



Competency-Based
Competitive Events
Written Exam
for State/Province Use

Test Number 1280
Booklet Number _____

Finance Exam

Corporate Finance Event

Financial Accounting Event

Managerial Accounting 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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1. Jackie needs to raise a large amount of capital to open additional restaurants. She wants to limit her personal liability. She should consider establishing her business as a
 - A. corporation.
 - B. limited liability partnership.
 - C. general partnership.
 - D. sole proprietorship.

2. Which of the following is an example of a policy that's influenced by environmental law:
 - A. Medicine must be approved to be marketed to the public.
 - B. Drivers must obey posted speed limits.
 - C. In many places, seatbelts are required by the government.
 - D. Drinking water must meet state, provincial, and federal quality standards.

3. A primary responsibility of administrative law is to
 - A. enforce agency regulations.
 - B. overturn lower courts' decisions.
 - C. establish congressional/parliamentary committees.
 - D. interpret constitutional laws.

4. A public corporation's board of directors has the fiduciary responsibility to ensure that the company makes decisions that protect the financial interests of
 - A. the community at large.
 - B. government entities.
 - C. all shareholders.
 - D. board members.

5. Several months ago, Erin convinced Sebastian to invest in her new business that sells health supplements. Erin promised that Sebastian would receive a 10% return on his investment every month. Since investing in Erin's company, though, Sebastian hasn't earned any money on his investment. Instead, Erin seems to have used his investment to financially reward earlier investors. Which type of investment scheme does this example most likely describe?
 - A. Ponzi scheme
 - B. Annuities scam
 - C. Predatory lending
 - D. Prime bank scheme

6. Olive recently met a stockbroker who offered to help her invest in a promising new energy company. What is the best way for Olive to verify that the stockbroker is legitimate and that the energy company is a sound investment?
 - A. Ensure the stockbroker has an office and company email address
 - B. Research the energy company through regulatory agencies
 - C. Ask for a recommendation from a current client
 - D. Find out if the broker has any inside connections

7. Which of the following is a tax-deductible gift:
- A. Inherited items
 - B. Vacation home
 - C. Stocks
 - D. Charitable donation
8. The Frank and Fitzer Corporation pays federal and state income tax on its earnings. Its stockholders also pay taxes on any dividends that they receive from the company. Frank and Fitzer's earnings are subject to _____ taxation.
- A. proportional
 - B. double
 - C. regressive
 - D. progressive
9. A financial institution fails to comply with an important government regulation. The financial institution will most likely
- A. pay a fine.
 - B. gain new business.
 - C. get a better reputation.
 - D. avoid an audit.
10. Which of the following is a benefit of using technology in compliance:
- A. Decreased transparency
 - B. Better risk management
 - C. Lower cost of implementing compliance
 - D. Less need for procedures and policies
11. Gerry's Burger Barn produces a spoof video on social media that shows its burgers are "so good that cows eat them." The video goes viral and is shown on different sites on the internet, which was not Gerry's original intent. This would most likely cause a(n) _____ risk.
- A. legal
 - B. employment
 - C. security
 - D. reputational
12. Handling customer complaints may allow a business to
- A. gather more accurate product and marketing information.
 - B. learn inside information about its competitors.
 - C. expand its facilities.
 - D. afford raises for all of its employees.
13. Which of the following statements regarding convergence and consolidation in the finance industry is true:
- A. Financial companies often enjoy higher earnings as a result of convergence and consolidation.
 - B. A desire for lower costs has slowed the pace of convergence and consolidation.
 - C. When multiple financial firms merge, they often end up with less capital to invest.
 - D. Technological advancements have increased the costs of offering new and different products.

14. Catherine has been Trevor's financial planner for 10 years. Because Trevor feels that Catherine has his best interests in mind and keeps him updated on his investments, he told several of his friends and colleagues about Catherine's expertise and recommended that they make appointments with her to discuss their financial plans. The benefit to Catherine in this situation is that she
- A. gained a positive reputation through social media applications.
 - B. received referrals from an existing client.
 - C. earned a sizable commission from Trevor's investments.
 - D. obtained recognition from her colleagues.
15. Which of the following data-cleansing methods would work best if you wanted to identify and isolate individual data elements in a Customer Relationship Management (CRM) system:
- A. Matching
 - B. Correcting
 - C. Parsing
 - D. Standardizing
16. The Middleton Company uses customer relationship management (CRM) software to categorize customers by their sales-dollar volume over a specific period of time. In this situation, the Middleton Company is using _____ analytics to segment customers.
- A. product
 - B. profitability
 - C. demographic
 - D. differed
17. Which of the following statements about economic resources is true:
- A. As capital goods and human resources become limited, natural resources become limited.
 - B. As human resources become limited, natural resources and capital goods become limited.
 - C. As natural and human resources become limited, capital goods become limited.
 - D. As capital goods and natural resources become limited, human resources become limited.
18. A business periodically moves its employees from one department to another to perform different tasks, which helps boost employee morale and combat boredom. This is an example of
- A. task interdependency.
 - B. task specialization.
 - C. job security.
 - D. job rotation.
19. Mitch scheduled a meeting with his new business partners in India, but he was surprised to learn that most of the Indian employees were going to be on vacation. Which of the following is the most likely cultural reason for this mishap:
- A. Mitch did not pay bribes to the right people in India.
 - B. The Indian employees do not want to work with Mitch.
 - C. The Indian employees are using a very different negotiation style from Mitch.
 - D. Mitch did not consider the impact of religion on Indian business schedules.

20. Which of the following is an example of technological unemployment:
- A. A minimum wage increase leads businesses to cut jobs.
 - B. A factory replaces most of its employees with robots.
 - C. A consumer preference for fuel-efficient cars leads to the decreased production of SUVs.
 - D. Delivery companies find it more efficient to use bicycles instead of vans in dense cities.
21. Which of the following is a reason that a company would decide to offer its products in other countries:
- A. To expand to new, untapped markets
 - B. To provide jobs to people in other countries
 - C. To subsidize developing countries
 - D. To sell obsolete, outdated products
22. Which of the following factors affects society's basic values and behaviors that influence their buying decisions:
- A. Political
 - B. Environmental
 - C. Cultural
 - D. Economic
23. Rewards and recognition fulfill a very basic human need for
- A. understanding.
 - B. friendship.
 - C. self-esteem.
 - D. safety.
24. For several months, June has felt very tired at work. She has a hard time focusing on her job, is often irritated at her coworkers, and has turned in several late assignments. At home, June feels considerably better. June is experiencing
- A. employee stress.
 - B. employee turnover.
 - C. organizational change.
 - D. employee burnout.
25. Tyler loves volunteering at a local soup kitchen because he feels like his efforts are contributing to the greater good. He always comes to his volunteer shifts motivated and ready to work. Tyler is motivated by
- A. impact.
 - B. advancement.
 - C. recognition.
 - D. responsibility.
26. Matt has developed a new app. Before he launches it, he should
- A. make sure it has no issues.
 - B. sell it to a larger company.
 - C. test it with a focus group.
 - D. generate new ideas.

27. A credit account in which the purchaser usually makes a down payment and signs a contract to make a series of scheduled payments and finance charges describes which of the following:
- A. Installment credit
 - B. Open account
 - C. Revolving credit
 - D. Layaway plan
28. Which of the following is an example of a real estate investment:
- A. Partial ownership of a corporation
 - B. Land to be developed in the future
 - C. A corporate bond
 - D. A certificate of deposit
29. Jack broke his left leg in a snowboarding accident and won't be able to work for three months. What type of insurance will help Jack cover his living expenses while he is recovering from his accident?
- A. Health
 - B. Disability
 - C. Term life
 - D. Liability
30. A business's main source of revenue is usually
- A. interest.
 - B. royalties.
 - C. sales income.
 - D. investment returns.
31. Shawn wants to know if his company is staying on budget, so he looks at the difference between the budgeted amount and the amount the company actually spent. Shawn is analyzing a(n)
- A. variance.
 - B. expense.
 - C. sales forecast.
 - D. asset.
32. How much will \$5,000 be worth in five years if invested at an 8% compound interest rate?
- A. \$5,400
 - B. \$7,347
 - C. \$8,000
 - D. \$5,045
33. Managerial accountants provide assistance to management by
- A. preparing financial statements for public review.
 - B. gathering information on social media trends.
 - C. accumulating data on costs and profits.
 - D. calculating probability of risky events.

34. What does an income statement show about a company over a period of time?
- A. Liabilities
 - B. Reliability
 - C. Profitability
 - D. Equity
35. Seamus is calculating the value of all the outstanding Google stock owned by Google's shareholders. Seamus is determining
- A. liability.
 - B. revenue.
 - C. cash flow.
 - D. shareholder's equity.
36. An investor using a securities table can learn about a stock's volatility by checking the stock's
- A. VOL.
 - B. DIV.
 - C. CLOSE.
 - D. 52-Week HI/LO.
37. Spreadsheets, database applications, and other software are often used by businesses for
- A. public relations.
 - B. staff communication.
 - C. financial analysis.
 - D. employee recognition.
38. A stock with a high dividend yield is typically _____ than one with a low yield.
- A. more volatile
 - B. less volatile
 - C. more established
 - D. less established
39. As financial intermediaries, what is all financial institutions' primary responsibility?
- A. Conducting fundamental and technical analyses to evaluate securities
 - B. Transferring money from those who have it to those who need it
 - C. Investing clients' money in mid-cap growth companies
 - D. Calculating the opportunity costs of clients' potential investments
40. Mortgages and government bonds are examples of
- A. unrated investments.
 - B. interest-free services.
 - C. equity products.
 - D. debt instruments.

