



SAMPLE EXAM

FINANCE CAREER CLUSTER

THE FINANCE CAREER CLUSTER EXAM IS USED
FOR THE FOLLOWING EVENTS:

ACCOUNTING APPLICATIONS SERIES **ACT**

BUSINESS FINANCE SERIES **BFS**

FINANCIAL CONSULTING **FCE**

FINANCIAL SERVICES TEAM DECISION MAKING **FTDM**

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

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1. A true statement about difficult customers is that they are
 - A. usually female.
 - B. easy to spot.
 - C. of all ages.
 - D. frequently older.
2. When the stock market rises, people are more confident and willing to spend, which leads to
 - A. economic growth.
 - B. recession.
 - C. deflation.
 - D. fewer loans.
3. Jordan's business was highly successful last year. This year, he plans to introduce a new product line that he is certain will make his business even more profitable in the future. His financial advisor, Anna, has cautioned against taking such action because experts predict that the economy will enter a recession in the coming months. Even though Anna has warned him that expanding his business now is probably going to result in financial loss versus gain, Jordan has decided to move forward with his plans. What is most likely to be causing Jordan to make a decision that could harm his company?
 - A. Overconfidence
 - B. Self-interest
 - C. Incrementalism
 - D. Framing
4. The addition of too many workers on a job may cause the marginal product to turn
 - A. positive.
 - B. upward.
 - C. variable.
 - D. negative.
5. A managerial accountant can help a company market its products by
 - A. developing a target market analysis.
 - B. creating a budget for hiring increases.
 - C. examining the relevant costs of advertising options.
 - D. determining whether to make or buy a component.
6. Your personal vision should address your future career, family life, personal/social relationships, and
 - A. your academic goals for the semester.
 - B. your to-do list for the next two weeks.
 - C. your role in your community.
 - D. your New Year's resolution for this year.
7. Information management should ensure that information is
 - A. retrievable.
 - B. pleasant.
 - C. inaccessible.
 - D. abundant.

8. A strong professional relationship is usually a(n) _____ relationship.
- A. easily maintained
 - B. reciprocal
 - C. majority-rule
 - D. one-sided
9. John is generally a good worker, except that he lacks the ability to see what needs to be done without being told. What personal trait is John lacking?
- A. Initiative
 - B. Honesty
 - C. Creativity
 - D. Empathy
10. Which of the following is a distinguishing feature of a consolidation in the finance industry:
- A. All former entities no longer exist, and a single, new legal entity is formed.
 - B. All entities continue operating, connected by a parent-subsidary relationship.
 - C. The acquirer does not have to purchase 100% of the target company's equity.
 - D. One of the entities continues to exist, absorbing 100% of another entity's stock.
11. To prevent unauthorized access to a computer system or network, businesses typically install
- A. firewall software.
 - B. spyware applications.
 - C. debugger applications.
 - D. compression software.
12. The advantage to businesses that use mobile-application technology is that their salespeople can obtain and send customer information from their
- A. data banks.
 - B. smartphones.
 - C. fax machines.
 - D. autoresponders.
13. Cost accounting budgets allow _____ to _____.
- A. stakeholders; anticipate future advertising costs
 - B. management; anticipate future advertising costs
 - C. management; consider a business's total cost of production
 - D. stakeholders; consider a business's total cost of production
14. An example of price competition is a hotel's promotion of its
- A. airport shuttle bus.
 - B. special weekend room rates.
 - C. trained service staff.
 - D. sauna and exercise equipment.

15. What do managers need to do to help employees understand their specific responsibilities in achieving the organization's goals?
- A. Create work subcultures
 - B. Collect information
 - C. Develop a mission statement
 - D. Communicate priorities
16. Which of the following elements is included in a quality-management plan:
- A. Standards
 - B. Risks
 - C. Change
 - D. Schedule
17. A business buying certain office products from a specific vendor that delivers at predetermined times and guarantees a set price for one year is an example of using the _____ purchasing method.
- A. competitive-bid
 - B. lowest-bidder
 - C. standing-order
 - D. blank-check
18. What type of company is most likely to focus on achieving stability as its primary goal?
- A. Large
 - B. New
 - C. Old
 - D. Small
19. Joanna is a purchaser for 193 Inc. and forgets to purchase a large order of shipping materials. What will most likely happen as a result of this mistake?
- A. Orders will increase.
 - B. The client's order will be delayed.
 - C. Productivity will increase.
 - D. Inventory will go down.
20. One way to show respect for foreign clients' cultural and social differences is to
- A. always speak in your native language.
 - B. embrace cultural stereotypes.
 - C. use slang and idioms frequently.
 - D. pronounce their names correctly.
21. Which of the following statements is true of finance careers:
- A. People skills are not necessary.
 - B. Soft skills are extremely important.
 - C. Only mathematical skills are necessary.
 - D. Communication skills are not important.

22. Which of the following are examples of deposit-taking financial institutions:
- A. Commercial banks, corporations, and mutual savings banks
 - B. Credit unions, savings and loan associations, and commercial banks
 - C. Commercial banks, credit unions, and brokerages
 - D. Savings and loan associations, mutual savings banks, and insurance firms
23. The economy is part of a business's _____ environment.
- A. tangible
 - B. physical
 - C. external
 - D. internal
24. A small-business owner set up budgeting software so that it connects directly to the business's bank accounts and loans. That way, the owner doesn't have to record each business expense individually. Instead, they just have to compare their receipts to the numbers that the software downloads from the bank. This budgeting-application feature is commonly known as automatic
- A. tracking.
 - B. affirmation.
 - C. alerts.
 - D. backup.
25. A key factor in successful human relations involves treating others with
- A. reverence.
 - B. admiration.
 - C. respect.
 - D. indifference.
26. Written communication tends to be more formal than other methods of communication because it
- A. is the preferred method of communication for all jobs.
 - B. is always composed of facts, not opinions.
 - C. is always used by knowledgeable people.
 - D. allows individuals to organize their thoughts meaningfully.
27. To perform a proper data analysis, the researcher should be
- A. untrained.
 - B. unbiased.
 - C. inconsistent.
 - D. judgmental.
28. Bill disciplines each of his children exactly the same way when they break the rules. Bill is being
- A. consistent.
 - B. biased.
 - C. generous.
 - D. empathetic.

29. Cocoa beans and corn are examples of investments that people make in which of the following financial markets:
- A. Soft commodities
 - B. Selective property
 - C. Money
 - D. Insurance
30. Six months ago, Xander bought 500 shares of stock at \$25 per share. Today, he sold all 500 shares for \$48 per share. What type of tax is Xander obligated to pay as a result of this financial transaction?
- A. Stock sales tax
 - B. Luxury tax
 - C. Capital gains tax
 - D. Excise tax
31. A certificate of deposit is a short-term debt security that is sold through _____ markets.
- A. commodities
 - B. money
 - C. modified
 - D. capital
32. How can the owner of the Rainy Day Cafe figure out how much money they will make by adding a new salad to the menu?
- A. Eliminate indirect costs
 - B. Determine labor costs
 - C. Discover sunk costs
 - D. Perform marginal analysis
33. Juan noticed a positive variance of \$2,000 in the email marketing section of his budget. Juan concluded that this variance demonstrated efficient use of funds. What is another possible explanation for the positive variance?
- A. Email marketing is not an important activity.
 - B. The planned email marketing campaigns were not completed.
 - C. Email marketing was not effective.
 - D. The budget did not allocate enough resources for email marketing.
34. Which of the following work situations would best demonstrate a job with high depth and high scope:
- A. A manager is responsible for developing the monthly work schedule for employees.
 - B. The manager signs the employee time cards at the end of each work week.
 - C. The manager of a restaurant selects the monthly menu and designs a newspaper advertisement.
 - D. The manager evaluates employee performance according to the owner's standard.

35. Reece Fashion is considering whether to continue producing one of its handbags. One manager argues that the material that the company purchased to make the handbags was extremely expensive, so production should be halted. However, another manager points out that the cost of this material should not be considered in the decision because
- A. it is a differential cost.
 - B. it is coming from a biased source.
 - C. it is a sunk cost.
 - D. it was the cheapest option.
36. Katie has developed a new product idea and plans to share it at the next staff meeting. Katie knows that some coworkers will object to her idea. When her coworkers share concerns that her idea won't work, Katie should
- A. explain that there is no proof her idea wouldn't work.
 - B. remind her coworkers that they are sharing opinions, not facts.
 - C. acknowledge their concerns and respond in a respectful manner.
 - D. repeat her proposal because it is based on quality research.
37. Human resources management has been influenced by modern employees' emphasis on
- A. unionization.
 - B. work-life balance.
 - C. maximizing wealth at any cost.
 - D. friendships.
38. When giving constructive criticism, it's important to do so in a _____ manner.
- A. public
 - B. nonthreatening
 - C. forceful
 - D. humorous
39. Which of the following is a legal consideration that pertains to accounting:
- A. Computer hacking
 - B. Gift giving
 - C. Entertaining
 - D. Tax reporting
40. What are the two major sections of a statement of changes in stockholders' equity?
- A. Capital stock and retained earnings
 - B. Net income and retained earnings
 - C. Capital stock and dividends declared
 - D. Net income and total stockholder's equity
41. DeMarcus behaves ethically at his job even when no coworkers or supervisors are watching. DeMarcus is displaying
- A. greed.
 - B. transparency.
 - C. integrity.
 - D. viability.

