



Competency-Based
Competitive Events
Written Exam
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Test Number 1281
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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1. Which of the following is a disadvantage of corporations:
 - A. Reduced financial power
 - B. Unlimited life
 - C. Unlimited liability
 - D. More taxes
2. What type of law is intended to enforce the rules and regulations of governmental agencies:
 - A. Commercial
 - B. Statutory
 - C. Procedural
 - D. Administrative
3. In which of the following situations is a settlement most likely to occur:
 - A. A complicated case involves multiple defendants.
 - B. A struggling company wants to gain publicity.
 - C. A small company does not have the funds to go to court.
 - D. A defendant feels they have a strong chance of winning.
4. Which of the following might occur during the litigation process:
 - A. Online dispute resolution
 - B. Jury selection
 - C. Arbitration
 - D. Attorney recertification
5. Which of the following statements about the impact of law on business is accurate:
 - A. Businesses are not governed by criminal law, because it only applies to individuals.
 - B. Businesses should focus on ethical rather than legal issues required by national law.
 - C. Businesses are governed by law at the local, national, and international levels.
 - D. Businesses should focus on corporate laws enacted and enforced by their local government.
6. Arbitration is usually a binding process, which means that it
 - A. replaces the trial.
 - B. ends with imprisonment.
 - C. is confidential.
 - D. is costly and risky.
7. One way to ensure a good vendor/supplier relationship is to make sure your contract is clear for both parties. This will help you
 - A. make your expectations known early.
 - B. understand that they have other customers.
 - C. learn the marketplace.
 - D. separate the people from the company.

8. If a nation's supreme court ruled that segregated schools are unconstitutional, then a(n) _____ would be created.
- A. federal agency
 - B. international law
 - C. common law
 - D. state law
9. Which of the following is the primary reason why a speaker should make eye contact with the audience when giving a presentation:
- A. To connect with the audience
 - B. To present a confident image
 - C. To show interest in the subject
 - D. To grab the audience's attention
10. Daniel is developing a complex document that provides supporting evidence that his company made a good decision when it expanded its operations overseas. What type of analytical report is Daniel writing?
- A. Justification
 - B. Troubleshooting
 - C. Cause and effect
 - D. Feasibility
11. "The Mason and Lambert Research Group used personal interviews and focus groups to obtain the information for the study." This statement is most likely to be placed in the _____ section of a research report.
- A. methodology
 - B. abstract
 - C. results
 - D. introduction
12. Which of the following would be appropriate to include at the very beginning of a research report:
- A. The research question
 - B. The scientific conclusion
 - C. The appendix
 - D. The research findings
13. Businesspeople who fail to adapt their communication styles to appeal to their international clients are likely to
- A. persuade the clients to buy.
 - B. offend the clients.
 - C. impress the clients.
 - D. earn the clients' trust.
14. Governments ban or control monopolies because monopolies
- A. do not always benefit consumers.
 - B. reduce the power of the government.
 - C. do not pay taxes.
 - D. are hard to manage.

15. Which of the following presents the most accurate picture of how a business is doing financially:
- A. Total income
 - B. Operating expenses
 - C. Net profit
 - D. Gross profit
16. Currency speculation is risky because
- A. predicting currency values is relatively easy.
 - B. it is a practice very few traders participate in.
 - C. it can lead to high inflation.
 - D. it can be extremely profitable.
17. If a country cannot attract foreign investors due to its past political conflicts, its _____ has impacted its involvement in world trade.
- A. geography
 - B. culture
 - C. economy
 - D. history
18. If Mexico raises taxes, its imports from the United States will
- A. stop.
 - B. increase.
 - C. decrease.
 - D. stay the same.
19. Eva manages a team member, Shawn, who is motivated primarily by his own satisfaction while working on challenging projects. This is an example of an _____ motivation.
- A. intrinsic
 - B. ineffective
 - C. external
 - D. extrinsic
20. After you've successfully "sold" your idea to an audience, your next step is to
- A. appeal to your audience's specific needs.
 - B. conduct research on your idea's benefits.
 - C. help your audience feel good about their decision.
 - D. arm yourself with responses to objections.
21. Which of the following is an example of ethical business behavior:
- A. Pledging not to test on animals
 - B. Claiming a competitor's product as your own
 - C. Practicing nepotism at work
 - D. Requiring new hires to work overtime

22. One reason customers who pay for products with a credit card usually want to know the interest charges is because those charges
- A. increase the retail price.
 - B. add to the cost of the purchase.
 - C. generate the profit for the business.
 - D. are calculated on a yearly basis.
23. Lyla is applying for a loan to buy a house for the first time. Which of the following should she be certain to do when applying for the loan:
- A. Overstate her assets
 - B. Sign blank documents
 - C. Inaccurately report her debts
 - D. Read all paperwork carefully
24. Preparing wills and setting up guardianships are types of financial services that often are provided by
- A. beneficiaries.
 - B. attorneys.
 - C. courts.
 - D. executors.
25. A florist expects monthly cash sales to be \$5,300 and interest income to be \$200. Total cost of goods will be \$1,750, fixed expenses will be \$2,150, and variable expenses will be \$1,975. Calculate the cash flow.
- A. -\$325
 - B. -\$375
 - C. \$650
 - D. \$600
26. Which of the following is an example of a packaging issue that a business might negotiate with a vendor:
- A. Implementing an electronic data exchange system to place orders
 - B. Using labels and boxes that contain the business's logo
 - C. Extending product warranties from 12 months to 18 months
 - D. Requesting that the vendor waive restocking fees for returned products
27. Which of the following is the best way to respond to an employee who asks for a raise:
- A. "You definitely deserve a raise!"
 - B. "I don't think you have earned a raise."
 - C. "Let me take some time to consider this."
 - D. "I can't do anything about that."
28. Because the AMR Company has an effective knowledge management system in place, the company developed a line of unique products based on the input of employees and customers. In this situation, the company applied its knowledge to
- A. prevent inventory turnover.
 - B. ensure that natural resources were used responsibly.
 - C. become more innovative and competitive.
 - D. reduce its overhead expenses.

29. Camilla is being promoted and is training Cecily to take over her current position. To help Cecily acclimate to her new job, Camilla gives Cecily some tips that might help her process her work more efficiently. What does this example illustrate?
- A. Cecily should develop her own way of doing things because it is likely to be better than Camilla's way.
 - B. Camilla is providing too much information and is likely to confuse and frustrate Cecily.
 - C. Cecily should be cautious about the information that Camilla is giving her because it is probably incorrect.
 - D. Camilla is exhibiting ethical behavior by passing along personal knowledge to help Cecily learn how to do her job.
30. What do companies often use to assign and track various business tasks?
- A. Magnetic cards
 - B. Surveillance system
 - C. Customer database
 - D. Accountability matrix
31. Mara recently accepted a job with the Sweet Treat Cookie Company. Her new employer required her to sign a document stating that she will not reveal the ingredients in the company's cookie recipes to external sources. This is an example of a(n)
- A. nondisclosure agreement.
 - B. noncompete provision.
 - C. injunction.
 - D. indictment.
32. Nate's father has worked at the same company for 30 years, but Nate expects to work for at least four different companies by the time he is 30 years old. This trend explains how
- A. inevitable disclosure does not work in every situation.
 - B. intellectual property can be passed down through generations.
 - C. mobility increases the need for protection of trade secrets.
 - D. noncompete agreements have become obsolete.
33. The laddering technique is used to capture and change categories of
- A. meaningless data.
 - B. redundant knowledge.
 - C. hierarchical information.
 - D. horizontal communication.
34. Jack is a computer programmer who is struggling to fix a glitch with his company's new computer network. During a get-together with some friends who also work in technology, Jack brings up his dilemma. His friend Janelle suggests a process that helped her solve a similar problem that she experienced a few weeks ago. Two other friends, Tim and Susan, provide some suggestions as well. In this situation, Jack and his friends are transferring knowledge by
- A. participating in a community of practice.
 - B. conducting a formal interview.
 - C. applying Groupthink strategies.
 - D. forming a strategic alliance.

35. Before knowledge can be reused or shared, it must be
- A. manipulated.
 - B. embedded.
 - C. recognized.
 - D. analyzed.
36. When customers have a negative experience with a business, they are likely to
- A. contact the owner or manager.
 - B. give the business one more chance.
 - C. tell their family and friends about it.
 - D. do nothing.
37. When an existing customer's contact information changes, what should a company do?
- A. Create a new record that contains the customer's changes
 - B. Update the customer's record in the company database
 - C. Add the customer's record in the employee directory
 - D. Enter the customer's contact information in a new database
38. If Delia needs to determine the dollar amount of office supplies that her company purchases from the XRT Company each month, she should review
- A. customer invoices.
 - B. sales reports.
 - C. accounts-payable records.
 - D. production status reports.
39. Which of the following is an example of demographic data that a business is likely to examine:
- A. Monetary and fiscal policies
 - B. Customers' education levels
 - C. Interest rates
 - D. Market share
40. Economic factors that businesses generally examine when conducting an environmental scan include
- A. demographics, new laws, and social trends.
 - B. inflation, investor confidence, and demographics.
 - C. inflation, investor confidence, and interest rates.
 - D. investor confidence, demographics, and new laws.
41. A benefit of using project management software is that it
- A. provides job training for team members.
 - B. creates a variety of evaluative reports.
 - C. eliminates computer coding problems.
 - D. reduces the need to monitor costs.

