Entrepreneurship Exam

Entrepreneurship Operations Event

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

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This comprehensive exam was developed by the MBA Research Center exclusively for DECA’s 2022-2023 Competitive Events Program. Items have been randomly selected from the MBA Research Test-Item Bank and represent a variety of instructional areas. Performance indicators for this exam are at the prerequisite, career-sustaining, specialist, manager, and owner levels. A descriptive test key, including question sources and answer rationale, has been provided to the DECA chartered association advisor.
1. The legal structure that a business owner chooses affects
   A. government regulation and the nature of the business.
   B. taxation rates and government regulation.
   C. the amount of stock issued and capability to expand internationally.
   D. international tariffs and the ability to control business activities.

2. Which of the following is an advantage of sole proprietorships:
   A. Unlimited financial power
   B. Dual taxation
   C. Limited liability
   D. Quick decision-making

3. Which of the following is a legal reason for dismissing an employee:
   A. Lack of a signed contract
   B. Changed job requirement
   C. Permanent physical disability
   D. Conflict of personality

4. Patents, trademarks, and copyrights are all methods used to protect
   A. physical inventions.
   B. government secrets.
   C. houses and apartments.
   D. intellectual property.

5. Spotless Sparkle Window Cleaners recently lost customers because someone wrote a fake, negative review about its service and posted the review online. This is an example of a
   A. criminal offense.
   B. business tort.
   C. regulation.
   D. competitive strategy.

6. Before a business can develop the marketing strategies for its marketing plan, it must
   A. organize activities.
   B. set its marketing objectives.
   C. delegate responsibilities.
   D. select evaluation tools.

7. It is important for producers to evaluate all of their distribution channel members on a regular basis to
   A. enhance channel conflict.
   B. identify and resolve problems.
   C. plan and develop new products.
   D. reduce necessary communication.
8. Business process design contributes to the standardization of work tasks by
   A. inspecting the quality of the final product and locating issues through the process of elimination.
   B. establishing best practices and communicating them throughout the organization.
   C. relying on the experience of veteran employees to ensure that defects are minimized.
   D. encouraging employees to complete their tasks based on their specific strengths.

9. Which of the following is a common negotiating strategy:
   A. Speaking
   B. Being aggressive
   C. Using authority
   D. Bargaining

10. Many business professionals say that the ability to sell your ideas
    A. can lead to greater competition at work.
    B. is not very important in today's workplace.
    C. is one of the most critical skills for employees.
    D. makes you an unattractive job candidate.

11. Flora, who is Malik's mentor and department manager, does her best to show Malik the right attitude to have when faced with challenges and difficulties at work. What is Flora demonstrating?
    A. Succession planning
    B. Positive modeling
    C. Networking
    D. Teamwork

12. Julio is starting a new business, and he has formed relationships with several successful local business owners. Which of the following is the best way to leverage these relationships to help his own business succeed:
    A. Sharing those businesses' content on social media
    B. Persistently asking those business owners to invest in his company
    C. Attending trade shows and conferences to make new connections
    D. Gaining inside marketing information

13. It is particularly challenging for companies to assess external business risks because such risks are
    A. usually predictable and in the companies' control.
    B. often the result of poor corporate governance.
    C. generally unpredictable and out of the companies' control.
    D. primarily due to factors within the company itself.

14. The entrepreneurial discovery process that involves finding a way to meet an existing demand by inventing new products from available resources is based on
    A. medicine.
    B. psychology.
    C. physics.
    D. science.
15. Landon started a furniture manufacturing company several years ago and is considering expanding his product line to attract new customers. Landon is currently evaluating the company's existing resources to determine ways that he can apply his current capabilities to new product opportunities. What type of analysis is Landon conducting?
   A. Inside-out  
   B. Competitive  
   C. External-focus  
   D. Cultural  

16. What is the disadvantage of brainstorming ideas on your own?
   A. Absence of criticism from others  
   B. Lack of exposure to others’ viewpoints  
   C. Insufficient space  
   D. Less flexibility  

17. Costs of sales for a new manufacturing venture typically include
   A. trade show attendance, raw materials, and equipment.  
   B. internet access, attorney fees, and sales lead lists.  
   C. trade show attendance, product inventory, and internet access.  
   D. raw materials, equipment, and product inventory.  

18. Louise just purchased an accounting and payroll software application for her new business. In which of the following categories would this startup cost appear:
   A. Advertising and promotion  
   B. Research expenses  
   C. Borrowing costs  
   D. Technological expenses  

19. Which of the following is an inexpensive method for entrepreneurs to collect information during concept development:
   A. Creating a product prototype  
   B. Introducing the product to a test market  
   C. Researching similar products  
   D. Conducting an observational study  

20. Rae hired engineers to develop her new robotic coffee maker. Before the product is released, how can Rae keep the engineers from sharing her idea with others?
   A. Copyright  
   B. Patents  
   C. Trademarks  
   D. Nondisclosure agreements
21. An entrepreneur in the early stages of their venture should avoid hiring full-time employees unless they are needed to perform business activities that
   A. save money.
   B. save them time.
   C. create revenue.
   D. require expert advice.

22. Although hiring a highly skilled employee is an added expense, a business owner benefits because the employee’s activities increase the firm’s overall productivity based on their
   A. inability.
   B. attitude.
   C. self-control.
   D. expertise.

23. Bethany wants to make sure she is making informed, intelligent decisions for her entrepreneurial venture. Bethany should
   A. form and consult an advisory board.
   B. become a business consultant.
   C. hire an assistant.
   D. turn the business over to someone else.

24. Looking at problems from various points of view helps a small-business owner develop
   A. unnecessary conflicts.
   B. unpredictable results.
   C. creative solutions.
   D. practical arguments.

25. A car company has decided to invest less in its successful pickup truck and to use those funds instead on the development of its new hybrid vehicle. This is an example of
   A. risk mitigation.
   B. a harvest strategy.
   C. a marketing plan.
   D. the discovery process.

26. Which section of a feasibility study may not be necessary if the venture doesn't require any significant changes in human resources:
   A. Market analysis
   B. Financial
   C. Technical
   D. Organizational

27. Which of the following people is most likely an entrepreneur:
   A. Fernando Oliver, auditor and controller
   B. Charlese Earley, restaurant founder
   C. Lilah Carson, marketing manager
   D. Donovan Waltermann, lead chemical engineer
28. One of the most common ways for a business to obtain working capital is to apply for a __________ loan.
   A. long-term
   B. guaranteed
   C. mortgage
   D. short-term

29. A business borrowing startup money from a commercial bank is an example of
   A. venture capital.
   B. debt financing.
   C. asset lending.
   D. trade credit.

30. Lina applied for a loan at her local bank to start a new bakery, but her application was denied. She has a strong credit history, owns real estate, and has a significant amount of cash in her bank account. Based on this information, her loan was most likely denied because
   A. she did not network with the bank employees.
   B. she did not provide strong references.
   C. she does not have collateral.
   D. she has not repaid her debts in a timely manner.

31. A business has $35,000 in cash and plans to purchase a $75,000 piece of equipment. How much financing does the business need to obtain if it intends to make a 15% down payment?
   A. $55,150
   B. $63,750
   C. $67,500
   D. $59,300

32. In which situation would a business pay a lower insurance premium:
   A. Negotiates a security deposit of $2,000
   B. Pays the premium in monthly installments
   C. Increases the deductible from $500 to $1,000
   D. Purchases insurance from a private agent

33. Last year, a business had sales of $63,500. A downturn in the economy is expected to reduce sales by 15% this year. Forecast sales for this year based on this prediction.
   A. $63,500
   B. $73,025
   C. $53,975
   D. $9,525

34. What is a business’s debt ratio if it has $360,000 in total debt and $800,000 in total assets?
   A. 46%
   B. 43%
   C. 40%
   D. 45%
35. Business management would refer to the __________ budget before replacing an obsolete elevator system.
   A. income statement
   B. merchandising
   C. capital
   D. cash

36. Which of the following financial analysis methods is used to show the relationship of each component to the total within a single financial statement:
   A. Fundamental analysis
   B. Industry analysis
   C. Horizontal analysis
   D. Vertical analysis

37. A company's cash flow is $1,680,500, its current stock price is $45.50, and there are 570,000 shares outstanding. What is the company's price-to-cash-flow ratio? (Round all calculations to the nearest hundredth.)
   A. 43.21
   B. 29.48
   C. 15.42
   D. 36.93

38. Which of the following explains why monthly financial statements do not accurately show how much a company is worth:
   A. They do not reflect how much a company owes on unpaid liabilities.
   B. They don't show what a company spends and earns on a monthly basis.
   C. The data based on projected sales forecasts are not reliable.
   D. Earned income is not balanced by data on paid expenses.

39. Before a business owner decides to hire a new salesperson, they must first
   A. consider the demand for the business's product.
   B. limit other employees' hours.
   C. ask current employees to increase their workloads.
   D. obtain application forms from the government.