42. To reduce the risk of loss due to fire or power outages, a financial business should protect its computer data by
- A. monitoring data-transmission rates.
 - B. using encryption techniques.
 - C. implementing an authorization process.
 - D. conducting backup procedures.
43. What is the first step in designing a multi-table query?
- A. Locate the correct tables.
 - B. Pinpoint exactly what you want to know.
 - C. Set the correct join direction.
 - D. Determine the criteria.
44. Which of the following is a graphic aid that uses text to depict a sequence of events or the order of a process:
- A. Geographic map
 - B. Bar chart
 - C. Pie chart
 - D. Flowchart
45. Ford Motor Company purchased tires from one tire company to be put on all automobiles in its manufacturing plants. This is an example of _____ purchasing.
- A. resale
 - B. retail
 - C. dispersed
 - D. industrial
46. Alexei determines who in his company is permitted to read data within the financial information management system. Alexei has assumed responsibility for the _____ stewardship of the company's financial information.
- A. definition
 - B. access
 - C. environmental
 - D. geospatial
47. Corporate governance is intended to
- A. promote the company to customers.
 - B. decrease the accountability of a company.
 - C. defend the company in court.
 - D. mitigate risk and avoid problems.
48. Dante received a \$500 check from his parents on his birthday. If he invests the check into his savings with an annual rate of 5%, how much will it be worth in a year?
- A. \$505
 - B. \$575
 - C. \$525
 - D. \$550

49. Which of the following are factors that affect a business's decision to offer credit to a customer:
- A. Credit rating, objectives, and income
 - B. Debt ratio, credit rating, and education
 - C. Income, debt ratio, and credit rating
 - D. Debt ratio, education, and objectives
50. Which of the following is a benefit of compliance in the finance industry:
- A. It builds and maintains public trust in the financial system.
 - B. It eliminates all risks an organization may face.
 - C. It makes it easier to manipulate the market or market prices.
 - D. It leads to decreased regulatory scrutiny and regulation.
51. Which of the following would afford finance professionals the best opportunity to build long-lasting relationships with other finance professionals:
- A. Actively participating in a local professional association for the finance industry
 - B. Regularly attending trade shows for the finance industry
 - C. Actively attending meetings sponsored by the local chamber of commerce
 - D. Occasionally auditing classes at a local postsecondary institution
52. If a company spends all of its financial resources to discover a new way to purify water, it could be classified as a _____ organization.
- A. zero-risk
 - B. risk-tolerant
 - C. risk-seeking
 - D. risk-adverse
53. Which of the following is a cost of credit:
- A. Lower prices
 - B. Annual fees
 - C. Credit unions
 - D. Budget credit
54. Which of the following is the accounting equation:
- A. $\text{Assets} = \text{Liabilities} - \text{Owner's Equity}$
 - B. $\text{Liabilities} = \text{Owner's Equity} + \text{Assets}$
 - C. $\text{Owner's Equity} = \text{Assets} \times \text{Liabilities}$
 - D. $\text{Assets} = \text{Liabilities} + \text{Owner's Equity}$
55. A business risks losing its good reputation if it
- A. provides accurate information to stockholders.
 - B. encourages employees to report questionable behavior.
 - C. uses questionable tactics to achieve profitability.
 - D. requires new suppliers to provide credit information.

56. What is a possible reason for not allocating costs?
- A. A cost is fixed rather than variable.
 - B. The budget has already been exceeded.
 - C. A cost is not controlled by any department.
 - D. Costs are not high enough to be allocated.
57. To effectively solve problems in business, employees need to
- A. respect the opinions of others.
 - B. be aggressive if necessary.
 - C. stand firm in their beliefs.
 - D. obtain support for their side.
58. Insurance institutions are different from banks because insurance institutions
- A. are subject to federal and state oversight.
 - B. ensure their customers against certain risks.
 - C. act as an intermediary between savers and investors.
 - D. have a mismatch between their liabilities and assets.
59. Knowing that a bad storm is coming, a company shuts down a construction site so no one will be hurt by the bad weather. This is an example of what risk control technique?
- A. Loss prevention
 - B. Separation
 - C. Avoidance
 - D. Duplication
60. Terry owns stock in the Good EatZ food company. He wants to know how much profit the company has made in the last six months. What type of financial statement should Terry reference?
- A. Balance sheet
 - B. Income statement
 - C. Cash flow statement
 - D. Shareholders' equity
61. Each year, the Magnolia Corporation compiles information to send to shareholders and interested parties to inform them of the status of the company. What is this information typically called?
- A. Financial statement
 - B. SWOT analysis
 - C. Executive summary
 - D. Annual report
62. Erica is looking at a stock that has a current price of \$50.75, a 52-week high of \$53.64, and a 52-week low of \$42.45. The dividend of the stock is 2.50, while the net change is at +.10. Based on this information, what is the yield percentage of this stock?
- A. 20.3%
 - B. 4.9%
 - C. 5.9%
 - D. 21.4%

63. Financial globalization helps investors reduce their exposure to
- A. regulatory liberalization.
 - B. business cycle risks.
 - C. speculative bubbles.
 - D. capital appreciation.
64. In developed societies, intrinsic motivation is generally more powerful than extrinsic motivation because it
- A. comes from outside of the individual's personal desires.
 - B. is independent of factors that are already satisfied.
 - C. is tied to external rewards such as money or prizes.
 - D. can be easily changed based on the person's environment.
65. Phoebe is the manager of a small company. One of her employees has been showing up late and missing work frequently. What channel of communication should Phoebe use to discuss this issue with them?
- A. Face-to-face conversation
 - B. A video conference
 - C. An email message
 - D. A company-wide memo
66. Charlotte, an investment advisor, does more than simply sell stocks and bonds. She also provides investing advice to her clients on an ongoing basis. She talks with clients about their short-term and long-term investing goals and helps them select the investments that are best for them. Charlotte acts as her clients'
- A. credit analyst.
 - B. fiduciary.
 - C. institutional investor.
 - D. accountant.
67. When Arthur travels out of the country, he picks up some souvenirs. When he tries to bring them back home with him, he discovers that he has to pay a tax on them. Arthur must pay the
- A. customs duty.
 - B. souvenir tax.
 - C. travel tax.
 - D. travel duty.
68. A clothing manufacturer builds quality into its operating system, placing responsibility on each employee. This process is known as quality
- A. inspection.
 - B. guarantee.
 - C. delivery.
 - D. assurance.
69. Iliana, an accountant, provides information to executives about the costs of implementing recyclable packaging. This is an example of how
- A. financial information can assist in sustainability reporting.
 - B. financial information should only be shared with top-level executives.
 - C. accountants can help organizations use activity-based costing.
 - D. sustainability efforts are usually too expensive to implement.

70. Which type of financial analysis is best for comparing a single company's historical financial information to determine trends?
- A. Liquidity analysis
 - B. Horizontal analysis
 - C. Vertical analysis
 - D. Leverage analysis
71. Which of the following business activities is most likely to impact an organization's governance structures:
- A. Hiring a new sales representative
 - B. Developing a marketing strategy
 - C. Raising prices on consumer goods
 - D. Borrowing money from a bank
72. Why is it important for businesses to keep accurate accounts-receivable information?
- A. To monitor aging accounts
 - B. To classify stocks
 - C. To forecast sales
 - D. To evaluate interest rates
73. Wonka Industries runs routine internal audits and divides the responsibilities of important projects among several managers. As a result, the company enjoys smooth day-to-day operations and improved performance. This is an example of the impact of _____ on decision-making and management functions.
- A. community involvement
 - B. external regulations
 - C. corporate governance processes
 - D. public relations efforts
74. The nature of an agent's work and the level of an agent's control are factors that determine if a _____ relationship exists.
- A. controller-associate
 - B. tutor-student
 - C. principal-collaborator
 - D. employer-employee
75. Kaleb is removing duplicate records from his company's customer-relationship-management system. Kaleb is conducting _____
- A. data cleansing.
 - B. environmental scanning.
 - C. technical analysis.
 - D. exploratory research.
76. Makayla wants to know whether or not her customer can pay short-term debts. What type of financial ratio analysis should Makayla use?
- A. Asset turnover
 - B. Profit margin
 - C. Working capital
 - D. Debit/Equity

77. What is an advantage of using technology in compliance?
- A. Increased efficiency
 - B. Ease of transitions
 - C. Decreased cost
 - D. Risk of increased fraud
78. Which of the following factors may influence supply:
- A. Standard of living
 - B. Natural disasters
 - C. Product utility
 - D. Number of consumers
79. If three employees have the same level of ability and competence, what factor might a business use to decide which one to promote?
- A. Gender
 - B. Age
 - C. Seniority
 - D. Tenure
80. Sharon is in charge of examining and preparing financial records at her company. What category of finance careers does she likely work in?
- A. Securities and investments
 - B. Banking services
 - C. Insurance
 - D. Accounting
81. Taylor notices that a sharp cutting tool was left on the floor after some boxes were opened in the receiving area. He should immediately
- A. ignore it.
 - B. try to find out who left it there.
 - C. pick it up and put it away.
 - D. notify his supervisor.
82. What does a group's leader do?
- A. Takes the meeting minutes
 - B. Makes sure the group members agree
 - C. Puts the group on a certain course
 - D. Follows up with everyone
83. In which of the following ways can employees contribute to the achievement of governance objectives:
- A. Report progress to shareholders
 - B. Create policies to enforce objectives
 - C. Draft bylaws that all must follow
 - D. Provide feedback to improve objectives