42. What must occur before any management functions can be carried out?
- A. Processing
 - B. Planning
 - C. Analyzing
 - D. Brainstorming
43. A large company has recently made many changes to the product description data contained in its database. What is the best practice for monitoring the changes and controlling database management costs?
- A. Use change data capture to identify the insert, update, and delete operations made by users.
 - B. Use change-value selection to monitor the changes.
 - C. Redesign the database to accommodate a new field for documenting product description changes.
 - D. Use table differencing to compare the source database to the staging database.
44. What project-planning tool helps businesses effectively plan and use time?
- A. Guidelines
 - B. Policies
 - C. Schedules
 - D. Objectives
45. A type of security problem that involves deceiving or cheating a business out of money or property is
- A. robbery.
 - B. burglary.
 - C. fraud.
 - D. pilferage.
46. The process of converting resources into goods and services is called
- A. refinement.
 - B. entrepreneurship.
 - C. marketing.
 - D. production.
47. A company's full-time employees are asked to work overtime until a project is complete. As a result, the company's overall wages go from a _____ cost to a _____ cost.
- A. semi-variable; variable
 - B. semi-fixed; semi-variable
 - C. variable; fixed
 - D. fixed; semi-variable
48. During a weekly status meeting, Tom said, "We've worked extremely hard and have made some tremendous progress on this stage of the project, so I am taking the team out to lunch next Wednesday." What project-management activity is Tom performing?
- A. Rewarding
 - B. Evaluating
 - C. Encouraging
 - D. Mentoring

49. Which of the following quality-control tools is a graphical representation of two variables that is used to determine cause and effect:
- A. Check sheet
 - B. Histogram
 - C. Flow chart
 - D. Scatter diagram

50. What is required to maintain favorable relationships with vendors?
- A. Full disclosure
 - B. Ongoing cooperation
 - C. Occasional interaction
 - D. Limited communication

51. One advantage of mediation is that it often is not as _____ as litigation.
- A. personal
 - B. flexible
 - C. hostile
 - D. necessary

52. On what type of purchase order are you most likely to find the following information:

This order covers the MRE Manufacturing Company's purchase of ½" rubber gaskets, Model # 62376 metal washers, and "Y" PVC piping beginning April 10, 2022 through March 31, 2024. The prices stated in your quotation dated January 31, 2020 are effective until March 31, 2024.

- A. Blanket
 - B. Referral
 - C. Custom
 - D. Service
53. Which of the following supply chain situations is most likely to reduce the cost of a company's products:
- A. Material quality is reduced when using one supplier.
 - B. More supply interruption occurs when using one supplier.
 - C. Multiple suppliers make less effort to meet material specifications.
 - D. Multiple suppliers increase the buyer's negotiation power.
54. Siobhan is utilizing risk-management technology to quantify the potential losses that her company would incur if a tornado destroyed its largest manufacturing plant. What technique is Siobhan using to forecast the likely losses?
- A. Risk modeling
 - B. Risk transference
 - C. Cost-benefit analysis
 - D. Fundamental analysis

55. When a business analyst is finished working on a project, they should then
- A. clarify the project's primary business objectives.
 - B. determine the primary stakeholders related to the project.
 - C. evaluate the effectiveness of the project's solutions.
 - D. attempt to understand the existing processes that are in place.
56. A business orders 10% more widgets than it needs because the supply of and the demand for widgets have been difficult to forecast in recent months. This is an example of a business ordering _____ inventory.
- A. customary
 - B. perpetual
 - C. buffer
 - D. maintenance
57. When negotiating terms with a vendor, a business states that it wants all orders shipped within 24 hours of order placement. What negotiating tactic is the business using?
- A. Bargaining
 - B. Silence
 - C. Deadline driven
 - D. Limited authority
58. Which of the following statements regarding cash flow statements is true:
- A. A positive cash flow indicates that a company is financially unhealthy.
 - B. A cash flow statement is derived from the income statement and the balance sheet.
 - C. The less cash available for business operations, the better for company investors.
 - D. A negative cash flow indicates that a company is financially healthy and stable.
59. Which legal issue is most likely to affect a supplier that works with raw materials?
- A. Privacy regulations
 - B. Intellectual property laws
 - C. Environmental regulations
 - D. Consumer protection laws
60. Which of the following types of regulations have a direct impact on operations management:
- A. Privacy, antitrust, employment and labor
 - B. Advertising, environmental, antitrust
 - C. Antitrust, tax codes, employment and labor
 - D. Environmental, employment and labor, insurance
61. When Mark starts a new project at work, he thinks through and plans the specific steps that he will need to take to achieve the outcomes that he desires. Mark is engaging in
- A. agile project management.
 - B. process thinking.
 - C. critical thinking.
 - D. goal setting.

62. A company created a new production process that decreased the cooling time required for heat-treated manufactured parts. This method enabled employees to handle the parts more quickly in the next production step. The new production process was created in response to
- A. regulations.
 - B. product design.
 - C. human factors.
 - D. technology.
63. A business process design should seek to achieve simplicity because complex designs
- A. result in more errors.
 - B. must be validated.
 - C. cannot be automated.
 - D. require documentation.
64. Organizational costs, revenue, and profitability are of limited use in measuring supply chain performance because these measures
- A. are not changed by managerial decision-making.
 - B. can reflect conditions unrelated to performance.
 - C. tend to work best in certain industries.
 - D. tend to focus on specific units and/or departments.
65. Technology impacts just-in-time inventory management by
- A. causing disruptions in the supply chain.
 - B. increasing warehouse storage costs.
 - C. eliminating the need for supplier relationships.
 - D. allowing inventory to be monitored regularly.
66. Supply chain networks are often
- A. unprofitable.
 - B. redesigned.
 - C. eliminated.
 - D. unimportant.
67. Burkhart Manufacturing is implementing a new, company-wide computer system. Nadine is in the process of identifying the skills that will be needed to manage the information and maintain the various software applications. What function of management is Nadine focusing on?
- A. Planning
 - B. Controlling
 - C. Training
 - D. Staffing
68. Which of the following is a strategy to help manage risks in a global supply chain:
- A. Work with experienced partners abroad
 - B. Work only within the same time zone
 - C. Accept lower quality levels
 - D. Hire only local workers

69. Which of the following is a good strategy for protecting digital customer data:
- A. Use the same password for all accounts
 - B. Limit installation of outside software programs
 - C. Give employees equal access to customer information
 - D. Avoid backing up your work
70. An organizational tool that can help you schedule a project and figure out the order of work you need to complete is
- A. online collaboration platforms.
 - B. a flow chart.
 - C. focus groups.
 - D. a to-do list.
71. The Prater Corporation wants to expand its market share by 6% next year. What type of goal has the company set?
- A. Financial
 - B. Input
 - C. Organizational
 - D. Ideological
72. What should a project's statement of work include?
- A. The results summary
 - B. Terms and commitments
 - C. Charts and materials
 - D. A request for proposal
73. Why do project managers develop a work breakdown structure (WBS) for complex projects?
- A. To communicate costs associated with the project
 - B. To identify and better manage all project activities
 - C. To provide team members with feedback for improvement
 - D. To provide stakeholders with project objectives
74. Corrine is the project manager for a research project. Yesterday, Corrine told one of the project team members that they are responsible for developing the sample plan for a survey. What was Corrine doing?
- A. Delegating work
 - B. Providing guidance
 - C. Evaluating performance
 - D. Monitoring processes
75. Quincy came up with a great idea for a new product and hired his friend Kendra to be his partner in starting a new business. However, after learning all about his new product idea, Kendra used the information she learned to obtain a position with a competing company. Quincy should have
- A. backed up his data digitally.
 - B. refrained from hiring in the first place.
 - C. obtained a trademark for his idea.
 - D. asked Kendra to sign a nondisclosure agreement.

76. Which of the following is an activity associated with the closing phase of a project:
- A. Determining the appropriate computer technology needs
 - B. Obtaining funds, equipment, and supplies for the project
 - C. Holding a team meeting to evaluate the project's successes and mistakes
 - D. Developing a production schedule for team members
77. When executing a project, the project manager must often
- A. revise stakeholder requirements.
 - B. update the project plan.
 - C. form a steering committee.
 - D. develop a project charter.
78. Which of the following best describes the relationship among different factors that a project manager has to consider and balance:
- A. When one factor changes, others are likely to be affected.
 - B. Factors are usually isolated and managed separately.
 - C. Certain factors are always more important than others.
 - D. Changing one factor reduces the risk associated with other factors.
79. While sequencing the necessary activities for a new construction project, a homebuilder determines that the walls cannot be painted until the drywall has been completed. This is an example of which type of dependency?
- A. Start-to-start
 - B. Finish-to-finish
 - C. Finish-to-start
 - D. Start-to-finish
80. The Page-Turner Online Bookstore sent a questionnaire to its customers to determine how happy its customers are with its services. Customers' general responses indicated that the bookstore's lead and delivery times have improved a lot in the past three months. What aspect of quality has the bookstore evaluated?
- A. Satisfaction
 - B. Safety
 - C. Customization
 - D. Durability
81. Which of the following is a result of implementing a quality-management plan:
- A. Decreased efficiency
 - B. Lower customer satisfaction
 - C. Unclear organizational vision
 - D. Increased consistency
82. The focus of the Six Sigma framework involves maximizing overall quality and
- A. hiring qualified employees.
 - B. emphasizing innovation.
 - C. preventing problems.
 - D. expanding product lines.

83. Which of the following is a potential benefit of implementing continuous quality improvement processes:
- A. Lower productivity
 - B. Increased revenue
 - C. Higher costs
 - D. Decreased demand
84. During which stage of the PDCA continuous improvement process does a business decide to implement a change on a widespread basis?
- A. Act
 - B. Do
 - C. Plan
 - D. Check
85. What is the most ethical way to handle product liabilities?
- A. Provide warnings on labels
 - B. Avoid conflicts of interest
 - C. Make sure customers won't be harmed
 - D. Have a strong legal team in place
86. Employees at Reynolds Co. often forget to lock the doors and set the alarms at night. This presents risks related to
- A. security.
 - B. conflicts of interest.
 - C. fairness and respect.
 - D. product liability.
87. In supply chain management, holding costs (including warehouse expenses and costs associated with theft or shrinkage) fluctuate based on the amount of output created by the production process. Holding costs are an example of _____ costs.
- A. variable
 - B. direct
 - C. order
 - D. fixed
88. A company that wishes to lower its risk management costs might start its own _____ insurance company, which is a type of corporate self-insurance.
- A. compulsory
 - B. professional liability
 - C. medical malpractice
 - D. captive
89. Which of the following business activities would be most affected by weak economies, pricing pressures, regulatory changes, and global supply chain disruptions:
- A. Internal change management
 - B. Cultural literacy initiatives
 - C. Domestic shipping processes
 - D. International risk management