41. Which of the following is a characteristic of a call market:
- A. Trades occur continuously.
 - B. Prices change from moment to moment.
 - C. Buyers and sellers determine prices.
 - D. Buy orders are made at specific times.
42. Which of the following is an ethical principle that is applicable to finance:
- A. Incrementalism
 - B. Framing
 - C. Competence
 - D. Self-interest
43. The Money for You Bank recently merged with the Keeping You Safe Insurance Company. The merger is an example of _____ in the finance industry.
- A. convergence
 - B. licensing
 - C. consolidation
 - D. tactical planning
44. Anna, the Bank Plus customer relationship manager, recently developed and implemented a new customer relationship strategy across the organization. The strategy emphasizes better understanding of customer needs. Anna also developed a recognition program to reward employees for delivering quality customer service. Which of the following is most likely to be Anna's primary goal in implementing the new strategy:
- A. Reducing the number of forms new customers must fill out
 - B. Publicly recognizing outstanding bank employees
 - C. Promoting the bank's new products and services
 - D. Developing stronger long-term customer relationships
45. To build professional relationships, a finance professional might talk with friends, family, and business associates to discuss ways they can advance in their career. This is an activity called
- A. coordinating.
 - B. selling.
 - C. socializing.
 - D. networking.
46. According to most analysts, the three economic indicators that stock market investors and traders should pay the closest attention to are
- A. gross domestic product, overhead expenses, and unemployment.
 - B. gross domestic product, unemployment, and inflation.
 - C. inflation, unemployment, and bonds rates.
 - D. interest rates, overhead expenses, and inflation.
47. When a country is experiencing a recession, which of the following typically occurs first:
- A. Stock prices increase
 - B. Stock prices decrease
 - C. A stock market recovery
 - D. A stock market crash

48. Which of the following statements about hedge funds is true:
- A. Investment options for hedge funds are limited in scope.
 - B. Government agencies usually manage hedge funds.
 - C. Hedge funds are designed to generate conservative financial returns.
 - D. Hedge funds involve private investment partnerships.
49. An increase in free-flowing capital is a benefit of
- A. investor innovation.
 - B. global protectionism.
 - C. economic conservatism.
 - D. financial globalization.
50. When preparing a statement of equity, what does a business deduct from its total net income to obtain its retained earnings?
- A. Sales tax payable
 - B. Bad debt
 - C. Dividends paid
 - D. Depreciation of assets
51. One of the benefits of marginal analysis is
- A. improved long-term strategy.
 - B. understanding the impact of sunk costs.
 - C. optimal decision-making.
 - D. improved workplace communication.
52. Which of the following is a responsibility of a managerial accountant:
- A. Making managerial decisions regarding planning, pricing, and sales
 - B. Compiling the company's financial information for release to the public
 - C. Conducting a cost analysis and explaining the findings to management
 - D. Training employees and management on personal financial literacy
53. Stefan decides to invest a sum of \$1,200 into one of his favorite stocks that typically earns 9% or more each year. If the stock earns 9% this year, what will be the total value of his investment?
- A. \$1,080
 - B. \$1,308
 - C. \$1,420
 - D. \$1,200
54. Christina's Candles sold \$4,000 less in candles last quarter than the company budgeted for. To get a better idea of what caused the loss in sales, the company could perform
- A. variance analysis.
 - B. SWOT analysis.
 - C. case modeling.
 - D. requirements interviews.

55. Budgets are important to the management process because they
- A. remove the possibility of financial constraints.
 - B. ensure that organizational goals come before personal goals.
 - C. help determine roles and responsibilities.
 - D. shift focus from future events to daily issues.
56. Which of the following is a cost driver that could affect the cost of internet service in a coffee shop:
- A. Number of ingredients per product
 - B. Number of products sold
 - C. Number of customers
 - D. Number of direct labor hours
57. A financial information management system is often responsible for
- A. supervising the accounting and finance departments.
 - B. purchasing raw materials for production.
 - C. assisting in the preparation of financial statements.
 - D. developing a corporate investment portfolio.
58. Financial information management is responsible for collecting, maintaining, and reporting data about financial transactions. Business managers often use these data to
- A. develop secondary equity markets.
 - B. forecast financial inflows and outflows.
 - C. calculate the level of corporate groupthink.
 - D. determine if liability insurance is needed.
59. Leah is a manager who delegates some of her tasks to her employees. Which of the following statements is true:
- A. Leah must stay in constant communication with her employees about their tasks.
 - B. Leah needs to sit with the employees to ensure they finish their work.
 - C. Leah should not have delegated tasks because they are hers to complete.
 - D. The tasks are no longer Leah's responsibilities since she assigned them to employees.
60. Which of the following leads accountants to apply unethical earnings-management practices:
- A. Selling securities for a gain
 - B. Postponing a large purchase to a later time
 - C. Meeting analysts' estimated earnings
 - D. Accelerating payment of expenses when earnings are high
61. Which of the following can be used to trace a financial transaction from beginning to end to ensure that the data are accurate and have not been altered:
- A. Separation of duties
 - B. Accounting standards
 - C. Supply chain
 - D. Audit trail

62. By reviewing a prospective customer's borrowing and repayment history, a business can determine if it should
- A. provide the prospective customer with a high credit rating.
 - B. charge sales tax.
 - C. increase the prime lending rate.
 - D. offer credit to the prospective customer.
63. When a business reviews a customer's credit application, it is evaluating risks associated with the
- A. customer's ability to pay.
 - B. business's reporting strategies.
 - C. customer's beneficiaries.
 - D. business's accounting processes.
64. One step that financial-services companies can take to protect their clients' online business transactions from hackers is to
- A. limit the number of client transactions.
 - B. use intranet capabilities.
 - C. install firewalls.
 - D. avoid encryption methods.
65. When employees have the ability to retrieve only the computer data that are important for them to have to perform their job, the business is applying the
- A. concept of intrusion prevention.
 - B. law of diminishing capacity.
 - C. doctrine of organizational structure.
 - D. principle of least authority.
66. Joanna works as an accountant for a construction company. She is drafting a budget to determine whether the company has enough money to start construction on a new high-rise building. As part of her research for the budget, Joanna examines the company's accounts payable and receivable. Joanna is drafting a(n) _____ budget.
- A. cash flow
 - B. static
 - C. operating
 - D. master
67. How can you make it easier to start the budgeting process by arranging and making sense of financial data?
- A. Focus on the big picture.
 - B. Use budgeting software.
 - C. Refrain from involving others.
 - D. Track transactions on paper.

68. The most common headings on a stock table include the 52-week high and low, the stock symbol, the estimated dividend per share, the yield percentage/rate of return, the volume/sales for the day, the closing price for the day, the net change, and the
- A. net income.
 - B. price-earnings ratio.
 - C. stockholder's equity.
 - D. earnings per share.
69. What type of standard is a business using when it evaluates an employee's job performance on the basis of the amount of work they produce?
- A. Results
 - B. Traits
 - C. Qualitative
 - D. Behavior
70. Which of the following is a result that is likely to occur when companies take negative actions:
- A. Excellent business reputation
 - B. Increased efficiency
 - C. Bankruptcy
 - D. High employee turnover
71. What type of business record can a gift shop review to determine how many customers purchased items on Tuesday?
- A. Daily sales receipts
 - B. Quarterly credit statements
 - C. Cash balances
 - D. Inventory status records
72. One of the primary purposes of information management is to provide businesses with the strategic information they need to
- A. develop a short-term advertising campaign.
 - B. make long-term decisions.
 - C. write an annual report.
 - D. create sales presentations.
73. Determine if the following statement is true or false: It is acceptable for a business to distribute its customers' personal information without their consent to third parties.
- A. False; a business that distributes its customers' personal information is breaking antitrust laws.
 - B. True; most international trade agreements include provisions that allow businesses to sell their customers' personal information to other businesses.
 - C. True; after collecting customers' information, the business owns the information and can do whatever it wants with the information.
 - D. False; it is unethical to distribute customers' personal information without their permission to third parties.

74. William is in charge of using a database application to organize a large amount of his company's data. When he looks through the numbers, he notices that the majority of them start with one, while very few begin with nine. This is an example of what universal law?
- A. Benford's law
 - B. Numerical law
 - C. The law of diminishing returns
 - D. The law of supply and demand
75. The purpose of data normalization is to
- A. increase data redundancy.
 - B. remove new types of data.
 - C. improve data integrity.
 - D. delete conforming data.
76. A small food market that calls several vendors to obtain a price and then places an order with the lowest bidder is using the _____ buying method.
- A. informal
 - B. competitive-bid
 - C. negotiated
 - D. standing-order
77. Employees who are responsible for paying a business's bills can help the business to control its expenses by
- A. paying bills within the discount period.
 - B. paying all bills as soon as they are received.
 - C. asking vendors to negotiate dating terms.
 - D. controlling the business's trade credit.
78. Operations activities are most closely related to a business's
- A. location.
 - B. taxes.
 - C. product.
 - D. name.
79. To guard against intentional ethical violations, such as deliberate financial data tampering, an organization should maintain
- A. an accounts receivable schedule.
 - B. daily balance sheets.
 - C. hard copies of all documents.
 - D. audit trails of data changes.
80. What is one way that employers can avoid conflict over use of company property?
- A. Allow minor misuse of company property.
 - B. Enact a zero-tolerance policy for property misconduct.
 - C. Appoint an employee to handle all conflicts.
 - D. Put clear, specific guidelines and consequences in writing.

81. A direct benefit of supply chain collaboration is
- A. an increase in business profits.
 - B. lower cost due to higher inventory.
 - C. lower cost due to reduced inventory.
 - D. less flexibility in purchasing decisions.
82. When an employee is dependable, is willing to learn new skills, and takes initiative in the workplace, the employee is more likely to
- A. receive a promotion.
 - B. obtain advice.
 - C. be passive.
 - D. acknowledge others.
83. Which of the following provides an opportunity for building professional, finance-oriented relationships:
- A. Product development
 - B. Brainstorming
 - C. Networking
 - D. Market segmentation
84. Which of the following is a problem that comes with the convergence of financial firms:
- A. Ease of manageability
 - B. Similar corporate cultures
 - C. The use of financial technology
 - D. Varying regulations for different types of firms
85. Which of the following has proven to be an effective way to initiate a professional relationship with a vendor:
- A. Giving the vendor an expensive gift
 - B. Offering jobs to people on the vendor's staff
 - C. Having salespeople talk to the vendor
 - D. Treating the person to a round of golf
86. In corporate governance, oversight of management, segregation of control, and policy development are all examples of
- A. external control mechanisms.
 - B. internal control mechanisms.
 - C. tasks of the board of directors.
 - D. transparency in management.
87. In a well-governed organization, what typically helps employees understand their roles and encourages positive public impressions?
- A. Efficiency
 - B. Anonymity
 - C. Transparency
 - D. Flexibility

88. Which of the following most likely led to a greater emphasis on governance structures in recent years:
- A. Competitor saturation
 - B. Accounting fraud
 - C. New technology in the industry
 - D. Stock market crash
89. Which of the following statements regarding corporate governance is true:
- A. Corporate governance can benefit organizations of any size.
 - B. All companies need a board of directors to perform corporate governance.
 - C. Large companies are better at monitoring corporate governance.
 - D. Small organizations do not need corporate governance.
90. Which of the following serves as an organization's conscience during decision-making:
- A. Employees
 - B. The "C-Suite" (CEO, CFO, etc.)
 - C. Board of directors
 - D. The public
91. Which of the following ethical issues is most likely to cause hazard risks:
- A. Conflicts of interest
 - B. Unsafe working conditions
 - C. Lack of transparency
 - D. Misuse of resources
92. A company's CEO constantly introduces new products, changes personnel, and spends excessively on big, new ideas. The CEO needs to make sure that they are paying attention to
- A. security issues.
 - B. the company's viability.
 - C. transparency.
 - D. product liability.
93. One of the goals of risk management is to
- A. increase risk-taking.
 - B. determine right from wrong.
 - C. limit losses.
 - D. increase revenue.
94. To secure confidential financial data that are transmitted online, businesses often use
- A. encryption techniques.
 - B. cross-platform technology.
 - C. debuggers.
 - D. bots.