84. The primary purpose of placing headings and subheadings in a long business report is to
- A. organize content in a cohesive, manageable way.
 - B. attract attention to the writer's hidden agenda.
 - C. solicit an opinion or response from the audience.
 - D. provide supporting evidence for key points.
85. Which of the following is an example of a capital good:
- A. Coal
 - B. A pine forest
 - C. A highway
 - D. A cashier
86. Which of the following is an example of a tax liability:
- A. Value of an exemption
 - B. Deduction for a charitable contribution
 - C. Amount due on an inheritance
 - D. Interest paid on a mortgage
87. A benefit of enterprise risk management is that it gives companies the opportunity to
- A. consider risks in a positive way.
 - B. focus on risks by department.
 - C. respond to events as they happen.
 - D. take a reactive approach to problem-solving.
88. Drew, a high-ranking employee at a wealthy corporation, received word that a product his company produces will need a massive recall, which will likely result in the company's stock price falling. Before the news of the recall is made public online, Drew informs one of his close friends of the upcoming recall so they can sell their stock in the company. Drew's actions demonstrate
- A. internet fraud.
 - B. pump-and-dump schemes.
 - C. insider trading.
 - D. boiler room tactics.
89. It is important to be honest about the time commitment required when interviewing potential employees for a new business because
- A. entrepreneurs shouldn't hire employees with busy personal lives.
 - B. being honest should weed out the people who aren't dedicated to the job.
 - C. employees are not legally allowed to work more than 40 hours per week.
 - D. employees who are overburdened are unlikely to stay with the company.
90. When providing product information to clients, finance professionals should use
- A. financial acronyms.
 - B. simple explanations.
 - C. standard responses.
 - D. technical terms.

91. Accounting software applications facilitate a business's ability to efficiently track income and expenses, manage inventory, and
- A. plan work projects.
 - B. process payroll.
 - C. organize media transcripts.
 - D. establish insurance policies.
92. Aidan is conducting online research for a marketing project at work. What web-based tool will help Aidan save and organize the websites that contain the relevant information he needs for his final report?
- A. Browser bookmarking applications
 - B. Personal intranet connection
 - C. Notebook with color-coded dividers
 - D. Word-processing memo template
93. Why would a financial advisor use standard deviation to evaluate an investment?
- A. To find the range
 - B. To understand potential risk
 - C. To determine the average price
 - D. To solve for mode
94. An organization's board of directors must always act in the best interest of the organization rather than themselves. What word best describes this responsibility?
- A. Ad hoc
 - B. Fair market
 - C. Actuary
 - D. Fiduciary
95. Businesspeople from one country need to be aware of the cultural differences of businesspeople from other parts of the world to avoid
- A. discussing finances.
 - B. being insulting or rude.
 - C. asking questions.
 - D. meeting face-to-face.
96. What type of organizational goal involves setting standards in relation to the target market's expectations?
- A. Consumer
 - B. Employee
 - C. Technology
 - D. Financial
97. When Violet makes a mistake, she admits it to her boss and tries to make things right. Violet is demonstrating
- A. loyalty.
 - B. empathy.
 - C. consistency.
 - D. dependability.

98. The accounting staff at the Sun Valley Granola Company recently completed their annual review of the company's budget. The team noticed that the company spent more money on advertising and promotion in the last year than on quality control. One staff member remarked that the company had been receiving an increase in complaints from dissatisfied customers than in previous years. What function of financial information management did the company neglect in this situation?
- A. Policy setting
 - B. Planning
 - C. Budgeting
 - D. Stewardship
99. When a business actively takes steps to ensure that it is complying with safety standards, its goal is to reduce
- A. property disputes.
 - B. social responsibility.
 - C. liability exposure.
 - D. fraudulent activity.
100. Why are financial institutions using tokenization?
- A. To protect online transactions
 - B. To overcome government-regulated quotas
 - C. To provide incentives for increased investing
 - D. To create credit cards



KEY

Test Number 1286

Finance Cluster Exam

ACT – Accounting Applications Series Event

BFS – Business Finance Series Event

FCE – Financial Consulting Event

FTDM – Financial Services Team Decision Making Event

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1. C

Of all ages. Difficult customers come in all shapes and sizes. They are of all ages, all economic levels, and may be either male or female. They are difficult to distinguish from other customers except that they have problems that make it hard to work with them.

SOURCE: CR:009 Handle difficult customers

SOURCE: LAP-CR-009—Making Mad Glad (Handling Difficult Customers)

2. A

Economic growth. People generally view a rising stock market as a signal that the economy is strong. Therefore, they have confidence and are more likely to spend their money. This, in turn, causes the economy to grow. The rising of the stock market does not typically lead to recession, fewer loans, or deflation.

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

SOURCE: Basu, C. (2019, March 6). *What is a stock and how do stocks affect the economy?* Retrieved August 8, 2023, from <https://finance.zacks.com/stock-stocks-affect-economy-2233.html>

3. A

Overconfidence. Several things can cause business professionals to make poor, unethical decisions. Overconfidence is one factor that can affect a person's ability to make the right decision. Overconfident executives such as Jordan are often so sure of themselves that they can't see the risks involved in making one decision versus another, even when their colleagues warn them of possible negative consequences of their actions. Incrementalism is the diminishing of ethical values over time. Self-interest involves looking out for your own well-being, rather than making the ethical, right choice for the company and its employees. Framing is a 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)

4. D

Negative. The law of diminishing returns states that if all the factors of production remain the same except one, additions to the one variable factor will eventually decrease the level of productivity. If a business adds too many workers, the level of productivity will decrease and may even become negative if those workers do not have sufficient resources to function properly. A business with too many workers may end up spending more money to produce products than the products generate in income. At that point, the marginal product turns negative. The addition of too many workers does not cause the marginal product to turn upward or positive. Workers are a variable factor in production over which a business has control.

SOURCE: EC:023 Explain the impact of the law of diminishing returns

SOURCE: Hayes, A. (2022, April 4). *Law of diminishing marginal returns*. Retrieved August 10, 2023, from <https://www.investopedia.com/terms/l/lawofdiminishingmarginalreturn.asp>

5. C

Examining the relevant costs of advertising options. Managerial accountants can use techniques such as relevant cost analysis to assist marketers in making decisions regarding advertising options. They can determine which will have the lowest and highest costs. Determining whether to buy or make a component is not necessarily a marketing decision. Developing a target market analysis would generally not be a task for a managerial accountant. Creating a budget for hiring increases is not directly related to marketing products.

SOURCE: FI:660 Explain the nature of managerial accounting

SOURCE: Freedman, J. (2019, January 28). *Why management accounting is important in decision-making*. Retrieved August 8, 2023, from <http://smallbusiness.chron.com/management-accounting-important-decisionmaking-53947.html>

6. C

Your role in your community. Your personal vision should address the impact you hope to have in your community through the various roles that you will have in your life—employee, citizen, mother, father, sister, brother, etc. New Year's resolutions are usually specific goals that individuals hope to achieve—therefore, they are too short-term to be included in a personal vision. Your vision should not address your to-do list or your academic goals, either—both are too specific and short-term to be included in your vision.

SOURCE: EI:063 Determine personal vision

SOURCE: LAP-EI-063—Picture This! (Determining Personal Vision)

7. A

Retrievable. Information management should ensure that information is retrievable. This means that people who need it can access it when necessary. Information management does not and cannot ensure that information is abundant or pleasant. Information should be inaccessible only to those who shouldn't be able to see it.

SOURCE: NF:110 Discuss the nature of information management

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

8. B

Reciprocal. Strong professional relationships are essential for success in the finance industry, and for these relationships to be strong, they must also be reciprocal. A reciprocal relationship is one in which each member of the relationship helps the other. In finance, this usually means referring clients to each other for the different services that they require. For instance, a bank loan officer may refer clients to a particular insurance agent for their homeowners' insurance. Likewise, that insurance agent would refer clients interested in refinancing their mortgage or purchasing a home to the bank loan officer. A strong professional relationship in finance is not a one-sided or majority-rule relationship. Instead, the professionals should help each other and consider each other to be equals. A strong professional relationship is not necessarily easily maintained.

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

SOURCE: Parsons, L. (2022, December 16). *How to build business relationships*. Retrieved August 8, 2023, from <https://professional.dce.harvard.edu/blog/how-to-build-business-relationships/>

9. A

Initiative. Initiative is willingness to act without having to be told to do so and sometimes includes willingness to accept/seek additional or unpleasant duties. A person with initiative is ready, willing, and able to think and act on their own. Creativity is the ability to generate unique ideas, approaches, and solutions. Empathy is the ability to put oneself in another person's place. Honesty is acting in a truthful, fair manner.