90. What is an important element of all businesses that managers must control?
- A. Benefits
 - B. Incentives
 - C. Competitors
 - D. Finances
91. A customer contacts a manager regarding a billing error. After confirming the discrepancy, the manager asks an employee to void the existing invoice and create a new invoice with the correct information. What type of control is the manager using in this situation?
- A. Feedback
 - B. Feedforward
 - C. Concurrent
 - D. Coercive
92. Monica created and implemented a plan for an advertising campaign, and now she wants to know if the plan has been effective in reaching the goals she designed. Which managerial function should she focus on?
- A. Planning
 - B. Controlling
 - C. Organizing
 - D. Directing
93. Since Justin needs to examine the methods used to reach his company's goals, he wants to write a business plan to
- A. prepare for an expansion.
 - B. implement a strategic plan.
 - C. place a value on the business.
 - D. acquire funding.
94. A company switched to a new database, but only the IT professionals in charge of the change were aware of it until it had already occurred. The company failed to
- A. communicate data change.
 - B. attend to industry trends.
 - C. track changes in data.
 - D. adapt to new technology.
95. How can managers coordinate employees' activities?
- A. Share organizational charts with them.
 - B. Tell them what to do.
 - C. Give them the equipment they need.
 - D. Evaluate their results.
96. A steel manufacturing plant was forced to shut down operations for several weeks after being hit by a major tornado. The manufacturing company's _____ is likely to be influenced as a result.
- A. marketing department
 - B. supply chain network
 - C. chain of command
 - D. advertising budget

97. When BlueLight, Inc. merged with a competitor, the managers strived to instruct their employees on the best ways to transition. This is an example of how directing
- A. coordinates work and effort.
 - B. motivates employees.
 - C. builds group dynamics.
 - D. initiates changes smoothly.
98. For successful innovation to occur, employees must be willing to _____ while developing ideas.
- A. teach
 - B. avoid results
 - C. learn
 - D. work alone
99. Before launching a new product, marketers should obtain the support of top company leadership. This is an example of which aspect of change management?
- A. Readiness
 - B. Involvement
 - C. Impact
 - D. Sponsorship
100. Which of the following should a business do prior to initiating any significant change:
- A. Recognize staff who have changed successfully
 - B. Measure changes in employee behavior
 - C. Implement corrective action plans
 - D. Develop a project impact assessment



KEY

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1. D

More taxes. Corporations normally pay more taxes than other forms of business ownership. Corporations experience dual taxation. The business and the stockholders are taxed on earnings. Corporations also pay a variety of taxes that may include a state filing fee, organization tax, and state profit tax. Because corporations have more resources than some of the other business ownership structures, they have more financial power. Unlimited life is considered an advantage for corporations. Corporations experience limited liability. Limited liability reduces risk because the owner can lose only what they invest in the company. Limited liability is an advantage of corporations.

SOURCE: BL:006 Select form of business ownership

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

2. D

Administrative. Administrative law deals with the rules and regulations that have been established by governmental agencies. Most governmental agencies have an effect on business in some manner, such as issuing licenses or prohibiting unfair trade practices. Administrative law implements the rules and regulations, which also involves resolving disputes. Statutory, commercial, and procedural are not types of law that enforce the rules and regulations of governmental agencies.

SOURCE: BL:074 Discuss the role of administrative law

SOURCE: Cornell Law School. (2022, June). *Administrative law*. Retrieved September 26, 2022, from https://www.law.cornell.edu/wex/administrative_law

3. C

A small company does not have the funds to go to court. Settlement occurs when the defendant in a case agrees to some or all of the plaintiff's claims and decides not to go to court, usually instead paying a monetary amount. Settlement is often a more affordable option than a costly legal battle that the defendant may not even win. Therefore, if a small company is the defendant in a case, it might agree to settle to save money. Settlements can keep companies out of the spotlight, rather than bringing them publicity. If a defendant feels they have a strong chance of winning, they might want to pursue the case in court rather than settling because they could receive a much larger payment. Finally, complicated cases with many defendants are more difficult to settle because some might want to settle while others do not.

SOURCE: BL:159 Describe factors affecting the settlement of legal matters

SOURCE: FindLaw. (2016, June 20). *What does it mean to settle a case?* Retrieved September 26, 2022, from <https://www.findlaw.com/litigation/legal-system/what-does-it-mean-to-settle-a-case.html>

4. B

Jury selection. Litigation means taking legal action, or resolving a case through the court system. Not all litigation cases require a jury, but for the ones that do, jury selection is an important part of that process. Arbitration is a form of alternative dispute resolution that attempts to settle a dispute out of the litigation system. Online dispute resolution is a low-cost option for those whose issues are not worth the cost of litigation. Attorney recertification is not a recognized term or process.

SOURCE: BL:160 Describe the litigation process

SOURCE: Miller, R.L. (2020). *Business law today: The essentials* (12th ed.) [p. 61]. Boston, MA: Cengage Learning, Inc.

5. C

Businesses are governed by law at the local, national and international levels. Businesses have to be aware of many laws that affect the individuals they conduct business with as well as the communities they conduct business in. Businesses do have to concern themselves with criminal law; they can be held accountable for criminal acts committed by employees while conducting business. Corporate laws are just one type of law that businesses need to be concerned with; there are many others. Companies should concern themselves with ethical behavior as well as legal issues.

SOURCE: BL:161 Discuss the arbitration/mediation process

SOURCE: Upcounsel. (2022). *Business laws and legislations: Everything you need to know*. Retrieved October 17, 2022, from <https://www.upcounsel.com/business-laws-and-legislations>

6. A

Replaces the trial. Arbitrations are binding, which means they can replace a trial. Binding processes do not necessarily include confidentiality, high cost and risk, or imprisonment.

SOURCE: BL:161 Discuss the arbitration/mediation process

SOURCE: Murray, J. (2021, October 26). *Arbitration vs. litigation: What's the difference?* Retrieved September 26, 2022, from <https://www.thebalancemoney.com/arbitration-vs-litigation-what-is-the-difference-398747>

7. A

Make your expectations known early. Defining your expectations as clearly as possible in the contract will help ensure a good vendor/supplier relationship. Although separating the people from the company, understanding that the supplier has other customers, and learning the marketplace are all smart tactics to ensure a good relationship, none of these are achieved in the contract.

SOURCE: OP:241 Maintain vendor/supplier relationships

SOURCE: Klugerman, Y. (2017, November 14). *Top 7 ways to build and maintain strong vendor relationships*. Retrieved September 26, 2022, from <https://feedvisor.com/resources/e-commerce-strategies/top-7-ways-build-strong-relationships-vendors>

8. C

Common law. Common law is law created by court decisions rather than through written legislation. Since there are no courts that can overrule a nation's supreme court, its decisions have the force of law, including if it ruled that segregated schools are unconstitutional. This example does not depict the creation of a federal agency, state law, or international law.

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)

9. A

To connect with the audience. A speaker makes eye contact with audience members primarily to engage and connect with the audience. Making eye contact can initially help a speaker gain an audience's attention or appear confident, but the main reason for doing so is to engage the audience. Using eye contact does not necessarily show interest in the subject.

SOURCE: CO:025 Make oral presentations

SOURCE: LAP-CO-025—Well Said! (Making Oral Presentations)

10. A

Justification. Analytical reports are documents that summarize information about issues, opportunities, or problems. Justification reports provide facts and data that support a previous decision or action such as profits or market share realized from a business expansion overseas. A feasibility report summarizes the positive and negative consequences of taking a certain course of action that has not yet occurred. Troubleshooting reports address specific problems, such as an issue with a process. Cause and effect reports provide information about a variety of scenarios under different circumstances—if actions A and B happen, then the probable result will be C. This type of report helps the business consider pros and cons of each scenario to determine which action it should take.

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 26, 2022, from <https://work.chron.com/write-justification-report-6504.html>

11. A

Methodology. The methodology section focuses on the procedures used to gather the information for the study. In the situation provided, the marketing research firm used personal interviews and focus groups to gather information. The introduction states the problem, purpose, and significance of the study or investigation. The abstract is a synopsis of the report's contents. The results section contains the analysis of the research findings.

SOURCE: CO:186 Write research reports

SOURCE: Grand Canyon University Center for Innovation in Research and Teaching. (n.d). *Components of a research paper*. Retrieved September 26, 2022, from <https://cirt.gcu.edu/research/develop/tutorials/researchpaper>

12. A

The research question. At the beginning of any research report, it's important to identify what the purpose or aim of the research was. In other words, you should identify the research question—what you were trying to figure out or learn about. The scientific conclusion should not appear in a research report until the end, when the findings are discussed and analyzed. The research findings should not come before the research question. An appendix generally appears in the back of a research report.

SOURCE: CO:186 Write research reports

SOURCE: The Writing Center. (2022). *Scientific reports*. Retrieved October 17, 2022, from <https://writingcenter.unc.edu/tips-and-tools/scientific-reports>

13. B

Offend the clients. Businesspeople should try to learn as much as they can about a client's culture, customs, and social values. By understanding and being aware of cultural differences, businesspeople can adapt their communication styles to make a positive impression on their clients, earn their clients' trust, and persuade their clients to buy. Businesspeople who adapt their communication styles are aware of actions that a particular client might view as hospitable, as well as behaviors that the client might find offensive. Offensive behaviors can hinder the ability to build long-term relationships with international clients.

SOURCE: CR:019 Adapt communication to the cultural and social differences among clients

SOURCE: Lehman, C., Dufrene, D., & Walker, R. (2020). *BCOM* (10th ed.) [p. 13]. Boston, MA: Cengage Learning, Inc.

14. A

Do not always benefit consumers. A monopoly exists when a single business influences the entire production of a particular good or service. This means that any major competitors are eliminated, and the monopoly can control the price of the product by restricting production. Government regulates monopolies to protect consumers except in cases in which it is best to have a single provider of a good or service (e.g., utilities). Monopolies do not reduce the power of the government and are not necessarily hard to manage. They do pay taxes.

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

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

15. C

Net profit. Net profit is the amount of money left after operating expenses are subtracted from gross profit. Operating expenses are the daily costs of running the business. Until they are subtracted, the business does not have a realistic picture of how it is doing financially. Total income is all the receipts of the business, which is an important figure but does not measure financial status.

SOURCE: EC:010 Identify factors affecting a business's profit

SOURCE: LAP-EC-910—Risk Rewarded (Factors Affecting Profit)

16. C

It can lead to high inflation. Currency speculation is risky because it can create an artificial demand for currency, leading to high inflation. Currency speculation is also risky because predicting currency values is quite difficult. Many traders participate in currency speculation—a majority of trades on the foreign exchange market, actually. Currency speculation can be extremely profitable, but that is not what makes it risky.

