To implement activities
 - B. To prepare for the future
 - C. To evaluate forecasts
 - D. To change processes
90. Which of the following is a benefit of organizing:
- A. Competitive, challenging goals and objectives
 - B. Decreased cohesion across departments
 - C. Tracking, accountability, and growth
 - D. Increased number of communication channels
91. An important activity of the staffing function of management involves
- A. evaluating performance.
 - B. compensating employees.
 - C. delegating tasks.
 - D. establishing standards.
92. A manager who is developing compensation plans may
- A. decide where and when training is best conducted.
 - B. determine employee eligibility for benefits.
 - C. extend a job offer with specific terms and conditions.
 - D. negotiate with job candidates.

93. Which of the following is a good way for managers to measure their directing ability:
- A. Building group dynamics among employees
 - B. Eavesdropping on employee conversations
 - C. Motivating employees to achieve company goals
 - D. Analyzing quantity standards such as sales numbers
94. Which of the following is an example of negative reinforcement:
- A. A raise
 - B. Additional vacation time
 - C. A bonus
 - D. Reduced tedious paperwork
95. One of the main functions of managerial control is to make sure that the business's
- A. facilities are maintained.
 - B. objectives are achieved.
 - C. employees are disciplined.
 - D. activities are regulated.
96. Employee self-reporting, automatic data collection and analysis, and meetings are all methods that managers can use to
- A. take corrective action.
 - B. set standards of excellence.
 - C. measure the organization's performance.
 - D. compare performance with standards.
97. Which of the following factors is associated with innovative organizations:
- A. Fear-based motivation
 - B. Change avoidance
 - C. Leadership gaps
 - D. Adaptability
98. When a company decides to switch email services, the manager hosts a meeting to tell employees how the new service will benefit them. This is an example of how
- A. change management does not require a leader to be successful.
 - B. gaining buy-in is an important aspect of change management.
 - C. changes only impact people at the top of a company.
 - D. providing training can help make changes go more smoothly.
99. Melissa has been assigned a unique task at work; her boss wants her to oversee her team's adoption of a new software. They explain that Melissa should make a plan for the integration of the new software, support her teammates in the transition, and ensure that the transition is successful. In other words, Melissa is responsible for
- A. managerial control.
 - B. organizational goal setting.
 - C. human resources management.
 - D. change management.
100. Many organizational changes fail because
- A. companies do not properly execute the change management life cycle.
 - B. big changes cannot be executed throughout entire companies.
 - C. most people are resistant to change.
 - D. managers give their employees too much time to adjust to changes.



KEY

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1. A
Avoid violence and vandalism during the protest. While most protests begin peacefully, passions can rise, and sometimes conflict occurs. To effectively communicate your message, you should avoid insults, violence, and vandalism. Therefore, you should not demonstrate your importance by using harsh, insulting language. You do not need to obtain your senator's permission before assembling the protest, though you might need to obtain a permit. You also should not argue against any opponents to your protest; rather, you should respectfully engage opponents in conversation about the issue.
SOURCE: BL:163 Comply with the spirit and intent of laws and regulations
SOURCE: LAP-BL-163—Laying Down the Law (Complying With the Spirit and Intent of Laws and Regulations)
2. D
Obtaining a loan from a bank. The debtor is the individual or business that owes money to another individual or business, which is the creditor. A business that obtains a loan from a bank is entering into a voluntary debtor-creditor relationship. It is voluntary because the business (debtor) is seeking to obtain funds from the bank (creditor) by going through a loan application process. A monetary gift is given without expectations of repayment. A monetary gift and a request for information are not examples of debtor-creditor relationships. In tort cases, the court can order one party to pay punitive damages to the other party. This is an example of an involuntary debtor-creditor relationship.
SOURCE: BL:071 Discuss the nature of debtor-creditor relationships
SOURCE: Nelson, N. (2021, January 23). *Understanding the debtor-creditor relationship*. Retrieved September 28, 2021, from <https://www.wolterskluwer.com/en/expert-insights/understanding-the-debtor-creditor-relationship>
3. D
Settlements are more private. In settlements, most details aren't public, meaning that they are much more private than trials. Settlements cannot be appealed, and they do not involve a "guilty" or "not guilty" verdict. Settlements are more predictable than a jury decision.
SOURCE: BL:159 Describe factors affecting the settlement of legal matters
SOURCE: Murray, J. (2021, May 21). *When should I settle out of court?* Retrieved September 28, 2021, from <https://www.thebalancesmb.com/is-it-a-good-idea-to-settle-out-of-court-4772756>
4. A
Discovery. The discovery phase occurs when each side learns about the case and attempts to form its argument. It includes interviewing witnesses to gather information. Pleadings are the initial papers filed in a lawsuit that explain each side of the argument. The trial occurs when the actual case begins and each side presents its evidence. Appeals occur after the trial has ended when one side asks for a review of the decision by pointing out errors in the ruling.
SOURCE: BL:160 Describe the litigation process
SOURCE: American Bar Association. (2019, September 9). *How courts work*. Retrieved October 22, 2021, from https://www.americanbar.org/groups/public_education/resources/law_related_education_net_work/how_courts_work/discovery/
5. A
Plaintiff. The plaintiff is the person in a case who makes a claim against another person or organization and starts the litigation process. The defendant is the person who is accused of breaking the law. The lawyer is the person who represents the plaintiff and/or defendant. The judge is the person who rules on a case.
SOURCE: BL:160 Describe the litigation process
SOURCE: Murray, J. (2020, December 2). *What is plaintiff in a lawsuit?* Retrieved September 28, 2021, from <https://www.thebalancesmb.com/what-is-a-plaintiff-in-a-lawsuit-398411>

6. A

It is an adversarial process. Arbitration is an adversarial process, not a cooperative one. Because of this, it usually does not have a win-win outcome. Arbitration is popular because it is usually less expensive than litigation.

SOURCE: BL:161 Discuss the arbitration/mediation process

SOURCE: Dorward, L. (2021). *Positives & negatives of using arbitration in business contracts*.

Retrieved September 28, 2021, from <https://smallbusiness.chron.com/positives-negatives-using-arbitration-business-contracts-42670.html>

7. A

Justification report. Analytical reports are documents that evaluate issues, opportunities, or problems. A justification report is a type of analytical report that evaluates the success or failure of a previous decision or course of action. In the recommendations section of a justification report, the writer may validate the decision, suggest improvements, or describe why an action has been ineffective. A market analysis is a systematic study of the market. Reports that address financial issues associated with a certain course of action, such as a merger, are called due diligence reports. Troubleshooting reports address specific problems, such as a problem with a process.

SOURCE: CO:185 Write analytical reports (i.e., reports that examine a problem/issue and recommend an action)

SOURCE: McQuerrey, L. (2018, July 1). *How to write a justification report*. Retrieved September 28, 2021, from <https://work.chron.com/write-justification-report-6504.html>

8. B

In this study, we will examine the causes and effects of climate change. The purpose statement appears in a research report's introduction and summarizes the purpose of the report, such as the causes and effects of climate change. The background section of a research report provides pertinent information previously gathered by other researchers, such as the 2005 survey conducted by Sims Research. A hypothesis is a proposed explanation of a situation or event, such as how the quality of soil may affect the growth rate of a plant. Factual statements contain true data or information that can be verified, such as the number of reported power outages during a specific event or time period.

SOURCE: CO:186 Write research reports

SOURCE: The Writing Center, University of Wisconsin. (n.d.). *Thesis and purpose statements*.

Retrieved October 22, 2021, from

https://writing.wisc.edu/handbook/process/thesis_or_purpose/

9. A

Opportunity cost. If they choose to raise more cows, they will have to give up the apples they could have grown. Distribution is an economic activity that examines how payments and resources are distributed. Efficiency is the best use of inputs to achieve maximum output. Utility is the measure of how much use, pleasure, or satisfaction a consumer gets from a good or service. The farmer's choice does not necessarily increase efficiency or yield a higher utility.