SOURCE: EI:024 Demonstrate initiative

SOURCE: LAP-EI-240—Hustle! (Taking Initiative at Work)

10. A

All former entities no longer exist, and a single, new legal entity is formed. A consolidation occurs when two businesses agree to create a new entity so that one business can take over the net assets of another entity; neither of the original entities continues to exist. After an acquisition, all entities continue operating, connected by a parent-subsidiary relationship. A merger occurs when a business absorbs 100% of another entity's stock and the acquirer continues to exist. In a consolidation, the acquirer purchases 100% of the target's equity, not less.

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

SOURCE: Kenton, W. (2020, November 27). *Consolidate: What it means in business and finance*. Retrieved August 8, 2023, from <https://www.investopedia.com/terms/c/consolidate.asp>

11. A

Firewall software. Firewalls are computer programs that secure and protect computer networks from unauthorized users. Spyware is a type of software that gathers information about a user's computer activity (e.g., browsing history) without their knowledge. Debugger applications help identify and correct computer-programming errors. Compression software reduces the size of an electronic file, which reduces storage space and increases the speed of transmission.

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

SOURCE: Check Point Software Technologies. (1994-2023). *What is firewall software?* Retrieved August 10, 2023, from <https://www.checkpoint.com/cyber-hub/network-security/what-is-firewall/what-is-firewall-software/>

12. B

Smartphones. Smartphones are quickly becoming a critical business tool for customer relationship management. The devices not only include cellular telephone capabilities, but also a variety of computer applications, including internet access. Businesspeople can call customers from remote locations, check email, verify inventory levels, and place orders from smartphones. In many situations, smartphones reduce the need to carry laptops and tablet computers because many of the applications that salespeople need to conduct business are on these devices. Businesses can also send promotional messages to their customers' smartphones. Autoresponder applications provide email recipients the ability to send automatic messages back to the message sender (e.g., out-of-office announcements). Data banks and fax machines are not forms of mobile-application technology.

SOURCE: CR:018 Describe the use of technology in customer relationship management

SOURCE: Kooser, A. (2019). *Mobile technology for business*. Retrieved August 8, 2023, from <https://smallbusiness.chron.com/mobile-technology-business-2187.html>

13. C

Management; consider a business's total cost of production. Cost accounting is a form of managerial accounting, which provides financial information to leadership that makes business decisions. It does not typically provide information to external parties, such as stakeholders. Cost accounting considers a company's cost of production, which can include labor, materials, overhead, etc. It does not include advertising costs.

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

SOURCE: Tuovila, A. (2023, March 9). *Cost accounting: Definition and types with examples*. Retrieved August 8, 2023, from <https://www.investopedia.com/terms/c/cost-accounting.asp>

14. B

Special weekend room rates. The hotel promotion encourages customers to book a reservation by offering them a reduced price for a weekend reservation. Trained service staff, an airport shuttle bus, and sauna and exercise equipment are hotel services that could be used in nonprice competition.

SOURCE: EC:012 Explain the concept of competition

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

15. D

Communicate priorities. Employees carry out the work to achieve the organization's goals. To carry out the work, managers must communicate their work priorities to employees. When employees know and understand their priorities, they can perform the most important tasks before they tackle the less important tasks. An organization's mission statement guides the goal-setting process, but it does not provide specific information for completing specific work tasks. Although a variety of work subcultures (e.g., departmental, team, social) exist in most organizations, managers must communicate their work priorities to employees so that they can carry out tasks that will achieve organizational goals. Collected information must be communicated and acted upon to achieve the organization's goals.

SOURCE: PD:255 Ascertain employee's role in meeting organizational goals

SOURCE: Forbes. (2023, January 10). *How to effectively communicate company goals with your employees*. Retrieved August 9, 2023, from

<https://www.forbes.com/sites/forbesbusinesscouncil/2023/01/10/how-to-effectively-communicate-company-goals-with-your-employees/?sh=47d0caf529f7>

16. A

Standards. Part of a quality-management plan is choosing and implementing standards for how quality will be measured. Otherwise, it's difficult to know whether the project has met expectations. Scheduling, changes, and risks are all aspects of project planning that are covered in other parts of the project plan.

SOURCE: OP:001 Develop project plan

SOURCE: LAP-OP-001—Chart Your Course (Developing a Project Plan)

17. C

Standing-order. Businesses often negotiate a long-term price from a specific vendor for various staple items such as office supplies. The vendor guarantees the price and delivers the products at regular intervals, such as every other day or twice a week. This is an example of the standing-order purchasing method because the vendor automatically delivers the predetermined amount at a predetermined time for a guaranteed price. The business does not need to call the vendor each time it needs an order of copy paper or toner. The competitive-bid method involves obtaining several prices before placing an order, often with the vendor that offered the lowest bid. The blank-check method involves allowing some vendors to deliver goods without negotiating a price.

SOURCE: OP:016 Place orders/reorders

SOURCE: University at Buffalo. (2023). *Standing orders*. Retrieved August 10, 2023, from

<https://www.buffalo.edu/administrative-services/managing-procurement/ereq/standing-orders.html>

18. B

New. For several different reasons, many businesses fail within the first few years. So, for many startup companies, simply achieving stability is a main goal. After the company achieves stability, it can reevaluate its goals and focus more on growth. While old, small, and large companies should all be sure to achieve stability, it isn't necessarily their main or only goal.

SOURCE: MK:015 Discuss actions employees can take to achieve the company's desired results

SOURCE: LAP-MK-015—Act Now! (Employee Actions and Company Goals)

19. B

The client's order will be delayed. Because there are no materials to ship the order, the client's order will not be able to be shipped in time. Productivity will decrease, and inventory will increase. Orders will not be affected, although fulfillment times may increase.

SOURCE: OP:247 Explain the impact of the purchasing process on productivity

SOURCE: Murray, M. (2019, June 25). *Measuring purchasing performance*. Retrieved August 9, 2023, from http://logistics.about.com/od/strategicsupplychain/a/measure_purchasing.htm

20. D

Pronounce their names correctly. One way to show respect for foreign clients, their families, and their cultures is to learn to say their names properly. If you mispronounce a client's name, you might insult the person or hurt their feelings. If you can speak a client's native tongue, converse with that client in their language rather than always speaking in your own native language. Especially if your clients' knowledge of the English language is limited, you should avoid using slang and idioms—your clients may not understand what you really mean by such words and phrases. When communicating with clients of different cultures, do not base your actions on cultural stereotypes.

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

SOURCE: Baker, C. (2022, June 3). *Cross-cultural communication in the workplace*. Retrieved August 8, 2023, from <https://leaders.com/articles/company-culture/cross-cultural-communication/>

21. B

Soft skills are extremely important. Even though they may not initially seem like they are related to finance, soft skills are important in every industry. Soft skills include people skills and communication skills. Mathematical skills are necessary, but so are many other skills.

SOURCE: PD:152 Discuss employment opportunities in the finance industry

SOURCE: LAP-PD-152—Career Opportunities in Finance

22. B

Credit unions, savings and loan associations, and commercial banks. Deposit-taking financial institutions accept funds from customers (depositors) and pay interest on the funds. Credit unions, commercial banks, savings and loan associations (banks), and mutual savings banks are types of deposit-taking financial institutions. A corporation is a form of business ownership that is owned by stockholders who have purchased units or shares of the company. Brokerages are financial intermediaries that sell securities. Insurance firms sell insurance and securities. Corporations, brokerages, and insurance firms are not types of deposit-taking financial institutions.

SOURCE: FI:336 Describe the role of financial institutions

SOURCE: Horton, M. (2023, March 30). *Different types of financial institutions*. Retrieved August 8, 2023 from <https://www.investopedia.com/ask/answers/061615/what-are-major-categories-financial-institutions-and-what-are-their-primary-roles.asp>

23. C

External. The external environment is a business's external, uncontrollable surroundings. The external environment consists of elements such as the economy, demographics, society and culture, etc. The internal environment would include items like inventory, research and development, and capital. Tangible items have a physical presence and can be touched, smelled, tasted, seen, or heard. The economy is intangible; it isn't a physical thing.

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

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

24. A

Tracking. Most personal and business budgeting applications allow users to connect their budgeting software directly to their bank accounts (e.g., checking and savings) and loans. Rather than manually entering every expense, automatic tracking transmits expense information from the bank to the budgeting application without human intervention. However, it is still wise for budgeting-software users to compare this information to physical receipts to verify that the data are accurate. An automatic backup system copies and saves computer files regularly to prevent loss of important data. Budgeting applications are typically programmed to provide users with automatic alerts—reminders—to make payments that are coming due. An affirmation is something you want to accept, incorporate, or develop. It typically refers to a present or desired strength.

SOURCE: FM:013 Demonstrate budgeting applications

SOURCE: Accounting Tools. (2022, December 20). *Budgeting and planning software definition*. Retrieved August 8, 2023, from <https://www.accountingtools.com/articles/budgeting-and-planning-software>

25. C

Respect. Respect is showing regard for other people and their ideas. To have successful human relations, you must have respect for others and for yourself. It is not necessary to admire everyone or to treat them with reverence, but you should not treat anyone with indifference.