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)

17. D

History. If investors avoid a country because of past conflicts there, they are basing their decision on the country's history. The country's past conflicts may have been due to its culture or economy, but it is not clear whether either was the cause in the situation described. Geography refers to a country's physical features and location, not to past events.

SOURCE: EC:115 Describe the impact of a country's history on world trade

SOURCE: Boyte-White, C. (2022, August 23). *The basic economic effects World War II had on the global economy*. Retrieved October 17, 2022, from

<https://www.investopedia.com/ask/answers/112814/how-did-world-war-ii-impact-european-gdp.asp>

18. C

Decrease. A change in domestic fiscal policy has an effect on other countries' economies. If Mexico raises taxes, people will have less disposable income and the demand for foreign goods will decrease. Therefore, the United States will not be able to export as many goods to Mexico. Imports from the United States would increase if taxes were lowered because people would have more disposable income. A raise in taxes is not likely to cause imports from the United States to cease or stop altogether.

SOURCE: EC:139 Describe the effects of foreign fiscal and monetary policies on the domestic economy

SOURCE: Schmidt, M. (2021, October 27). *A look at fiscal and monetary policy*. Retrieved October 17, 2022, from <https://www.investopedia.com/articles/economics/12/fiscal-or-monetary-policy.asp>

19. A

Intrinsic. Intrinsic motivation comes from within a person. Internal motivators include a personal sense of satisfaction, enjoyment, or challenge. Extrinsic motivation is external and includes things like a salary, a promotion, or benefits. Intrinsic motivation is not ineffective for Shawn.

SOURCE: EI:059 Motivate team members

SOURCE: LAP-EI-059—Raise Them Up (Motivating Others)

20. C

Help your audience feel good about their decision. After you've successfully sold your idea, you need to make your audience members feel confident about their decision. You can do this by reiterating the benefits of your idea and complimenting your audience's willingness to take action. Conducting research, preparing responses to objections, and appealing to the audience's needs are all steps in the idea selling process that take place before affirming the audience's decision.

SOURCE: EI:108 "Sell" ideas to others

SOURCE: LAP-EI-108—Do They Buy It? ("Selling" Ideas to Others)

21. A

Pledging not to test on animals. By pledging not to perform animal testing, companies demonstrate their commitment to ethical behavior while earning the respect of their customers. Practicing nepotism (favoring family and friends), requiring new hires to work overtime, and claiming a competitor's product as your own are all examples of unethical business behavior, not ethical behavior.

SOURCE: EN:044 Describe the use of business ethics in entrepreneurship

SOURCE: LAP-EN-044—Ethical Excellence (Ethics in Entrepreneurship)

22. B

Add to the cost of the purchase. Using credit can add to the total cost of goods and services. For example, interest or finance charges are added to accounts that are not paid in full at the end of each payment period. When customers buy products with a credit card, they often pay over a period of time. Then, each month they pay interest on the unpaid balance. The interest charges add to the cost of the purchase. Interest charges do not increase the retail price, because customers who pay in cash are not charged interest. Interest usually is calculated monthly rather than yearly. Interest generates profit for the credit card company rather than the store.

SOURCE: FI:002 Explain the purposes and importance of credit

SOURCE: LAP-FI-002—Give Credit Where Credit Is Due (Credit and Its Importance)

23. D

Read all paperwork carefully. Lyla should make sure she has read and understood all of the paperwork associated with the loan before signing it. She should be up front about her financial situation, so she should not inaccurately report her debts or overstate her assets. She should never sign a blank document, as doing so can lead to fraud.

SOURCE: FI:063 Explain legal responsibilities associated with consumer financial products and services

SOURCE: Mortgage Calculator. (2007-2022). *Mortgage application tips*. Retrieved September 26, 2022, from <https://www.mortgagecalculator.org/helpful-advice/ups-and-downs-with-mortgages.php>

24. B

Attorneys. Certain types of financial services often require the assistance of attorneys. For example, most people hire attorneys to help them prepare their wills to make sure that their assets are distributed properly. Also, some people set up guardianships to manage assets for minor children. Attorneys usually provide these types of financial services because wills and guardianship papers are legal documents. To protect the assets, it is important that these documents be prepared correctly. Executors are the individuals who carry out the terms of the will. Wills and guardianship papers often are filed with the appropriate court. Beneficiaries are the heirs.

SOURCE: FI:075 Describe types of financial-services providers

SOURCE: Tatum, M. (2022, September 11). *What does an attorney do?* Retrieved September 26, 2022, from <https://www.mylawquestions.com/what-does-an-attorney-do.htm>

25. B

-\$375. Cash flow is calculated by subtracting total cash paid out from total cash receipts. Total cash receipts include cash sales and interest income ($\$5,300 + \$200 = \$5,500$). Total cash paid out includes cost of goods, fixed expenses, and variable expenses ($\$1,750 + \$2,150 + \$1,975 = \$5,875$). Subtract total cash paid out from total cash receipts to determine cash flow ($\$5,500 - \$5,875 = \$-375$).

SOURCE: FI:091 Describe the nature of cash flow statements

SOURCE: LAP-FI-091—Count the Cash (Cash Flow Statements)

26. B

Using labels and boxes that contain the business's logo. Businesses, including those that market generic and private brands, often negotiate terms with their vendors about ways in which products are labeled, boxed, and packaged. The use of an electronic data exchange system is a technological consideration. Restocking fees are a factor affecting the terms of sale. Warranties are a product-performance issue.

SOURCE: OP:337 Negotiate terms with vendors in business

SOURCE: Paranikas, P., Whiteford, G.P., Tevelson, B., & Belz, D. (2015). *How to negotiate with powerful suppliers*. Retrieved September 26, 2022, from <https://hbr.org/2015/07/how-to-negotiate-with-powerful-suppliers>

27. C

"Let me take some time to consider this." When an employee asks for a raise, it is important to refrain from responding right away. This gives managers the chance to talk to the appropriate people and weigh all of the options. It is a good idea for managers to buy more time to consider the issue. Managers should not react right away (positively or negatively) to a request for a raise. Saying "I can't do anything about that" takes away from a manager's authority and shuts the conversation down without the chance to consider the issue.

SOURCE: HR:390 Discuss employee compensation

SOURCE: Gallo, A. (2016, February 17). *How to respond when your employee asks for a raise*. Retrieved October 17, 2022, from <https://hbr.org/2016/02/how-to-respond-when-your-employee-asks-for-a-raise>

28. C

Become more innovative and competitive. A business can use the knowledge that it collects from its employees and customers to identify unmet wants and needs in the marketplace. The AMR Company used the knowledge that it collected and implemented a systematic innovation process to develop and market a new product line to satisfy the market's wants and needs. By introducing a new product line, the AMR Company is competitive in the marketplace. The business did not use its knowledge management system to reduce its overhead expenses or prevent inventory turnover. There is not enough information provided to determine if the business used natural resources to produce the new products.

SOURCE: KM:001 Explain the nature of knowledge management

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

29. D

Camilla is exhibiting ethical behavior by passing along personal knowledge to help Cecily learn how to do her job. Many times, employees find ways that help them manage their workload—things that aren't always written in their job descriptions. This personal knowledge is acquired by trial and error, which occurs by repeating tasks and activities over time. Personal knowledge might include tips that help the employee work with or around deficit computer processes, or shortcuts that eliminate waste or improve efficiency. If Camilla did not provide these tips, it would likely take Cecily more time to become proficient at her job, which can affect the company's efficiency and ability to achieve its goals. Therefore, Camilla is behaving in an ethical manner by providing Cecily with tips and personal knowledge. Until Cecily gets acclimated with her job, she will not know if she has a better way to complete tasks than the way that Camilla suggests. There isn't evidence to indicate that Camilla would provide incorrect information.

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

SOURCE: Fonseca, N. (2021, May 12). *Helping new employees succeed*. Retrieved September 26, 2022, from <https://www.greatplacetowork.ca/en/articles/helping-new-employees-succeed>

30. D

Accountability matrix. An accountability matrix is a table that assigns tasks to workers and tracks the workers' progress in relation to various business or project activities. Accountability matrices are components of project management software. Businesses may design their own accountability matrices through word processing or spreadsheet applications. A customer database is a central location in which the business records and maintains information about its customers. A surveillance system consists of audio/visual equipment that is used to monitor various activities. Magnetic cards (e.g., debit cards, credit cards) contain data that can be read by electronic devices. Businesses do not use customer databases, surveillance systems, or magnetic cards to assign and track various business tasks.

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

SOURCE: Gordon, J. (2021, June 26). *Accountability matrix - Explained*. Retrieved September 26, 2022, from https://thebusinessprofessor.com/en_US/mgmt-operations/accountability-matrix-definition

31. A

Nondisclosure agreement. A nondisclosure agreement is a contract between an employer and an employee that states that the employee will not reveal the employer's trade secrets (e.g., formula, recipe, manufacturing technique) to future employers for whom the employee might work. The purpose of a nondisclosure agreement is to provide businesses with legal protection if a competitor attempts to use revealed information for financial gain or benefit. Nondisclosure provisions or agreements are often part of the noncompete agreement, which is a contract between an employer and an employee that states that the employee will not work for a competitor for a certain length of time after leaving the company. An indictment is a court-issued statement that formally charges an individual with a crime. An injunction is a court order forbidding a business or a person to perform certain activities.

SOURCE: KM:004 Explain legal considerations for knowledge management

SOURCE: Twin, A. (2022, July 10). *Non-disclosure agreement (NDA) explained, with pros & cons*. Retrieved September 26, 2022, from <https://www.investopedia.com/terms/n/nda.asp>

32. C

Mobility increases the need for protection of trade secrets. Over the past several decades, it has become much more common for employees to transition from role to role and company to company, rather than building a career in the same workplace. Nate and his father are an example of this concept. This phenomenon, known as mobility, leads to increased need for companies to protect their intellectual property, including trade secrets, when employees who may not have strong loyalty toward them leave the company. This example does not explain that intellectual property can be passed down through generations, that inevitable disclosure does not work in every situation, or that noncompete agreements have become obsolete.