SOURCE: EC:001 Describe the concepts of economics and economic activities

SOURCE: LAP-EC-901—Are You Satisfied? (Economics and Economic Activities)

10. A

Freemium. A freemium model includes giving away a service at no cost as a way to establish a relationship with customers and eventually profit from add-ons or premium options. A music streaming service with both a free and paid version is using the freemium model with the goal of eventually converting free users to paying customers. This example does not depict a franchise, auction, or affiliate business model.

SOURCE: EC:138 Describe types of business models

SOURCE: Investopedia. (2020, April 30). *What are some examples of different types of business models in major industries?* Retrieved September 28, 2021, from

<http://www.investopedia.com/ask/answers/042715/what-are-some-examples-different-types-business-models-major-industries.asp>

11. A
Income from sales minus cost of merchandise. Gross profit is money left after cost of merchandise expense is subtracted from total income. Net profit is money remaining after operating expenses are subtracted from gross profit.
SOURCE: EC:010 Identify factors affecting a business's profit
SOURCE: LAP-EC-002—Risk Rewarded (Factors Affecting Profit)
12. B
\$561,634. A country has a trade surplus when its exports are greater than its imports. In this situation, the country has a trade surplus because it is exporting more than it is importing. To calculate the amount of the trade surplus, subtract imports from exports ($\$15,694,454 - \$15,132,820 = \$561,634$). The amount that a country pays in foreign aid has no effect on its trade surplus.
SOURCE: EC:016 Explain the nature of global trade
SOURCE: LAP-EC-004—Beyond US (Global Trade)
13. B
Isolationism. Isolationism occurs when a country abstains from political and economic involvement with other countries. When a country restricts trade, it is limiting the amount of goods and services that move into and out of the country. When a country limits its economic viability, the value of its currency declines. Civil unrest, demographics, and cultural differences may influence the value of a country's currency; however, there is not enough information provided to determine if, or in what ways, these factors have influenced the country's trade restrictions.
SOURCE: EC:100 Describe the determinants of exchange rates and their effects on the domestic economy
SOURCE: LAP-EC-100—Get Your Money's Worth (Exchange Rates)
14. C
Consider all your potential actions. When facing an ethical dilemma, you may face more than two options. You should consider all your potential actions and think about the consequences of each. This is not part of getting the facts, reflecting on the outcome, or identifying the dilemma.
SOURCE: EI:125 Recognize and respond to ethical dilemmas
SOURCE: LAP-EI-125—Make the Right Choice (Recognizing and Responding to Ethical Dilemmas)
15. C
Laissez-faire. Laissez-faire leaders exercise little or no control over their subordinates. Democratic leaders seek input from employees and encourage them to participate in planning and decision-making. They tend to share authority with their subordinates. Authoritarians enjoy being in command. They rely almost completely upon their own judgment and give very specific orders and instructions to employees. Assertive is not a style of leadership.
SOURCE: EI:037 Foster positive working relationships
SOURCE: LAP-EI-037—Can You Relate? (Fostering Positive Working Relationships)
16. A
Lien. When a borrower uses installment credit to purchase an expensive item, like a car, the seller has a lien, or claim, on the title until all installment payments have been made. In most cases, the lender will hold the title until payment is complete. If for any reason the credit user does not pay, the seller can repossess, or take back, the good. Installment credit is the type of credit that Ryan is using. A credit rating is the score assigned to a borrower based on previous loans. Principal is the original amount of a loan on which the amount of interest is based.
SOURCE: FI:002 Explain the purposes and importance of credit
SOURCE: LAP-FI-002—Give Credit Where Credit Is Due (Credit and Its Importance)

17. A

Saving enough money to retire in 10 years. Financial goals are objectives that individuals want to achieve. Individuals often set financial goals based on a time factor because they have a need that they want to satisfy. In this situation, retiring in 10 years is the need that can be satisfied by saving money every month. Making a will to distribute personal assets, reviewing various health insurance options, and obtaining a credit card for emergencies are not examples of financial goals.

SOURCE: FI:065 Set financial goals

SOURCE: Fontinelle, A. (2021, June 1). *How to set financial goals for your future*. Retrieved September 28, 2021, from <https://www.investopedia.com/articles/personal-finance/100516/setting-financial-goals/>

18. B

Ethics affect customer loyalty. Ethical accounting helps build an organization's reputation as an honest, reliable brand. Customers want to interact with companies that they can trust; when companies do not practice ethical accounting, customers might be wary to open their wallets to them. Bethany's decision to hire a different accounting firm is an example of this concept. This example does not demonstrate how ethics reduce legal liability, how customers control a company's ethical policies, or how accountants cannot control customer satisfaction.

SOURCE: FI:351 Discuss the role of ethics in accounting

SOURCE: LAP-FI-351—With Due Care (The Role of Ethics in Accounting)

19. A

Assets. Items of value are called assets on balance sheets. Liabilities are debts. Owner's equity is what's left over after liabilities have been subtracted from assets. The notes section of the balance sheet contains additional, relevant information, such as notes about what types of accounting policies were used.

SOURCE: FI:093 Explain the nature of balance sheets

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

20. D

High. The cash from operating activities is compared to the company's net income. If the cash from operating activities is consistently greater than the net income, the company's net income or earnings are said to be of a high quality.

SOURCE: FI:541 Interpret cash-flow statements

SOURCE: AccountingCoach. (2004-2021). *Cash flow statement (explanation)*. Retrieved September 28, 2021, from <http://www.accountingcoach.com/cash-flow-statement/explanation>

21. B

Income statement. Since an income statement records income and expenses over the accounting period, it indicates whether the business has experienced a net loss or a net profit. An accounts receivable ledger is not a good indicator of whether a business is profitable, because it only records transactions for payments expected and received and does not reflect a company's outgoing payments. A cash flow statement helps a business predict cash inflows and outflows and is a good indicator of liquidity, but it is not a good indicator of profitability, because it does not account for cash items that are not identified as income or expense such as the purchase of and depreciation of capital assets. Monthly sales receipts help a business determine its sales revenue over time, but they do not indicate the company's outgoing payments, which are necessary to determine profitability.

SOURCE: FI:542 Monitor business's profitability

SOURCE: Chen, J. (2021, March 16). *Income statement*. Retrieved October 22, 2021, from <https://www.investopedia.com/terms/i/incomestatement.asp>

22. B

Annual percentage rate. Annual percentage rate, APR, is a rate of interest expressed as a yearly percentage. APR essentially tells you how much it will cost you to take out a specific loan. Comparing the APRs of different loans can help you make the best choice for your financial situation. Origination fees are fees charged by lenders for approved loans. A loan's repayment terms are the conditions for repayment—such as the length of the repayment period and the interest rate. Credit score is a rating assigned to a borrower based on previous loans.

SOURCE: FI:625 Apply for a consumer loan

SOURCE: Fernando, J. (2021, September 19). *Annual percentage rate*. Retrieved September 28, 2021, from <https://www.investopedia.com/terms/a/apr.asp>

23. C

Reading a travel itinerary. Reading a travel itinerary is an example of receiving information—facts and figures in useful form. A travel itinerary tells you where you are going, when you are going, and what you'll do when you get there. Taking a language course and learning to take someone's temperature are both examples of receiving knowledge. Looking at a list of random addresses is an example of receiving raw data; it might be used for a marketing research study.

SOURCE: KM:001 Explain the nature of knowledge management

SOURCE: LAP-KM-001—Know Go (The Nature of Knowledge Management)

24. C

Contributing knowledge should be a simple task for employees. Knowledge management can't succeed without employee involvement. Every employee should be expected to contribute knowledge to the organization, but doing so should be a simple task that's incorporated into each employee's everyday work tasks. The company—as well as individual employees—benefits from knowledge management.

SOURCE: KM:001 Explain the nature of knowledge management

SOURCE: LAP-KM-001—Know Go (The Nature of Knowledge Management)

25. C

Intangible. Intellectual capital is the collective knowledge of an organization that can be used to generate financial gain. Because knowledge begins in the thoughts and minds of employees, the knowledge is intangible. Some knowledge may be factual, observable, and reliable, but not all of it is. Businesses must be aware that ethical issues often compromise the security of their intellectual capital, such as when sharing confidential information with others outside the company. Therefore, businesses should develop policies about their intellectual capital and communicate them to employees.