40. Which of the following is a question that an interviewer should ask a job applicant to obtain in-depth information:
   A. What activities do you perform in your current job?
   B. Do you have a college degree?
   C. How long have you worked for your current employer?
   D. When would you be available to start work?

41. To do the most effective job of selecting a new employee, the business's first step should be to
   A. conduct a job analysis.
   B. review resumes.
   C. take applications.
   D. conduct interviews.
42. One reason why a business might terminate an employee for cause is if the employee
   A. needs additional training.
   B. refuses a promotion.
   C. jeopardizes coworkers.
   D. is a whistle-blower.

43. Which of the following is a best practice for conducting employee performance reviews:
   A. Reviews should occur spontaneously throughout the year for honest feedback.
   B. Reviews should include more than a numerical evaluation or assessment.
   C. Reviews should consist solely of manager impressions regarding employee work.
   D. Reviews should be conducted by top-level senior management for consistency.

44. What is a common reason for a company to hire an outside research firm to conduct research on its behalf?
   A. The company does not have time to conduct the research.
   B. The company wants the research to remain biased.
   C. The company has access to abundant external data.
   D. The company doesn't have sufficient funds for the research.

45. A local business raises money to help people in the community who were affected by a tornado. This is an example of which of the following positive actions that businesses should take:
   A. Protecting the business's reputation
   B. Providing excellent customer service
   C. Providing proper training for employees
   D. Demonstrating corporate responsibility

46. Which of the following is a question that a business might ask when it wants to evaluate its weaknesses:
   A. What resources do we lack?
   B. What markets have our competitors missed?
   C. What are our assets?
   D. What is our competition doing?

47. When setting marketing objectives, a business should make sure that they are
   A. timely and costly.
   B. flexible and incompatible.
   C. qualitative and general.
   D. measurable and achievable.

48. When selecting a channel of distribution, a business must consider where its customers are located. This consideration is part of which of the following categories of factors affecting channel selection:
   A. Intermediaries
   B. Producer
   C. Product
   D. Market
49. Diamond Select Credit Cards recorded a 90% customer satisfaction rating for the last fiscal year. What is one way to translate this measure into a financial outcome?
   A. Track the changes in operating margin over time
   B. Determine the amount of revenue from repeat customers
   C. Turn customer satisfaction ratings into employee ratings
   D. Measure the number of customer complaints

50. What information about customers do brokerage companies need to obtain to develop an accurate client profile?
   A. Social background
   B. Intelligence level
   C. Political preference
   D. Product knowledge

51. Which of the following is a business trend that affects all countries:
   A. Increased regulation
   B. Globalization
   C. Decreased inflation
   D. Socialism

52. Which of the following is an example of how a business or industry has a unique relationship with its environment:
   A. New technology causes new laws to be enacted.
   B. Social and cultural attitudes change over time.
   C. Demand for skilled nursing care rises as the population ages.
   D. An economy in prosperity will eventually experience recession.

53. Which of the following is a specification that a business might establish for selecting spreadsheet software programs:
   A. Graphically display financial information
   B. Electronically communicate data
   C. Regularly organize customer information
   D. Digitally produce marketing data

54. Which of the following statements about the capability of data analysis and management systems is true:
   A. They help managers make better business decisions based on more accurate data.
   B. They increase the amount of time required to make business decisions.
   C. They are not helpful when decision-making involves a group of people.
   D. They can calculate and implement the best course of action without human involvement.

55. Which of the following is an example of a safety procedure that a business might require its employees to follow:
   A. Review products to ensure quality standards are met.
   B. Store supplies in the facility's offices, closets, and aisles.
   C. Wear protective headgear when working in hazardous areas.
   D. Place equipment in front of the business's emergency exits.
56. An important aspect of continuous quality improvement within an entire business organization requires management to
   A. hire additional staff to oversee quality control.
   B. obtain daily reports to monitor progress.
   C. make as few changes as possible.
   D. solicit input from employees.

57. What do businesses often need to do to make sure they are operating efficiently?
   A. Analyze systems and procedures
   B. Obtain resources and supplies
   C. Develop safety precautions
   D. Work with several vendors

58. When combined, which costs equal all of the expenses incurred by a company?
   A. Salaries and rent
   B. Overhead and direct costs
   C. Products and services costs
   D. Direct labor and materials

59. Why is it important for businesses to identify potential safety issues in the workplace?
   A. To avoid violence
   B. To establish security
   C. To eliminate accidents
   D. To protect employees

60. The first thing a company should do before selecting a vendor is
   A. hold initial vendor discussions to negotiate a contract.
   B. eliminate vendors that don't meet the organization's standards.
   C. determine and document the organization's need(s).
   D. identify potential sources for vendor recommendations.

61. The ultimate goal of supply chain management is to
   A. attract and maintain talented employees.
   B. increase brand awareness among consumers.
   C. make connections within the business community.
   D. deliver products to customers faster.

62. When making decisions about digital asset security, companies should prioritize their assets based on
   A. their specific industry or sector.
   B. the level of risk for customer information.
   C. their ability to afford ransoms to attackers.
   D. the potential impact on their reputation.
63. Before assigning a new project to her employees, Joanna establishes the steps that her staff needs to take to complete the project. Joanna is utilizing
   A. agile project management.
   B. business process thinking.
   C. change management.
   D. human resource planning.

64. Every __________ is the result of a process.
   A. project
   B. outcome
   C. input
   D. activity

65. You want to take a vacation day next week. At first, your manager doesn't think you should, but you are able to change their attitude and convince them by using
   A. threats.
   B. bullying.
   C. persuasion.
   D. intimidation.

66. Which of the following is a common critique of business process redesign (BPR):
   A. BPR assumes that processes are the main cause of poor performance.
   B. BPR focuses too much on employee happiness.
   C. BPR assumes that costs are unrelated to efficient production processes.
   D. BPR focuses too much on customer satisfaction.

67. Which of the following statements regarding the relationship between a business and its supply chain is true:
   A. A business's supply chain has very little impact on the business's overall success.
   B. Effective supply chain management results in lower customer satisfaction.
   C. Supply chains with organizational problems tend to boost members' overall success.
   D. If a business's supply chain is poorly managed, customer satisfaction is likely to suffer.

68. Which of the following is an example of transparency in corporate governance:
   A. Releasing financial documents only if pressured to by shareholders
   B. Embellishing or exaggerating company success to shareholders
   C. Promptly disclosing financial information to shareholders
   D. Communicating goals and strategies to top management only

69. It is important that businesses stay on top of their governance reports to ensure compliance because __________ can change frequently.
   A. the economy
   B. personnel
   C. regulations
   D. technology
70. TRISM Co. sets an organizational goal to gain 100 new clients. To do so, each sales rep must contact five
prospects per week. This is an example of
A. establishing performance standards.
B. aligning personal goals with company goals.
C. designing an organizational structure.
D. generating new product ideas.

71. The financial crisis of 2008 caused widespread distrust of large corporations, particularly banks. As a result,
many financial organizations have placed a heavier emphasis on corporate accountability by reorganizing their
A. monthly public relations budgets.
B. annual staff performance reviews.
C. corporate governance structures.
D. employee onboarding processes.

72. Charise is considering how much to charge for her small business’s products. Charise is involved in
A. a place decision.
B. promotion.
C. pricing.
D. a product decision.

73. A producer decides to use better materials to make its products. This results in an increase in the price of the
products because of the
A. company image.
B. costs of production.
C. customers’ demands.
D. change in production methods.

74. Which of the following are examples of customer related services that a business might consider when setting a
product's price:
A. Installation, advertising, and research
B. Credit, delivery, and installation
C. Research, credit, and advertising
D. Delivery, credit, and advertising

75. During what phase of the product life cycle is a business most likely to reduce its prices because copycat
products have entered the marketplace?
A. Growth
B. Trough
C. Maturity
D. Peak

76. Which of the following is a reason for a business to add product items or lines to its product mix:
A. To satisfy customers’ desire for variety
B. To improve products for social good
C. To limit costs
D. To conflict with another product in the mix
77. Due to lackluster sales, the Elba Corporation has decided to eliminate several of its product lines. Elba’s executives hope that by focusing on fewer product lines, they will see more profit. The Elba Corporation is planning to adjust the _________ of its product mix.
   A. height
   B. width
   C. depth
   D. length

78. A business’s president or owner can be the brand champion by
   A. developing a catchy slogan.
   B. immediately replacing employees who don't conform to brand standards.
   C. helping employees understand how to demonstrate the brand in their jobs.
   D. replacing the mission statement every year or two.

79. When determining the initial feasibility of a product idea, the first question to answer is
   A. will additional staff need to be hired to handle the product?
   B. will this product meet a specific need in the marketplace?
   C. can this product be obtained at a good price from suppliers?
   D. can this product be distributed in foreign markets?