95. Which of the following issues is keeping risk managers from getting the right information into the right context so that the right decisions can be made:
- A. Having a centralized enterprise risk management system
 - B. Having too little information that can be used to assess and understand risk
 - C. Having transparency around the effects of volatility on the organization
 - D. Having many different sources of data that can be used to assess risk
96. Courtney is responsible for risk management for her company and wants to make sure risk management is being applied to operations and decisions at every level throughout the business. To do so, Courtney would most likely want to employ a(n)
- A. supply chain management risk program.
 - B. enterprise risk management system.
 - C. information security system.
 - D. management information system.
97. Which of the following is an ethical issue related to public safety that may increase a business's risk levels:
- A. Exaggerating the capabilities of a commercial vacuum cleaner
 - B. Monitoring smokestack emissions on an occasional basis
 - C. Implementing changes to increase production-line security levels
 - D. Taking shortcuts to complete a bridge construction project on time
98. How do many professionals reduce their risks associated with client or patient lawsuits?
- A. Sign vendor contracts
 - B. Purchase disability insurance
 - C. Obtain professional liability insurance
 - D. Develop noncompete contracts
99. Which of the following is a benefit of implementing enterprise risk management (ERM):
- A. Fewer expenses related to public relations
 - B. Increased performance variability
 - C. Increased confidence from company stakeholders
 - D. Improved sales in previously sluggish categories
100. An ice cream company is conducting an organizational SWOT. How should it categorize a new and popular trend of individually wrapped ice cream novelties?
- A. Opportunity
 - B. Strength
 - C. Weakness
 - D. Threat



KEY

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1. A

Corporation. The corporation structure is ideal for business owners who need to raise a lot of capital. Limited liability partnerships are generally used by service professionals such as lawyers, doctors, or accountants. Although creation of a general partnership is possible in terms of securing capital, this business structure does not generally have the financial power available to a corporation. In addition, general partnerships experience unlimited liability. Financial lenders generally consider sole proprietorships high-risk investments and do not usually lend high amounts of capital to these business structures.

SOURCE: BL:006 Select form of business ownership

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

2. D

Drinking water must meet state, provincial, and federal quality standards. Water meeting state, provincial, and federal quality standards is required by environmental law. Environmental law includes all government regulations that protect the environment, wildlife, endangered species, water, and land and that prevent pollution and over-cutting of forests. Because of environmental law, businesses must dispose of hazardous chemicals in safe, approved ways to protect the land and water. They also must meet emissions standards to protect the quality of the air. Seatbelts, medicine, and speed limit regulations are all important, but none of them are influenced specifically by environmental law.

SOURCE: BL:073 Discuss the nature of environmental law

SOURCE: Legal Career Path. (2022). *What is environmental law?* Retrieved October 6, 2022, from <https://legalcareerpath.com/what-is-environmental-law/>

3. A

Enforce agency regulations. Administrative law deals with the rules and regulations that have been established by governmental agencies. Government and independent agencies have the authority to enact and enforce regulations for various administrative functions, including aviation, taxation, and commerce. The legislative branch of government establishes congressional/parliamentary committees. The judicial branch of government interprets constitutional law and in some instances may overturn a lower court's judicial decision.

SOURCE: BL:074 Discuss the role of administrative law

SOURCE: Legal Information Institute. (2022, June). *Administrative law*. Retrieved October 6, 2022, from https://www.law.cornell.edu/wex/administrative_law

4. C

All shareholders. Fiduciary responsibility involves acting in the best interest of a client or benefactor and making wise financial decisions on their behalf. A corporation's board of directors consists of individuals who are appointed or elected to make decisions on behalf of the shareholders—the company's owners. Board members, local community members, and government officials may or may not be shareholders.

SOURCE: BL:133 Discuss legal considerations in the finance industry

SOURCE: DirectorPoint. (2022). *Board membership 101: Fiduciary duties*. Retrieved October 6, 2022, from <https://landing.directorpoint.com/board-members-2/board-member-duties-101>

5. A

Ponzi scheme. A Ponzi scheme is an investment scheme in which higher level investors take money from lower level investors without giving them the returns they were promised. In this situation, Erin obtained an investment from Sebastian that she has not paid back. This example does not depict an annuities scam, a prime bank scheme, or predatory lending.

SOURCE: BL:133 Discuss legal considerations in the finance industry

SOURCE: New York State Attorney General. (n.d.). *Common investment scams*. Retrieved October 6, 2022, from <https://ag.ny.gov/investor-protection/common-investment-scams>

6. B

Research the energy company through regulatory agencies. Investment fraud occurs when investors are convinced to make purchases on the basis of false information. Governmental regulatory agencies exist to prevent investment fraud, so using their resources to research a potential investment opportunity is a great way to verify that a company or broker is legitimate. Even if the stockbroker has an office and a company email address, they could still be participating in fraud. A recommendation from a current client is not a reliable way to verify a stockbroker's legitimacy. That client could also be part of the scheme, or they could be unaware of the scheme. Finally, any broker who claims to have "inside" connections is likely to be participating in fraud because inside connections are generally illegal.

SOURCE: BL:133 Discuss legal considerations in the finance industry

SOURCE: Tresidder, T. (2022). *Top 26 warning signs of investment fraud*. Retrieved October 17, 2022, from <https://financialmentor.com/investment-advice/investment-fraud-prevention/top-26-warning-signs-of-investment-fraud/14692>

7. D

Charitable donation. Gifts are money, financial products, or property given to an individual or organization. Some gifts, such as charitable donations, are tax deductible. This means that the donor pays a reduced amount of tax or is exempt from paying the tax, depending on the type and value of the gift. Vacation homes, stocks, and inherited items are taxable gifts.

SOURCE: BL:134 Discuss the effect of tax laws and regulations on financial transactions

SOURCE: Internal Revenue Service. (2022, May 2). *Frequently asked questions on gift taxes*. Retrieved October 6, 2022, from <https://www.irs.gov/businesses/small-businesses-self-employed/frequently-asked-questions-on-gift-taxes>

8. B

Double. Double, or dual, taxation occurs when two different taxes are levied on the same income. Frank and Fitzer's earnings are subject to double taxation because the company pays taxes on its income, and its stockholders must pay taxes on any dividends that they receive from the company. If a government levies a proportional tax, everyone pays the same percentage of income in taxes. A progressive tax requires individuals with higher incomes to pay a higher percentage of income in taxes. A regressive tax requires individuals with lower incomes to pay a higher percentage of income in taxes. There is not enough information provided to determine if a proportional, progressive, or regressive tax system exists.

SOURCE: BL:134 Discuss the effect of tax laws and regulations on financial transactions

SOURCE: Kagan, J. (2022, June 9). *Double taxation*. Retrieved October 6, 2022, from https://www.investopedia.com/terms/d/double_taxation.asp

9. A

Pay a fine. Financial institutions often have to pay fines for noncompliance. Noncompliance does not typically lead to a better reputation or new business. In fact, clients may be reluctant to do business with a financial institution known for breaking the rules. Financial institutions can be audited by government agencies.

SOURCE: BL:148 Discuss the nature and scope of compliance in the finance industry

SOURCE: Scott, C. (2019, August 20). *The dangers of non-compliance for your business*. Retrieved October 6, 2022, from <https://quickbooks.intuit.com/r/manage-employees/the-dangers-of-non-compliance-for-your-business>

10. B

Better risk management. Compliance technology facilitates more communication and transparency in regard to risks. This allows companies to better prepare for the risks that are most likely to affect them. Compliance technology also provides one place to store and organize risks that can be accessed by everyone. Using technology in compliance increases transparency rather than decreasing it. Using technology in compliance does not reduce the need for policies and procedures. Finally, using technology in compliance does not lower compliance implementation costs.

SOURCE: BL:149 Describe the use of technology in compliance

SOURCE: Fadlallah, H. (2018, November 7). *How information technologies influenced risk management?* Retrieved October 6, 2022, from <https://towardsdatascience.com/how-information-technologies-influenced-risk-management-7eb3a38d253>

11. D

Reputational. A reputational risk can do damage to a brand or company by twisting the intent and portraying the company or brand in a negative light. Legal risks include employment, privacy, security, intellectual property, and media risks.

SOURCE: CO:202 Explain how digital communications (e.g., email, text messages, chats) exposes business to risk

SOURCE: Glossop, A. (2021, June 15). *What is reputational risk? Here's everything you need to know.* Retrieved October 17, 2022, from <https://www.ideagen.com/thought-leadership/blog/what-is-reputational-risk-here-is-everything-you-need-to-know>

12. A

Gather more accurate product and marketing information. Handling customer complaints may allow the business to gather more accurate product and marketing information (e.g., information about frequent product issues or contact information for repeat customers). Handling customer complaints is not likely to allow a business to afford raises for its employees, learn inside information about its competitors, or expand its facilities.

SOURCE: CR:010 Handle customer/client complaints

SOURCE: LAP-CR-010—Righting Wrongs (Handling Customer Complaints)

13. A

Financial companies often enjoy higher earnings as a result of convergence and consolidation. Convergence within the finance industry typically involves financial providers from different financial sectors merging, such as a retail bank merging with an insurance company. Consolidation takes place when financial providers within the same institutional category merge, such as a retail bank merging with another retail bank. Some of the factors leading to convergence and consolidation in the finance industry are technology, liquidity constraints, a desire for increased profitability, and a desire for lower costs. Technological advancements have reduced the costs of offering new and different financial products. The convergence/consolidation of multiple financial companies usually results in more liquid capital to invest or to offer as loans for all companies involved. By merging, some financial firms (especially those converging with others within their financial sector) can achieve economies of scale, which result in reduced redundancy and lower costs for all involved. Finally, financial companies often enjoy higher earnings as a result of convergence and consolidation.

SOURCE: FI:573 Discuss the nature of convergence/consolidation in the finance industry

SOURCE: Kenton, W. (2020, November 27). *Consolidate.* Retrieved October 7, 2022, from <https://www.investopedia.com/terms/c/consolidate.asp>

14. B

Received referrals from an existing client. When clients such as Trevor are happy with a financial planner's services, they are likely to recommend or refer the financial professional to their friends, family, and colleagues. Trevor could also give Catherine the contact information of his friends and colleagues so that she can follow up with them. The benefit to Catherine is that she increases her client base and earning potential. There isn't enough information provided to determine if Trevor used social media applications to communicate with his friends and colleagues about Catherine, if Catherine earned a sizeable commission from Trevor's investments, or if Catherine obtained recognition from her colleagues.