SOURCE: KM:002 Discuss the role of ethics in knowledge management

SOURCE: Chen, J. (2021, February 16). *Intellectual capital*. Retrieved September 28, 2021, from https://www.investopedia.com/terms/i/intellectual_capital.asp

26. A

A collaborative, open working space. Organizational culture includes the customs, traditions, and habits of employees working together at a particular firm. Values, ethics, and ideals are important parts of organizational culture. The culture can have a large impact on whether or not effective knowledge management occurs. A culture with a collaborative, open working space encourages knowledge sharing. A silent office with closed-off cubicles is less likely to do so. A company that struggles to keep documents organized might not be able to effectively keep knowledge in order. Finally, a competitive, "everyone for themselves" environment can hurt knowledge management because in this type of environment, people don't want to share their knowledge; rather, they want to keep it for themselves so they can have an advantage.

SOURCE: KM:002 Discuss the role of ethics in knowledge management

SOURCE: LAP-KM-002—Know What's Right (Ethics in Knowledge Management)

27. B

Knowledge repositories. Effective knowledge management tools support the collection and sharing of tacit and explicit knowledge. Knowledge repositories provide the team members of various teams and departments the ability to share their expertise to increase efficiency and solve problems. A search engine is a software program that automatically searches the internet looking for information pertaining to specified search terms and displays a list of results. Knowledge-mapping software provides the ability to capture a business's information sources and information flow in a graphic format. Decision support system (DSS) applications retrieve and organize data to facilitate the business's decision-making processes.

SOURCE: KM:003 Explain the use of technology in knowledge management

SOURCE: Garfield, S. (2018, July 8). *Repositories and knowledge bases*. Retrieved September 28, 2021, from <https://stangarfield.medium.com/repositories-and-knowledge-bases-13b78f8defa4>

28. A

Patent. Intellectual property is intangible business assets that result from thinking processes. Businesses can obtain legal protection of their intellectual property from the government. A patent is legal protection for a product or process, such as a production process. The patent is granted to the inventor or owner for a specific number of years and is a legal means of preventing the product from being recreated and distributed by unauthorized entities. Copyrights legally protect written documents and artistic compositions. A trademark is legal protection for a symbol, design, or word (name) that a business uses to identify its brand.

SOURCE: KM:004 Explain legal considerations for knowledge management

SOURCE: World Intellectual Property Organization. (n.d.). *What is intellectual property?* Retrieved September 28, 2021, from <http://www.wipo.int/about-ip/en/>

29. D

Limit access to the sensitive information. The way in which a business limits access to sensitive information depends on the nature of the trade secret. For example, the use of computer passwords can limit the access of a customer mailing list to the employees who need the information to do their jobs. If the trade secret is a process, a business may limit the amount of information that an employee has to a specific part of the process. In another situation, a foodservice business may lock a recipe in a bank security box. A business may also require its employees to sign a nondisclosure statement or noncompete agreement when they are hired in order to legally hold employees accountable for maintaining the business's trade secrets. Copyrights legally protect artistic work such as books, music, photographs, and paintings.

SOURCE: KM:004 Explain legal considerations for knowledge management

SOURCE: FindLaw. (2021). *Protecting trade secrets*. Retrieved September 28, 2021, from <https://www.findlaw.com/smallbusiness/intellectual-property/protecting-trade-secrets.html>

30. D

Knowledge codification. Knowledge codification involves placing knowledge into a format that is accessible to others. In the example, Malcolm has been asked to write down the steps he uses to carry out an activity. By doing so, he is putting his know-how into a written format that others can access when they need it. Malcolm's situation is not an example of confidential information, project management, or data procurement.

SOURCE: KM:005 Identify techniques that can be used to capture and transfer knowledge in an organization

SOURCE: Caulier, A. (n.d.). *Tacit knowledge—How to capture and codify it for your employees*. Retrieved September 28, 2021, from <https://elium.com/blog/tacit-knowledge-how-to-capture-and-codify-for-employees/>

31. D

Systematic process. Knowledge harvesting is the set of procedures used to capture an organization's tacit and explicit knowledge. Because knowledge harvesting is a results-driven, structured method of capturing knowledge, it is a systematic process. To build an effective knowledge management system and have a long-term impact on the organization, knowledge harvesting is an ongoing process that involves input from all employees.

SOURCE: KM:005 Identify techniques that can be used to capture and transfer knowledge in an organization

SOURCE: Alexander, R. (n.d.). *How knowledge harvesting can help your business*. Retrieved October 22, 2021, from <https://bloomfire.com/blog/knowledge-harvesting-need/>

32. B

Sharing. Sharing of knowledge occurs when knowledge is communicated to others, as is the case with Ralph's video conference. Acquisition is the process of gaining or gathering knowledge. Creation is developing new content. Refinement is taking knowledge and making it understandable and usable.

SOURCE: KM:018 Apply knowledge management processes

SOURCE: Sampath, S. (2018, June 13). *8 ways to capture tacit knowledge in organizations*. Retrieved September 28, 2021, from <https://medium.com/@savitha84/8-ways-to-capture-tacit-knowledge-536ef990b82d>

33. B

Satisfy their most urgent needs first. When it comes to buying behavior, consumers tend to meet their needs in an organized way. The most urgent needs, such as the needs for food, water, and shelter, are satisfied first. After the most urgent needs are satisfied, consumers then move on to less urgent needs such as the needs for social belonging, achievement, or self-fulfillment. People generally do not satisfy their less urgent needs first or purchase products contrary to their needs. Consumers usually purchase products in an organized, identifiable pattern.

SOURCE: MK:014 Explain factors that influence customer/client/business buying behavior

SOURCE: LAP-MK-014—Cause and Effect (Buying Behavior)

34. B

To be ethical. Businesses gather and maintain a wide range of information, and some of this information may be private or confidential. For example, businesses may have personal information about customers and employees. Making sure that this information is secure is a matter of ethics. Businesses have an ethical obligation to protect certain information so it does not become public and cause harm to individuals. Businesses do not keep information secure to be secretive, beat the competition, or avoid publicity.

SOURCE: NF:111 Explain the role of ethics in information management

SOURCE: Robertson, T. (2021). *Ethical employee privacy policies*. Retrieved September 28, 2021, from <https://smallbusiness.chron.com/ethical-employee-privacy-policies-15724.html>

35. C

Database. A database is a collection (or file) of related information about a specific topic. Many businesses collect information about their customers and store this information in computer databases. Then, businesses can access this information at any time for a variety of reasons, such as tracking customers geographically. Spreadsheet software is used to organize, calculate, and analyze numerical data. Word-processing software is used to create text documents. The internet is not a software application program.

SOURCE: NF:003 Identify ways that technology impacts business

SOURCE: Lindblad, M. (2019, January 25). *Database uses in business*. Retrieved September 28, 2021, from <https://smallbusiness.chron.com/database-uses-business-64298.html>

36. D

Enhances collaboration efforts. Project management software allows businesses to plan, track, and evaluate all aspects of a project. Project management software is available to accommodate different types of projects, from simple, individual projects to multiple complex projects. Complex projects often involve several hundred tasks being performed by dozens of people. Often, team members need to access the same information to perform their project tasks. Programs that are designed to allow multiple users to access project data enhance the team's ability to collaborate and share project information from a variety of locations. Allowing several team members to access project management data does not reduce the need to secure the data, ensure data accuracy, or eliminate the need to analyze variances.

SOURCE: NF:130 Utilize project-management software

SOURCE: Wroblewski, M.T. (2021, August 23). *Benefits of using project management software*. Retrieved October 22, 2021, from <https://smallbusiness.chron.com/benefits-using-project-management-software-2196.html>

37. A

After work hours or when employees have downtime. Database changes should be made at a time that is the most convenient for employees, such as after work hours or when they have downtime. That way, employee work will have minimum disruptions. Changes need to be made to databases from time to time. These changes should not take place just as employees are beginning their work week. They should also not be made over lunch breaks, since changes may take much longer than the length of a break.