SOURCE: KM:004 Explain legal considerations for knowledge management

SOURCE: World Intellectual Property Organization. (n.d.). *Trade secrets*. Retrieved October 17, 2022, from <https://www.wipo.int/tradesecrets/en>

33. C

Hierarchical information. A hierarchy arrangement sets information in a certain order, rank, or level. The laddering technique is a tool that helps an organization capture information and categorize it into a meaningful and useful order. The business can obtain information by collecting tacit knowledge from internal and external sources. The laddering technique, which can be implemented manually or with a computer program, can help a business organize the steps necessary to complete a certain activity or process. By doing so, the business might discover ways that it can change the ordering system to increase efficiency, such as eliminating an unnecessary task or a task that is being performed twice. Horizontal communication occurs among individuals at the same level, such as coworkers.

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

SOURCE: Grubert, T. (2022). *Laddering technique: A method to discover what people value*. Retrieved September 26, 2022, from <https://www.b2binternational.com/publications/laddering-technique-find-what-people-value>

34. A

Participating in a community of practice. A community of practice is an informal group that is formed by people who have common interests. In communities of practice, group members share ideas, discuss problems, and brainstorm solutions. By doing so, the group members are transferring their knowledge among themselves. One or all members can capture and record the collected knowledge for future personal or group use. In the example, Jack and his friends share a common bond because all of them work in technology. When the group met, Jack's friends offered suggestions for resolving his work dilemma; therefore, the group is a community of practice. Groupthink is a situation that occurs when conforming to the group becomes more important than expressing individual judgment and ideas. A strategic alliance is an arrangement that involves two or more businesses entering into a relationship by combining complementary resources such as technology, skills, capital, or distribution channels for the benefit of all parties; the relationship is usually short-term or for a single project/transaction. The situation is not an example of a formal interview.

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

SOURCE: Learning For All. (2016). *What is a community of practice?* Retrieved September 26, 2022, from <https://www.communityofpractice.ca/background/what-is-a-community-of-practice>

35. C

Recognized. The first phase of the knowledge management process is discovery and detection, during which knowledge is recognized and categorized. Knowledge must be recognized before it can be embedded, analyzed, or manipulated.

SOURCE: KM:018 Apply knowledge management processes

SOURCE: Knowledge Management Tools. (2018, July 23). *Knowledge discovery and detection*. Retrieved September 26, 2022, from <http://www.knowledge-management-tools.net/knowledge-discovery-and-detection.php>

36. C

Tell their family and friends about it. When customers have a negative experience with a business, they are likely to tell their family and friends about it, harming the business's reputation. They are unlikely to contact the owner or manager, give the business another chance, or do nothing at all.

SOURCE: MK:019 Demonstrate connections between company actions and results (e.g., influencing consumer buying behavior, gaining market share, etc.)

SOURCE: LAP-MK-019—Just Do It...Right (Company Actions and Results)

37. B

Update the customer's record in the company database. Businesses keep a variety of customer information in a central location—a computer database. When customers change their contact information (e.g., email address or phone address) or move, companies need to update their customer database to reflect those changes. If the information is not changed, the business does not have current contact information. This can be costly to the business in situations that involve delinquent accounts and returned mail. The business does not need to create a new record to reflect changes—this would clutter the system with unnecessary data—nor does the business need to create a new database every time a customer's contact information needs to be updated. Employee records, rather than customer records, appear in the company or employee directory.

SOURCE: NF:002 Maintain customer records

SOURCE: Taylor, H. (2017, September 26). *How to update customer information*. Retrieved September 26, 2022, from <https://bizfluent.com/how-7463544-update-customer-information.html>

38. C

Accounts-payable records. Accounts payable are the monies that a business owes to others (e.g., vendors). Because the accounts-payable function or department of a business is responsible for tracking and paying expenses, Delia can obtain information about a specific vendor by obtaining an accounts-payable report or by reviewing copies of the vendor's invoices. Production status reports, customer invoices, and sales reports will not provide Delia with the information she needs regarding the business's purchases from a specific vendor.

SOURCE: NF:014 Monitor internal records for business information

SOURCE: U.S. Chamber of Commerce. (2021, May 14). *A quick guide to accounts payable*. Retrieved September 26, 2022, from <https://www.uschamber.com/co/run/finance/what-is-accounts-payable>

39. B

Customers' education levels. Demographics are the physical and social characteristics of the population. Examples of demographic data include education level, income, geographic location, age, and gender. Businesses must pay close attention to trends in demographic data to identify threats and opportunities available to them. A government's monetary and fiscal policies impact money supply and government spending. Interest rates are an economic factor that businesses should pay attention to during an environmental scan. Market share is an organization's portion of the total industry sales in a specific market, not demographic data.

SOURCE: NF:015 Conduct an environmental scan to obtain business information

SOURCE: LAP-NF-015—Get the 4-1-1 (Conducting an Environmental Scan)

40. C

Inflation, investor confidence, and interest rates. Businesses generally examine six categories of information when conducting an environmental scan: the economy, demographics, society and culture, competition, government, and technology. Economic factors that business should pay attention to include inflation, investor confidence, and interest rates, as well as the stage of the business cycle, unemployment rates, tax rates, currency exchange rates, and foreign economic conditions. Demographics are the physical and social characteristics of the population. Businesses consider social trends, or changes in society and culture, so that they can remain sensitive to customer needs and wants. Businesses may also examine the general competition, brand competition, and substitute products during an environmental scan. Even within a private enterprise system, the government still affects business decision-making, so businesses often research changing laws and regulations, monetary and fiscal policies, import/export restrictions, etc. Lastly, businesses examine new developments in technology to determine challenges as well as opportunities that may result.

SOURCE: NF:015 Conduct an environmental scan to obtain business information

SOURCE: LAP-NF-015—Get the 4-1-1 (Conducting an Environmental Scan)

41. B

Creates a variety of evaluative reports. Project management software has many applications and features that help businesspeople effectively manage both short- and long-term projects. One application of effective project management software is the ability to generate reports that summarize a variety of information, such as expenses, timing, and activity data. Some software can provide cost and variance analyses. Depending on the type of software being used, it may also allow users the ability to integrate word processing functions to create custom or free-format reports. Because data are entered manually, project management software cannot eliminate the coding problems related to human error. Project management software does not provide job training, nor does it reduce the need to monitor costs.

SOURCE: NF:130 Utilize project-management software

SOURCE: Andre, L. (2022, September 26). *What is project management software?* Retrieved September 26, 2022, from <https://project-management-software.financesonline.com/#history-of>

42. B

Planning. Planning is the management function of deciding what will be done and how it will be accomplished. Brainstorming is a creative-thinking technique that is often used during the planning process. Deciding what will be done involves establishing objectives. After establishing objectives, the business can implement processes to achieve those objectives. The business analyzes its performance to determine if it achieved its objectives.

SOURCE: SM:063 Discuss the nature of managerial planning

SOURCE: CliffsNotes. (2022). *Functions of managers*. Retrieved September 26, 2022, from <https://www.cliffsnotes.com/study-guides/principles-of-management/the-nature-of-management/functions-of-managers>

43. A

Use change data capture to identify the insert, update, and delete operations made by users. When changes are made to a database, there are several ways to extract and transport relational data for analysis. One of the most efficient ways is to use a Change Data Capture that identifies and captures only the data that have changed—data resulting from INSERT, UPDATE, and DELETE operations made by users. Since it does not require the source database to be compared to the staging database, it is less costly and less time-consuming. It can also be easier to interpret since only the change data are captured. Change-value selections require expensive queries against the source table in the source database. Change-value selection queries also often force the user to add indexes that serve no other purpose. Table differencing requires the new version of the entire table (not just the change data) to be transported to the staging database, which can greatly increase data transport costs. Redesigning a database to accommodate a new field is an ill-advised practice if the change does not occur frequently and can be captured in less costly ways.

SOURCE: NF:264 Adhere to data change best practices

SOURCE: Oracle. (2022) *Change data capture*. Retrieved October 17, 2022, from https://docs.oracle.com/cd/B28359_01/server.111/b28313/cdc.htm

44. C

Schedules. When planning a project, businesses often develop schedules to identify what tasks need to be done and how long it will take to perform those tasks. The use of schedules helps a business organize work and establish completion dates to make sure the work is done on time. Scheduling an effective use of time helps a business achieve the objectives, or goals, of the project. Policies are guidelines that businesses follow when making decisions about projects. Objectives, policies, and guidelines are other project-planning tools, but they do not involve planning the use of time.

SOURCE: OP:002 Apply project-management tools to monitor and communicate project progress

SOURCE: Palmer, M. (2019, December 28). *What are the advantages of scheduling?* Retrieved September 26, 2022, from <https://www.calendar.com/blog/what-are-the-advantages-of-scheduling/>

45. C

Fraud. Deceiving or cheating an individual or a business out of money or property is fraud. Customers, employees, vendors, and others may commit fraud against a business. There are many types of fraud including internal theft, payroll fraud, and computer fraud. Burglary is any illegal entry into a building to commit a theft. Robbery is theft that involves the use of force, violence, or fear. Pilferage is theft of small sums of money or inexpensive items.

SOURCE: OP:013 Explain routine security precautions

SOURCE: Chen, J. (2022, July 24). *What is fraud? Definition, types, and consequences*. Retrieved September 26, 2022, from <https://www.investopedia.com/terms/f/fraud.asp>

46. D

Production. The process of converting resources into goods and services is called production. This process makes resources more useful to ultimate consumers and industrial users. Marketing is all those functions involved in getting goods, services, and ideas to the final user. Refinement is the process of making ongoing product improvements. Entrepreneurship involves taking the risks of business ownership.

SOURCE: OP:017 Explain the concept of production

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

47. D

Fixed; semi-variable. Fixed costs do not increase or decrease based on changes in production. Variable costs fluctuate based on changes in production. Semi-variable costs are those in which part of the cost does not change and part of the cost does. If a company pays its workers a set wage and its employees work a set 40-hour week, then those wages are fixed costs. If, however, workers are asked to work overtime, their regular wage remains the same. However, the amount of overtime paid to the employees will change based on the amount of overtime hours worked. The combination of a fixed cost with a variable cost is called a semi-variable cost. Semi-fixed cost is another name for semi-variable cost.