80. Ranking your company in relationship with your competitors helps you determine
   A. how to correct your weaknesses.
   B. methods for copying them.
   C. coming trends in your industry.
   D. how your company is unique.

81. Which of the following is a product factor that affects a business's promotional mix:
   A. Life cycle
   B. Geographic location
   C. Available funds
   D. Company goals

82. Which of the following has increased due to the trend toward reducing the length of TV ads:
   A. Message impact
   B. Market size
   C. Audience interest
   D. Media clutter

83. What is an example of a company using a direct marketing channel?
   A. Hiring a research company to conduct marketing surveys
   B. Responding to customer ideas and requests via email
   C. Advertising products in a popular magazine
   D. Creating an ad that is promoted on social media
84. A book publisher provides free copies of its newest releases to a handful of book reviewers in the hopes that they will spread the word about the books to their followers. This is an example of __________ marketing.
   A. grassroots
   B. mass
   C. scarcity
   D. viral

85. Elodie is the public relations director for Divine Frozen Yogurt and has assembled a packet that contains key information about the company. The packet contains a cover letter, an overview of the company, photos, recent press releases, published news articles, staff biographical information, and product brochures. Elodie had developed a(n)
   A. media kit.
   B. sponsorship program.
   C. creative brief.
   D. advertising profile.

86. A snack-food company donates energy bars to runners who are participating in a race to raise money for cancer research. The business is engaging in a(n)
   A. media blitz to exhibit social responsibility.
   B. selling activity to support its image.
   C. public relations activity for a charitable cause.
   D. advertising campaign to improve investor relations.

87. A car manufacturer initiates a product recall for a group of new sedans that have defective brake pads. This is an example of a quality-management issue related to
   A. customer preferences.
   B. product safety.
   C. customization.
   D. adaptability.

88. Why does a company need to have clearly stated business objectives to accurately identify risk?
   A. Clearly stated business objectives can effectively eliminate all identified business risks.
   B. Clearly stated business objectives determine whether the company will achieve the desired amount of profit.
   C. Developing clearly stated business objectives is the main activity of designing an overall risk management strategy.
   D. Having clearly stated business objectives makes it easier to identify the actual importance of specific risks.

89. Because __________ measures of risk can be too general, it is also useful to perform __________ assessments of risk.
   A. qualitative; quantitative
   B. preventative; responsive
   C. responsive; preventative
   D. quantitative; qualitative
90. The ABC Corporation identifies all the risks that threaten the company. Then, it decides which risks it wants to focus on and shares this information with its stakeholders. The company is practicing
   A. competitive risk assessment.
   B. corporate risk organization.
   C. environmental risk planning.
   D. enterprise risk management.

91. What is necessary for goods and services to exist?
   A. Demographic changes
   B. Entrepreneurial discovery
   C. Raw materials
   D. Product standards

92. Ken's manager, Linda, tells other members of the department that Ken is receiving a 6% salary increase. Linda is exhibiting unethical behavior because she is
   A. misusing company funds.
   B. refusing to be objective.
   C. expressing favoritism toward Ken.
   D. revealing confidential information.

93. If a business sells 550,000 widgets and has 220,000 widgets in inventory, how does its inventory turnover rate compare to the industry average of four?
   A. 2.5 less
   B. 2.5 more
   C. 1.5 more
   D. 1.5 less

94. Where in a business plan can you find out how the business intends to handle public relations?
   A. Company description
   B. Strategy and implementation
   C. Market analysis
   D. Management plan

95. In which section of his business plan will Paulo discuss each key manager's skills?
   A. Management plan
   B. Executive summary
   C. Market analysis
   D. Company description

96. Which of the following is a method a business might use to gather relevant information about external factors that affect the business:
   A. Watching TV comedies
   B. Reading magazines and newspapers
   C. Listening to a radio music station
   D. Talking with friends
97. Which component of the business plan requires considerable time and external research?
   A. Appendices
   B. Market analysis
   C. Executive summary
   D. Strategy and implementation

98. Annika develops a 40-page business plan and realizes that it includes lengthy sentences and paragraphs, along with information that is not important to her business plan's main goal. Which step for creating an effective business plan did Annika forget?
   A. Make the plan clear and concise.
   B. Make the plan accurate.
   C. Make the plan realistic.
   D. Plan for regular review, updates, and corrections.

99. Nora wants to manage an organization that is focused on growth, but for years, her company's board of directors has been focused on merely staying afloat. Nora must slowly introduce her ideas for growth due to the influence of
   A. her own limitations.
   B. the external macro-environment.
   C. the company's internal environment.
   D. the market.

100. Which of the following is a first step in lessening employee resistance to a major change in a business structure:
    A. Secrecy
    B. Training
    C. Layoffs
    D. Communication
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1. B

Taxation rates and government regulation. Each business structure is taxed in different ways and experiences different levels of government regulation. For example, sole proprietorships are taxed as individuals and have little government regulation, while public corporations are subject to dual taxation and more government regulation. The nature of a business might influence the business structure, but the selection of a business structure does not influence the nature (type) of the business. Not all business structures issue stock. With the proper resources, any business structure can expand internationally. Business structures can affect owner control, but do not necessarily affect the international tariffs that are paid. Tariffs are generally determined by individual countries or governments.

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

2. D

Quick decision-making. Because sole proprietors control all aspects of their businesses, they do not need to consult others when making business decisions. Sole proprietorships have unlimited liability. This structure does not experience dual taxation, because sole proprietorships do not sell stock. Corporations have more resources which give them unlimited financial power. Sole proprietorships generally have limited resources which limit capital and financial power.

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

3. B

Changed job requirement. Various federal and state laws make it difficult for businesses to dismiss employees for no apparent reason. One of the legal reasons for dismissing employees is a change in the requirements of the job. If the nature of a job changes significantly and an employee is incapable of doing the work, a business may dismiss the employee. Also, businesses may dismiss employees if their jobs are eliminated. However, most businesses try to retrain employees if at all possible rather than dismiss them. A conflict of personality or a permanent physical disability are not legally acceptable reasons for dismissing employees. It is no longer possible for businesses to dismiss employees simply because they do not have a signed contract; the business must have a legitimate reason.

SOURCE: BL:007 Explain the nature of human resources regulations

4. D

Intellectual property. Intellectual property refers to the ownership of ideas. Unlike tangible assets such as cars or computers, intellectual property is a collection of ideas and concepts. In many countries, there are three ways to protect intellectual property: patents, trademarks, and copyrights. Patents protect processes, methods, and inventions. Trademarks protect brand names—including words and symbols that are used to identify a product or company. A copyright will protect the following categories of work: literary works; musical works; dramatic works; choreographic works; pictorial, graphic, and sculptural works; motion pictures; sound recordings; architectural works; and computer programs and websites. Patents, trademarks, and copyrights do not protect physical inventions, houses and apartments, or government secrets.

SOURCE: BL:051 Describe methods used to protect intellectual property
5. B

Business tort. Business torts are wrongful acts committed against businesses that cause financial loss. One type of business tort is trade libel, which is publishing an untrue statement against a business that causes damage to the business. The fake, negative review caused Spotless Sparkle Window Cleaners to lose customers, so it is an example of a business tort. It is not a criminal offense, because the state cannot press charges against the fake reviewer. There is no indication that this instance is related to competitive strategy. Regulation is not related to this example.

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

6. B

Set its marketing objectives. Marketing strategies are the specific activities, timelines, and responsibilities associated with carrying out the marketing plan. Before a business can determine the activities that it wants to use, and delegate the responsibilities to carry out the activities, it must set marketing objectives—the goals or desired outcomes it hopes to achieve. After the business develops its marketing strategies, it can determine what tools it wants to use to evaluate the success of the activities after they have been implemented.

SOURCE: MP:018 Develop marketing plan

7. B

Identify and resolve problems. One reason for producers to evaluate the performance of their distribution channel members is to identify problems related to moving products. Once they identify problems, the producers can work with the channel members to resolve them. If the producers and channel members cannot resolve problems, the producers may decide to look for other intermediaries. Evaluating the channel members’ performance does not always create channel conflict; in fact, sometimes the process reduces conflict. Producers do not evaluate channel members for the purposes of developing new products or reducing communication.

SOURCE: CM:011 Evaluate channel members

8. B

Establishing best practices and communicating them throughout the organization. Business process design involves developing a business practice where one did not previously exist. It benefits organizations by establishing a process that can be followed by each member of the organization, thereby eliminating guesswork. Establishing a business process design also allows for the communication of the tasks in a project throughout an organization to help ensure that each task is performed the same way and in the appropriate order. This eliminates the reliance on veteran employees’ prior knowledge or the pressure of hiring employees who have the knowledge or strengths that allow them to perform the tasks without a specific process in place. While business processes should be routinely evaluated for the possibility of improvement, process design approaches a business process as a series of steps with an end result in mind as opposed to working backwards from a defective product and eliminating possible problems along the way.