SOURCE: NF:264 Adhere to data change best practices

SOURCE: Unitrends. (n.d.). *Routine SQL database maintenance is essential for the smooth and fast backup SharePoint operation*. Retrieved October 22, 2021, from <https://support.unitrends.com/hc/en-us/articles/360013153997-Routine-SQL-database-maintenance-is-essential-for-the-smooth-and-fast-backup-SharePoint-operation->

38. D

Be aware of why the change is necessary. When going through data change, it is important to make sure that everyone involved is aware of why the change is happening and why it will benefit the organization. The organization should not revert back to their old processes after a change. More than one employee (in fact, as many as possible) should be capable of making the change. Finally, changes are most effective when everyone in the organization is in favor of the change.

SOURCE: NF:264 Adhere to data change best practices

SOURCE: Prosci. (n.d.). *Best practices in change management*. Retrieved September 28, 2021, from <https://www.prosci.com/resources/articles/change-management-best-practices>

39. A

Lower employee morale. Maggie's decision to maximize profit and reduce costs by reducing employee expenses will most likely cause a decrease in employee morale. Reducing employee expenses will increase profits but will not necessarily affect cost of goods or training costs.

SOURCE: OP:190 Discuss the role of ethics in operations

SOURCE: Houston Chronicle. (2020, October 13). *Ethical issues in maximizing profit*. Retrieved September 28, 2021, from <http://smallbusiness.chron.com/ethical-issues-maximizing-profit-34328.html>

40. A

Zoning ordinances. Zoning ordinances are regulations that govern the ways in which land and buildings may be used in certain jurisdictions. In many towns and cities, land is designated for commercial (business) or residential use. Although zoning ordinances vary by community, they may regulate the size of the facility or require that some buildings be designed to accommodate a certain style (e.g., American colonial). A company that wants to build a facility in a certain location must consider the city's zoning ordinances to make sure that the regulations are compatible with the company's needs and goals. Health regulations are laws that are designed to protect the health and well-being of society. A partnership agreement is a written agreement (contract) signed by business partners that specifies the terms of the partnership arrangement. The tax code outlines the tax obligations and laws that individuals and businesses must follow.

SOURCE: OP:339 Discuss legal considerations in operations

SOURCE: Kenton, W. (2021, February 28). *Zoning ordinance*. Retrieved September 28, 2021, from <https://www.investopedia.com/terms/z/zoning-ordinance.asp>

41. C

Local ordinances. Businesses must follow various government regulations that are designed to protect the public from illness and hazardous conditions. To ensure that businesses are following these regulations, government agencies at all levels often inspect businesses. For example, the local fire department may inspect a business facility to determine if the business has the appropriate number of fire extinguishers as required by law. If an inspection determines that a business is violating regulations, the agency may fine the business or close it until the business is in compliance. Free trade agreements, securities regulations, and consumer protection laws do not involve inspecting facilities to determine if businesses are free of safety and health hazards.

SOURCE: OP:339 Discuss legal considerations in operations

SOURCE: Ursey, C. (2017, June 1). *Why do safety inspections*. Retrieved September 28, 2021, from <https://ohsonline.com/Articles/2017/05/12/Why-Do-Safety-Inspections.aspx>

42. D

Report it to a supervisor. Any situation that is unsafe should be immediately reported to a supervisor. Correcting hazards is part of supervisory responsibilities. Employees should not try to fix most problems. Ignoring possible dangers is unsafe and could harm others. Calling an electrician is a management responsibility.

SOURCE: OP:007 Follow safety precautions

SOURCE: Weekly Safety. (2021). *Workplace hazard reporting is necessary and effective*. Retrieved September 28, 2021, from <https://weeklysafety.com/blog/workplace-hazard-reporting>

43. B

Verifying the cardholder's identification. During a sales transaction, employees should ask customers to present another form of identification when they pay for items with a credit or debit card. By comparing the signature on the credit card that the customer presents with the signature and/or photo of another form of identification (e.g., customer's driver's license), employees can verify that the customer is the authorized cardholder. Credit card issuers establish the credit limits for credit card holders. Reviewing sales receipts during closing procedures, conducting a financial audit, and establishing credit limits for card usages are not ways to reduce risks associated with credit card fraud at the point of sale.

SOURCE: OP:013 Explain routine security precautions

SOURCE: Meyers, J. (n.d.). *How can my business prevent credit card fraud?* Retrieved September 28, 2021, from <https://smallbusiness.chron.com/can-business-prevent-credit-card-fraud-1524.html>

44. D

Obtain feedback from your team. It is important to share your project plan with your team. Doing so will keep them engaged throughout the planning process. Identifying project risks, developing quality standards, and defining the project scope are not necessarily ways to keep stakeholders engaged throughout the planning process.

SOURCE: OP:519 Plan project

SOURCE: LAP-OP-519—Plan On It! (Planning Projects)

45. A

Solving problems together. Trust, honesty, and collaboration help a business build positive, long-term relationships with its vendors. When the business and a vendor collaborate, they work together to solve problems and implement strategies that will help both of them achieve their business goals. Limiting communication, negotiating too aggressively, and withholding information may hurt a business's relationships with its vendors.

SOURCE: OP:241 Maintain vendor/supplier relationships

SOURCE: Fournier, J. (2020, August 4). *7 reasons why your business should focus on vendor management*. Retrieved September 28, 2021, from <https://www.hcmworks.com/blog/7-reasons-why-your-business-should-focus-on-vendor-management>

46. D

Ongoing communication. Ongoing communication is necessary to build trust, respect, and a mutually beneficial partnership which, in turn, helps build a long-term business relationship. The amount of lead time depends on the nature of the product and cannot always be flexible. Policies that are too rigid may have negative effects on the relationship rather than positive effects. Autocratic management involves a dictatorial leadership style in which the leader determines all policies, maintains close control, and lets employees know only what they need to know to do the job.

SOURCE: OP:241 Maintain vendor/supplier relationships

SOURCE: Gutierrez, A., Kothari, A., Mazuera C., & Schonherr, T. (2020, July 7). *Taking supplier collaboration to the next level*. Retrieved September 28, 2021, from <https://www.mckinsey.com/business-functions/operations/our-insights/taking-supplier-collaboration-to-the-next-level>

47. B

Blanket. A blanket order is an order that covers all or part of a retailer's seasonal requirements. Blanket orders typically are placed several months before the season and do not contain detailed specifications or shipping dates. A special order is a request for a custom product or a product that a vendor does not normally carry in stock. A standing order is an order that involves sending specific products at set intervals. A rush order is a request for an order to be shipped for immediate delivery.

SOURCE: OP:250 Describe types of purchase orders

SOURCE: Mulligan, T. (2021). *What is a blanket order?* Retrieved September 28, 2021, from <http://smallbusiness.chron.com/blanket-purchase-order-60030.html>

48. C

Wood. Manufacturers keep inventory of items that they need to produce their goods. Wood is an example of a raw material that a manufacturer might keep in inventory to produce items such as furniture, shelves, wall paneling, musical instruments, etc. Toothpaste, staplers, and chairs are examples of finished goods.

SOURCE: OP:336 Discuss types of inventory

SOURCE: Finance Management. (2021). *Types of inventory/stock*. Retrieved September 28, 2021, from <https://efinancemanagement.com/costing-terms/types-of-inventory-stock>

49. C

Assess vendors' strengths and weaknesses. By assessing a vendor's strengths and weaknesses before entering a negotiation, a business can plan strategies to use that will strengthen its own position during the negotiating process. Planning and developing effective strategies can help the business obtain desired discounts, favorable service options, or cooperative advertising support. And, the business may make fewer concessions during the negotiation because it analyzed the vendor's capabilities before beginning negotiations. To obtain a favorable agreement, the business should strive for a win-win attitude. Adopting a win-lose attitude and using overly aggressive tactics may backfire and prevent both parties from getting what they want from the negotiation.