SOURCE: EI:037 Foster positive working relationships

SOURCE: LAP-EI-037—Can You Relate? (Fostering Positive Working Relationships)

26. D

Allows individuals to organize their thoughts meaningfully. Written communication tends to be more formal than other forms of communication because it allows individuals to collect and organize their thoughts in a meaningful and purposeful way. Written communication is not necessarily always used by knowledgeable people, and written communication often contains opinions as well as facts. Written communication skills are important for many jobs, but written communication is not the preferred method of communication for all jobs.

SOURCE: EI:007 Explain the nature of effective communications

SOURCE: LAP-EI-140—More Than Just Talk (Effective Communication)

27. B

Unbiased. For data analysis to be performed properly, the researcher should be unbiased, nonjudgmental, trained, and consistent with the information and results.

SOURCE: NF:139 Explain the principles of data analysis

SOURCE: Farese, D. (2023, March 29). *How to do market research: A guide and template*. Retrieved August 9, 2023, from <https://blog.hubspot.com/marketing/market-research-buyers-journey-guide>

28. A

Consistent. Consistency means treating everyone the same regardless of the situation or circumstances. Since Bill treats all of his children the same way, he is being consistent. This situation does not show that Bill is empathetic, biased, or generous.

SOURCE: EI:127 Demonstrate fairness

SOURCE: LAP-EI-127—Fair or Foul? (Demonstrating Fairness)

29. A

Soft commodities. A financial market is an organized effort or exchange that facilitates the buying and selling of financial assets. There are many types of financial markets, including the commodities market. Commodities are resources, including agricultural goods and mined goods (e.g., gold, silver) that are often used to make other goods. Agricultural goods such as cocoa beans and corn are types of soft commodities. Money markets facilitate the buying and selling of short-term, low-risk financial products (e.g., treasury bills). Selective property and insurance do not describe types of financial markets.

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

SOURCE: Hayes, A. (2023, July 2). *Commodity market: Definition, types, example, and how it works*. Retrieved August 8, 2023, from <https://www.investopedia.com/terms/c/commodity-market.asp>

30. C

Capital gains tax. A capital gain is the increase in an asset's value from the time that it is purchased to the time that it is sold. The federal government charges capital gains taxes on most capital gains. A luxury tax is a tax paid on nonessential (and, in many cases, expensive) goods. An excise tax is a tax placed on a specific good. Luxury and excise taxes can be used to discourage consumption of certain products or to raise some easy money on products that the government knows people will continue to purchase, regardless of the tax. Stock sales tax is a fictitious term.

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

SOURCE: Fernando, J. (2023, July 31). *Capital gains tax: What it is, how it works, and current rates*. Retrieved August 7, 2023, from https://www.investopedia.com/terms/c/capital_gains_tax.asp

31. B

Money. A financial market is an organized effort or exchange that facilitates the buying and selling of financial assets. Money markets facilitate the buying and selling of short-term, low-risk financial products, such as treasury bills and certificates of deposit. Capital markets buy and sell long-term securities such as corporate and municipal bonds. Commodities markets are involved with the buying and selling of various resources such as agricultural goods and mined goods, which are often used to make other products. Modified is not a type of financial market.

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

SOURCE: Fernando, J. (2023, May 3). *What is a certificate of deposit (CD) and what can it do for you?* Retrieved August 8, 2023, from <https://www.investopedia.com/terms/c/certificateofdeposit.asp>

32. D

Perform marginal analysis. Marginal analysis helps businesses understand the additional benefits of an activity as compared to the costs of that activity. Adding a new salad might generate revenue, but it will also cost money. Marginal analysis can determine whether it is financially worthwhile. Sunk costs are not related to marginal analysis. Eliminating indirect costs is not feasible and would not necessarily help the owner in this situation. Labor costs might be one factor related to the owner's decision, but they need more information to determine how much money they will make.

SOURCE: FI:659 Describe marginal analysis techniques and applications

SOURCE: Ross, S. (2021, July 31). *How marginal analysis helps in managerial decisions*. Retrieved August 8, 2023, from <https://www.investopedia.com/ask/answers/042315/how-marginal-analysis-used-making-managerial-decision.asp>

33. B

The planned email marketing campaigns were not completed. If money was not spent on email marketing, it is possible that the campaigns planned in the budget were never carried out, which would not demonstrate efficient use of funds. Positive variance does not necessarily relate to the ineffectiveness of email marketing. If there is a positive variance, it would suggest that the budget allocated too much toward email marketing rather than not enough. Finally, the positive variance does not necessarily imply that email marketing is or is not important to an organization.

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

SOURCE: Chen, J. (2020, November 30). *Budget variance: Definition, primary causes, and types*. Retrieved August 8, 2023, from <https://www.investopedia.com/terms/b/budget-variance.asp>

34. C

The manager of a restaurant selects the monthly menu and designs a newspaper advertisement. Selecting the menu and designing an advertisement represent a variety of tasks and also a high degree of latitude concerning decision-making. The relationship of scope and depth can change with a specific task, so the amount of scope and depth varies at different times. A manager developing a monthly work schedule is an example of high depth. Signing time cards is low scope. Following guidelines to evaluate performance is an example of low depth.

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

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

35. C

It is a sunk cost. Sunk costs are those that have already been incurred and cannot be recovered by any decision. Because the material was already purchased, the cost cannot be recovered. Therefore, it should not be a factor when deciding whether or not to produce the handbags. There is no indication that the manager is a biased source of information or that the material purchased was the cheapest option. Differential cost is the difference in cost between two alternatives.

SOURCE: FI:658 Describe types of costs used in managerial accounting (e.g., direct cost, indirect cost, sunk cost, differential cost, etc.)

SOURCE: Javed, R. (2023, July 10). *Differential, opportunity and sunk costs*. Retrieved August 8, 2023, from <https://www.accountingformanagement.org/differential-opportunity-and-sunk-costs/>

36. C

Acknowledge their concerns and respond in a respectful manner. To objectively defend an idea, it is important to acknowledge any concerns, consider them, and respond in a respectful manner. Stating that there is no proof that the idea wouldn't work does little to defend the idea and does not demonstrate an objective attitude. While it may be true that Katie's coworkers are only sharing opinions, their opinions may be based on years of experience and should be considered. Information based on quality research can provide good insight, but repeating the information does little to defend against concerns and does not demonstrate objectivity.

SOURCE: CO:061 Defend ideas objectively

SOURCE: Haddock, P. (2019, June 8). *Defend your ideas without becoming defensive*. Retrieved August 8, 2023, from <https://gohighbrow.com/defend-your-ideas-without-becoming-defensive/>

37. B

Work-life balance. Human resources management has been influenced by modern employees' emphasis on work-life balance. HR managers may address this by offering more flexible work arrangements, such as remote work. Modern employees are not necessarily focused on friendships, unionization, or maximizing wealth at any cost.

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

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

38. B

Nonthreatening. Constructive criticism should always be given in a nonthreatening way. People don't usually respond well to criticism when they're afraid. Criticism should never be given in public, as doing so could embarrass the message receiver. It's also best to avoid being forceful, as that might be perceived as threatening. While sometimes humor can help you deliver a bad message, it's a better idea to focus on being nonthreatening, thoughtful, and nonjudgmental instead of being funny.

SOURCE: EI:003 Explain the use of feedback for personal growth

SOURCE: LAP-EI-903—Grin and Bear It (Using Feedback for Personal Growth)

39. D

Tax reporting. All businesses are required by law to report and pay a variety of taxes. Tax reporting is a legal consideration that pertains to accounting because income and expenses can be reported in different ways. For example, it is illegal for a business to misrepresent financial information to indicate a loss for the purpose of not paying taxes. It is also illegal for a business to fail to report and pay sales tax and payroll withholding tax for employees. Businesses need to be aware of legal issues to avoid potential problems. Gift giving, entertaining, and computer hacking are usually ethical considerations rather than legal considerations.

SOURCE: FI:353 Explain legal considerations for accounting

SOURCE: US Legal. (1997-2023). *Accounting law and legal definition*. Retrieved August 8, 2023, from <https://definitions.uslegal.com/a/accounting/>

40. A

Capital stock and retained earnings. The statement of changes in equity, also known as the statement of changes in stockholders' or shareholders' equity, indicates changes in stockholders' equity accounts during a specified time period. The capital stock section of a statement of changes in stockholders' equity shows the current value of stocks issued, while the retained earnings section shows the value of any net income retained for business expansion minus any dividends declared as distributions to stockholders. Net income, dividends declared, and total stockholders' equity appear within the statement of changes in stockholders' equity, but they are not the most significant or major sections in that financial statement.

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

SOURCE: Xplained. (2010-2023). *Statement of changes in equity*. Retrieved August 8, 2023, from <https://xplained.com/969555/changes-in-shareholders-equity>

41. C

Integrity. Having integrity means acting ethically even when no one is watching. Transparency and viability are also ethical principles, but DeMarcus is not demonstrating them in this example. DeMarcus is not demonstrating greed.