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

Bargaining. Bargaining often is an effective negotiating strategy. When bargaining, each party proposes solutions and uses “give-and-take” tactics to reach an agreement. Each person may have to give up something in the process, but each person gets something in return. Silence rather than speaking is also a common negotiating strategy. Another strategy involves claiming not to have authority rather than using authority. Being aggressive is not a negotiating strategy.

SOURCE: EI:062 Demonstrate negotiation skills
SOURCE: LAP-EI-062—Make It a Win-Win (Negotiation in Business)

10. C

Is one of the most critical skills for employees. As competition in the workplace continues to increase due to an influx of skilled employees, it's more important than ever to stand out from the crowd. Learning to sell yourself and your ideas can help you distinguish yourself from others. Idea selling does not necessarily lead to greater competition at work. The ability to sell your ideas will likely make you a more attractive job candidate.

SOURCE: EI:108 “Sell” ideas to others
SOURCE: LAP-EI-108—Do They Buy It? (“Selling” Ideas to Others)

11. B

Positive modeling. Positive modeling involves demonstrating behaviors and attitudes in an attempt to encourage employees to imitate and internalize those behaviors themselves. Networking is making contact and exchanging information with a variety of people and is not necessarily applicable in this situation. Succession planning, the roadmap to selecting a potential person to take a leadership or administrative position in a business, results from strong positive modeling. Teamwork is the cooperative effort of two or more people working together to reach a common goal. Teamwork is part of mentorship and can be a result of positive modeling.

SOURCE: EI:111 Act as a role model to fulfill the organization's standards/values

12. A

Sharing those businesses' content on social media. One way to leverage business relationships is to show other businesses how your business can provide value to them. Sharing content on social media helps show the businesses that Julio is willing to promote their content to others. In exchange, those businesses will be more likely to promote Julio’s content in the future. Persistently asking those business owners to invest in his company might irritate the business owners and tarnish Julio’s relationships with them. Attending trade shows and conferences to make new connections is a great way to build new relationships, but not necessarily to leverage existing relationships. Gaining inside marketing information from the other businesses is not necessarily ethical and would likely damage these business relationships in the long run.

SOURCE: EI:116 Leverage business relationships
13. C

Generally unpredictable and out of the companies' control. External business risks such as natural disasters, economic downturns, and changes in legal regulations are generally unpredictable and out of a company's control. External business risks are the result of factors outside of a business, not the result of factors within the company itself (such as poor corporate governance).

SOURCE: RM:094 Assess business risks

14. D

Science. Entrepreneurial discovery is the process of detecting and matching product and market opportunities with one another in a manner that satisfies the market and the business. Sometimes there is a market with a demand for something that is not available, and the business invents a product to satisfy the demand. For example, a scientist uses existing physical elements to develop a new vaccine to prevent a certain disease for which there is no treatment. Because the vaccine is new, the scientist (inventor) is observing and applying knowledge in a specific way, or using a scientific process. Medicine, psychology, and physics are scientific disciplines, or areas of scientific study.

SOURCE: EN:002 Discuss entrepreneurial discovery processes

15. A

Inside-out. An inside-out analysis involves looking at internal abilities and resources to identify venture and product opportunities. A new entrepreneur may first look at their personal abilities and resources to determine what type of business might be best for them. Landon may have started a furniture business because he was a good carpenter. Today, Landon's business is larger and has more resources, so he may determine that he has the capabilities within his business to add interior decorating or design services. Another approach to determining venture and product opportunities is by conducting an outside-in analysis. In this situation, the entrepreneur looks at external factors, such as unmet market needs, to identify opportunities. Competition and culture are other external considerations that entrepreneurs consider when identifying venture and product opportunities.

SOURCE: EN:004 Determine opportunities for venture creation

16. B

Lack of exposure to others' viewpoints. Brainstorming is a creative-thinking technique that involves the identification of as many different ideas as possible during a certain time frame. Brainstorming is an activity that can be done individually or in groups. The disadvantage of brainstorming by yourself is that you are not exposed to others' ideas or viewpoints, which limits input to your own thoughts and views. The advantage to brainstorming on your own is that you have the flexibility to brainstorm whenever and wherever it is convenient for you—while traveling, in the evening at home, etc. Another advantage to brainstorming alone is that others are not around to evaluate or criticize your ideas.

SOURCE: EN:006 Generate venture ideas
17. D
Raw materials, equipment, and product inventory. Costs of sales for a new manufacturing venture typically include raw materials, equipment, product inventory, warehousing, shipping, and packaging. Trade show attendance and sales lead lists fall in the sales and marketing costs category. Attorney fees are a professional expense. Internet access is a technology cost.

SOURCE: EN:009 Assess start-up requirements

18. D
Technological expenses. Software is defined as programs that instruct computers to perform specific operations. A new accounting and payroll software application would instruct the business's computers to perform accounting and payroll functions. As a result, Louise would list the cost of the software under technological startup expenses. Other technological expenses include costs for information systems and a website. Accounting and payroll software is not related to advertising and promotion, research expenses, or borrowing costs.

SOURCE: EN:009 Assess start-up requirements

19. C
Researching similar products. While developing concepts, entrepreneurs must be careful to avoid wasting time and money on a new business idea that will not be successful. To evaluate a concept's viability without actually developing it into a product, businesses can research similar products to learn how and why they have been successful. Creating a product prototype, conducting an observational study, and introducing the product to a test market are all expensive and should not be undertaken at the concept development stage.

SOURCE: EN:011 Describe external resources useful to entrepreneurs during concept development

20. D
Nondisclosure agreements. A nondisclosure agreement is a legal contract that outlines confidential material between two parties and binds each in agreement not to disclose that information. A nondisclosure agreement could prevent the engineers from sharing Rae's new idea with others. Patents, copyrights, and trademarks are all forms of intellectual property protection, but they are not effective at keeping ideas confidential.

SOURCE: EN:013 Select strategies to protect intellectual property

21. C
Create revenue. Entrepreneurs should avoid hiring employees unless they are needed for business activities that will help produce revenue such as marketing and production activities. Since the early stages of a venture produce little revenue, there is no money to save and no money to pay employees with. It's better for an entrepreneur to pay an expert or business coach for advice instead of hiring one as an employee. In the early stages of a venture, it's more advisable for an entrepreneur to work long hours than to hire an employee that they probably cannot afford.

SOURCE: EN:017 Explain factors to consider in determining a venture's human-resources needs
22. **D**  
Expertise. Resources are the items or people that a business uses to accomplish a goal or to make a product. Small-business owners must consider both the costs and the benefits in obtaining the resources they need to operate their companies. When a business needs special knowledge to operate or expand, the owner may need to hire someone with a specific set of skills or expertise, which can be a substantial payroll expense. Self-control and a good attitude are good traits to have, and the company may benefit from them, but the employee must have the knowledge and skills to have the ability to perform tasks that others in the company cannot.

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

23. **A**  
Form and consult an advisory board. An advisory board is a group of local professionals who can help business owners run their organizations better. Entrepreneurs such as Bethany can set up and consult an advisory board to gain expertise and knowledge in different areas. This helps them run their businesses better. Becoming a business consultant will not necessarily help Bethany make informed, intelligent decisions for her entrepreneurial venture. Hiring an assistant might help Bethany with her workload, but it will not necessarily help her make informed and intelligent decisions. Turning the business over to someone else is not necessary; Bethany can run the business while consulting others to improve her knowledge and expertise.

SOURCE: EN:022 Use external resources to supplement entrepreneur's expertise

24. **C**  
Creative solutions. Creative problem-solving is the process of finding solutions to issues or obstacles (problems) by generating unique ideas or approaches. To generate unique ideas or approaches, small-business owners use creative-thinking techniques, which often involve looking at problems or issues from different points of view. For example, a business might have a problem with a distribution process. The owner might look at the problem from a shipping department employee's perspective, a customer's perspective, or an intermediary's perspective to find a way to solve the problem. Business owners do not look at problems from various points of view to develop arguments, conflicts, or unpredictable results.

SOURCE: EN:029 Use creative problem-solving in business activities/decisions

25. **B**  
A harvest strategy. A harvest strategy is the way an entrepreneur or investor extracts money from a business or product after it has become successful to invest it in something else. For example, if a car company's pickup truck is already successful, it does not need the same level of funding that it once did. Those funds can be extracted and put into a new product, such as hybrid vehicles. This is not an example of a marketing plan, risk mitigation, or the discovery process.

SOURCE: EN:035 Describe methods of venture harvesting
26. D
Organizational. If the proposed venture doesn’t require the company to create a new department or significantly shift work responsibilities among employees, the organizational section of the feasibility study may not be required. The technical, market analysis, and financial sections of the study would still be necessary.