SOURCE: OP:337 Negotiate terms with vendors in business

SOURCE: Bucki, J. (2020, April 8). *Contract negotiation strategies to select the right vendor*. Retrieved September 28, 2021, from <https://www.thebalancesmb.com/contract-negotiation-strategies-2533815>

50. D

Reaching out to the vendor's previous customers. When preparing to negotiate prices with a vendor, it can be helpful to reach out to previous (or current) customers to see what they paid for the services that the company is interested in. This can give the company some bargaining power over the vendor. It would be inappropriate for a company to ask a potential vendor for a copy of its budget. Assigning a new employee the task of researching standard prices may be unwise since new employees may not be familiar with the ins and outs of the company's industry. While it is always a good idea for companies to know their goals, determining them would not necessarily help a company prepare to negotiate prices with a vendor.

SOURCE: OP:337 Negotiate terms with vendors in business

SOURCE: Supply Chain Game Changer. (n.d.). *What is the best supplier vetting process?* Retrieved September 28, 2021, from <https://supplychaingamechanger.com/what-is-the-best-supplier-vetting-process/>

51. A

Catching issues before they become problems. Process performance management is a quality-control method that involves supervising business and manufacturing processes to ensure their quality and efficiency. Managers can correct the problems they find, and they can often uncover potential issues and stop them before they become real problems. Minimizing waste is a main advantage of lean production. Process performance management may or may not help save time during manufacturing. Process performance management does not improve product design—this is an advantage of the Taguchi method or concurrent engineering.

SOURCE: OP:163 Identify quality-control measures

SOURCE: LAP-OP-163—Take Control (Quality-Control Measures)

52. D

Building relationships with vendors. Supply chain management is the process of getting products into the marketplace. One aspect of supply chain management is building relationships with vendors to ensure a smooth product flow from production to consumers. Creating advertising campaigns, forecasting sales, and hiring new employees are not aspects of supply chain management.

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

SOURCE: Wisner, J.D., Tan, K.T., & Leong, G.K. (2019). *Principles of supply chain management: A balanced approach* (5th ed.) [Lesson 1.4a]. Boston, MA: Cengage Learning, Inc.

53. B

Change. Business analysis is the practice of identifying needs and recommending solutions to help businesses change and adapt. Business analysis does not necessarily help companies form, grow, or communicate, though these might be aspects of the business analysis process depending on the company's needs.

SOURCE: OP:327 Discuss the nature of business analysis

SOURCE: Roberts, M. (2019, April 30). *What does a business analyst do?* Retrieved September 28, 2021, from <https://www.thebalancecareers.com/government-job-profile-business-analyst-1669620>

54. A

Business process thinking. Business process thinking involves treating every project and activity within a company as a structured process. By thinking about the goals of his assignment, the resources available to him, and the activities the project will entail, Joe is implementing business process thinking. Joe may also practice personal accountability at work, but that is not the focus of this example. Joe did determine the objectives of his project in this example, but that is not the only thing he did. Inventory management is the management of a company's resources, such as raw materials, works in progress, and finished goods. Joe did not implement inventory management in this example.

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

SOURCE: Tallyfy. (2021). *Importance of business process thinking in business management.* Retrieved September 28, 2021, from <https://tallyfy.com/process-thinking/>

55. A
Human. Business process design is influenced by human factors, such as stress and fatigue. A business process may not work if it causes stress to employees or if they are too fatigued to complete their work properly. These are not examples of technological, regulatory, or government factors.
SOURCE: OP:475 Describe the factors that influence business process design
SOURCE: Taylor, H. (2017, September 26). *Factors that affect process design*. Retrieved September 28, 2021, from http://www.ehow.com/list_7444011_factors-affect-process-design.html
56. B
Regulations. The company's new process allows it to comply with regulations. A company does not seek to schedule overtime if it is costly. There is no indication that the company is responding to the impact of employee disabilities or legal battles.
SOURCE: OP:476 Explain the causes of business process changes
SOURCE: Taylor, H. (2017, September 26). *Factors that affect process design*. Retrieved September 28, 2021, from http://www.ehow.com/list_7444011_factors-affect-process-design.html
57. C
Purchase books to fulfill requested orders. A small brick-and-mortar bookstore is more likely to benefit from purchasing books to fulfill requested orders from customers. A small store will not benefit from storing large quantities of books due to limited space and the high cost of carrying extra inventory. Since a brick-and-mortar store depends on customer visits to promote books, gifts, and other items, it is not likely to benefit from using an electronic commerce center or shipping books to customers' homes.
SOURCE: OP:477 Explain the impact of supply chain on business performance
SOURCE: Anaplan. (2021). *What is supply chain management (SCM)?* Retrieved September 28, 2021, from <https://www.anaplan.com/blog/what-is-supply-chain-management/>
58. B
Technology. Technology has led to significant changes in shipment tracking and has, therefore, affected supply chain management. Globalization, economic downturns, and production changes can also significantly affect supply chain management, but they do not relate directly to online shipment tracking.
SOURCE: OP:478 Describe the impact of technology on supply chain management
SOURCE: Wisner, J.D., Tan, K.T., & Leong, G.K. (2019). *Principles of supply chain management: A balanced approach* (5th ed.) [Lesson 1-3]. Boston, MA: Cengage Learning, Inc.
59. C
Transportation. Supply chain network design aligns purchasing, production, warehousing, inventory, and transportation. Supply chain network design does not incorporate marketing, promotion, or the sales force.
SOURCE: OP:479 Describe supply chain networks
SOURCE: Chartered Institute for Procurement and Supply. (2021). *What is supply chain network design?* Retrieved September 28, 2021, from <https://www.cips.org/knowledge/procurement-topics-and-skills/operations-management/supply-chain-network-design/>
60. C
Global supply chain issue. Operating within a global supply chain presents unique challenges, such as the risk of unpredictable natural disasters like earthquakes. When a natural disaster strikes, it can negatively impact a link in the supply chain—creating a domino effect of delays and disruptions. A devastating earthquake is also an example of a humanitarian crisis, but this question is specifically referring to the resulting shipping and transportation delays. This example does not necessarily demonstrate a national security risk or a local regulatory concern.
SOURCE: OP:480 Discuss global supply chain issues
SOURCE: Roy, E. (2017, March 31). *What are the biggest challenges of managing global supply chains?* Retrieved September 28, 2021, from <http://www.tradeready.ca/2017/topics/supply-chain-management/biggest-challenges-managing-global-supply-chains/>

61. A

Making an inventory of digital information. Making an inventory of digital information is an effective way to protect a company's sensitive data. Keeping track of where digital information is stored can help a company access those data in the case of a data breach or other security emergency. Keeping an inventory can also help a company become aware of any security weaknesses that may lead to data theft or misuse. Allowing employees to bring their own devices to work is risky because of the potential for data to be lost or stolen on noncompany devices. Backing up key data is crucial—but once per year is not enough. Information backups should occur frequently to ensure that no data are lost. It's not a wise idea to allow employees to access any company data that they want. Sensitive information should be protected and only accessible to relevant managers and company leaders.

SOURCE: OP:517 Comply with strategies for protecting business' digital assets (e.g., website, social media, email, etc.)

SOURCE: Murray, J. (2020, July 21). *How to protect your company's digital assets*. Retrieved September 28, 2021, from <https://www.thebalancesmb.com/how-to-protect-company-digital-assets-4153375>

62. C

Require that employees follow good password practices. Good password practices, such as changing your password frequently and using a password that is at least 12 letters long, can help companies protect customer data from hackers. Companies do not need to prohibit workers from accessing customer information; however, it might be wise to limit access to those who need it for their everyday work. Asking customers to sign a waiver in case their information is stolen would be inappropriate and would likely drive customers away. Refusing to accept credit or debit cards might help prevent hackers from targeting the company, but it may be financially unrealistic to be a cash-only business.