SOURCE: CR:012 Explain the responsibilities of finance professionals in providing client services

SOURCE: BlueShore Financial. (2022). *Ten traits of successful financial advisors*. Retrieved October 6, 2022, from <https://www.blueshorefinancial.com/advice-planning/advice-hub/financial-planning/ten-traits-successful-financial-advisors>

15. C

Parsing. Just as parsing a sentence involves breaking it down into smaller parts, parsing data involves identifying and isolating individual data elements within a file or entry. For example, parsing would help you break down an entry such as "Name: John S. Doe" into "First Name: John;" "Middle Initial: S.;" and "Last Name: Doe." Correcting involves identifying and correcting inaccurate data that have already been parsed. Standardizing involves transforming data into a preferred format. For instance, 45 East Main Street might be changed to 45 E. Main St. as a result of standardizing. Matching involves reviewing parsed, corrected, and standardized data entries to locate identical or close matches that need to be consolidated.

SOURCE: CR:024 Use Customer Relationship Management (CRM) technology

SOURCE: Jones, T. (2017, December 14). *Working with messy data*. Retrieved October 17, 2022, from <https://developer.ibm.com/tutorials/ba-cleanse-process-visualize-data-set-1>

16. B

Profitability. Customer relationship management (CRM) analytics can be used to analyze and evaluate customer data in many different ways. For example, a business can use CRM technology to segment its customers into groups on the basis of the amount of money they spend with the business over a specific period of time (e.g., by quarter or year). This helps the business analyze the profitability of their customers. Companies may use this information to develop promotional programs for each category of customer to build loyalty. Demographic segmentation considers factors such as age, education, gender, etc. There is not enough information to determine if the company is analyzing product usage in relation to sales-dollar volume. Differed analytics is a fictitious term.

SOURCE: CR:024 Use Customer Relationship Management (CRM) technology

SOURCE: Kiwak, K. (2022). *CRM analytics*. Retrieved October 6, 2022, from <https://www.techtarget.com/searchcustomerexperience/definition/CRM-analytics>

17. C

As natural and human resources become limited, capital goods become limited. Capital goods are items manufactured or constructed from natural and human resources. Natural resources are items found in nature that are used in production, and human resources are the people who transform natural resources into capital goods and consumer products.

SOURCE: EC:003 Explain the concept of economic resources

SOURCE: LAP-EC-903—Be Resourceful (Economic Resources)

18. D

Job rotation. Job rotation involves periodically moving employees from one job to another. Job rotation is an effective management training method to broaden the employees' perspective of the business. Rotating jobs and responsibilities can benefit employees and increase their morale because they are learning new skills. It also keeps employees from becoming bored because they are doing different tasks. Job rotation benefits businesses because employees are cross-trained and can serve as backup resources. Interdependency occurs when workers must rely on each other to accomplish a task or produce a product. Job security is the likelihood that an employee will be able to keep their job. Task specialization (specialization by task) involves being highly skilled in one, very small portion of a job.

SOURCE: EC:014 Analyze impact of specialization/division of labor on productivity

SOURCE: LAP-EC-914—Divide and Conquer (Specialization and Division of Labor)

19. D

Mitch did not consider the impact of religion on Indian business schedules. Religion can impact business operations in many ways. One of those is religious holidays. If most of the Indian workers are taking vacation during the time that the meeting was scheduled, Mitch might have been unaware that he was scheduling the meeting during a religious holiday. There is no indication that the Indian workers do not want to work with Mitch, and even if that were the case, that is not necessarily related to culture. There is no indication that Mitch did not pay bribes to the right people, and many businesses avoid bribery. Finally, there is no indication that the Indian workers are using a different negotiation style.

SOURCE: EC:045 Discuss the impact of cultural and social environments on global trade

SOURCE: LAP-EC-045—On Top of the World (Impact of Culture on Global Trade)

20. B

A factory replaces most of its employees with robots. Technological unemployment is a type of structural unemployment that occurs when advances in technology eliminate certain job positions. If a factory replaces most of its employees with robots, those employees are victims of technological unemployment—even if the factory hires high-skilled robot technicians to maintain the robots. Delivery companies that switch from vans to bicycles are not likely to cause technological unemployment. An increase in the minimum wage or a change in consumer preferences would likely result in structural unemployment, not technological unemployment.

SOURCE: EC:082 Discuss the impact of a nation's unemployment rates

SOURCE: LAP-EC-082—Help Wanted? (Impact of Unemployment Rates)

21. A

To expand to new, untapped markets. By offering their products in other countries, businesses are able to reach new markets to which they have not previously been able to sell their products. Using international markets as a dumping ground for obsolete, outdated products would be a short-term strategy that would eventually create a negative company image. Governments may subsidize developing countries; businesses do not. Although people in other countries may gain employment, that is not a reason for a company to offer its products in other countries.

SOURCE: EC:104 Discuss the global environment in which businesses operate

SOURCE: LAP-EC-104—Stretch Your Boundaries (The Global Business Environment)

22. C

Cultural. Businesses are affected by the culture of the people who buy from them. They want to meet the needs and wants of their customers. To do this effectively, they must be sensitive to their customers' values, preferences, beliefs, etc., so that they do not offend their customer base. Economic factors relate to how people generate revenue to obtain the desired goods and services. Government stability and laws are political factors that operate in the business environment. Access to raw materials, availability of natural resources, amount of pollution, and a business's location are examples of environmental factors affecting the business environment.

SOURCE: EC:105 Describe factors that affect the business environment

SOURCE: LAP-EC-105—What's Shakin'? (Factors Affecting the Business Environment)

23. C

Self-esteem. Humans have a very basic need to feel important and respected. Self-esteem and self-respect are shaped in part by the messages we receive from those around us, including recognition for our efforts and contributions. Safety, understanding, and friendship also are very basic human needs, but they are not fulfilled by rewards and recognition.

SOURCE: EI:014 Recognize/Reward others for their efforts and contributions

SOURCE: LAP-EI-141—Gimme Five! (Recognizing/Rewarding Others)

24. D

Employee burnout. Burnout results when employees experience negative stress over a prolonged period of time. Its symptoms include lethargic behavior and irritability among other signs. Employee stress can lead to burnout, but stress, by definition, is not long term. Employee turnover occurs when a person leaves their job and is replaced by someone else. This is a cause, not a result, of stress. Organizational change occurs when a company's management decides to run the company in a different manner than its current state. This change can cause, but isn't a result, of stress.

SOURCE: EI:028 Explain the nature of stress management

SOURCE: LAP-EI-028—Keep Your Cool (Stress Management)

25. A

Impact. People are often motivated to work hard if they know that their efforts are making a difference in the lives of others. Tyler feels like his work at the soup kitchen is contributing to the greater good, so he is motivated to work hard. This is an example of someone who is motivated by impact. Tyler may also be motivated by responsibility, recognition, or advancement, but there is not enough information in this example to determine if he is motivated by any factor other than impact.

SOURCE: EI:059 Motivate team members

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

26. C

Test it with a focus group. Before launching a new product, Matt should test it first with a focus group that represents his target market. This will help him gather feedback and modify the app accordingly before releasing it to the public. Generating new ideas is not necessary when Matt has already developed his app. While it would be ideal to develop a product with no issues, it is not realistic to strive for perfection, or else the product will never be launched. Finally, Matt does not need to sell his app to a larger company before launching it.

SOURCE: EN:028 Develop and/or provide product/service

SOURCE: Business Gateway. (2018). *Developing new products and services*. Retrieved October 17, 2022, from <https://www.bgateway.com/resources/developing-new-products-and-services>

27. A

Installment credit. Installment credit is frequently used in the purchase of big-ticket items such as furniture. An open, or regular, credit account allows credit users to buy at any time during a set period, usually 30 days. A revolving credit account limits the total amount of money that may be owed and charges interest on outstanding balances. Layaway is paying over a period of time for merchandise held by the store until the customer pays in full.

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

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

28. B

Land to be developed in the future. Real estate is property, such as land to be developed in the future. If the property becomes more valuable, investors can sell it for a profit. A certificate of deposit is a lending investment in which an individual lends money to a bank to earn a set rate of interest for a specified period of time. A bond is a lending investment in which an individual lends money to a government, municipality, or corporation to earn a set rate of interest for a specified time period. Partial ownership of a corporation is stock.

SOURCE: FI:077 Explain types of investments

SOURCE: LAP-FI-077—Invest for Success (Types of Investments)

29. B

Disability. Disability insurance provides a percentage of a worker's normal wages to the worker when they cannot work because of an illness or injury. Often, businesses obtain disability coverage for their employees as a component of their benefits package. Health insurance covers such medical expenses as hospital bills, doctors' fees, lab charges, and other medical costs. Liability insurance protects against lawsuits that result from injuries to others. Term-life insurance provides insurance coverage at a fixed rate for a limited amount of time. The beneficiary receives payment upon the death of the insured during that time.

SOURCE: FI:081 Describe the concept of insurance

SOURCE: Guardian. (2022). *Disability insurance*. Retrieved October 6, 2022, from <https://www.guardianlife.com/disability-insurance>

30. C

Sales income. A business's main source of revenue is usually sales income, the money it makes from selling its goods and/or services. A business may also generate revenue from royalties, investment returns, or interest/fees it charges its customers, but the bulk of a business's income is generally from sales.

SOURCE: FI:099 Develop company's/department's budget

SOURCE: LAP-FI-099—Build Your Game Plan (Developing a Company/Department Budget)

31. A

Variance. A variance is the difference between a budgeted amount and an actual amount. Budget variances let businesses know where they are on target and where they are not. An expense is the money that the business spends. An asset is something of value that a business owns. A sales forecast is a prediction of future sales over a specific period of time.

SOURCE: FI:106 Describe the nature of budgets

SOURCE: LAP-FI-106—Money Tracks (Nature of Budgets)

32. B

\$7,347. To calculate the future value of money, first add 1 to the interest rate expressed as a decimal ($1 + 0.08 = 1.08$). Then, raise that sum to the power of the number of periods; in other words, multiply that sum by itself 5 times ($1.08 \times 1.08 \times 1.08 \times 1.08 \times 1.08 = 1.46933$). Finally, multiply the product by the original investment ($1.46933 \times \$5,000 = \$7,346.65$). Rounded up, the final value is \$7,347.

SOURCE: FI:238 Calculate the time value of money

SOURCE: Heyford, S.C. (2022, May 23). *Understanding the time value of money*. Retrieved October 6, 2022, from <https://www.investopedia.com/articles/03/082703.asp>

33. C

Accumulating data on costs and profits. Managerial accountants provide financial information to managers to help managers make informed business decisions. The financial information that managerial accountants provide can vary from manager to manager, but a large part of managerial accounting work is accumulating data on business costs and profits. Preparing financial statements for public review is a responsibility of a financial accountant; managerial accounting is not for external use. Gathering social media trends and calculating risk probability are not accounting activities.

SOURCE: FI:660 Explain the nature of managerial accounting

SOURCE: Tuovila, A. (2022, August 23). *Managerial accounting meaning, pillars, and types*. Retrieved October 7, 2022, from <https://www.investopedia.com/terms/m/managerialaccounting.asp>

34. C

Profitability. The income statement shows a company's profitability over a period of time. Reliability, equity, and liabilities are not part of the income statement.