SOURCE: EN:038 Determine feasibility of venture ideas
SOURCE: LAP-EN-038—Explore the Possibilities (Conducting Feasibility Studies)

27. B
Charlese Earley, restaurant founder. An entrepreneur is someone who identifies an opportunity to create new value, develops and offers a unique product, assumes the risks of starting and building a business, focuses on the improvement and growth of that business, and receives personal and financial rewards for their efforts. Charlese Earley is the founder of a restaurant, which involves developing a product, assuming risk, building a business, and receiving rewards for her effort. A marketing manager, a lead chemical engineer, and an auditor and controller are less likely to be entrepreneurs than a restaurant founder.

SOURCE: EN:039 Describe the nature of entrepreneurship

28. D
Short-term. Businesses usually obtain working capital from short-term loans that must be repaid in one year or less. Short-term loans provide the funds necessary to operate the business for a short period of time until it is able to generate a profit. Long-term loans are for a period of several years and are often used to purchase facilities or equipment. Mortgage loans are long-term loans generally used to purchase real estate. Guaranteed loans are secured by some type of collateral.

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

29. B
Debt financing. Debt financing involves borrowing money that must be repaid. Commercial banks are a source of debt financing because they often loan money to businesses. New businesses may have more difficulty borrowing money from a commercial bank than established businesses because the new businesses do not have existing customers or significant assets. However, some banks are willing to take a chance with new businesses and provide startup money. Venture capital is money provided by individuals. Trade credit is credit extended to a business by its suppliers. Asset lending involves a business using its assets to obtain a loan.

SOURCE: FI:031 Explain sources of financial assistance

30. B
She did not provide strong references. One of the most important aspects of a loan application is the applicant's character. This includes having a good reputation and strong references to vouch for your ability to pay back your loans. Lina has a strong credit history and significant cash flow, so there is no indication that she has weak capital or that she has not repaid her debts in a timely manner. Finally, networking with bank employees is not necessarily an important aspect of a loan application.

SOURCE: FI:034 Explain loan evaluation criteria used by lending institutions
31. B

$63,750. Many businesses obtain financing to pay for the purchase of expensive equipment rather than use all of their available cash. In this situation, the business intends to make a 15% down payment and finance the remainder. To calculate the amount that will be financed, first determine the amount of the down payment by multiplying the purchase price by 15% ($75,000 X 15% [or 0.15] = $11,250). Deduct the down payment from the purchase price to determine the amount that will be financed ($75,000 − $11,250 = $63,750).

SOURCE: FI:043 Determine financing needed for business operations

32. C

Increases the deductible from $500 to $1,000. The deductible is the amount of loss that a business is willing to accept before the insurance company pays the remainder. As a rule, the premium becomes smaller as the deductible becomes larger. For example, the premium costs for a business with a $1,000 deductible will be less than for a business with a $500 deductible because the first business is willing to pay for more of the loss. Paying the premium in monthly installments and purchasing the insurance from a private agent will not reduce the amount of the premium. Businesses do not pay a security deposit when they buy insurance.

SOURCE: FI:082 Obtain insurance coverage

33. C

$53,975. A sales forecast is a prediction of what a firm's sales will be during a specific future time period using a certain marketing plan. Among the factors that affect the sales forecast are changes in the economy. In this case, sales are expected to drop 15%, and 15% of $63,500 would be subtracted from last year's sales ($63,500 x 15% [or 0.15] = $9,525; $63,500 − $9,525 = $53,975).

SOURCE: FI:096 Forecast sales

34. D

45%. Debt ratio determines the percentage of debt in relationship to assets. To calculate debt ratio, divide total debt by total assets ($360,000 / $800,000 = 0.45 or 45%). Therefore, the amount of the business's debt is equal to 45% of its total assets.

SOURCE: FI:097 Calculate financial ratios

35. C

Capital. The capital budget is a financial plan for replacing fixed assets. A cash budget estimates all income and payments. A merchandising budget enables management to plan and control purchases of merchandise for resale. An income statement budget shows expected sales, costs, and expenses for a specific future period.

SOURCE: FI:099 Develop company's/department's budget
SOURCE: LAP-FI-099—Build Your Game Plan (Developing a Company/Department Budget)
36. D

Vertical analysis. Vertical analysis is often used to show the relationship of each component to the total within a single financial statement. Horizontal analysis is a comparison of the same items on a company's financial statements for two or more periods. Businesses often compare their financial results with industry standards or averages to determine how well they are actually performing. Fundamental analysis involves studying all aspects of a company in an effort to understand its intrinsic value.

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

37. C

15.42. Investors use the price-to-cash-flow ratio to determine the relative worth of a potential investment. A low price-to-cash-flow ratio is often an indication that the market has undervalued a particular stock, while a high price-to-cash-flow ratio can be a sign that the stock has been overvalued. The formula used to determine a company's price-to-cash-flow ratio is Price-to-Cash-Flow Ratio = Current Stock Price / Cash Flow per Share. First, to determine the cash flow per share, divide the company's cash flow by the number of shares outstanding ($1,680,500 / 570,000 = $2.95). So, the cash flow per share is $2.95. Next, divide the current stock price by the cash flow per share to determine the company's price-to-cash-flow ratio ($45.50 / $2.95 = 15.42).

SOURCE: FI:541 Interpret cash-flow statements

38. A

They do not reflect how much a company owes on unpaid liabilities. Monthly financial statements do not show how many unpaid liabilities are currently in a company's name, so those financial statements can be unreliable indicators of a company's actual worth. Monthly financial statements are not based on projected sales forecasts but instead contain data about earnings from actual sales. Monthly financial statements show how much a company spends and earns each month. Financial statements show paid expenses as well as earned income.

SOURCE: FI:655 Discuss limitations of using financial statements to assess business performance

39. A

Consider the demand for the business's product. Business owners often hire additional employees when they expect demand to increase for their products. When a company expects higher sales, it needs to increase its outputs and, therefore, needs more inputs (e.g., personnel) to satisfy the higher product demand. Business owners do not need to obtain government application forms to hire employees. The business owner may not ask current employees to increase their workloads, because they may not have the necessary skills to perform the job. The business owner does not need to limit other employees’ hours before deciding to hire another salesperson.

SOURCE: HR:353 Determine hiring needs
40. A
What activities do you perform in your current job? The interview process allows the business to learn more about the job applicant, so it can make a suitable hiring decision. To obtain more in-depth information about the applicant, the interviewer should ask open-ended questions—questions that require more than a "yes" or "no" answer. Asking applicants about the activities that they perform in their current jobs forces them to respond with more than a yes or a no; therefore, the interviewer is likely to get more in-depth information from applicants. Asking an applicant if they have a college degree, how long the applicant has worked for their current employer, and when the applicant is available to start work are examples of closed-end questions. Closed-end questions require short, precise answers and do not provide in-depth information.

SOURCE: HR:355 Interview job applicants

41. A
Conduct a job analysis. A job analysis is an outline of general job requirements that are needed to define the skills necessary to perform a specific job. After completing the job analysis, a business would be ready to write a job description, seek applicants, review their background and work history contained in their resumes, and conduct job interviews with individuals who seem to be the best qualified for the job.

SOURCE: HR:356 Select and hire new employees

42. C
Jeopardizes coworkers. Termination for cause occurs when an employee's conduct seriously violates company policies or jeopardizes the company or other employees. An example is an employee who harasses others or who threatens others. This person is creating an environment at work that may be harmful or dangerous to coworkers. As a result, the business has a legitimate cause to terminate the employee. It is usually illegal to fire an employee for being a whistle-blower. Businesses usually do not terminate employees for refusing promotions or those who need additional training. Businesses usually provide training when necessary so employees can perform as expected.

SOURCE: HR:358 Dismiss/Fire employees

43. B
Reviews should include more than a numerical evaluation or assessment. Employee performance is assessed by businesses with the ultimate goal of improvement. If a performance review contains a simple (and arguably subjective) grade, then employees miss out on substantive, helpful feedback, and it's possible that employers are incorrectly assessing employee work. Performance reviews are not effective when organized as a one-way, top-down process. Reviews should be conducted by management who interact with the employee most, which isn't always senior management. Reviews should be scheduled, and employees should be given advance notice.

SOURCE: HR:368 Assess employee performance
44. A

The company does not have time to conduct the research. The most common reason a company hires an outside research firm is because it does not have the time required to conduct the research. Since research needs to be unbiased to be valid, it's not likely a company would desire biased results. Research costs time and money to conduct regardless of who conducts it. If the company has access to abundant internal and external data, it's less likely to require an outside research firm.

SOURCE: IM:010 Explain the nature of marketing research
SOURCE: LAP-IM-010—Seek and Find (Marketing Research)

45. D

Demonstrating corporate responsibility. Companies, large and small, have an impact on the communities around them, and they should take action to make sure that impact is positive rather than negative. Companies can demonstrate corporate responsibility by showing concern for their communities, and raising money for people who were affected by a tornado is one way of doing this. Providing proper training for employees, providing excellent customer service, and protecting the business's reputation are all positive actions businesses should take, but they are not illustrated in this example.