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

SOURCE: LAP-OP-024—Watch Your (Over) Head (Overhead/Operating Costs)

48. A

Rewarding. An important aspect of managing a project team is motivating the team members. Project managers can motivate team members by showing appreciation for their efforts and by rewarding them for reaching certain goals. A reward might include a nice meal, time off, or a financial bonus. Mentoring is an activity in which one experienced employee helps or guides a new employee on the job. Evaluating is a controlling activity. Encouragement is the act of giving someone support, confidence, or hope.

SOURCE: PJ:007 Manage project team

SOURCE: Project Risk Coach. (2021, August 2). *How to recognize and reward your project teams*. Retrieved September 26, 2022, from <https://projectriskcoach.com/how-to-recognize-and-reward-your-project-teams/>

49. D

Scatter diagram. A scatter diagram, or scatter plot, is a graphical representation of two variables that is used to determine cause and effect. A histogram shows the distribution of a variable. A check sheet is simply a form for collecting data on the spot. A flow chart is used to analyze a sequence of events and uncover the relationships within it.

SOURCE: OP:163 Identify quality-control measures

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

50. B

Ongoing cooperation. When a business is continuously willing to work with other businesses (e.g., vendors) to achieve their mutual goals, it is exhibiting ongoing cooperation. Ongoing cooperation involves a willingness to negotiate fairly and to communicate (interact) openly and honestly on a continuous basis. These actions help build a trusting and favorable relationship. In most situations, a company does not need to fully disclose all of its business information to its vendors—only relevant information.

SOURCE: OP:241 Maintain vendor/supplier relationships

SOURCE: Klugerman, Y. (2017, November 14). *Top 7 ways to build and maintain strong vendor relationships*. Retrieved September 26, 2022, from <https://feedvisor.com/resources/e-commerce-strategies/top-7-ways-build-strong-relationships-vendors>

51. C

Hostile. Mediation occurs when a neutral third party acts as a mediator between two parties in disagreement. While the mediator cannot make a decision that resolves the disagreement, they can work with both sides to find points of agreement to help provide solution suggestions. This process asks the parties to come together, unlike in litigation, which is often combative and hostile when parties are pitted against each other. Mediation is more flexible than litigation because it does not impose a resolution on both parties. Both mediation and litigation can be personal. The necessity of either mediation or litigation depends on the disagreement.

SOURCE: BL:161 Discuss the arbitration/mediation process

SOURCE: Miller, R.L. (2020). *Business law today: The essentials* (12th ed.) [p. 65]. Boston, MA: Cengage Learning, Inc.

52. A

Blanket. A blanket order is an order that covers all or part of a business's product requirements for a certain period of time. A special order is a request for a custom product or a product that a vendor does not normally carry in stock. A service order is a request for service, such as an equipment repair or installation. A referral is a recommendation rather than a type of purchase order.

SOURCE: OP:250 Describe types of purchase orders

SOURCE: Sleimen, M. (2022). *Types of purchase order processes & purchase order examples*. Retrieved September 26, 2022, from <https://www.tradogram.com/blog/the-different-types-of-purchase-orders-and-their-functions-explained>

53. D

Multiple suppliers increase the buyer's negotiation power. When a buyer uses multiple suppliers, they gain more negotiation power to obtain lower supply prices, thereby reducing the cost of a company's products. In addition to the cost of supplies purchased, the labor and time required to produce products also impact product cost. When materials are delayed, unavailable, of poor quality and/or fail to meet material specifications, production rates are reduced and product cost is increased. Relying on one supplier can result in supply interruptions, which can cause a loss in production time and an increase in production costs. When multiple suppliers are used, specific material requirements are less likely to be met, which can increase production time and product cost.

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

SOURCE: Pondent, C.S. (2017, September 26). *Logistics & supply chain management research topics*. Retrieved October 17, 2022, from <https://bizfluent.com/info-7855217-logistics-chain-management-research-topics.html>

54. A

Risk modeling. Businesses commonly use risk modeling to quantify the potential losses that they would incur if certain events took place, such as a tornado destroying a company's largest manufacturing plant. Because risk modeling is a very complex process, businesses usually rely on risk-management technology to aid in the analyses and forecasts. Cost-benefit analysis involves quantifying the costs and benefits of a certain project to determine the most appropriate course of action to pursue. Risk transference is a risk-response strategy that involves moving the impact of a risk to someone or something else. In investing, fundamental analysis is the study of all aspects of a company in an effort to understand its intrinsic value.

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

SOURCE: *Risk modeling*. (2021, January 9). Retrieved September 26, 2022, from <https://nms.kcl.ac.uk/reimer.kuehn/riskmodeling.html>

55. C

Evaluate the effectiveness of the project's solutions. Once a business analysis project has been completed, a business analyst should evaluate their work to determine whether the project had the intended outcomes. Determining the primary stakeholders related to the project, attempting to understand the existing processes that are in place, and clarifying the project's business objectives are all steps of business analysis that should be completed before evaluating the project's effectiveness.

SOURCE: OP:327 Discuss the nature of business analysis

SOURCE: Martin, M. (2022, August 27). *What is business analysis? Process & techniques*. Retrieved September 26, 2022, from <https://www.guru99.com/business-analysis-process-techniques.html>

56. C

Buffer. A business carries buffer inventory when the supply of and demand for goods are uncertain. If the demand goes up and supply goes down, having buffer inventory helps the business cover its needs until supply is stable and available. Maintenance inventory refers to items the business uses to maintain the facility such as cleaning supplies and light bulbs. Perpetual inventory is a record of inventory information that is continuously updated. Customary inventory is sometimes used to describe the regularly stocked goods that the business carries.

SOURCE: OP:336 Discuss types of inventory

SOURCE: Reference for Business. (2022). *Inventory types*. Retrieved September 26, 2022, from <https://www.referenceforbusiness.com/management/Int-Loc/Inventory-Types.html>

57. C

Deadline driven. Establishing and stating deadlines is one tactic that businesses often use when negotiating with vendors. By providing the vendor with specific deadlines (e.g., shipping orders within 24 hours of order placement), the business is making sure that its requests are met. Limited authority is a negotiation strategy in which one party claims that they do not have the authority to meet certain requests. Bargaining involves “give-and-take” tactics by both parties to reach an agreement. Silence involves not speaking and is a good negotiating tactic to use when the discussion becomes heated or when the other party does not like what is being said.

SOURCE: OP:337 Negotiate terms with vendors in business

SOURCE: Real Estate Negotiation Institute. (2022). *Use deadlines as a negotiation tactic to motivate a response*. Retrieved September 26, 2022, from <https://thereni.com/deadlines-negotiation-tactic-motivate-response>

58. B

A cash flow statement is derived from the income statement and the balance sheet. When calculating cash flow, companies use income statements and balance sheets to observe how cash is flowing in and out of the company. A negative cash flow does not typically indicate that a company is financially healthy and stable. Generally, a negative cash flow is indicative of financial struggles. Therefore, investors are not likely to be happy if a company doesn't have much cash available for business operations. A positive cash flow indicates that a company is financially healthy and stable—not unhealthy.

SOURCE: FI:541 Interpret cash-flow statements

SOURCE: Murphy, C.B. (2022, April 4). *Understanding the cash flow statement*. Retrieved September 26, 2022, from <https://www.investopedia.com/investing/what-is-a-cash-flow-statement>

59. C

Environmental regulations. The EPA regulates and enforces environmental laws that aim to reduce businesses' carbon footprint. A supplier that works with raw materials will most likely need to know how environmental regulations will affect its acquisition of such materials. Intellectual property laws, consumer protection laws, and privacy regulations are less likely to affect a supplier of raw materials.

SOURCE: OP:339 Discuss legal considerations in operations

SOURCE: Holt, M. (2019, January 29). *Five areas of government regulation of business*. Retrieved October 17, 2022, from <https://smallbusiness.chron.com/five-areas-government-regulation-business-701.html>

60. D

Environmental, employment and labor, insurance. Environmental regulations are designed to protect the environment and natural resources. Many aspects of operations are directly affected by environmental law, including location, supply chains, transportation, and manufacturing. Employment and labor laws also affect operations as they relate to regulations affecting human resources. Insurance law also touches many aspects including manufacturing processes and human resources management. Advertising regulation is unlikely to directly affect operations management. Antitrust laws may affect some aspects of supply chain management but also affect other areas of business management. Tax codes affect operations management only indirectly, if at all. Privacy regulation doesn't always affect operations management; where it does, it only affects certain industries.

SOURCE: OP:339 Discuss legal considerations in operations

SOURCE: Wood, M. (2020, October 15). *11 important government regulations on business you must know*. Retrieved September 26, 2022, from <https://www.fundera.com/blog/government-regulations-on-business>

61. B

Process thinking. This type of thinking focuses on the step-by-step processes that will contribute to achieving a specific goal. Since every outcome is a result of at least one process (and usually multiple processes), process thinking is an excellent way to plan ahead for maximum success. Mark is demonstrating process thinking in this example—not necessarily agile project management, critical thinking, or goal setting. Agile project management involves making continuous improvements to a project over time. Critical thinking is the act of reflecting on and processing information in an objective manner to form a judgment. Goal setting involves determining objectives that you would like to accomplish in a set amount of time.

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

SOURCE: Pitagorsky, G. (2016, August 3). *The importance of process thinking*. Retrieved September 26, 2022, from <https://www.projecttimes.com/articles/the-importance-of-process-thinking>

62. C

Human factors. The process was created by considering how employees are affected when handling heat-treated parts. Technology may have helped create the process, but employees' ability to handle the parts more quickly was the reason for the process change. There is no indication that regulations or product design were considerations in the process change.

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

SOURCE: Taylor, H. (2017, September 26). *Factors that affect process design*. Retrieved September 26, 2022, from <https://bizfluent.com/list-7444011-factors-affect-process-design.html>

63. A

Result in more errors. The design of a process should be as simple as possible to avoid unnecessary steps which can cause more errors to occur. Each step in the process should be validated and documented regardless of its simplicity or complexity. Automation should be avoided unless it results in a more efficient process. While it's unadvisable and difficult to automate a complex process, it is not impossible.