SOURCE: EI:124 Explain reasons for ethical dilemmas

SOURCE: LAP-EI-124—What's the Situation? (Reasons for Ethical Dilemmas)

42. D

Conducting backup procedures. Backup procedures involve duplicating computer entries, records, and transactions on a regular basis and storing the duplicate files in a different location. By having backup files, the business can retrieve information that might be lost due to a computer crash, a power outage, or a fire. Encryption is the process of transforming information into a secret code so that only the recipient can read it. An authorization process is a way to limit the access to certain information. Using encryption techniques, implementing an authorization process, and monitoring data-transmission rates are not ways in which a business can protect its computer data from loss due to fire or power outages.

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

SOURCE: Ward, S. (2019, July 23). *How successful companies backup data*. Retrieved August 8, 2023, from <https://www.liveabout.com/data-backup-is-the-best-data-protection-2947129>

43. B

Pinpoint exactly what you want to know. To create a successful multi-table query, the first step is figuring out exactly what question you want the database to answer. If you aren't exactly sure what you want to know, the database cannot provide you with the information you need. Determining the criteria for the query, locating the correct tables, and setting the correct join direction are all important steps to take before creating the query, but none of them will be successful unless the exact question has been determined first.

SOURCE: NF:124 Demonstrate advanced database applications

SOURCE: GCFGlobal. (n.d.). *Access 2013: Designing a multi-table query*. Retrieved August 8, 2023, from <https://edu.gcfglobal.org/en/access2013/designing-a-multitable-query/1/>

44. D

Flowchart. A flowchart presents a visual depiction of activities or processes in sequential order. Flowcharts use text in a graphic format to present activities and processes. An example of a flowchart is an organizational chart, which depicts the hierarchy of positions and departments within an organization. A pie chart is a graphic aid that shows the frequency or distribution of parts in relation to a whole concept. A bar chart compares two or more variables in a graphical format. A geographic map is an illustration that shows the physical attributes (i.e., mountains, rivers) of a location or region.

SOURCE: CO:087 Select and use appropriate graphic aids

SOURCE: Smartdraw. (1994-2023). *Flowchart*. Retrieved August 8, 2023, from <https://www.smartdraw.com/flowchart/>

45. D

Industrial. Industrial purchasing is the process of buying goods and services for internal consumption in the business or conversion into a final product. Retailers purchase goods for resale to the ultimate consumer. Dispersed buying is purchasing from many vendors, which can lead to merchandise variety, alternate sources of supply, and competition between sources.

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

SOURCE: BCM. (2022, April 26). *Industrial consumer: What is their purchasing decision process like?* Retrieved August 9, 2023, from <https://www.bcm.marketing/en/bcm-blog/industrial-consumer/>

46. B

Access. Stewardship of a company's financial information is an aspect of financial information management. In other words, the financial information management function is responsible for protecting the quality and integrity of any financial information that the company possesses. Several types of financial information stewardship exist, including both access and definition stewardship. Access stewardship is the ability to decide who is permitted or denied access to data within the financial information management system. Definition stewardship is the ability to determine what data within the financial information management system mean. Environmental stewardship is not usually associated with financial information management; it involves responsibility for the protection and conservation of natural resources. Geospatial is not a form of stewardship.

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

SOURCE: University of Dayton. (n.d.). *Financial stewardship*. Retrieved August 8, 2023, from https://udayton.edu/finadmin/divisions/budget_planning/_resources/financial_stewardship/index.php

47. D

Mitigate risk and avoid problems. Corporate governance is intended to help a company mitigate risk and avoid problems. It's meant to increase accountability. A marketing department would be in charge of promoting the company. Lawyers would be in charge of defending a company in court.

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

SOURCE: Chen, J. (2023, March 22). *Corporate governance definition: How it works, principles, and examples*. Retrieved August 8, 2023, from <https://www.investopedia.com/terms/c/corporategovernance.asp>

48. C

\$525. If Dante invests the check into his savings with an annual rate of 5%, it will be worth \$525 in a year. The formula for calculating future value is $\text{Future Value} = \text{Present Value} \times (1 + \text{Interest Rate})$. In this scenario, the present value is \$500 and the interest rate is 5% (.05 as a decimal), making the equation $500 \times (1 + .05)$. After adding the numbers in the bracket, multiply that sum by the present value of \$500, which equals \$525.

SOURCE: FI:238 Calculate the time value of money

SOURCE: Carlson, R. (2020, September 29). *How to calculate the future value of an investment*. Retrieved August 7, 2023, from <https://www.thebalancemoney.com/how-to-calculate-the-future-value-of-an-investment-393391>

49. C

Income, debt ratio, and credit rating. To reduce the risk of nonpayment or default on a loan, a business considers several factors before it extends credit to its customers. Data such as the customer's income, debt ratio, and credit rating indicate to the business whether the customer is a good credit risk or not. The customer's objectives and educational level are not primary considerations.

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

SOURCE: Investopedia. (2023, April 27). *Credit risk: Definition, role of ratings, and examples*. Retrieved August 8, 2023, from <https://www.investopedia.com/terms/c/creditrisk.asp>

50. A

It builds and maintains public trust in the financial system. Financial compliance is the regulation and enforcement of laws and rules in finance, the capital markets, and the banking system. It has several benefits, including building and maintaining the public's trust in the financial system, managing risk, and reducing financial crime, among others. While financial compliance advises companies how to avoid and address risk, it does not entirely eliminate it. Financial compliance was a result of increased regulatory scrutiny and regulation because of the 2008 financial crisis; financial compliance does not lead to decreased regulatory scrutiny and regulation. The crisis led to compliance departments becoming active in risk management rather than being in simply an advisory role. Manipulating the market or market prices is considered to be an unethical financial compliance practice rather than a benefit.

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

SOURCE: Hargrave, M. (2020, October 31). *Compliance department: Definition, role, and duties*. Retrieved August 7, 2023, from <https://www.investopedia.com/terms/c/compliancedepartment.asp>

51. A

Actively participating in a local professional association for the finance industry. Active participation in a professional organization specific to the finance industry affords finance professionals the opportunity to serve on committees, hold offices, and attend seminars with other local finance professionals. This involvement may result in a long-term professional relationship for the participants. Regularly attending trade shows for the finance industry is more likely to result in short-term relationships. Insufficient information is provided to determine whether the audited classes are for professionals in finance. Actively attending chamber of commerce meetings gives finance professionals the opportunity to develop professional relationships with people employed in a variety of industries—not necessarily with other finance professionals.

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

SOURCE: AICPA. (n.d.). *3 reasons to get involved in professional organizations*. Retrieved August 8, 2023, from <https://us.aicpa.org/interestareas/youngcpanetwork/resources/career/3reasonstogetinvolvedinprofessionalorganizations>

52. C

Risk-seeking. A company that spends all of its financial resources to discover a new way to purify water is a risk-seeking organization because it is hoping to gain from the discovery while risking its financial health. Risk-adverse and risk-tolerant organizations do not seek new risks. A zero-risk approach to risk management involves eliminating all possible risks.

SOURCE: SM:075 Explain the nature of risk management

SOURCE: LAP-SM-075—Prepare for the Worst; Expect the Best (Nature of Risk Management)

53. B

Annual fees. Some credit card providers require users to pay an annual fee for the privilege of using their cards. These fees vary from card to card, depending on the services supplied by the credit card company. Higher prices are a cost of credit. Budget credit is a type of credit. Credit unions are sources of credit.

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

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

54. D

Assets = Liabilities + Owner's Equity. The accounting equation states that a business's assets are equal to its liabilities plus owner's equity. This means that a business obtains all of its assets through two sources—borrowing and investment. None of the other equations shown are the accounting equation.

SOURCE: FI:093 Explain the nature of balance sheets

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

55. C

Uses questionable tactics to achieve profitability. A business that continuously "pushes the limit" by using questionable tactics to earn or show profits may get a poor reputation. Customers may become distrustful of the business and decide to purchase elsewhere. Providing accurate information to stockholders, encouraging employees to report questionable or potentially unethical behavior, and requiring new suppliers to provide credit information are ethical actions and are less likely to damage a business's reputation than the use of questionable tactics.

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

SOURCE: Zeiger, S. (2019, March 11). *Effects of a lack of ethics on a business environment*. Retrieved August 8, 2023, from <https://smallbusiness.chron.com/effects-lack-ethics-business-environment-23332.html>

56. C

A cost is not controlled by any department. If no departments in an organization can control a cost, it is acceptable to refrain from allocating it to any specific department. Whether a cost is fixed or variable does not determine whether or not it will be allocated. Refraining from allocating costs will not help if an organization is over budget. The amount of the cost does not necessarily determine whether or not it will be allocated.

SOURCE: FI:663 Discuss the nature of cost allocation

SOURCE: Accounting Tools. (2023, June 7). *Cost allocation definition*. Retrieved August 8, 2023, from <https://www.accountingtools.com/articles/what-is-cost-allocation.html>

57. A

Respect the opinions of others. Because of the diverse nature of the workplace, people from many different backgrounds and cultures often work together. These people frequently have different beliefs and opinions. Consequently, employees need to recognize that different people have different opinions and that those opinions should be respected. Employees will be better able to solve problems if they respect the opinions of others and try to find acceptable compromises. Taking sides in a conflict often divides the workforce and creates additional problems. The nature of problem-solving involves compromise rather than standing firm. Aggression is never the way to solve a problem.