SOURCE: FI:274 Describe sources of securities information

SOURCE: Averkamp, H. (2022). *Income statement*. Retrieved October 7, 2022, from <https://www.accountingcoach.com/income-statement/explanation>

35. D

Shareholder's equity. Shareholder's equity is determined by subtracting the liabilities from the assets on a balance sheet. Liability is what the company owes. Revenue is money that is earned. Cash flow consists of the money that comes into and flows back out of a company.

SOURCE: FI:274 Describe sources of securities information

SOURCE: Hayes, A. (2022, March 20). *What is shareholder equity (SE) and how is it calculated?* Retrieved October 7, 2022, from <https://www.investopedia.com/terms/s/shareholdersequity.asp>

36. D

52-Week HI/LO. The highest and lowest prices paid during the past year can be used to learn how volatile a stock is. If the range between the lowest and highest prices is large, then the stock's price has risen or fallen sharply in the past year. Such a stock would be considered volatile. The stock's dividend, volume, and closing price are much less reliable indicators of a stock's volatility.

SOURCE: FI:275 Interpret securities table

SOURCE: Merritt, C. (n.d.). *What is the importance of the 52-week high & the 52-week low prices?* Retrieved October 7, 2022, from <https://www.sapling.com/6576738/read-stock-charts-beginners>

37. C

Financial analysis. Modern technology such as spreadsheets, databases, and other software applications have made it easier for companies to perform financial analysis. Companies use these technologies to analyze their financial performance, create budgets, predict future incomes and expenses, and review their overall financial health. Companies do not generally use these technologies for employee recognition, staff communication, or public relations.

SOURCE: FM:014 Demonstrate financial analysis applications

SOURCE: Corporate Finance Institute. (2020, February 17). *Types of financial analysis*. Retrieved October 7, 2022, from <https://corporatefinanceinstitute.com/resources/knowledge/finance/types-of-financial-analysis>

38. B

Less volatile. Volatility is the movement of a stock's price. A stock with a higher yield percentage is less volatile, while a stock with a low yield tends to be more volatile. The yield percentage is not necessarily an indication of how established a company is or isn't; rather, a company that pays out dividends is seen as more established than one that puts profits back into the business.

SOURCE: FI:275 Interpret securities table

SOURCE: LAP-QS-037—Table Talk (Reading Stock Tables)

39. B

Transferring money from those who have it to those who need it. Financial institutions play an integral role in our economic system. They act as financial intermediaries (middlemen) by transferring money from those who have it to those who need it. In essence, financial institutions facilitate the flow/movement of money through the economy. Investment institutions such as mutual funds, investment banks, pension funds, and exchanges may invest clients' money in mid-cap growth companies; calculate the opportunity costs of clients' potential investments; and conduct fundamental and technical analyses to evaluate securities. However, none of those activities is the primary responsibility of all financial institutions, including deposit-taking institutions, finance and insurance institutions, and investment institutions.

SOURCE: FI:336 Describe the role of financial institutions

SOURCE: Horton, M. (2022, April 29). *What are the 9 major types of financial institutions?* Retrieved October 7, 2022, from <https://www.investopedia.com/ask/answers/061615/what-are-major-categories-financial-institutions-and-what-are-their-primary-roles.asp>

40. D

Debt instruments. Debt instruments are assets that generate income, usually by charging interest, for the asset provider. For example, a mortgage is a financial product (asset) provided by a financial institution (asset provider or lender) to a home or business owner. The borrower pays back the mortgage or loan with interest. Charging and collecting interest is the way that the financial institution makes money by providing the loan. Government bonds are debt instruments because the organizations or individuals who purchase the bonds (asset providers) earn interest (income) on the bond from the bond issuer (government). An equity instrument involves acquiring ownership of an asset, such as stock. Mortgages and government bonds are not examples of unrated investments or interest-free services.

SOURCE: FI:337 Explain types of financial markets (e.g., money market, capital market, insurance market, commodities markets, etc.)

SOURCE: Chen, J. (2022, September 26). *Debt instrument*. Retrieved October 7, 2022, from <https://www.investopedia.com/terms/d/debtinstrument.asp>

41. D

Buy orders are made at specific times. In call markets, transactions take place at specific times. When individuals put in orders to buy or sell a commodity, analysts review the orders to determine the optimal selling price that will satisfy most of the orders. After determining the price, all transactions occur at the same time. In call markets, there are typically few traders and a low trading volume. On the other hand, trades occur continuously on auction markets, and the buyers' and sellers' activities influence the price at any given time.

SOURCE: FI:337 Explain types of financial markets (e.g., money market, capital market, insurance market, commodities markets, etc.)

SOURCE: McMahon, M. (2022, September 28). *What is a call market?* Retrieved October 7, 2022, from <https://www.wise-geek.com/what-is-a-call-market.htm>

42. C

Competence. Competence is the ability to do what needs to be done. Financial professionals have an ethical responsibility to do their jobs with a high level of skill. Incrementalism is the diminishing of ethical values over time. Self-interest is looking out for your own well-being. Framing is the tendency to respond to situations based on how those situations are posed or viewed.

SOURCE: FI:355 Discuss the role of ethics in finance

SOURCE: LAP-FI-355—Money Morals (The Role of Ethics in Finance)

43. A

Convergence. Convergence occurs when financial providers from different financial sectors (e.g., banking services and insurance) merge. Consolidation takes place when financial providers within the same institutional category merge. For example, if two banks were to merge, they would be consolidating their companies. Tactical planning is short-range planning (one year) of specific actions the business will take. Two businesses should look much further ahead than just one year before making the decision to merge. Licensing is a business structure that requires the authorization or permission from an owner of another entity to use trademarked, copyrighted, or patented material for a specific activity, during a specific time period, for the profit of both parties. Businesses that enter into licensing agreements do not merge.

SOURCE: FI:573 Discuss the nature of convergence/consolidation in the finance industry

SOURCE: Chen, J. (2022, April 21). *Convergence*. Retrieved October 7, 2022, from <https://www.investopedia.com/terms/c/convergence.asp>

44. D

Developing stronger long-term customer relationships. By learning and better meeting customers' wants and needs, bank employees—and ultimately, the bank as a whole—are able to develop stronger long-term relationships with customers. And, as the bank builds goodwill among its customers, those customers are likely to become loyal bank clientele. Although bank employees will be recognized for delivering quality customer service as a result of the new strategy, it is not likely to be Anna's primary goal. Based on the information provided, the new strategy is unrelated to new products and services or the number of forms that new customers must fill out.

SOURCE: CR:012 Explain the responsibilities of finance professionals in providing client services

SOURCE: MindTools. (2022). *Customer service mindset*. Retrieved October 6, 2022, from https://www.mindtools.com/pages/article/newCDV_77.htm

45. D

Networking. When people connect with others who might help them accomplish their personal career and professional goals, they are networking. Finance professionals might learn about employment and continuing education opportunities as well as prospective clients (selling opportunities) through the networking process. Socializing involves personal activities rather than professional activities. Coordinating is linking activities together in a systematic or organized way.

SOURCE: PD:153 Discuss opportunities for building professional relationships in finance

SOURCE: Lotich, P. (2019, July 9). *5 advantages of professional networking*. Retrieved October 7, 2022, from <https://thethrivingsmallbusiness.com/what-are-5-advantages-of-professional-networking>

46. B

Gross domestic product, unemployment, and inflation. According to most analysts, the three economic indicators that impact the stock market the most (and, therefore, the three that stock market investors and traders should pay the closest attention to) are the gross domestic product, unemployment, and inflation. The gross domestic product (GDP) is the final market value of the total output of all goods and services produced within a country's geographic boundaries during a year's time. The stock market mirrors the GDP—if the GDP goes up, the stock market usually goes up with it. The unemployment rate is the percentage of the workforce that is unemployed. The stock market is inversely related to the unemployment rate—if the unemployment rate goes up, stock prices usually go down. Inflation is a rise in prices that may occur when demand exceeds supply or when productivity declines and costs of labor go up. If inflation and interest rates both rise, the stock market will suffer. However, if inflation goes up while interest rates stay low, the stock market is likely to benefit. Overhead expenses and bond rates are not economic indicators.

SOURCE: FI:574 Describe the relationship between economic conditions and financial markets

SOURCE: Levitt, A. (2022, January 23). *Macroeconomic indicators that affect the US stock market*. Retrieved October 7, 2022, from <https://www.investopedia.com/articles/investing/031413/economic-indicators-affect-us-stock-market.asp>

47. B

Stock prices decrease. A country's stock market usually reflects the economic condition of its overall economy. During a recession, stock prices tend to decrease in value because investors are more likely to sell stock because they expect lower profits and the potential for firms to go bankrupt. A recession does not typically lead to a stock market crash. A stock market recovery is an indicator that the country is coming out of a recession.

SOURCE: FI:574 Describe the relationship between economic conditions and financial markets

SOURCE: Pettinger, T. (2018, December 9). *Relationship between stock market and economy*. Retrieved October 7, 2022, from <https://www.economicshelp.org/blog/541/economics/relationship-between-stock-market-and-economy>

48. D

Hedge funds involve private investment partnerships. A hedge fund is a pooled investment fund that uses many types of aggressive investment strategies to maximize returns. A hedge fund involves a limited number of investors (private partnership) and requires a large minimum investment amount. Professional financial managers manage hedge funds rather than government agencies.

SOURCE: FI:575 Explain the nature and scope of financial globalization

SOURCE: Investopedia. (2022, August 11). *What is a hedge fund? Examples, types, and strategies*. Retrieved October 7, 2022, from <https://www.investopedia.com/terms/h/hedgerefund.asp>

49. D

Financial globalization. Globalization is the rapid and unimpeded flow of capital, labor, and ideas across national borders. Free-flowing capital on an international level has led to the integration of financial markets, offering equal access to market participants, regardless of their home countries. Liberalization and financial product innovation (rather than investor innovation) are factors that have fueled the movement to financial globalization. Protectionism refers to government policies that aim to protect domestic industries and businesses against foreign competition. Protectionism hinders the free flow of capital across national borders. Free-flowing capital is not necessarily a benefit of economic conservatism.

SOURCE: FI:575 Explain the nature and scope of financial globalization

SOURCE: Agrawal, A.J. (2017, August 15). *Ten reasons why businesses are going global*. Retrieved October 7, 2022, from <https://www.huffpost.com/entry/ten-reasons-why-businesses-b-11512636>

50. C

Dividends paid. Retained earnings are the income that a corporation keeps after paying dividends to its stockholders. This amount, which includes any forwarding balance of retained earnings from the previous accounting period, is reported on the company's statement of equity, which is also called the statement of retained earnings. The depreciation of assets, sales tax payable, and bad or uncollectible debt are not included on the statement of equity.