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

SOURCE: Oliveira, W. (2015, December 11). *The nine principles of process design*. Retrieved September 26, 2022, from <https://www.heflo.com/blog/bpm/business-process-design-principles>

64. B

Can reflect conditions unrelated to performance. Organizational costs, revenue, and profitability are of limited use in measuring supply chain performance because external conditions can cause these measures to fluctuate regardless of supply chain performance. Profitability, for example, can be easily affected by a drop in material costs that are unrelated to any managerial decisions. These measures are also limited in that they are not useful in pinpointing issues in specific departments or units due to interdependence in the supply chain. Even though there are limits to these measures, they can still be useful when considered with other factors. These measures are useful because they can be altered by managerial decisions and because they can be used in a wide variety of industries.

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

SOURCE: Wisner, J.D., Tan, K., & Leong, G.K. (2019). *Principles of supply chain management* (5th ed.) [Lesson 14-2]. Boston, MA: Cengage Learning, Inc.

65. D

Allowing inventory to be monitored regularly. Technology such as enterprise resource systems allows inventory to be constantly monitored and automatically alerts businesses when levels are running low. Technology does not eliminate the need for supplier relationships, cause disruptions in the supply chain, or increase warehouse storage costs.

SOURCE: OP:478 Describe the impact of technology on supply chain management

SOURCE: Business Development Bank of Canada. (n.d.). *How to implement just-in-time inventory management*. Retrieved September 26, 2022, from <https://www.bdc.ca/en/articles-tools/operations/inventory-management/pages/inventory-management-build-smoother-supply-chain.aspx>

66. B

Redesigned. Factors such as changing laws, new companies, companies going out of business, and material availability can cause companies to redesign their supply chain networks often. Supply chain networks should not be eliminated because they are not unimportant. A properly designed supply chain network should help a company become more profitable.

SOURCE: OP:479 Describe supply chain networks

SOURCE: River Logic. (2022). *Supply chain network optimization: What you need to be successful*. Retrieved September 26, 2022, from <https://www.riverlogic.com/blog/supply-chain-network-optimization-what-you-need-to-be-successful>

67. D

Staffing. Staffing is the management function of finding workers for a business. The staffing function identifies qualified candidates to perform the work. To identify qualified candidates, the manager must know what skills are needed to perform the work. Because Nadine is determining what skills are needed to operate the new computer system, she is focusing her efforts on the staffing function of management. Controlling is the management function of monitoring the work effort. Training involves teaching or developing a new skill. Planning is the management function of deciding what will be done and how it will be accomplished.

SOURCE: SM:065 Describe managerial considerations in staffing

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

68. A

Work with experienced partners abroad. Working with a partner that has experience in a particular market can help companies learn about and mitigate the risks particular to that market. Hiring only local workers will not necessarily help manage risks; in fact, it could bring more risks due to different labor laws. Working within the same time zone might help eliminate some risks, but it will also limit the company's ability to expand into most markets. Finally, accepting lower quality levels will not manage risks; it can create more risk by making the company liable for defects.

SOURCE: OP:480 Discuss global supply chain issues

SOURCE: Brosch, A. (2015, July). *6 global supply chain challenges to ignore at your own risk*. Retrieved September 26, 2022, from <https://www.inboundlogistics.com/articles/6-global-supply-chain-challenges-to-ignore-at-your-own-risk/>

69. B

Limit installation of outside software programs. Companies should set clear standards for what employees can install and keep on their computers at work. Outside software programs can bring security risks to a company's network and data. Using the same password for all accounts is not a good strategy, because it makes accounts more vulnerable to hacking. Backing up your work is a good strategy for protecting customer data. Finally, giving all employees access to customer information is risky. Instead, information should be restricted to only those who need it.

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

SOURCE: American Family Mutual Insurance. (2022). *14 ways to protect customer data*. Retrieved September 26, 2022, from <https://www.amfam.com/resources/articles/your-business/ways-to-protect-customer-information>

70. B

A flow chart. Flow charts help you schedule your project and figure out the order of work that you'll need to complete. To-do lists help you keep track of all the tasks you need to accomplish. Online collaboration platforms make it easy to plan your project digitally with others. Focus groups help you collect data from people on a specific topic.

SOURCE: OP:519 Plan project

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

71. C

Organizational. Organizational goals affect the overall organization. Organizational goals may involve things such as increasing efficiency levels, growing the business, or expanding market share. Ideological goals involve the vision and general purpose of the company's existence. Financial goals address the company's income and expenses. Inputs are resources that are used to produce outputs.

SOURCE: PD:254 Determine the nature of organizational goals

SOURCE: Griffin, R.W. (2018). *Fundamentals of management* (8th ed.) [Lesson 3-1a]. Boston, MA: Cengage Learning, Inc.

72. B

Terms and commitments. The statement of work (SOW) is a document that outlines the terms, commitments, and conditions of the project. It includes information about the project's activities, timelines, and deliverables. The project team and the project's stakeholders should agree to the SOW contents before beginning the project. A request for proposal is a document that solicits bids for an activity, project, or order from vendors. A results summary contains the results of the project and is provided to stakeholders upon completion of the project. Charts and materials do not need to be included in the SOW.

SOURCE: PJ:005 Initiate project

SOURCE: Aston, B. (2022, July 7). *How to write a project statement of work: Template & example*. Retrieved September 26, 2022, from <https://thedigitalprojectmanager.com/how-write-statement-of-work-complete-guide/>

73. B

To identify and better manage all project activities. Work breakdown structure (WBS) is the process of dividing project tasks into meaningful components to complete the project. Dividing the entire project into smaller components helps the project manager identify tasks and effectively schedule, assign, and monitor complex project activities. Project objectives are provided to stakeholders in the statement of work (SOW) document, which may also include information about the costs associated with the project. Although it is important for project managers to provide team members with feedback to improve their performance levels, this is not a primary reason for developing a WBS.

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

SOURCE: Mathis, M. (2022). *Work breakdown structure (WBS) purpose, process, and pitfalls*. Retrieved September 26, 2022, from <https://www.projectsmart.co.uk/work-breakdown-structure/work-breakdown-structure-purpose-process-pitfalls.php>

74. A

Delegating work. An important aspect of managing a project team is delegating work to team members. Delegating is assigning authority or responsibility to another person. Project managers need to match project tasks and activities with the team members who have the skills and expertise to perform the necessary tasks and activities. Corrine is not monitoring processes, providing guidance, or evaluating performance in the presented situation.

SOURCE: PJ:007 Manage project team

SOURCE: Khinda, B. (2015, August 25). *How to delegate tasks effectively in project management*. Retrieved September 26, 2022, from <https://wellington.co.uk/how-to-delegate-tasks-in-project-management/>

75. D

Asked Kendra to sign a nondisclosure agreement. A nondisclosure agreement is a legal document that prevents an employee from sharing confidential information about a company with anyone. A nondisclosure agreement would have prevented Kendra from using the information she learned while working for Quincy to get a job with a competitor. Obtaining a trademark or backing up data digitally would not have helped Quincy in this instance. Refraining from hiring in the first place is not necessarily realistic, and any employee he eventually hired could have done the same thing without a nondisclosure agreement in place.

SOURCE: OP:155 Establish policies to protect company information and intangibles

SOURCE: Spensieri, P. (2016, April 19). *How to protect your intangible business assets*. Retrieved October 17, 2022, from <https://philspensieri.wordpress.com/2016/04/19/how-to-protect-your-intangible-business-assets>

76. C

Holding a team meeting to evaluate the project's successes and mistakes. Project managers and team members often meet at the end of the project (close) to discuss the things that went well during the project and the mistakes made along the way. Evaluating the successes and mistakes made during the course of the project helps the project manager and team members determine how to improve or better handle similar projects in the future. Obtaining resources, determining technology needs, and developing a production schedule are project-planning activities.

SOURCE: PJ:008 Close project

SOURCE: Wroblewski, M.T. (2019, February 19). *What are the most important project closure activities?* Retrieved September 26, 2022, from <https://smallbusiness.chron.com/important-project-closure-activities-35973.html>

77. B

Update the project plan. During the execution phase of the project, project team members carry out project tasks. During that time, the project manager is highly involved in controlling activities, such as monitoring the work effort. While monitoring the work effort, the project manager may detect problems. Sometimes, processes, tasks, and budgets need to be changed or corrected. Therefore, the project manager may need to update the project plan when changes occur. The project manager develops the project charter during the initiation phase and, if necessary, forms a steering committee during the project-definition phase. The project's sponsors (stakeholders) would determine changes to their requirements and advise the project manager to implement the revisions.

SOURCE: PJ:009 Execute and control projects

SOURCE: Weedmark, D. (2019, August 23). *Why a project plan is important*. Retrieved September 26, 2022, from <https://bizfluent.com/about-6404005-project-plan-important.html>

78. A

When one factor changes, others are likely to be affected. The various aspects of managing a project are interrelated and cannot be altered without affecting one another. It is impossible to keep factors separate from one another. Certain factors are not always more important than others; rather, the importance of each factor depends on the particular project. Changing one of the factors can create risks rather than reducing them.

SOURCE: PJ:009 Execute and control projects

SOURCE: Rittenberg, J. (2022, March 27). *What is a project manager, and what do they do?* Retrieved October 17, 2022, from <https://www.forbes.com/advisor/business/software/what-is-a-project-manager>

79. C

Finish-to-start. Finish-to-start dependency is a logical relationship in which a successor activity cannot start until a previous activity has finished. In the given scenario, it would be impossible for the construction team to start painting walls if the drywall installation has not been finished. A finish-to-finish dependency is a logical relationship in which a successor activity cannot finish until a predecessor has finished. A start-to-start relationship describes a situation in which a successor activity cannot start until a predecessor activity has started. A start-to-finish relationship occurs when a successor activity cannot finish until a predecessor activity has started. None of these three dependencies describes the homebuilder's situation.

SOURCE: PJ:010 Manage project schedule

SOURCE: Roseke, B. (2022, January 5). *Types of task dependencies*. Retrieved September 26, 2022, from <https://www.projectengineer.net/types-of-task-dependencies>

80. A

Satisfaction. If customers are not satisfied with a business's goods and services, they will start buying from competitors. Therefore, businesses need to continuously monitor customer-satisfaction levels and take steps to maintain or improve satisfaction levels. Quality improvement involves using a systematic approach to increase the levels of excellence in relation to a process, good, or service. In the example, the bookstore surveyed customers to obtain their opinions about the store's goods and services, which will provide input about the customers' level of satisfaction. The example does not indicate if product durability, safety, or customization were topics included in the survey.