SOURCE: PD:077 Demonstrate problem-solving skills

SOURCE: LAP-PD-077—No Problem (Demonstrating Problem-Solving Skills)

58. B

Ensure their customers against certain risks. An insurance institution is a financial intermediary that ensures its customers against certain risks, such as car accidents, house fires, broken items, etc. Customers pay regular insurance premiums in return for this insurance. Banks are subject to federal and state oversight, while insurance companies are subject only to state-level regulation. The bank acts as a financial intermediary between savers and investors, as banks take deposits, pay interest for their use, and lend out money to borrowers who typically pay for it at a high interest rate. In addition, banks accept short-term deposits and make long-term loans, meaning there is a mismatch between their liabilities and assets. With insurance institutions, liabilities are based on certain events happening.

SOURCE: FI:336 Describe the role of financial institutions

SOURCE: Thangavelu, P. (2021, June 19). *Insurance companies vs. banks: What's the difference?* Retrieved August 8, 2023, from <https://www.investopedia.com/articles/personal-finance/070715/insurance-companies-vs-banks-separate-and-not-equal.asp>

59. C

Avoidance. Avoidance is a risk response strategy that involves choosing not to do something that is considered risky. In the example, the company chooses not to risk the safety of workers on the construction site during the storm. Duplication is a risk control technique that involves creating a backup plan. Separation is a risk control technique that involves dividing assets so not all are affected by the same issue. Loss prevention accepts a risk but aims to minimize, rather than eliminate, the loss.

SOURCE: RM:058 Discuss the nature of risk control (i.e., internal and external)

SOURCE: Kenton, W. (2023, May 4). *Risk control: What it is, how it works, example*. Retrieved August 8, 2023, from <https://www.investopedia.com/terms/r/risk-control.asp>

60. B

Income statement. To find out how much profit the business made in the last six months, Terry should reference an income statement. An income statement (also known as a profit-and-loss statement) is a summary of a business's income and expenses over a period of time. A balance sheet captures the financial condition of the business at a particular moment, showing how much money a business has, how much it owes, and how much belongs to owners or stockholders. A cash flow statement states how much money has flowed into and out of a business. Shareholders' equity is not a financial statement; rather, it is the value of all the outstanding stock owned by shareholders and is calculated by subtracting liabilities from assets.

SOURCE: FI:274 Describe sources of securities information

SOURCE: Chen, J. (2023, March 27). *Income statement: How to read and use it*. Retrieved August 7, 2023, from <https://www.investopedia.com/terms/i/incomestatement.asp>

61. D

Annual report. The annual report, typically prepared by the company's management team, outlines the company's financial situation, plans, and other information. A financial statement is one piece of the annual report. An annual report may also contain an executive summary. An annual report is unlikely to contain a SWOT analysis, which is a marketing tool that investigates a business's strengths, weaknesses, opportunities, and threats in an organized fashion.

SOURCE: FI:274 Describe sources of securities information

SOURCE: Akers, H. (n.d.). *What is a company's annual report?* Retrieved August 7, 2023, from <https://smallbusiness.chron.com/companys-annual-report-57004.html>

62. B

4.9%. Based on the information provided, the yield percentage, also called the rate of return or dividend yield, of the stock is 4.9%. The yield percentage is determined by dividing the dividend by the actual closing price/current price of the stock. Dividing the dividend of 2.50 by the current stock price of \$50.75 comes out to 0.049 (4.9%).

SOURCE: FI:275 Interpret securities table

SOURCE: Dummies. (2021, July 1). *How to read a stock table*. Retrieved August 8, 2023, from <https://www.dummies.com/article/business-careers-money/personal-finance/investing/investment-vehicles/stocks/how-to-read-a-stock-table-198363>

63. B

Business cycle risks. By investing their funds in many different countries, investors are able to diversify their risk and reduce their exposure to business cycle risks. However, financial globalization seems to increase the risks of "speculative bubbles" and "herd behavior" of investors. Liberalization is the removal of government regulations on the flow of capital and international trade. Many countries around the world have reduced or eliminated limits on foreigners' access to their financial markets. Capital appreciation occurs when stock that a person owns becomes worth more than what the person paid for it. Capital appreciation is a positive aspect of investing, not something to avoid.

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

SOURCE: Hall, M. (2023, July 27). *Globalization and international investment*. Retrieved August 8, 2023, from <https://www.investopedia.com/ask/answers/022615/what-effect-has-globalization-had-international-investments.asp>

64. B

Is independent of factors that are already satisfied. In developed societies where most people already have access to basic necessities like food and shelter, extrinsic motivation isn't as effective as intrinsic motivation. Because external, low-level needs are of lesser concern, a person's individual ambitions and hopes are a more powerful motivator. By nature, intrinsic motivation is not tied to external rewards, nor does it come from outside one's personal desires. Similarly, intrinsic motivation cannot be easily altered by one's environment, because it is rooted within one's pursuit of self-actualization.

SOURCE: EI:059 Motivate team members

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

65. A

Face-to-face conversation. When discussing sensitive issues, face-to-face communication is the best strategy because it is the richest form of communication and has the least risk of misinterpretation. If Phoebe were to write an email, her employee may not understand her tone or meaning. A company-wide memo is inappropriate because this is an issue that should be only between Phoebe and the employee in question. Finally, video conferences are generally used when people are not in the same location and do not offer any benefits that a face-to-face conversation does not provide.

SOURCE: CO:092 Choose and use appropriate channel for workplace communication

SOURCE: Fenell, Z. (2017, September 26). *Importance of communication channels in business*. Retrieved August 8, 2023, from <https://bizfluent.com/about-6511827-importance-communication-channels-business.html>

66. B

Fiduciary. A fiduciary is someone who acts on behalf of another person or organization. In most cases, fiduciaries are responsible for managing their clients' financial assets and making decisions in the best interest of their clients. Because Charlotte does more than simply sell investments to her clients, she is considered a fiduciary. An accountant gathers, records, organizes, and reports financial data. A credit analyst assesses the requests of individuals and businesses applying for loans, makes reports to the loan committee, and helps decide if the requests should be granted. Institutional investors are mutual fund managers, large investment firms, and significant holding companies who invest in the stock market.

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

SOURCE: Kagan, J. (2022, September 15). *Fiduciary definition: Examples and why they are important*. Retrieved August 7, 2023, from <https://www.investopedia.com/terms/f/fiduciary.asp>

67. A

Customs duty. Goods that are brought across international borders are often subject to a tax called a customs duty. This is meant to control the flow of goods. It is not called a travel tax, a travel duty, or a souvenir tax.

SOURCE: BL:126 Describe the nature of customs regulations

SOURCE: U.S. Customs and Border Protection. (2022, December 29). *Customs duty information*. Retrieved August 8, 2023, from <https://www.cbp.gov/travel/international-visitors/kbyg/customs-duty-info>

68. D

Assurance. This clothing manufacturer is using quality assurance. Quality assurance is a process businesses use to prevent defective products from being created, not just to eliminate or correct them after they've already been produced. Quality inspection is a process businesses use to check for defects after products have been produced. Quality guarantee and quality delivery are not traditional terms used in operations or quality control.

SOURCE: OP:189 Explain the nature of operations

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

69. A

Financial information can assist in sustainability reporting. One way that financial information can be used is to support sustainability reporting. Sustainability is the practice of focusing on meeting the needs of the present without compromising the ability of future generations to meet their economic, environmental, and social needs. Using recyclable packaging is an example of a sustainable practice. By providing information about its cost, Iliana is helping her company use financial information for sustainability reporting. Sustainability efforts are not necessarily too expensive to implement. This example is not related to activity-based costing. Finally, financial information should not necessarily only be shared with top-level executives.

SOURCE: FM:016 Discuss non-traditional uses for financial information (e.g., lean, sustainability reporting, activity-based costing [ABC], six sigma)

SOURCE: Keddie, L. (2021, February 3). *What is sustainability accounting? What does ESG mean? We have answers*. Retrieved August 8, 2023, from <https://sprott.carleton.ca/2021/02/what-is-sustainability-accounting-what-does-esg-mean-we-have-answers/>

70. B

Horizontal analysis. Horizontal analyses compare the information from a single company's income statements over multiple years. This allows analysts to determine trends and make forecasts for future performance. Vertical analyses are used in comparing companies within the same industry, even companies of vastly different sizes. This is because a vertical analysis of an income statement results in the calculation of multiple ratios, which are more easily compared across multiple companies of different sizes than are dollars. Leverage analyses are effective at determining company performance by resulting in a debt-to-equity ratio. These are typically performed with income statement information for a single year. Liquidity analyses are performed with information from a company's balance sheet to determine if a company is able to meet its short-term debts.

SOURCE: FM:014 Demonstrate financial analysis applications

SOURCE: Corporate Finance Institute. (2020, February 16). *Types of financial analysis*. Retrieved August 8, 2023, from <https://corporatefinanceinstitute.com/resources/accounting/types-of-financial-analysis/>

71. D

Borrowing money from a bank. Banks often require an organization with a loan to follow external control mechanisms that impact its governance structures. Hiring employees, developing a marketing strategy, and raising prices are all common business activities that are not likely to impact an organization's governance structures.