SOURCE: FI:630 Explain the nature of statements of changes in equity

SOURCE: Carlson, R. (2021, April 15). *How to prepare a statement of retained earnings*. Retrieved October 7, 2022, from <https://www.thebalancemoney.com/statement-of-retained-earnings-393591>

51. C

Optimal decision-making. Marginal analysis is a technique used to make financial decisions by comparing the relevant costs of each alternative to determine the difference in cost. Marginal analysis helps companies make decisions that optimize resource use and maximize profits. It helps them select the best financial option. However, marginal analysis is not always suited for long-term decisions; rather, it is better suited for short-term decision-making. Marginal analysis should not take sunk costs into account because they do not impact future outcomes. Finally, marginal analysis is not necessarily related to improved workplace communication.

SOURCE: FI:659 Describe marginal analysis techniques and applications

SOURCE: Ross, S. (2021, July 31). *How marginal analysis helps in managerial decisions*. Retrieved October 7, 2022, from <https://www.investopedia.com/ask/answers/042315/how-marginal-analysis-used-making-managerial-decision.asp>

52. C

Conducting a cost analysis and explaining the findings to management. Managerial accountants conduct many types of financial analyses. A cost analysis involves measuring direct expenses such as materials and labor and indirect expenses such as overhead costs to estimate the total cost of a project. Managerial accountants are responsible for explaining the findings of their analyses to management so that management can make informed financial decisions. Managerial accountants are strictly internal accountants, meaning their work is not typically released to the public. Managerial accountants do not make management decisions regarding planning, pricing, and sales—they simply inform and advise management on company finances. Managerial accountants do not train employees or management on personal financial literacy.

SOURCE: FI:660 Explain the nature of managerial accounting

SOURCE: Corporate Finance Institute. (2022, April 29). *Managerial accounting*. Retrieved October 7, 2022, from <https://corporatefinanceinstitute.com/resources/knowledge/accounting/managerial-accounting>

53. B

\$1,308. To calculate the future value of a one-year investment, first calculate the earned interest by multiplying the original amount by the interest rate ($\$1,200 \times .09 = \108). Then, the amount of earned interest is added to the original amount to calculate the total value of the investment ($\$108 + \$1,200 = \$1,308$).

SOURCE: FI:238 Calculate the time value of money

SOURCE: TVMCalcs. (2022). *Time value of money: Concepts and calculations*. Retrieved October 7, 2022, from http://www.tvmcalcs.com/index.php/tvm/tvm_intro

54. A

Variance analysis. Variance analysis is an investigation into the differences between what was planned and what occurred. In this example, Christina's Candles could use variance analysis to better understand why the company sold fewer candles than it expected. Requirements interviews are structured conversations in which a business analyst asks questions about a project's specifications. Case modeling involves illustrating how a system or process should perform when functioning properly. SWOT analysis involves analyzing a company's unique strengths, weaknesses, opportunities, and threats to maximize business success.

SOURCE: FI:661 Discuss the use of variance analysis in managerial accounting

SOURCE: Bragg, S. (2022, May 1). *Variance analysis definition*. Retrieved October 17, 2022, from <https://www.accountingtools.com/articles/what-is-variance-analysis.html>

55. C

Help determine roles and responsibilities. Budgets can be used to determine employees' responsibilities and measure performance so that resources are used wisely. Budgets do not shift the focus from future events to daily issues; in fact, they encourage organizations to focus on both the big and small pictures. Budgets also do not necessarily put the focus on organizational goals over personal goals; rather, they try to allow both sets of goals to align. Finally, budgets do not remove the possibility of financial constraints altogether, but they allow organizations to recognize constraints before they become problematic.

SOURCE: FI:662 Discuss the nature of cost accounting budgets

SOURCE: PrinciplesofAccounting.com. (2022). *Importance of budgets*. Retrieved October 7, 2022, from <https://www.principlesofaccounting.com/chapter-21/budgets>

56. C

Number of customers. A cost driver is a variable that causally affects costs over time. Because internet service becomes more expensive as the number of people using it increases, the number of customers in a coffee shop drives the cost of the internet service. The number of products sold, the number of direct labor hours, and the number of ingredients per product could all be considered cost drivers but not specifically for the cost of internet service.

SOURCE: FI:663 Discuss the nature of cost allocation

SOURCE: Banton, C. (2020, November 14). *Activity cost driver*. Retrieved October 7, 2022, from <https://www.investopedia.com/terms/a/activity-cost-driver.asp>

57. C

Assisting in the preparation of financial statements. Financial information management systems are often responsible for collecting, maintaining, and reporting data about financial transactions; assisting in the preparation of financial statements; supporting budgeting activities; and storing and protecting customers' financial information. Individuals in the finance department are typically responsible for developing a corporate investment portfolio. Operations personnel normally purchase raw materials for production. Someone within the finance or accounting department is likely to supervise the financial-information management system, rather than the financial information management system supervising the accounting and finance departments.

SOURCE: FM:002 Explain the nature and scope of the financial-information management function

SOURCE: Gartenstein, D. (2018, April 5). *Why is financial management so important in business?* Retrieved October 7, 2022, from <https://yourbusiness.azcentral.com/financial-management-important-business-4406.html>

58. B

Forecast financial inflows and outflows. Financial information management has multiple responsibilities in an organization. For example, it collects, maintains, and reports data about financial transactions. Business managers often use these data to forecast financial inflows and outflows, which is extremely helpful when developing a budget. The financial information management function also assists in the preparation of financial statements and protects customer financial information. Business managers are unlikely to use the data to determine if liability insurance is needed, develop secondary equity markets, or calculate the level of corporate groupthink.

SOURCE: FM:002 Explain the nature and scope of the financial-information management function

SOURCE: *Chapter 12: Information systems for business functions.* (n.d.). Retrieved October 7, 2022, from <http://www.umsl.edu/~joshik/msis480/chapt12.htm>

59. A

Leah must stay in constant communication with her employees about their tasks. Even though Leah delegated her tasks to her employees, they are still her responsibility. She must stay in constant communication with her employees to make sure that they're on track. As a manager, it is acceptable for Leah to delegate tasks to her employees. It is not necessary to sit with employees to make sure they finish their work. In fact, doing so may hinder the employees' work.

SOURCE: OP:354 Monitor and ensure completion of delegated tasks

SOURCE: Landry, L. (2020, January 14). *How to delegate effectively: 9 tips for managers.* Retrieved October 17, 2022, from <https://online.hbs.edu/blog/post/how-to-delegate-effectively>

60. C

Meeting analysts' estimated earnings. Managers are often pressured to ensure that analysts' estimated earnings are reached. Managers should focus on use of accounting principles that provide the most accurate results rather than on providing the most desired results. Otherwise, they will be guilty of cooking the books to provide a more favorable financial report than actually exists. Postponing purchases, accelerating expense payments, and selling securities for a gain are ethical earnings-management practices.

SOURCE: FM:003 Explain the role of ethics in financial-information management

SOURCE: Tuovila, A. (2022, August 9). *Earnings management.* Retrieved October 17, 2022, from <https://www.investopedia.com/terms/e/earnings-management.asp>

61. D

Audit trail. One way to identify potential ethical violations in financial information management is to trace financial transactions from beginning to end using audit trails. A financial information manager can utilize an audit trail to review all documents pertaining to a particular transaction and determine if data recorded in the system are accurate or altered. Separation of duties is an internal control requiring more than one person to complete a task. Accounting standards are principles or rules that businesses must follow when recording and presenting their financial information. The supply chain is a system of organizations, people, processes, etc., used to move a product from supplier to user.

SOURCE: FM:003 Explain the role of ethics in financial-information management

SOURCE: Brenner, L.J. (n.d.). *Accounting systems ethics*. Retrieved October 7, 2022, from <https://smallbusiness.chron.com/accounting-systems-ethics-24413.html>

62. D

Offer credit to the prospective customer. Credit is the arrangement by which businesses or individuals can purchase now and pay later. Before offering credit options to a prospective customer, the business should review the customer's borrowing and repayment history by obtaining a credit report. The credit report, which is generated by a credit-rating agency, indicates the prospect's borrowing and repayment history and provides a credit rating. The credit rating indicates the extent to which the business or individual pays its debts in a timely manner. The government, rather than businesses, sets the prime lending (interest) rate and establishes sales-tax rates. Various jurisdictions have laws that require businesses to collect sales tax from customers on certain purchases.

SOURCE: FM:009 Describe techniques used to analyze customer financial information

SOURCE: Treece, K., & Tarver, J. (2022, March 26). *Focus on payment history—it's the most important credit factor*. Retrieved October 7, 2022, from <https://www.forbes.com/advisor/credit-score/payment-history>

63. A

Customer's ability to pay. Credit is the arrangement by which businesses or individuals can purchase now and pay later. Before offering credit to a prospective customer, the business needs to analyze the customer's financial status to determine if the customer has the money available to make payments on time and in the full amount of the agreement. Businesses review the customer's income, assets, debt ratio, credit history, etc. If the customer's financial status meets the business's credit standards, then a credit arrangement is a viable option. If the customer carries high debt in relation to assets, it would be too risky for the business to offer credit because the customer is more likely to become delinquent. The business does not analyze risks related to its own accounting processes or reporting strategies. A beneficiary is a person who receives benefits, most often money, from another person. For example, a beneficiary of a life insurance policy receives money upon the insured's death.

SOURCE: FM:009 Describe techniques used to analyze customer financial information

SOURCE: Williams, M. (2019, March 4). *What banks look for when reviewing a loan application*. Retrieved October 7, 2022, from <https://www.wolterskluwer.com/en/expert-insights/what-banks-look-for-when-reviewing-a-loan-application>

64. C

Install firewalls. To protect their clients' financial well-being, financial institutions must take great care to ensure that their online systems are safe from hackers. One way financial institutions protect their clients from hackers is by installing firewalls. A firewall is a type of computer security system that interfaces between the business's computer system and the internet. The firewall protects sensitive information from hacking activities. Encryption is another way that financial-services businesses protect online financial information. Encryption is the process of transforming information into a secret code so only the recipient can read it. Intranet refers to a system of networked computers within a business. Limiting the number of online transactions does not secure or protect financial information from hackers.

SOURCE: FM:011 Describe the use of technology in the financial-information management function

SOURCE: Acevedo, L. (2017, September 26). *How to build a management information system*. Retrieved October 17, 2022, from <https://bizfluent.com/how-6331269-build-management-information-system.html>

65. D

Principle of least authority. By limiting employees' access to the data necessary to perform their work, a business protects confidential information, reduces risks associated with internal fraud, and helps keep the computer system secure. Diminished capacity is a legal doctrine or defense that states that an accused wrongdoer's mental state may have been negatively affected by trauma or intoxication during a crime, but was not suffering from a severe mental disease or disorder that relieves the accused from criminal responsibility. Concept of intrusion prevention and doctrine of organizational structure are fictitious terms. Businesses use firewalls and antivirus software to prevent external computer intrusions or disruptions. Organizational structure defines the levels of authority within a business or organization.