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)

46. A

What resources do we lack? A SWOT analysis is a marketing tool that investigates a business's strengths, weaknesses, opportunities, and threats. Conducting a SWOT analysis helps a business determine what it is doing well and where it needs to improve. When examining the business's weaknesses, it should ask itself what resources it lacks. When a business lacks certain resources, it cannot operate efficiently, which reduces its ability to effectively compete in the marketplace. Therefore, it is important for the business to objectively look at its resource shortages and take steps to improve the situation. When the business asks a question about its competitors' activities, it is seeking information about a threat. When a business asks a question about particular markets the competitors have missed, it is examining opportunities. The assets, or things of value that a business has, are its strengths.

SOURCE: MP:010 Conduct SWOT analysis for use in the marketing planning process
SOURCE: LAP-MP-010—Analyze This! (SWOT Analysis)

47. D

Measurable and achievable. A marketing objective is a specific goal or desired outcome for a specific marketing activity. Businesses set many types of marketing objectives including sales, advertising, pricing, product development, etc. After setting its marketing objectives, a business uses them to measure the success or performance of its marketing activities. To determine the success of marketing activities, the business should set specific, measurable objectives that are tied to a time frame, such as increasing sales of product X by 20% in the next three months. The marketing objectives should be compatible with the company's overall goals, and they should be challenging but achievable and flexible. The business sets both qualitative (opinion- or experience-based) and quantitative (numerical-based) objectives. Objectives do not need to be costly to be effective.

SOURCE: MP:015 Set marketing goals and objectives
48. D
Market. Market factors deal with where the consumers are, who they are, the information they require, and the size of their orders. Product factors deal with the nature of the product. Producer factors deal with the amount of the producer's funds, the size of the sales force, and the amount of control desired over the channel. Factors related to intermediaries include whether to use them and whether their services are worth the cost.

SOURCE: CM:010 Select channels of distribution

49. B
Determine the amount of revenue from repeat customers. It is important to show the financial value of performance measures that are not directly tied to finances. For example, customer satisfaction is a measure of performance, but how does it translate into dollars? One way to translate customer satisfaction into a financial income is to measure the revenue generated from repeat customers. Repeat customers likely had a positive customer service experience. Therefore, highly satisfied customers are bringing financial value to Diamond Select Credit Cards. Measuring the number of customer complaints is not directly related to a financial outcome. There is no connection between operating margin and customer satisfaction. Finally, turning customer satisfaction ratings into employee ratings is not related to financial outcomes.

SOURCE: MP:021 Translate performance measures into financial outcomes

50. D
Product knowledge. To develop an accurate client profile, brokerage houses need to determine if their clients are well-informed about financial products or if they are new buyers. This is important because the way brokerage houses market their products will depend on the knowledge level of their clients. If clients are unfamiliar with stocks and bonds, brokerage houses will need to spend more time educating their clients in order to make a sale. On the other hand, knowledgeable clients who understand the products might need a different type of assistance. Information about a customer's social background, political preference, and intelligence level would be difficult to obtain and not necessarily helpful in developing a profile.

SOURCE: MP:031 Develop customer profile

51. B
Globalization. A trend is the general direction in which people or events are moving. Globalization is the rapid and unimpeded flow of capital, labor, and ideas across national borders. Several factors influence globalization, including technological advancements (e.g., internet) and the various trade agreements (e.g., USMCA) that have decreased trade regulations. The opening of trade in countries such as India and China, which has permitted more foreign businesses to operate within their borders, has also affected globalization. Socialism is an economic system rather than a trend. Inflation is an economic factor that often affects trends.

SOURCE: NF:013 Describe current business trends
52. C
Demands for skilled nursing care rise as the population ages. The impact of demographics (the age of the population) on a specific industry (health care) shows that businesses have unique relationships with their environments. The aging of the population affects other industries, but perhaps not as directly as it does health care. An economy phasing through the business cycle and a shift in social/cultural attitudes are examples of how environmental factors are dynamic. New technology causing new laws to be enacted is an example of how environmental factors are interrelated.

SOURCE: NF:015 Conduct an environmental scan to obtain business information
SOURCE: LAP-NF-015—Get the 4-1-1 (Conducting an Environmental Scan)

53. A
Graphically display financial information. Businesses establish specifications for selecting spreadsheet software to obtain the type of programs that will meet their needs. This is important because not all spreadsheet software programs have the same capabilities, such as graphically displaying financial information. Some businesses may need only simple graphics in the form of graphs or charts, while others need sophisticated graphics that will display financial information in a variety of visual formats. Communications software is used to electronically communicate data. Database software is used to regularly organize customer information. Word processing and graphic design programs are used to produce marketing data.

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

54. A
They help managers make better business decisions based on more accurate data. Data analysis and management systems reduce the number of errors, helping managers make better business decisions. Data analysis and management systems can calculate data and compile them in charts that are easily read, but it requires a person familiar with the business and all the factors affecting it to decide on and implement the best course of action. Data analysis and management systems make data and information available to a large group of people; as a result, group decision-making is easier to accomplish. Data analysis and management systems reduce the amount of time required to make business decisions, not increase it.

SOURCE: NF:139 Explain the principles of data analysis

55. C
Wear protective headgear when working in hazardous areas. Businesses develop safety policies, which are guidelines that employees follow to reduce the risk of injury in the workplace. Safety policies vary by industry and business, but the purpose of the policies is to keep employees safe while on the job. For example, a business might require employees to wear protective headgear when they are working in a warehouse or in dangerous areas where items or debris may fall from high shelves. Businesses should keep aisles clear of equipment and supplies to reduce the risk of falls, which can cause injuries. Exit doors should always be accessible so employees can evacuate the building if an emergency (e.g., fire) occurs. Reviewing or inspecting products are product/service management issues rather than workplace safety concerns.

SOURCE: OP:012 Establish safety policies and procedures
56. D
Solicit input from employees. Quality is the degree of excellence of a good or service. It is important for a business's management team to monitor all aspects of the business so it can maintain or exceed the quality level that its customers expect. If quality decreases, the business may lose customers to its competitors. An important part of monitoring quality is soliciting input from the workers who are actually performing the tasks, because they often have ideas that will help them do their jobs with more efficiency. Ongoing communication is necessary for continuous quality improvement because unexpected issues might occur that affect quality, and management needs to know so the problems can be fixed. Continuous quality improvement usually occurs in small increments over time. The number of changes is dependent on the business's goals. It is not always necessary to hire additional staff to oversee quality control programs. The frequency of reports that management requires is dependent on the business's needs, objectives, and procedures.

SOURCE: OP:020 Describe the role of management in the achievement of quality

57. A
Analyze systems and procedures. To make sure the business is operating efficiently, it often needs to evaluate its systems and procedures to determine if it should make improvements so it can reach its various goals. Most businesses have a variety of systems and procedures that are vital to the operation of the business. It is important to analyze them to make sure they are operating according to expectations. One procedure that a business would analyze is the method of obtaining resources and supplies, which might include the number and types of vendors. Businesses do not develop safety precautions to make sure they are operating efficiently.

SOURCE: OP:022 Establish efficient operating systems

58. B
Overhead and direct costs. Overhead and direct costs make up the total expenses incurred by a company. Salaries and rent are only part of the costs that make up overhead costs. Direct labor and materials are part of direct costs. Products and services costs are otherwise known as direct costs, so they would only be a part of overall expenses.

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

59. D
To protect employees. Businesses have a responsibility to provide employees with safe working conditions. To do this, businesses need to identify potential safety issues and take steps to correct problems if necessary. Businesses are often able to protect employees from injury by identifying problem areas and making them safe. It is not possible to completely eliminate accidents. Identifying potential safety issues will not avoid violence or establish security.

SOURCE: OP:151 Identify potential safety issues

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60. C

Determine and document the organization’s need(s). The first thing a company should do when selecting a vendor is determine what it needs a vendor for in the first place. Once the company has documented its need, it can then move on to identifying potential vendors, holding discussions with potential vendors, and eliminating vendors that don't meet the organization's standards. It would be unwise to take any of these steps without first determining why the company needs the vendor.

SOURCE: OP:161 Select vendors


61. D

Deliver products to customers faster. Supply chain management refers to the coordination of a product's production, shipment, and distribution stages to cut excess costs and maximize customer value. The ultimate goal of supply chain management is to deliver products to customers as efficiently as possible—not to increase brand awareness among consumers, to attract or maintain talented employees, or to make connections within the business community.

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


62. A

Their specific industry or sector. Each company has to evaluate and prioritize their digital assets according to the specific circumstances of their business. In the healthcare industry, customer information might be the most important. In a financial services company, fraudulent accounts or transactions might be the most important risks. Potential impact on reputation is a serious risk to assess, but it may not be as important to a company without a public brand. Sometimes hackers or cybercriminals do ask for ransoms, some of which can be very expensive, but this does not apply to all cyber attacks.