SOURCE: OP:518 Comply with strategies to protect digital customer data (e.g., information about customers, customers' credit-card numbers, passwords, customer transactions)

SOURCE: National Cyber Security Alliance. (2021). *Cybersecure my business: Protect*. Retrieved September 28, 2021, from <https://staysafeonline.org/cybersecure-business/protect/>

63. C

Protecting digital assets. Businesses should take the appropriate steps to protect their digital assets, such as customer data and financial information. Some of the most effective methods for protecting data include using anti-malware tools, encrypting sensitive data, backing up important information, and updating operating systems regularly. These tools are not necessarily helpful for screening potential employees, organizing customer information, or sorting through financial data.

SOURCE: OP:472 Define strategies to protect business' digital assets, customer data, and other protected information

SOURCE: Lord, N. (2021, January 25). *101 data protection tips: How to keep your passwords, financial, and personal information safe*. Retrieved October 22, 2021, from <https://digitalguardian.com/blog/101-data-protection-tips-how-keep-your-passwords-financial-personal-information-safe>

64. C

From one to two pages. The preferred length of a resume is one page or two pages if absolutely necessary. The most effective resumes stress the high points of the applicant's qualifications in a brief format. People who are responsible for reading the resumes do not want to spend a great amount of time trying to find out if the applicant is qualified for the position. Therefore, resumes should never be three or five pages in length. Applicants should be able to condense their experiences into a brief format and not write resumes that are as long as necessary.

SOURCE: PD:031 Prepare a resume

SOURCE: Indeed. (2021, May 24). *How long should a resume be?* Retrieved September 28, 2021, from <https://www.indeed.com/career-advice/resumes-cover-letters/how-long-should-a-resume-be>

65. A

Scope statement. The statement of work (SOW) is a document that outlines the terms, commitments, and conditions of the project. The scope statement is a component of the SOW that clearly defines the things that the project team will do, as well as the things it won't do. The purpose statement defines the purpose of or reason for carrying out the project. The communication plan provides details about the types of reports and other forms of communication that the project team will provide stakeholders. The goals and objectives section of the SOW outlines the desired outcomes of the project.

SOURCE: PJ:005 Initiate project

SOURCE: Ramos, D. (2021, July 17). *How to write a statement of work for any industry*. Retrieved September 28, 2021, from <https://www.smartsheet.com/how-write-statement-work-any-industry>

66. B

Cost and schedule estimates. The statement of work (SOW) is a document that outlines the terms, commitments, and conditions of the project. A SOW contains several sections. The cost and schedule estimates section provides details about the project's costs, schedules, and deadlines. The communication plan outlines how the project manager will communicate information about the project to the project team and stakeholders. The project-deliverables section provides details about the goods, services, or documentation that stakeholders will receive upon completion of the project—it defines what the project will produce. The project scope provides details about the boundaries of the project.

SOURCE: PJ:005 Initiate project

SOURCE: Landau, P. (2021, September 10). *What is a statement of work? Definition & examples*. Retrieved October 22, 2021, from <https://www.projectmanager.com/blog/statement-work-definition-examples>

67. B

Organize the work in a logical sequence. A work breakdown structure (WBS) is the process of dividing project tasks into meaningful components to complete the project. Creating the WBS involves organizing everything that needs to be done in a logical sequence to ensure that the project's goals are achieved and its deliverables are delivered on time. The project's benefits and stakeholders are identified in the statement of work (SOW). Monitoring human resources and supplies is a management activity.

SOURCE: PJ:006 Prepare work breakdown structure (WBS)

SOURCE: Markgraf, B. (2019, January 28). *The importance of a work breakdown structure*. Retrieved September 28, 2021, from <https://smallbusiness.chron.com/importance-work-breakdown-structure-54294.html>

68. C

Tracking a milestone. Tracking milestones is a control activity that project managers perform. Milestones are the major points or phases in a project's life cycle that have been reached. In the situation described, the software-development phase is a milestone because it was completed, which means the project can proceed to the next stage of the project. Because this phase of the project was running ahead of schedule, the project manager is not evaluating a time constraint or assessing a setback. There is no information provided to determine if the project manager has decided to change a process.

SOURCE: PJ:009 Execute and control projects

SOURCE: Gido, J., Clements, J., & Baker, R. (2018). *Successful project management* (7th ed.) [Lesson 2-3]. Boston, MA: Cengage Learning, Inc.

69. D

Tamara recognizes how hard her team is working, so she provides lunch for the team members. Effective project managers motivate their team members to reach project milestones and goals. Motivation often involves offering rewards (e.g., lunch), which expresses the project manager's appreciation for the team's hard work and can encourage team members to keep striving to achieve the team's goals. Marcus is providing Thomas with evaluative feedback and guidance. Ryan is delegating duties to Samantha. Zoey is communicating information to team members.

SOURCE: PJ:007 Manage project team

SOURCE: McHale, B. (2019, March 28). *How to motivate your team for better performance in your project*. Retrieved September 28, 2021, from <https://www.projectcentral.com/blog/motivate-project-team/>

70. A

Boosting morale. Managing the project team involves assembling, training, and keeping the team members informed and productive. This may include boosting the team members' morale. While project managers do manage change, prevent scope creep, and report to stakeholders, these tasks are not part of managing the project team itself.

SOURCE: PJ:007 Manage project team

SOURCE: Clarizen. (2019, July 2). *Tips for avoiding burnout and improving team morale*. Retrieved October 22, 2021, from <https://www.clarizen.com/tips-for-avoiding-burnout-and-improving-team-morale/?cn-reloaded=1>

71. C

Preventative. Preventative action is a type of approved change that occurs during the direct and manage work process group of project management. It includes any changes made to ensure that future performance is aligned with the project management plan. Because Mia is looking forward to future deadlines and adjusting to meet them, she is taking preventative action. Corrective action is a type of approved change that realigns the project work with the plan. Because Mia is dealing with a future deadline, she is not taking corrective action. Defect repair is an activity that modifies a nonconforming product or component. Mia is not taking this type of action. Productive action is not a type of approved change.

SOURCE: PJ:010 Manage project schedule

SOURCE: Usmani, F. (2021, September 2). *Defect repair vs corrective action vs preventive action*. Retrieved September 28, 2021, from <https://pmstudycircle.com/defect-repair-vs-corrective-action-vs-preventive-action/>

72. A

Closing. Many activities occur at the end or close of a project. Because the project has been completed, equipment and materials (supplies) are disposed of or provided to others for different projects or uses. Team members may be released to work on new projects or to return to work on previous assignments. Scheduling is the process of setting timelines for tasks to be completed. The goals are established during the planning phase of the project. During the initiating phase, the project is authorized to begin. Releasing resources from the project is not an activity that occurs during the scheduling process or during the project's planning or initiating phases.

SOURCE: PJ:008 Close project

SOURCE: Ray, S. (2019, November 13). *5 steps to project closure*. Retrieved October 22, 2021, from <https://www.projectmanager.com/blog/project-closure>

73. D

Lessons learned document. Developed during the closing phase of the project, the lessons learned document summarizes the project's successes and failures. The document also includes suggestions for improvement for similar projects in the future, such as the need for additional training and ongoing technical support. An executive summary is an overview of a report or plan. A termination checklist is a list of tasks that need to be done during the closing phase of a project. An expense audit involves reviewing and evaluating various project expenses.

SOURCE: PJ:008 Close project

SOURCE: Project Management Qualification. (2019, August 21). *How to do lessons learned in project management*. Retrieved September 28, 2021, from <https://www.projectmanagementqualification.com/blog/2019/08/21/lessons-learned/>

74. B

Create a lessons learned document. A lessons learned document describes the takeaways from a particular project, including what worked and what didn't. The purpose of a lessons learned document is to facilitate discussion and reflection on the project so that the organization can best utilize the project's results. It would be unwise to immediately start a new project before reflecting on a project that has just been finished. Hosting a company-wide meeting would not necessarily help a team reflect on a certain project. Following a work breakdown structure is a good idea during the actual completion of a project but would not help once a project is finished.