SOURCE: QM:001 Explain the nature of quality management

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

81. D

Increased consistency. Quality-management plans ensure that each of a company's products is held to the same high standards as every other product, increasing the overall consistency of the products. Customers value consistency in the products that they purchase; therefore, effective quality-management plans tend to increase customer satisfaction. Quality-management plans increase efficiency, not decrease it. Companies with quality-management plans also tend to have clearer organizational visions than those that do not.

SOURCE: QM:001 Explain the nature of quality management

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

82. C

Preventing problems. Six Sigma is a quality improvement framework that involves continuously setting higher goals of perfection. The framework builds upon previous goals to set higher goals that continuously improve the quality of the business's goods, services, or processes. The steps the business takes to improve quality help prevent problems in the future. Hiring qualified employees is a human resources activity. Expanding product lines is a product/service management consideration. Critics of Six Sigma claim that the framework tends to stifle innovation because the focus is on continuously improving existing processes.

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

SOURCE: Kumar, P. (2022, September 7). *What is Six sigma: Everything you need to know about it*. Retrieved September 26, 2022, from <https://www.simplilearn.com/what-is-six-sigma-a-complete-overview-article>

83. B

Increased revenue. 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 productivity, which lowers costs and increases revenue. When quality improves, customer satisfaction levels often increase, which often results in a higher demand for the business's goods and services.

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

SOURCE: Weedmark, D. (2019, September 4). *Benefits of continuous quality improvement (CQI)*. Retrieved September 26, 2022, from <https://bizfluent.com/facts-5317408-benefits-continuous-quality-improvement-cqi.html>

84. A

Act. The first step in the PDCA continuous improvement technique is planning a change. During the second step of the process, the business implements (does) the small-scale change. The third step involves checking the results to determine if the small-scale change was effective. If the change was successful, then the business acts to implement the change on a larger scale.

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

SOURCE: American Society for Quality. (2022). *What is the plan-do-check-act (PDCA) cycle?* Retrieved September 26, 2022, from <https://asq.org/quality-resources/pdca-cycle>

85. C

Make sure customers won't be harmed. Many products carry the risk of harming or injuring customers. Risk management is concerned with protecting companies from being liable if their products cause harm. However, companies also need to consider the ethics of product safety. Merely providing warning labels is not necessarily ethical; instead, companies should make sure that their products do not do any harm. Having a strong legal team in place and avoiding conflicts of interest are not related to the ethical handling of product liabilities.

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

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

86. A

Security. Businesses are vulnerable to security threats such as theft and robbery—especially when employees are not careful to take the necessary precautions against them. Failing to lock the doors and set the alarms exposes a business to security risks. This example is not related to product liability, conflicts of interest, or fairness and respect.

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

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

87. A

Variable. Variable costs change based on the level of output from production. If more units are produced than are sold, holding costs (warehousing, pilferage, taxes, etc.) will increase. Fixed costs are not related to the amount of output produced. Direct costs are related to the specific unit being produced and include material and labor costs. Order costs are those related to making a purchase of materials and are examples of costs that are both direct and variable.

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

SOURCE: Wisner, J.D., Tan, K., & Leong, G.K. (2019). *Principles of supply chain management* (5th ed.) [Lesson 7-2b]. Boston, MA: Cengage Learning, Inc.

88. D

Captive. A captive insurance company is one that is wholly owned by a parent company and is a form of self-insurance. The parent company is able to pay its premiums to its own captive insurer to protect the company against particular forms of risk. There are a number of reasons that a company may form its own captive insurer, many of which are focused on lowering the costs of risk management. Professional liability insurance protects businesses against claims of negligence. While it may be covered by a captive insurer, it is most often covered by a third-party insurer. Medical malpractice insurance is a form of professional liability insurance. Compulsory insurance is a term for any type of insurance that is required by law.

SOURCE: RM:043 Discuss legal considerations affecting risk management

SOURCE: Kagan, J. (2022, August 31). *Captive insurance company*. Retrieved September 26, 2022, from <https://www.investopedia.com/terms/c/captive-insurance-company.asp>

89. D

International risk management. International risk management poses unique challenges to companies, including the potential for weak foreign economies, pricing pressures from other countries or competing companies, regulatory changes within foreign governments, and global supply chain disruptions. These factors may also affect domestic shipping processes, internal change management, or cultural literacy initiatives; however, international risk management would be most affected.

SOURCE: RM:092 Describe international considerations affecting risk management

SOURCE: Beers, B. (2021, December 11). *Top risks for international businesses*. Retrieved September 26, 2022, from <https://www.investopedia.com/ask/answers/06/internationalfinancerisks.asp>

90. D

Finances. Controlling the finances of a business is critical if the business wants to succeed. Managers need to understand the finances and be able to use financial tools, such as income statements and balance sheets, to monitor the business's income and expenses. Managers need to be prepared to take action to correct problems with the bottom line if financial controls indicate that the business is losing money. It is not possible to control competitors. Benefits and incentives are advantages or payments employees receive in addition to their wages. Businesses usually establish benefit and incentive programs that are comparable to those of similar businesses in the same industry. Reducing benefits and incentives is a step that managers might take if they identify a problem with the business's finances.

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)

91. A

Feedback. Feedback control occurs after a business activity has been completed. In the situation described, the manager asks an employee to take action (make a correction) based on the feedback that they received from a customer. Feedforward is a form of control that bases and establishes procedures by predicting or anticipating activities and their outcomes. Concurrent control involves monitoring business activities as employees perform them. Coercive attitudes involve using aggressive behavior or bullying to get another person to do something.

SOURCE: SM:004 Describe the nature of managerial control (control process, types of control, what is controlled)

SOURCE: Cromwell, J. (n.d.). *How feedback control impacts the four functions of management in your selected organization*. Retrieved September 26, 2022, from <https://smallbusiness.chron.com/feedback-control-impacts-four-functions-management-selected-organization-37663.html>

92. B

Controlling. Controlling is the management function that monitors the work effort. If Monica is monitoring the effectiveness of her plan and deciding whether or not the company has met its goals, she is focusing on managerial control. This is not part of the planning, directing, or organizing functions of management.

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)

93. B

Implement a strategic plan. The methods or strategies for reaching business goals are typically determined during the process of writing a business plan. The other reasons (to acquire funding, to prepare for an expansion, and to place a value on the business) are not primarily about the methods for meeting business goals. To acquire funding, many businesses will submit a business plan to banks or investors so they can determine how involved they want to be. Writing a business plan can help a company prepare for an expansion of a product line, office space, or workforce. If business owners want to sell the company, they might use the process of writing a business plan to help them set a value.

SOURCE: SM:007 Explain the nature of business plans

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

94. A

Communicate data change. When data changes, companies should communicate these changes to all people who are affected, including employees, customers, etc., not just those who are actively involved with the changes. There is no indication that the company has failed to adapt to new technology, track changes in data, or attend to industry trends.

SOURCE: NF:264 Adhere to data change best practices

SOURCE: Chow, C. (2019, July 29). *7 reasons internal communications is at the center of change management*. Retrieved September 26, 2022, from <https://learn.g2.com/internal-communications-in-change-management>

95. A

Share organizational charts with them. Managers need to integrate the work of employees and teams together to achieve organizational goals. The manager is in charge of facilitating this coordination by clearly communicating with employees, making connections among departments, and demonstrating the relationships among work tasks. One way to do this is to share organizational charts with employees so they have an understanding of where they fall in the larger scheme of the company. Telling employees what to do, giving them the equipment they need, and evaluating their results are not related to coordinating their activities.

SOURCE: SM:064 Explain managerial considerations in organizing

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

96. B

Supply chain network. Supply chain networks encompass the flow and movement of materials and information among connected organizations. Because of the plant closure, the manufacturer would be unable to provide steel to the distributors and stores that need it. This would result in a disruption of the supply chain network. This situation would probably not influence the company's chain of command, marketing department, or advertising budget.

SOURCE: OP:479 Describe supply chain networks

SOURCE: Hayes, A. (2022, July 30). *Supply chain*. Retrieved September 26, 2022, from <https://www.investopedia.com/terms/s/supplychain.asp>

97. D

Initiates changes smoothly. A strong, directive manager helps make transitions smoother and provide the guidance employees need. Managers instruct employees on the best ways to adapt to changes and make sure they understand shifts in responsibilities. The managers at BlueLight, Inc. are attempting to initiate the changes associated with their merger smoothly. They are not motivating employees, coordinating work and effort, or building group dynamics in this example.

SOURCE: SM:066 Discuss managerial considerations in directing

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

98. C

Learn. For successful innovation to occur, employees must be willing to learn while developing ideas. The development process involves learning and accepting change. Employees do not necessarily have to teach while developing ideas. They should review their results and learn from them, not avoid them. Innovation does not necessarily occur when employees work alone; it may happen when employees are working together.

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

SOURCE: Management Library. (2022, January 18). *Cultivating innovation and creativity in the workplace*.

Retrieved September 26, 2022, from <https://managementhelp.org/innovation/index.htm>

99. D

Sponsorship. One key aspect of change management is sponsorship, which involves gaining support for the change at the top executive level of the company. It is important to gain this support, as the marketers in this case are doing, for a change to be successful. Involvement means including the right people in the design and implementation of the change. Impact means assessing and addressing how changes will affect people. Readiness is preparing people to adapt to the changes.

SOURCE: SM:095 Explain the nature of change management

SOURCE: Mind Tools. (2022). *The four principles of change management*. Retrieved September 26, 2022, from https://www.mindtools.com/pages/article/newPPM_87.htm

100. D

Develop a project impact assessment. Prior to initiating any significant change, businesses should develop a project impact assessment. The impact assessment should detail whom is most likely to be impacted by the change and what the anticipated effects of the change will be on these individuals. Businesses should wait to measure changes in employee behavior, implement corrective action plans, and recognize staff who have changed successfully until after the change has been initiated.

SOURCE: SM:096 Explain the change-management lifecycle

SOURCE: Prosci. (n.d.). *Prosci methodology*. Retrieved October 17, 2022, from <https://www.prosci.com/resources/articles/prosci-methodology>