SOURCE: OP:473 Evaluate strategies for protecting business' digital assets (e.g., website, social media, email, etc.), customer data, and other protected information


63. B

Business process thinking. Business process thinking is a method of thinking that emphasizes the importance of processes in business. Managers who use business process thinking would most likely establish the necessary steps to complete a project before assigning the project to staff. Human resource planning, agile project management, and change management are also important business practices, but they are not described in this example.

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


64. B

Outcome. Process thinking is a philosophy that emphasizes a documented, standardized set of steps to accomplish an outcome. Every outcome is the result of a process. Activities are breakdowns of processes. Inputs go into a process, rather than being the result of a process. A project can be made up of many processes, but every project is not necessarily the result of a process.

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

65. C
Persuasion. Persuasion is the ability to get people to see things your way, to do things your way, or to agree with you. When you persuade, you try to influence people to change their attitudes or behavior. You try to get people to act, or stop acting, a certain way. Often, you try to get people to agree on a plan of action. You were able to change your manager's attitude and convince them by using persuasion. You may be able to make someone do what you want by bullying, threatening, or intimidating them, but you will not truly change their attitude.

SOURCE: EI:012 Persuade others
SOURCE: LAP-EI-912—Win Them Over (Persuading Others)

66. A
BPR assumes that processes are the main cause of poor performance. Business process redesign is based on the notion that better processes will lead directly to better performance. This approach has the potential to blame processes for poor performance from other causes. This can be especially problematic when BPR leads to layoffs or significant disruptions that can either obscure the true cause of the performance or lead to further performance problems. BPR should be considered as one option for improving performance and not the only option. BPR is said to focus too much on efficiency and cost reduction as opposed to employee satisfaction or customer happiness. It also tends to assume that costs are one of the most important aspects of efficient production.

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

67. D
If a business's supply chain is poorly managed, customer satisfaction is likely to suffer. A business's supply chain has a large impact on the business's overall success. One of the ways that poor supply chain management can negatively impact a business is through decreasing customer satisfaction. Companies that can't effectively distribute their products to consumers will likely lose many of their customers. Effective supply chain management, on the other hand, generally results in higher customer satisfaction because products are distributed quickly and effectively. Supply chains with organizational problems tend to hurt business success, not boost it.

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

68. C
Promptly disclosing financial information to shareholders. Transparency in corporate governance means being honest, clear, and timely when communicating important information to company stakeholders. A company should promptly release financial information to its shareholders, not wait to release the information until it is under pressure. Goals and strategies should be widely communicated, not only to top managers. Companies should never embellish or exaggerate company success to shareholders.

SOURCE: PD:214 Describe the components of a well-governed company (e.g., board of directors, reporting, transparency, internal and external audit functions)
69. C
Regulations. Governance reports detail activities completed and efforts taken by companies to make sure their business operations are compliant with regulations. If regulations change, then governance reports help businesses document any necessary changes and their response to these changes. While personnel, the economy, and technology can and do change frequently, they are not related to governance reports and compliance with business regulations.

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

70. A
Establishing performance standards. Performance standards are mechanisms used to track, monitor, and measure success. When employees have performance standards that are aligned with organizational goals, it is much more likely that the company will accomplish those goals. Contacting five prospects per week is a performance standard that is in line with TRISM Co.'s organizational goals. This is not an example of aligning personal goals with company goals, designing an organizational structure, or generating new product ideas.

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

71. C
Corporate governance structures. Corporate governance exists to monitor and guide organizational behavior and steer companies clear of ethical violations. The 2008 financial crisis revealed the corruption and ineffectiveness of many big corporations' governance structures; therefore, these companies were forced to reevaluate and reorganize their corporate governance to ensure greater corporate accountability. Corporations most likely did not reorganize their employee onboarding processes, annual staff performance reviews, or monthly public relations budgets as a direct result of the 2008 financial crisis.

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

72. C
Pricing. Pricing is the determination of an exchange price at which the buyer and seller perceive optimum value for a good or service. Promotion stimulates demand for products by informing customers of the products’ availability. Place decision is the marketing element focusing on considerations in getting a selected product in the right place at the right time. Product decision refers to what goods, services, or ideas a business will offer its customers.

SOURCE: PI:001 Explain the nature and scope of the pricing function
SOURCE: LAP-PI-001—The Price Is Right (Nature of Pricing)

73. B
Costs of production. The increase in the price of the product is caused by the more expensive materials used to make the product. Company image is the way in which the company is viewed by consumers. Customers’ demands may have influenced the company's change of materials, but they are not directly responsible for the price increase. The change was in materials, not in methods of production.

SOURCE: PI:001 Explain the nature and scope of the pricing function
SOURCE: LAP-PI-001—The Price Is Right (Nature of Pricing)
74. B
Credit, delivery, and installation. Services are costs for the business and should be considered when setting a product's price. Credit, delivery, and installation are types of services that businesses often provide their customers. Although advertising is a consideration when pricing products, it is a form of promotion rather than a service that businesses provide for their customers. Research is a product consideration when setting prices.

SOURCE: PI:001 Explain the nature and scope of the pricing function
SOURCE: LAP-PI-001—The Price Is Right (Nature of Pricing)

75. A
Growth. One factor that businesses consider when they adjust a product's price is its life-cycle stage. During the product's growth stage, competitors are entering the market with copycat products. When consumers have more products from which to choose, the business is likely to reduce the product's price to remain competitive in the marketplace. During the maturity stage of the product's life cycle, businesses tend to focus on stabilizing the product's price to maintain a share of the market. Trough and peak are phases of the business cycle.

SOURCE: PI:002 Explain factors affecting pricing decisions
SOURCE: LAP-PI-902—Make Cents (Factors Affecting Selling Price)

76. A
To satisfy customers' desire for variety. An expansion product-mix strategy, in which a business adds product items or lines to its product mix, is used to satisfy customers’ desire for variety, to offer customers complementary products, to spread risk over a wider area, to appeal to a new market, to increase sales and profits, to enhance the company’s reputation, and to make more efficient use of company facilities. An alteration strategy is used to improve products for social good and to limit costs. A contraction strategy is used when a product comes in conflict with another item in the mix.

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

77. B
Width. Elba is planning to adjust the width of its product mix by reducing the number of product lines that it offers. The length of a product mix is based on the number of different products or brands that the business offers. The depth of a product mix is based on variations in each product that the business offers. The height of a product mix is a fictitious term.

SOURCE: PM:006 Plan product mix

78. C
Helping employees understand how to demonstrate the brand in their jobs. One of the most important responsibilities of a business owner or CEO in their role as brand champion is helping employees understand how to demonstrate the brand in their jobs. The success of a brand is dependent on employees’ buying into its brand values and incorporating them into their jobs every day. Developing a catchy slogan is not a primary responsibility of the brand champion; the brand champion is focused on brand pillars—for example, the core values and the brand promise—and how these will build customer relationships. A brand champion works to build enthusiasm and commitment to the brand among employees rather than simply replacing them. Brand champions do not replace a business's mission statement. Instead, the brand champion continues to build upon the mission statement's foundation as the business grows.

SOURCE: PM:126 Build corporate brands
SOURCE: LAP-PM-126—Build Your Corporate Brand... Before Someone Builds It for You (The How-To's of Corporate Branding)
79. B
Will this product meet a specific need in the marketplace? If the product isn’t needed, it won’t sell. In that case, there is no need to evaluate other decisions, such as obtaining the product from vendors at a good price, hiring additional staff, or distributing the product in foreign markets.

SOURCE: PM:129 Determine initial feasibility of product idea

80. D
How your company is unique. Ranking your company in relationship to competitors helps you determine how your company is unique. This will lead you to your unique selling proposition (USP). You want your USP to be one of a kind—you don’t want to copy competitors. Ranking your company will not help you foresee industry trends. It may help you figure out your company’s weaknesses, but it will not necessarily tell you how to fix them.

SOURCE: PM:272 Identify company’s unique selling proposition
SOURCE: LAP-PM-272—Stand Out (Unique Selling Proposition)

81. A
Life cycle. The product life cycle is the stages of development of a product—from introduction to decline. As a product moves through its life cycle, its promotional mix needs vary. The goals of the company, the amount of money it has to spend on promotion, and the company’s geographic location are market and company factors that affect the promotional mix.

SOURCE: PR:003 Identify the elements of the promotional mix
SOURCE: LAP-PR-903—Spread the Word (Nature of the Promotional Mix)

82. D
Media clutter. Because more ads are being run, it’s easier for an ad to get lost in the clutter. The high degree of clutter is one of the disadvantages of television advertising. A limitation of TV as a medium is that advertisements do not reach select groups. Anyone who has a TV turned on at the time an ad is run will be exposed to the advertisement. Message impact and interest in ad content have always been concerns for television advertisers. Shortened messages have not reduced these concerns. The length of ads do not impact the size of the market that the advertiser is trying to reach.