SOURCE: PJ:008 Close project

SOURCE: Simplilearn.com. (2021, March 10). *Best practices for preparing a lessons learned document*. Retrieved September 28, 2021, from <https://www.simplilearn.com/practices-for-preparing-a-lessons-learned-document-article>

75. D

Reliability. One of the most important characteristics of a quality good is reliability. Customers are looking for products they can count on. Empathy, tangibles, and responsiveness are characteristics that customers seek in a quality service provider.

SOURCE: QM:001 Explain the nature of quality management

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

76. C

Consumer pressure. Consumer pressure is a factor that keeps quality at the forefront of the modern business world. Customers demand quality, and if a company doesn't provide it, they'll take their business elsewhere. Various consumer groups also keep the pressure on companies to make quality a top priority. Weather patterns, outdated technology, and currency fluctuations are not factors keeping quality as a main concern for today's businesses.

SOURCE: QM:001 Explain the nature of quality management

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

77. A

Internal failure. The cost associated with throwing out defective products as they come off the production line is an internal failure cost. Internal failure costs are the costs associated with defective products before they make it to the customer. External failure costs are the costs associated with defective products that have reached the customer. Prevention costs are the costs associated with making sure defective products don't get made in the first place (quality assurance). Appraisal costs are the costs associated with catching defective products as quickly as possible (quality control).

SOURCE: QM:001 Explain the nature of quality management

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

78. D

Incorporate the best overall quality-improvement processes. Capability Maturity Model Integration (CMMI) software helps guide improvement for projects, for departments, or throughout the overall organizational structure. It is designed to help businesses continuously improve their processes, outputs, and performance levels. A feature of the CMMI software program is that it has an auditing function that compares the business's existing processes with the CMMI model to evaluate efficiency levels. The audit results guide the business's decision-making by examining both the efficient processes and inefficient processes. By using the CMMI model, the business can integrate its successful processes with those suggested by the CMMI model, which can help the business's quality improve. The purpose of the CMMI quality management framework is to facilitate quality improvement, rather than to develop long-term financial and operating plans or determine the best way to comply with government regulations. CMMI can help the business improve the efficiencies of all of its resources; however, not all businesses use natural resources in their production processes.

SOURCE: QM:002 Describe the nature of quality management frameworks (e.g., Six Sigma, ITIL, CMMI)

SOURCE: White, S.K. (2021, June 1). *What is CMMI? A model for optimizing development processes*. Retrieved September 28, 2021, from <https://www.cio.com/article/2437864/process-improvement-capability-maturity-model-integration-cmmi-definition-and-solutions.html>

79. C

Increased customer satisfaction. Six Sigma is a method used to improve business processes by utilizing statistical analysis. Six Sigma has been proven to reduce costs while increasing customer satisfaction. Six Sigma brings more predictability to business processes. It also is geared toward quantifiable business outcomes rather than qualitative results. Six Sigma reduces reliance on guesswork.

SOURCE: QM:002 Describe the nature of quality management frameworks (e.g., Six Sigma, ITIL, CMMI)

SOURCE: SixSigma.us. (2021). *About Six Sigma*. Retrieved October 22, 2021, from <https://www.6sigma.us/six-sigma.php>

80. B

Increase efficiency. Continuous improvement is an ongoing process that looks for ways to increase the levels of excellence in relation to a process, good, or service. The improvement of processes is often related to increased efficiency. When a business wants to improve efficiency, it is looking for ways to maximize the use of its resources, such as money and time. It might also involve applying employees' skills in new and different ways, which will streamline processes and improve efficiency. Continuous improvement may or may not involve finding ways to motivate employees, encouraging employees' creativity, or communicating more effectively.

SOURCE: QM:003 Discuss the need for continuous improvement of the quality process

SOURCE: Tallyfy. (n.d.). *Continuous process improvement (CPI): Definition and techniques*. Retrieved October 22, 2021, from <https://tallyfy.com/continuous-process-improvement/>

81. C

Higher demand. Continuous improvement is an ongoing process that looks for ways to increase the levels of excellence in relation to a process, good, or service. Potential benefits of improved processes often increase the business's productivity levels. Increased productivity levels result in increased outputs, lower costs, and increased revenue. When quality improves, customer satisfaction levels often increase, which often results in a higher demand for the business's goods and services. A premium is an item that a business offers to the purchasers of a particular product. Offering premiums to customers and increasing product options do not impact the continuous quality-improvement efforts toward a business's products and are not potential benefits of said efforts.

SOURCE: QM:003 Discuss the need for continuous improvement of the quality process

SOURCE: Taylor, H. (2019, September 4). *Benefits of continuous quality improvement (CQI)*. Retrieved September 28, 2021, from <https://bizfluent.com/facts-5317408-benefits-continuous-quality-improvement-cqi.html>

82. A

Provide ongoing ethics training for all employees. Employees often view ethics differently when they encounter "gray" situations, or situations in which there is not a clear right or wrong action or answer. Employees who do not have a clear understanding of the business's ethical expectations put the business at risk in terms of lawsuits, which may result in substantial financial losses for the business. Therefore, it is important for the business to provide guidelines for ethical workplace behavior so that individuals do not have to rely solely on their judgment or attitudes to guide their behavior. Offering ongoing ethics training can help employees understand the business's rules and ethical standards so they can apply them to their daily work activities. The business's executive management team and/or board of directors should work with lower-level management at all levels in different business functions to develop or improve the business's code of conduct or ethics. Developing financial products to meet clients' needs will not aid in creating an ethical work environment.

SOURCE: RM:041 Explain the role of ethics in risk management

SOURCE: LAP-RM-041—Manage Risk the Right Way (Ethics in Risk Management)

83. D

Assess their ethical needs. The most important way to encourage ethical behavior in risk management is to include ethics as a part of the risk management planning process. Companies should reflect on internal and external ethical issues and think about how they can manage the risks associated with them. Rewarding ethical behavior is also a way to encourage ethical behavior, but it does not necessarily occur during the risk management planning stage. Companies should not necessarily avoid discussing compliance, because compliance is an important aspect of risk management. Finally, the focus should include both internal and external issues.

SOURCE: RM:041 Explain the role of ethics in risk management

SOURCE: LAP-RM-041—Manage Risk the Right Way (Ethics in Risk Management)

84. C

Digital dashboards. Digital dashboards are being used in the finance industry to deliver "what-if" scenarios based on handpicked combinations of monthly data such as line of business, FICO band, county, loan amount, and loan status. The dashboard is fed by a business intelligence and data warehousing environment supported by Microsoft products. The dashboards review the amounts and number of loans funded or in the pipeline and then view them by criteria selected by the user. Time value of money calculators are financial software that enables the user to calculate present value, future value, interest rate, payments, net present value, etc. Account reconciliation technology matches and compares figures from accounting records against external sources and reconciles internal account balances to subledgers. Financial reporting and consolidation technology is useful for large companies and overseas operations and is used to combine financial data from the company's subsidiaries.

SOURCE: RM:042 Describe the use of technology in risk management

SOURCE: Calzon, B. (2021, May 21). *Utilize the potential of digital dashboards in a business environment*. Retrieved September 28, 2021, from <https://www.datapine.com/blog/digital-dashboard-definition-and-examples/>

85. B

Stress testing. The foundation of stress-testing applications is to evaluate "what-if" scenarios to reduce risk. Financial analysts use stress-testing applications to determine the stability of a specific financial product (instrument) under different circumstances such as radical economic changes. By evaluating the results of stress testing, businesses can determine how to best handle or change their investment portfolios to minimize risk. Automated oversight is a form of risk management that tracks individual traders' risk limits and notifies management immediately if a trader exceeds their limit. Financial businesses do not use financial compliance or threat detection technology to evaluate investment "what-if" scenarios.

SOURCE: RM:042 Describe the use of technology in risk management

SOURCE: Kenton, W. (2021, June 18). *Stress testing*. Retrieved October 22, 2021, from <https://www.investopedia.com/terms/s/stresstesting.asp>

86. C

Risk management. If a company wants to be notified of security breaches, it should invest in risk management software. Word-processing and presentation software would not help with this. Threat prediction software is not a common name for risk management software.