SOURCE: FM:011 Describe the use of technology in the financial-information management function

SOURCE: Indiana University. (2021, March 16). *About the principle of least privilege*. Retrieved October 7, 2022, from <https://kb.iu.edu/d/amsv>

66. A

Cash flow. Companies use cash flow budgets to project how and when cash will flow in and out of a business within a specified time period. Cash flow budgets help organizations determine if they are handling their money wisely, and if they have enough cash on hand to continue operating as normal. An operating budget is a forecast and analysis of projected income and expenses over the course of a specified time period. Operating budgets are often compared month to month to see if a company is overspending on supplies. A master budget is a comprehensive budget that provides a complete picture of a company's financial activity and health. A static budget is a fixed budget that remains unchanged throughout the year. For example, a company may have a static budget for standard office supplies. In this example, Joanna is creating a cash flow budget because she is specifically examining her company's accounts payable and receivable to determine the amount of available cash.

SOURCE: FM:013 Demonstrate budgeting applications

SOURCE: Girsch-Bock, M. (2022, August 5). *How to create a business budget for your small business*. Retrieved October 7, 2022, from <https://www.fool.com/the-ascent/small-business/accounting/articles/business-budget>

67. B

Use budgeting software. It can be challenging to start the process of budgeting. Using software can help by organizing all data in one place and making it easier to track expenses. Focusing on the big picture will not necessarily help you start the budgeting process. Tracking transactions on paper is not necessarily the best way to arrange and make sense of financial data, because software can do so much more efficiently. Finally, it is a good idea to involve others in the budgeting process because they might have contributions that would be valuable to you.

SOURCE: FM:013 Demonstrate budgeting applications

SOURCE: Brancato, K. (2022, July 5). *10 big budget challenges and how to tackle them*. Retrieved October 17, 2022, from <https://www.clevergirlfinance.com/blog/budget-challenges>

68. B

Price-earnings ratio. Most stock tables include the price-earnings ratio, or PE ratio for short. The price-earnings ratio is determined by dividing the last closing price of the stock by the earnings per share. Investors often study the PE ratio to get an idea of whether the stock is overvalued or undervalued, compared to competitors. The earnings per share (EPS), net income, and stockholders' equity are not typically found on the stock table. The earnings per share tells investors how much profit goes to each share of common stock. The net income is the money remaining after operating expenses are subtracted from gross profit. The stockholders' equity is equal to assets minus liabilities.

SOURCE: FI:275 Interpret securities table

SOURCE: Hayes, A. (2022, January 17). *How to understand a stock quote*. Retrieved January 17, 2022, from <https://www.investopedia.com/articles/investing/093014/stock-quotes-explained.asp>

69. A

Results. A business usually establishes different types of criteria (standards) to evaluate employees' work performance. The criteria the business uses depend on the type of work the employee performs. When a business evaluates an employee's performance by comparing the employee's work performance goals with the actual amount of work the employee completes, the business is using a results-oriented approach. A results-oriented approach is often used to evaluate a salesperson's work performance. When a business evaluates an employee's traits in relation to job performance, it is focusing on the employee's personal characteristics. Evaluating an employee's behavior involves assessing their interpersonal communication skills. Qualitative standards focus on the quality of work.

SOURCE: HR:368 Assess employee performance

SOURCE: FreshBooks. (2019, March 28). *How to evaluate an employee: A performance review checklist*. Retrieved October 17, 2022, from <https://www.freshbooks.com/hub/leadership/evaluate-an-employee>

70. D

High employee turnover. Taking negative actions can result in unhappy employees who will soon look for other jobs, creating high turnover. This costs a company a lot of time and money in hiring and training new employees. Negative actions will not necessarily result in bankruptcy, but they definitely will not result in increased efficiency or an excellent business reputation.

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)

71. A

Daily sales receipts. A business maintains receipts for each sales transaction it processes. Sales receipts provide the business with different types of information including which products were purchased, the dollar volume of sales for a particular day, the form of payment used, and the number of customers who purchased items. Quarterly credit statements, cash balances, and inventory status records will not provide the gift shop with the desired information.

SOURCE: NF:014 Monitor internal records for business information

SOURCE: QuickBooks. (2022). *Record your total daily sales in QuickBooks Online*. Retrieved October 6, 2022, from https://quickbooks.intuit.com/learn-support/en-us/help-article/sales-receipts/record-total-daily-sales-quickbooks-online/L0rHb69Mh_US_en_US

72. B

Make long-term decisions. Information management is the process of accessing, processing, maintaining, evaluating, and disseminating knowledge, facts, or data for the purpose of assisting business planning and decision-making. One type of planning that a business conducts is strategic planning, which involves making long-term decisions for the company as a whole. These decisions often involve planning how to grow the business over a period of years. Whatever the purpose, businesses need strategic information to be able to make those long-term decisions. The purpose of strategic information is usually not to help businesses create sales presentations or write an annual report.

SOURCE: NF:110 Discuss the nature of information management

SOURCE: LAP-NF-110—In the Know (Nature of Information Management)

73. D

False; it is unethical to distribute customers' personal information without their permission to third parties. Businesses collect and maintain information about their customers, employees, products, and vendors. Governments require businesses to maintain certain types of information to be in compliance. Some information, such as customer credit card account numbers and health information, are confidential, so the business should take steps to secure the information. Distributing customer information (e.g., mailing lists) without their consent to third parties is not ethical behavior and is illegal in many jurisdictions. Trade agreements are agreements between nations that provide for favorable trade relations. Trade agreements do not allow businesses to sell customers' personal information. Antitrust laws are regulations that prevent a person or company from taking actions that restrain free trade and competition in the marketplace.

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

SOURCE: Lutkevich, B. (2020, February). *Consumer privacy (Customer privacy)*. Retrieved October 6, 2022, from <https://www.techtarget.com/searchdatamanagement/definition/consumer-privacy>

74. A

Benford's law. Benford's law states that in many large sets of numerical data, numbers that begin with lower digits occur significantly more frequently than numbers that begin with higher digits (i.e., one is the most frequent, while nine is the least frequent). This is not an example of the law of supply and demand, numerical law, or the law of diminishing returns.

SOURCE: NF:124 Demonstrate advanced database applications

SOURCE: Weisstein, E.W. (2022). *Benford's law*. Retrieved October 7, 2022, from <https://mathworld.wolfram.com/BenfordsLaw.html>

75. C

Improve data integrity. Data normalization is a process that improves data integrity by reducing data redundancy, removing anomalies, and making it easier to accommodate new types of data. The purpose of data normalization is not to increase data redundancy, delete conforming data, or remove new types of data.

SOURCE: NF:124 Demonstrate advanced database applications

SOURCE: Wambler, S. (2002-2012). *Introduction to data normalization*. Retrieved October 7, 2022, from <http://agiledata.org/essays/dataNormalization.html>

76. A

Informal. The informal buying method is often effective for small food markets and usually involves calling several vendors to obtain prices. Then, the market calls the lowest bidder to place an order. This is a simple process that reduces the need for a lot of paperwork. Also, orders can be placed quickly. Formal buying methods require more paperwork and usually written quotes rather than verbal quotes over the phone. Competitive-bid, negotiated, and standing-order are formal buying methods that take more time than informal methods.

SOURCE: OP:016 Place orders/reorders

SOURCE: Arkansas Department of Education. (2018, February 13). *Informal procurement method "Three bids and a buy."* Retrieved October 6, 2022, from https://dese.ade.arkansas.gov/Files/20201103162859_3_Bids_and_a_Buy_-_Steps_1.pdf

77. A

Paying bills within the discount period. Most suppliers grant discounts to businesses that pay their bills within a certain period of time. Employees who are responsible for paying the business's bills should make sure that payment is made on time so that the business saves the amount of the discount. Paying all bills as soon as they are received would not help control expenses since some bills have an extended payment period of 60 or 90 days. The business can use its money in other ways during the extended payment period. Buyers try to negotiate the most favorable dating terms with vendors at the time of purchase, not when the bills are due. Trade credit is credit granted by suppliers when they allow businesses an extended period of time in which to pay for goods.

SOURCE: OP:025 Explain employee's role in expense control

SOURCE: LAP-OP-025—Buck Busters (Employee Role in Expense Control)

78. C

Product. Operations activities are most closely related to a business's product. The product a business makes or provides affects every aspect of operations. A business's name, taxes, or location are not as directly related to its operations activities.

SOURCE: OP:189 Explain the nature of operations

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

79. D

Audit trails of data changes. An organization should maintain audit trails to record the details of any financial data tampering and/or erasures. After the organization discovers tampering and/or erasures, the data in question can be recovered and/or restored to its original state. It is not necessary to keep hard copies of every document. An accounts receivable schedule and daily balance sheets do not guard against deliberate financial data tampering or erasures.

SOURCE: FM:003 Explain the role of ethics in financial-information management

SOURCE: Beal, V. (2021, May 24). *Audit trail*. Retrieved October 7, 2022, from <https://www.webopedia.com/definitions/audit-trail>

80. D

Put clear, specific guidelines and consequences in writing. The more clearly policies are laid out, the easier it is to handle any disputes that may arise with company property without conflict. Allowing minor misuse of company property may be a company-wide policy, but it does not necessarily prevent conflict, because it may become difficult to know what is acceptable and what is not. Likewise, enacting a zero-tolerance policy will not necessarily prevent conflict, because it does not account for accidental or minute infractions. Employees may not feel that they are being treated fairly, because they are being held to impossibly high standards. Finally, while appointing an employee to handle conflicts is a good practice, it does not necessarily help avoid conflict in the first place.

SOURCE: OP:442 Comply with policies and procedures for use of property and equipment

SOURCE: Snook, A. (2021, August 5). *Policies and procedures in the workplace: The ultimate guide [2021]*. Retrieved October 6, 2022, from <https://i-sight.com/resources/policies-and-procedures-in-the-workplace-the-ultimate-guide/>

81. C

Lower cost due to reduced inventory. Collaborating within a supply chain can reduce the amount of inventory a company needs to carry, which reduces inventory, storage, and transportation costs. Lower cost is not achieved with higher inventory. A company benefits from more flexibility—not less—when it collaborates with its supply chain because doing so gives the company access to more resources and helps it develop stronger supplier relationships. When supply chain collaboration is effective, it can increase a company's profits, but increased profits are an indirect, not direct, benefit.

SOURCE: OP:444 Explain the benefits of supply chain collaboration

SOURCE: Andrews, J. (2022). *The importance of supply chain collaboration*. Retrieved October 6, 2022, from <https://www.supplytechnologies.com/blog/the-importance-of-supply-chain-collaboration>

82. A

Receive a promotion. When an employee receives a promotion, they are usually given more responsibility and authority, which often includes managing other people or performing more complex work. Employees who receive promotions often share common traits and patterns of behavior. These employees tend to be dependable—they follow through on their promises and complete their work on time. Employees who receive promotions are also willing to learn new skills, such as mastering a new computer program. Employees who receive promotions also take initiative. Initiative is the willingness to do something or perform a task without being told to do so, rather than taking a passive approach to work. Many types of employees obtain advice and acknowledge coworkers in the workplace.