SOURCE: PR:007 Explain types of advertising media
SOURCE: LAP-PR-007—Ad-quipping Your Business (Types of Advertising Media)

83. B
Responding to customer ideas and requests via email. Direct marketing occurs when a company connects with the end user or customer. Hiring a research company to conduct marketing surveys, advertising products in magazines, and creating ads to promote on social media are considered indirect marketing because the company is not directly interacting with the end user.

SOURCE: PR:089 Explain the nature of direct marketing channels
84. A

Grassroots marketing efforts start from the ground up, targeting a specific group of people in the hopes that the group will spread the message to a larger population. Providing free products to a targeted group is an example of grassroots marketing. Mass marketing, also known as undifferentiated marketing, involves designing products and directing marketing activities to appeal to the whole market. Viral marketing uses social media networks to encourage the sharing of promotional material. Scarcity marketing involves controlling the amount of a product that is available to a market so that desire for the product is increased.

SOURCE: PR:247 Describe word-of-mouth channels used to communicate with targeted audiences

85. A

Media kit. The public relations function involves establishing good relationships between the business and the public. A business tries to maintain positive relationships with different groups that make up the public, such as employees, shareholders, local businesses, government officials, and the media. It is important for a business to build positive relationships with the media because they have access to large groups of people through the airwaves and their publications. Often, a business provides newspaper and magazine publishers and television and radio stations with media kits that provide information about the business and its employees. It is the business's goal that the media will air or publish news stories that portray the business in a favorable way, which provides positive publicity. The public relations director did not develop a sponsorship program, creative brief, or advertising profile.

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

86. C

Public relations activity for a charitable cause. The purpose of the public relations function is to establish goodwill between the business and its various publics. One way for a business to build goodwill with the community is by participating in charitable events. This might involve providing financial support, goods (e.g., energy bars), or volunteers for the event. A media blitz is an intense effort to communicate information through all possible channels. There is not enough information provided to determine if event organizers used media blitz to publicize the race. The snack-food company is not engaging in a selling activity or an advertising campaign. These activities are not part of the public relations business function.

SOURCE: PR:252 Identify types of public-relations activities

87. B

Product safety. Quality management is the coordination of resources to ensure the degree of excellence of a process, good, or service. A product recall is the removal from the marketplace of a product that is defective or hazardous to consumers. Defective brake pads can cause car accidents and serious injuries. Therefore, the manufacturer needs to fix or replace the cars to reduce the risk of accidents and injuries. Customization is the process of producing a product with special specifications. Customer preferences are a customer's specific wants. Adaptability is the ability to adjust to changing conditions. The example is not a quality-management issue related to customization, customer preferences, or adaptability.

SOURCE: QM:001 Explain the nature of quality management
SOURCE: LAP-QM-001—Keep It Quality (Nature of Quality Management)
88. D

Having clearly stated business objectives makes it easier to identify the actual importance of specific risks. Risk management involves identifying, analyzing, and evaluating potential risks so they can be effectively managed. When a company's business objectives are clearly stated, it is easier to identify how important a specific risk is. Achieving a desired amount of profit is dependent on many factors and is not achieved solely by identifying risk or developing clearly stated business objectives. Developing clearly stated business objectives is just one activity involved in designing an overall risk management strategy. An overall risk management strategy is a complex and strategic business management tool that has many important components (e.g., risk assessment matrix analysis and formal contingency plans) to reduce actual risks. Since business risks are an inherent part of conducting business, it is impossible to eliminate them—no matter how clearly stated the company's business objectives are.

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

89. A

Qualitative; quantitative. Qualitative analysis of risks measures the probability of a risk occurring. Quantitative risk analysis is more precise and assigns numbers to risks based on data reported. Qualitative risk analysis is more general, whereas quantitative risk assessment helps go more in depth and offer a more valid way to make decisions. Risk assessments are generally not categorized as preventative or responsive.

SOURCE: RM:059 Explain ways to assess risk

90. D

Enterprise risk management. Enterprise risk management involves a corporation identifying all the risks that threaten the company, deciding which risks to focus on, and sharing that information with stakeholders. This is not known as corporate risk organization, competitive risk assessment, or environmental risk planning.

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

91. B

Entrepreneurial discovery. A good or service begins with an idea. Entrepreneurial discovery is a process used to generate an idea and bring it to fruition. The entrepreneurial discovery process involves detecting and matching product and market opportunities with one another in a manner that satisfies the market and the business. Product standards are the criteria for determining a product's ability to meet specified guidelines or requirements. Raw materials are items in their natural state or condition. Demographic changes are often factors that spark ideas and lead to entrepreneurial discovery.

SOURCE: EN:001 Explain the need for entrepreneurial discovery
92. D

Revealing confidential information. An ethical manager does not discuss an employee's confidential information (e.g., health issues, personal problems, performance reviews, salary) with other employees. Discussing an employee's personal matters with others usually leads to distrust and morale problems among the company's employees. Linda is not necessarily expressing favoritism toward Ken if she gives other employees higher salary increases than she gives Ken. There is not enough information to determine if Linda is misusing company funds or if she is refusing to be objective in her decision-making.

SOURCE: SM:002 Explain the nature of managerial ethics

93. D

1.5 less. Calculate the inventory turnover rate by dividing the number of widgets sold by the number in stock (550,000 / 220,000 = 2.5). The 2.5 figure indicates that the business turns its inventory two-and-a-half times a year. If the industry average is four times a year, the business's turnover rate is 1.5 less than the average (4.0 - 2.5 = 1.5). A business whose inventory turnover rate is lower than the industry average probably would take steps to increase its turnover rate.

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

94. B

Strategy and implementation. The strategy and implementation section shows how the business intends to do what it has planned. It shows, for example, how the company expects to carry out its marketing plan, reach (and sell to) its customers, and handle public relations. The company description accurately portrays the new company or venture, provides a history of the company, and shows the current business structure, among other things. The management plan describes the company’s managers, whose capabilities (and track record) are often considered to be the single most important indicator of success. In the market analysis, you see how the market has responded (or is likely to respond) to the new company or product/venture.

SOURCE: SM:007 Explain the nature of business plans
SOURCE: LAP-SM-007—Plan Now, Succeed Later (Nature of Business Plans)

95. A

Management plan. The managers’ skills are discussed in the management plan section. The managers’ capabilities (and track record) are often considered to be the single most important indicator of success. The company description accurately portrays the new company or venture, provides a history of the company, and shows the current business structure, among other things. The executive summary gives an overview of the entire document. In the market analysis, you see how the market has responded (or is likely to respond) to the new company or product/venture.

SOURCE: SM:007 Explain the nature of business plans
SOURCE: LAP-SM-007—Plan Now, Succeed Later (Nature of Business Plans)

96. B

Reading magazines and newspapers. Relevant information can be gathered in numerous ways including talking to employees, customers, intermediaries, or consultants; watching TV; listening to the radio; or reading magazines, newspapers, trade journals, and government publications. Appropriate TV or radio programs would be helpful, but watching comedies and listening to music would not provide relevant information. Talking to friends is not an effective way to obtain relevant data that will be useful to the business.

SOURCE: SM:011 Explain external planning considerations
97. B
Market analysis. The market analysis requires considerable time and external research. The executive summary, strategy and implementation section, and appendices may require some time to put together, but they do not necessarily require external research.

SOURCE: SM:013 Develop business plan
SOURCE: LAP-SM-013—Plan for Success (Creating a Business Plan)

98. A
Make the plan clear and concise. Content, not length, is the most important factor for a business plan, and readers must be able to easily understand your main points. Just because the plan includes lengthy sentences and paragraphs, along with excess information, does not mean the plan is not realistic or accurate. It also doesn't mean Annika isn't planning for regular reviews, updates, and corrections.

SOURCE: SM:013 Develop business plan
SOURCE: LAP-SM-013—Plan for Success (Creating a Business Plan)

99. C
The company's internal environment. Many factors can influence strategic management, including a company's internal environment. The board of directors is an example of an internal environmental factor that affects management, such as in Nora's case. The market, the external macro-environment, and a manager's own limitations can also influence their management strategy, but these are not related to the given example.

SOURCE: SM:028 Describe factors that influence management

100. D
Communication. A key initial step in change management is communication, rather than being secretive about upcoming changes. While every employee is likely to respond to change a bit differently, the best way to alleviate employees' fears, concerns, and resistance in such a situation is to communicate with them early and often. If employees feel like they are being kept in the dark, they are likely to think the worst. Layoffs are likely to cause more concern and resistance versus less. Training could be helpful in managing change, but employees first need to know about upcoming changes that may require training.

SOURCE: SM:095 Explain the nature of change management