SOURCE: RM:042 Describe the use of technology in risk management

SOURCE: Techopedia. (2021). *Risk management software*. Retrieved September 28, 2021, from <https://www.techopedia.com/definition/29835/risk-management-software>

87. C

Form a captive insurance company. Organizations (i.e., corporations, industry/professional/trade associations) often form their own insurance companies—called captive insurance companies—when they carry risks that commercial insurance companies will not cover. The organizations that form the captive insurance companies control insurance activities including the underwriting processes, premium rates, and claims processing policies. Acquiring a professional association, establishing a risk management committee, and creating a trade union are not ways in which a business transfers risk.

SOURCE: RM:043 Discuss legal considerations affecting risk management

SOURCE: Kagan, J. (2020, December 10). *Captive insurance company*. Retrieved September 28, 2021, from <https://www.investopedia.com/terms/c/captive-insurance-company.asp>

88. B

Foreign currency exchange. The rate of exchange between foreign currencies is constantly fluctuating. If a foreign currency's value decreases significantly, companies may lose money. It is important for companies to consider this risk before engaging in international business. Environmental fluctuations, domestic financial policies, and governmental regulations are also important to consider before expanding into a foreign country; however, they are not described in this example.

SOURCE: RM:092 Describe international considerations affecting risk management

SOURCE: Saint-Leger, R. (2019, January 25). *Risk involved in an international business*. Retrieved September 28, 2021, from <https://bizfluent.com/info-7766597-risk-involved-international-business.html>

89. B

To prepare for the future. Planning is the management function of deciding what will be done and how it will be accomplished, which is preparing for the future. Preparing forecasts is an activity that is often performed during the planning process. Implementing activities and changing processes are part of the managerial controlling function.

SOURCE: SM:063 Discuss the nature of managerial planning

SOURCE: Management Study Guide. (2021). *Planning function of management*. Retrieved September 28, 2021, from http://www.managementstudyguide.com/planning_function.htm

90. C

Tracking, accountability, and growth. An organizational structure allows a business to track its progress toward its goals on an individual level. Because the employees and resources are well organized and clearly defined, it is easy to track who is supposed to be doing what. Organizing improves cohesion across departments rather than decreasing it. Organizing is not necessarily related to the number of communication channels. Finally, goals and objectives are determined during the planning function rather than the organizing function.

SOURCE: SM:064 Explain managerial considerations in organizing

SOURCE: LAP-SM-064—Put It All Together (Managerial Considerations in Organizing)

91. B

Compensating employees. Staffing is the management function of finding workers for the business. Recruiting, selecting, hiring, and compensating qualified employees are primary staffing activities. The organizing function of management involves setting up the way the business's work will be done. Delegation is an organizing activity. Monitoring performance and establishing standards are controlling activities. Controlling is the management function that monitors the work effort.

SOURCE: SM:065 Describe managerial considerations in staffing

SOURCE: CliffsNotes. (n.d.). *Staffing as a management function*. Retrieved October 22, 2021, from <https://www.cliffsnotes.com/study-guides/principles-of-management/staffing-and-human-resource-management/staffing-as-a-management-function>

92. B

Determine employee eligibility for benefits. A manager who is developing compensation plans may determine employee eligibility for certain benefits. Deciding where and when training is best conducted is part of training and developing. Extending job offers and negotiating with candidates are part of selection.

SOURCE: SM:065 Describe managerial considerations in staffing

SOURCE: LAP-SM-065—Dream Team Maker (Staffing)

93. D

Analyzing quantity standards such as sales numbers. It's important for managers to check in and evaluate their directing ability. Managers can examine several key metrics to know whether or not they are directing well. One of those metrics is quantity standards such as sales numbers. If the team is meeting quantity standards, it's likely that the manager is directing their employees well. Eavesdropping on employee conversations is not an appropriate way for managers to measure their directing ability. Building group dynamics among employees and motivating employees to achieve company goals are activities that managers do while directing rather than ways managers measure their directing ability.

SOURCE: SM:066 Discuss managerial considerations in directing

SOURCE: LAP-SM-066—Take Action (Managerial Considerations in Directing)

94. D
Reduced tedious paperwork. Negative reinforcement is the act of terminating or withdrawing something unpleasant when a desired response is given. Removing tedious paperwork encourages desired behavior by taking away something negative. A raise, a bonus, and additional vacation time are examples of positive reinforcement.
SOURCE: SM:066 Discuss managerial considerations in directing
SOURCE: LAP-SM-066—Take Action (Managerial Considerations in Directing)
95. B
Objectives are achieved. Controlling is the management function that monitors the work effort. One of the main functions of managerial control is to make sure that the business's objectives are achieved. Controlling involves measuring performance as it relates to the business's objectives and taking steps to make corrections if necessary. Without some type of control, a business would not know if it was achieving its goals. Managerial control does not involve disciplining employees, maintaining the facilities, or regulating activities.
SOURCE: SM:004 Describe the nature of managerial control (control process, types of control, what is controlled)
SOURCE: LAP-SM-400—Measure Up! (Managerial Control)
96. C
Measure the organization's performance. Managers must set up a system for measuring performance by tracking numbers on a regular basis. This can be done through employee self-reporting, automatic data collection and analysis using technology, informal and formal meetings, or other tracked information. These are not methods that managers use to set standards of excellence, take corrective action, or compare performance with standards.
SOURCE: SM:004 Describe the nature of managerial control (control process, types of control, what is controlled)
SOURCE: LAP-SM-400—Measure Up! (Managerial Control)
97. D
Adaptability. Innovation requires change and learning to be successful. Organizations that encourage adaptability and know how to accept change are much more likely to innovate successfully. Organizations that avoid change are likely less equipped for innovation. Organizations that lack leadership or that motivate with fear are not necessarily better equipped for innovation.
SOURCE: SM:094 Describe relationship among innovation, learning, and change
SOURCE: Decision Innovation. (2009-2021). *Managing change and innovation - Getting the most from the innovation funnel*. Retrieved September 28, 2021, from <http://www.innovation-management.org/managing-change-and-innovation.html>
98. B
Gaining buy-in is an important aspect of change management. When a change occurs, it is important to get everyone involved to buy into it. One way to do this is to tell people how the change will benefit them, as the manager is doing in this scenario. Change management generally does require a leader to be successful. Changes do not only impact people at the top of a company; they usually impact many or most of the people at a company. Finally, providing training can help make changes go more smoothly, but the manager in this instance is not providing training.
SOURCE: SM:095 Explain the nature of change management
SOURCE: MindTools. (n.d.). *Change management*. Retrieved October 22, 2021, from https://www.mindtools.com/pages/article/newPPM_87.htm

99. D

Change management. Change management involves overseeing transitions (change) within a company. Some of the activities involved in change management include planning a change, educating team members about the change, supporting the staff throughout the change, and ensuring that the change leads to positive results. In this example, Melissa is responsible for change management, not goal setting, human resources management, or managerial control. Human resources management is the process of planning, staffing, leading, and organizing the employees of the business. Managerial control is a function of management that involves monitoring the work effort in an organization.

SOURCE: SM:095 Explain the nature of change management

SOURCE: Mind Tools Content Team. (1996-2021). *Change management*. Retrieved September 28, 2021, from https://www.mindtools.com/pages/article/newPPM_87.htm

100. A

Companies do not properly execute the change management life cycle. Many organizational changes fail because the changes are not implemented properly. Big changes may be difficult to execute throughout entire companies, but it can be done by using the change management life cycle. Most people are resistant to change, but executing a change correctly can help them accept the change. Employees may need a large amount of time to adjust to changes.

SOURCE: SM:096 Explain the change-management lifecycle

SOURCE: Watkins, M., & Spencer, J. (2020). *10 reasons why organizational change fails*. Retrieved September 28, 2021, from <https://www.imd.org/research-knowledge/articles/10-reasons-why-organizational-change-fails/>