SOURCE: PD:035 Identify skills needed to enhance career progression

SOURCE: Glassdoor. (2021, December 17). *8 habits of employees that get promoted*. Retrieved October 6, 2022, from <https://www.glassdoor.com/blog/8-habits-of-employees-that-get-promoted/>

83. C

Networking. Networking is the exchange of information with others for the purpose of professional or business development or advancement. Because the financial-services marketplace is very competitive, financial-services professionals and businesses need to communicate with other individuals and businesses to build clientele and promote their products. By participating in groups and speaking with other professionals, financial-services professionals can build new business relationships, obtain referrals, and acquire leads to increase clientele. Product development is the process of creating new goods and services. Brainstorming is a creative-thinking technique. Market segmentation is dividing a large market into small markets.

SOURCE: PD:153 Discuss opportunities for building professional relationships in finance

SOURCE: Randstand. (2019, January 23). *The importance of networking in finance*. Retrieved October 17, 2022, from <https://www.randstad.co.uk/career-advice/career-guidance/importance-networking-finance>

84. D

Varying regulations for different types of firms. Many regulations apply to the financial industry, but different types of institutions are subject to different rules. For example, insurance companies have to follow different rules than commercial banks, but through convergence/consolidation, some banks operate in the insurance industry, and vice versa. It becomes complicated to know which regulations should apply and which should not, especially when they are contradictory. The use of financial technology is not a problem caused by convergence in the finance industry; rather, technology is allowing more convergence to occur. Converging firms are generally more difficult to manage, rather than easier. Finally, when firms consolidate or converge, corporate cultures are not always similar. In fact, they sometimes clash and conflict ensues.

SOURCE: FI:573 Discuss the nature of convergence/consolidation in the finance industry

SOURCE: Taylor Jr., J. (n.d.). *Why do businesses consolidate?* Retrieved October 17, 2022, from <https://smallbusiness.chron.com/businesses-consolidate-5114.html>

85. D

Treating the person to a round of golf. Something as simple as four hours of golf gives you the opportunity to get to know a vendor better. It gives you an opportunity to learn the person's interests and to talk business in a casual environment. Giving the vendor an expensive gift might be construed as a bribe. Although having salespeople talk to the vendor is helpful, it doesn't foster a professional relationship with you. Offering jobs to people on the vendor's staff would create conflict rather than helping to build a positive, professional relationship.

SOURCE: PD:153 Discuss opportunities for building professional relationships in finance

SOURCE: Hoban, S. (2022). *Building business relationships*. Retrieved October 7, 2022, from <https://www.ccim.com/cire-magazine/articles/building-business-relationships>

86. B

Internal control mechanisms. Internal control mechanisms monitor the progress and activities of an organization and make corrections when the company goes off track. Examples of internal control mechanisms include oversight of management, segregation of control, independent internal audits, and policy development. These are not examples of tasks of the board of directors—rather, internal control mechanisms are intended to make sure that the board of directors behaves in accordance with company values and goals. These are also not examples of transparency in management or external control mechanisms. External control mechanisms are controlled by people outside of an organization and are designed to serve the objectives of regulators, governments, trade unions, and financial institutions, for example.

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

SOURCE: Davoren, J. (n.d.). *Three types of corporate governance mechanisms*. Retrieved October 11, 2022, from <https://smallbusiness.chron.com/three-types-corporate-governance-mechanisms-66711.html>

87. C

Transparency. When a business is transparent, it means it maintains open and truthful communications. If a business is transparent about company goals, values, and strategies, employees are better able to understand their roles within the greater organization. The public also views the organization more positively, because secretive businesses are sometimes viewed with suspicion or skepticism. Efficiency, flexibility, and anonymity neither help employees better understand their roles nor encourage positive public impression.

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

SOURCE: Mack, S. (2019, March 8). *Seven characteristics of good corporate governance*. Retrieved October 7, 2022, from <https://smallbusiness.chron.com/seven-characteristics-good-corporate-governance-57207.html>

88. B

Accounting fraud. Governance structures help balance the interests of a company's stakeholders and would most likely be impacted by internal happenings such as accounting fraud. Competitor saturation, a stock market crash, and new technology in the industry are all examples of external factors that most likely would not affect a company's governance structure.

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

SOURCE: Shaftoe, R. (n.d.). *Reasons for corporate governance*. Retrieved October 7, 2022, from <https://smallbusiness.chron.com/reasons-corporate-governance-70176.html>

89. A

Corporate governance can benefit organizations of any size. While small organizations might not have to follow the same regulations or take the same type of structured approach, they can still benefit from corporate governance. They do not, however, necessarily need a board of directors. Large companies are not necessarily better at monitoring corporate governance.

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

SOURCE: Chen, J. (2022, August 18). *Corporate governance definition: How it works, principles, and examples*. Retrieved October 7, 2022, from <https://www.investopedia.com/terms/c/corporategovernance.asp>

90. C

Board of directors. The board of directors guides the organization during the decision-making process so that the organization continues to accomplish its mission in an efficient and ethical way. It would not be appropriate for the C-Suite, an organization's employees, or the public to act as an organization's conscience during decision-making.

SOURCE: PD:303 Describe the impact of governance processes on decision-making and management functions

SOURCE: Management Study Guide. (2022). *Corporate governance - definition, scope and benefits*. Retrieved October 7, 2022, from <https://www.managementstudyguide.com/corporate-governance.htm>

91. B

Unsafe working conditions. Hazard risks are situations that can cause injury or harm to people, property, or the environment. They are most likely to result from issues related to unsafe working conditions. Lack of transparency, misuse of resources, and conflicts of interest are more likely to cause strategic, operational, or financial risks than hazard risks.

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

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

92. B

The company's viability. Viability is long-term value. Organizations that are viable are built to last and provide value to stakeholders over time. The CEO in this example is putting the organization's viability at risk by making many volatile changes and spending excessively rather than thinking long-term. There is no indication that the CEO needs to pay attention to security issues, product liability, or transparency.

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

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

93. C

Limit losses. Risk management is a business activity that involves the planning, controlling, preventing, and limiting of business losses and enhancing possibilities for gain. One of the goals of risk management, therefore, is to limit business losses. Increasing revenue might be a benefit of implementing risk management, but it is not a goal of risk management. Risk management does not necessarily aim to increase risk-taking or to determine right from wrong.

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

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

94. A

Encryption techniques. Risk management is a business activity that involves implementing activities to limit business losses. One way that businesses control security risks is by using encryption to prevent unauthorized individuals (e.g., hackers) from obtaining confidential financial data. Encryption is the process of transforming information into a code so that only the recipient can read it. A bot is a program that scans the web looking for information changes. Cross-platform technology refers to computer applications that can run on different platforms, such as Windows and Macintosh. Debuggers are computer programs that help programmers identify flaws or "bugs" in a computer program.

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

SOURCE: Loshin, P. (2022). *Encryption*. Retrieved October 7, 2022, from <https://www.techtarget.com/searchsecurity/definition/encryption>

95. D

Having many different sources of data that can be used to assess risk. Many financial institutions maintain individual or departmental databases that cannot interact with the data throughout the organization. This keeps risk managers from having a clear picture of the organization-wide risks. Rather than having too little information, risk managers have just the opposite problem: too much decentralized information. Centralized information is needed. Transparency is needed around the effects of volatility on the organization.

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

SOURCE: Reciprocity. (2021, December 13). *Emerging risk management trends you need to know*. Retrieved October 7, 2022, from <https://reciprocity.com/blog/emerging-risk-management-trends-you-need-to-know>

96. B

Enterprise risk management system. An enterprise risk management system allows a company to plan, organize, lead, and control the risk at every level of an organization. Supply chain management risk software would only apply to supply chain operations. A management information system is integrated technology that assists with an organization's information management needs. An information security system protects information from unauthorized access.

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

SOURCE: DeLoach, J. (2018, June 30). *What is ERM and why is it important?* Retrieved October 17, 2022, from <https://www.corporatecomplianceinsights.com/what-is-erm-and-why-is-it-important>

97. D

Taking shortcuts to complete a bridge construction project on time. While shortcuts might save time and money, they might increase the business's risk. If less durable materials are used, processes are skipped, or undertrained workers make mistakes, the bridge may not be safe. If the bridge collapses as a result of shortcuts taken, the construction company may be held liable for damages. Smokestack emissions pose environmental risks, which may result in health-related issues. Changes to increase security reduce the business's risk. Exaggerating the capabilities of a commercial vacuum cleaner are risks related to advertising and/or sales.

SOURCE: RM:043 Discuss legal considerations affecting risk management

SOURCE: Milano, S. (n.d.). *Examples of unethical managers*. Retrieved October 7, 2022, from <https://yourbusiness.azcentral.com/examples-unethical-managers-15693.html>

98. C

Obtain professional liability insurance. Professional liability insurance is a type of insurance that provides financial protection for certain types of professionals, such as doctors, nurses, lawyers, architects, and accountants. The purpose of the insurance is to reduce the risk of financial loss to the individual and to the company for whom they work if a client or patient sues them. The purpose of disability insurance is to cover people who cannot work for long periods of time due to illness or injury. Signing vendor contracts and developing noncompete contracts do not reduce risks associated with client or patient lawsuits.

SOURCE: RM:043 Discuss legal considerations affecting risk management

SOURCE: Beam, J. (2022, October 2). *What is malpractice insurance?* Retrieved October 7, 2022, from <https://www.smartcapitalmind.com/what-is-malpractice-insurance.htm>

99. C

Increased confidence from company stakeholders. Companies that implement enterprise risk management (ERM) are more likely to enjoy confidence from their shareholders and other stakeholders. ERM sends a strong signal to shareholders that the organization is taking risk management seriously. ERM can provide assurance to management, the board of directors, and shareholders that all possible steps are being taken to manage and prevent risk. Improved sales and decreased expenses in public relations are not guaranteed when implementing ERM. Ideally, ERM would result in less performance variability—meaning that the organization's performance would remain consistently high.

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

SOURCE: Hayes, A. (2022, September 7). *Enterprise risk management (ERM): What it is and how it works*. Retrieved October 7, 2022, from <https://www.investopedia.com/terms/e/enterprise-risk-management.asp>

100. A

Opportunity. An opportunity might come from new types of products or business that a company can pursue. A popular trend that is within a business's ability to produce is an example of an opportunity. Strengths typically relate to activities that a company excels at such as building a good reputation, offering value to customers, or providing excellent customer service. A weakness refers to a company's limitations such as small staff, poor cash flow, or unavailable resources. A threat refers to changes in the business environment such as competition or new technologies with which the business is unprepared to deal.

SOURCE: SM:010 Conduct an organizational SWOT

SOURCE: Mind Tools. (2022). *SWOT analysis*. Retrieved October 17, 2022, from https://www.mindtools.com/pages/article/newTMC_05.htm