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

SOURCE: Davoren, J. (n.d.). *Three types of corporate governance mechanisms*. Retrieved August 8, 2023, from <https://smallbusiness.chron.com/three-types-corporate-governance-mechanisms-66711.html>

72. A

To monitor aging accounts. The accounts receivable—all the monies owed to a firm by its customers—should be monitored carefully because they affect the business's cash flow and its ability to pay its employees and creditors. To collect the monies owed to them, the business should implement follow-up procedures to contact customers with delinquent or aging accounts. Businesses do not monitor accounts-receivable information to forecast sales, classify stocks, or evaluate interest rates.

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

SOURCE: Accounting Tools. (2022, November 21). *Accounts receivable aging definition*. Retrieved August 8, 2023, from <https://www.accountingtools.com/articles/what-is-accounts-receivable-aging.html>

73. C

Corporate governance processes. Internal corporate governance processes, or control mechanisms, include oversight of management, independent internal audits, and the segregation of duties. Internal control mechanisms are designed to ensure smooth day-to-day operations, clarify the chain of command, and measure organizational performance. This example demonstrates the impact of internal corporate governance processes on decision-making and management functions—not external regulations, community involvement, or public relations efforts.

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

SOURCE: Davoren, J. (n.d.). *Three types of corporate governance mechanisms*. Retrieved August 8, 2023, from <https://smallbusiness.chron.com/three-types-corporate-governance-mechanisms-66711.html>

74. D

Employer-employee. In legal terms, the employer-employee relationship refers to the amount of control that a principal (e.g., employer or client) has over an agent (e.g., employee or attorney). Determining if a employer-employee relationship exists is an important consideration when addressing a business's legal issues and disputes, especially in cases that involve liability questions. Factors that determine if a employer-employee relationship exists include the nature of the agent's work, the level of the agent's control (e.g., decision-making), and the agent's level of supervision. Tutor-student, principal-collaborator, and controller-associate are not terms that are widely used to describe agency relationships in law.

SOURCE: BL:072 Explain the nature of agency relationships

SOURCE: Sam Houston State University. (n.d.). *Agency relationships: An overview*. Retrieved August 7, 2023, from <https://www.shsu.edu/klett/agency%20et%20al.htm>

75. A

Data cleansing. If the data contained in a business's customer-relationship-management (CRM) system is incorrect, out-of-date, duplicated, or unformatted, the value and effectiveness of the CRM system is potentially compromised. Therefore, it is in the business's best interest to cleanse the data in its system on a regular—or even continual—basis. The correction, removal, and/or formatting of questionable customer records is called data cleansing. Environmental scanning involves collecting information about the environment surrounding a business. Technical analysis involves using historical information from market activity, prices, and volume to evaluate securities and predict future price activity. Exploratory research is a form of marketing research used to collect information that will help the business define its issue, situation, or concern and decide which direction to go in to address it.

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

SOURCE: Tableau. (2003-2023). *Guide to data cleaning: Definition, benefits, components, and how to clean your data*. Retrieved August 7, 2023, from <https://www.tableau.com/learn/articles/what-is-data-cleaning>

76. C

Working capital. Working capital is a measure of short-term financial health that can be found by subtracting current liabilities from current assets. It indicates whether or not a company can cover its current debts, so it is the appropriate technique to provide Makayla with the information she needs. Debit/Equity ratio shows the relationship between total liabilities and shareholders' equity. It indicates how much debt a company is using to finance its assets. This ratio will not provide the information that Makayla needs. Asset turnover ratio measures sales revenue in relation to the value of assets. It indicates efficiency of performance, which is not what Makayla needs to know. Finally, profit margin demonstrates the amount of each dollar of sales that is kept in earnings. This is not related to Makayla's inquiry.

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

SOURCE: Bloomenthal, A. (2023, March 17). *Financial ratio analysis: Definition, types, examples, and how to use*. Retrieved August 8, 2023, from <https://www.investopedia.com/terms/r/ratioanalysis.asp>

77. A

Increased efficiency. Technology can help make the compliance process more efficient because it allows information to be utilized and processed much faster. It does not necessarily decrease costs. Transitioning from an old system is not necessarily easy, but it is, in many cases, worth the difficulties. Using technology in compliance can decrease fraud with the presence of fraud detection software.

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

SOURCE: Bloomberg Professional. (2016, June 28). *Fintech spawns regtech to automate compliance with regulations*. Retrieved August 7, 2023, from <https://www.bloomberg.com/professional/blog/fintech-spawns-regtech-automate-compliance-regulations/>

78. B

Natural disasters. Sometimes supply will be changed as a result of the weather or other natural or uncontrollable events. Untimely frosts and freezes, hail, and floods are examples of natural weather disasters. Product utility, the number of consumers, and their standard of living would influence demand rather than supply.

SOURCE: EC:005 Explain the principles of supply and demand

SOURCE: LAP-EC-011—It's the Law (Supply and Demand)

79. C

Seniority. Seniority refers to the length of time an individual has been employed by a business. Those who have been employed the longest have the most seniority. When all other factors, such as ability and competence, are equal, businesses often promote on the basis of seniority. The feeling often is that a competent person who has been with the company for a long time is entitled to a promotion before a competent person who has less time on the job. It is illegal for businesses to promote employees based on their gender or age. Tenure is a status given to teachers after a certain amount of time that protects them from being dismissed.

SOURCE: PD:034 Explain possible advancement patterns for jobs

SOURCE: Heathfield, S. (2019, November 27). *What seniority means at work*. Retrieved August 9, 2023, from <https://www.thebalance.com/what-seniority-means-at-work-1919372>

80. D

Accounting. One simple way of describing accountants is that they *examine* and *prepare* financial records. This involves activities like bookkeeping, systems design, analysis, and interpretation of accounting information. Although careers in insurance, securities and investments, and banking services may involve financial records, examining and preparing them is not the main duty as it is in accounting careers.

SOURCE: PD:152 Discuss employment opportunities in the finance industry

SOURCE: LAP-PD-152—Career Opportunities in Finance

81. C

Pick it up and put it away. This is a safety hazard that Taylor can easily take care of himself before someone gets hurt. Leaving a sharp tool out is an example of poor housekeeping. If it happens often, the supervisor should be aware of it so that employees can be reminded to observe safety rules. Trying to find out who left it there or ignoring it does not correct the problem.

SOURCE: OP:007 Follow safety precautions

SOURCE: Tarlengco, J. (2023, July 27). *Warehouse safety*. Retrieved August 9, 2023, from <https://safetyculture.com/topics/warehouse-safety/>

82. C

Puts the group on a certain course. Though each person in the group has the ability to influence the others, there's usually a leader who puts the group on a certain course. The leader does not necessarily take the meeting minutes, nor do they have to follow up with everyone later. In addition, the group members do not have to agree, though they may.

SOURCE: CO:053 Participate in group discussions

SOURCE: UNSW Sydney. (2022, March 28). *Guide to discussion skills*. Retrieved August 8, 2023, from <https://student.unsw.edu.au/discussion-skills>

83. D

Provide feedback to improve objectives. The board of directors should obtain feedback from employees about the company's direction. This can help improve governance objectives and align them with the company's vision. In this way, employees have a say in the company's goals and will be more likely to work toward achieving them. Drafting bylaws is generally the role of an organization's founders or directors, rather than employees. Creating policies to enforce objectives is usually a task for the board of directors, rather than employees. Reporting progress to shareholders is also generally the responsibility of the board members, rather than that of employees.

SOURCE: PD:301 Ascertain employee's role in achieving governance objectives

SOURCE: Nordmeyer, B. (2019, August 22). *Corporate governance objectives*. Retrieved August 8, 2023, from <https://yourbusiness.azcentral.com/corporate-governance-objectives-17344.html>

84. A

Organize content in a cohesive, manageable way. Long business reports often contain a lot of information about different topics. To organize the information so the audience can understand the report's contents, report writers often break content into chunks of related information. Headings and subheadings are often included before the section or topic to let the audience know the issue at hand. Headings and subheadings do attract attention because they are often formatted with a larger or color-coded font; however, the primary purpose is not to convey a hidden agenda, provide supporting evidence, or solicit an opinion from the audience.

SOURCE: CO:088 Select and utilize appropriate formats for professional writing

SOURCE: Victoria University of Wellington. (2017, April). *How to write a business report*. Retrieved August 8, 2023, from <https://www.victoria.ac.nz/vbs/teaching/resources/VBS-Report-Writing-Guide-2017.pdf>

85. C

A highway. Capital goods are manufactured or constructed items that are used in the production of goods and services. Highways enable producers to distribute goods to consumers. A pine forest and coal are examples of natural resources, items that are found in nature and used to produce goods and services. A cashier is someone who works to produce goods and services, or a human resource.

SOURCE: EC:003 Explain the concept of economic resources

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

86. C

Amount due on an inheritance. A tax liability is a debt, or the total amount of tax an individual owes. There are many types of taxes, and one of them is an inheritance tax. When individuals receive an inheritance, they usually have to pay tax on at least a portion of the inheritance based on the amount of the inheritance. The inheritance tax is a debt that individuals must pay when they receive an inheritance. Deductions for a charitable contribution, interest paid on a mortgage, and the value of an exemption reduce the tax liability on the amount of income that a person earns.

SOURCE: FI:067 Explain the nature of tax liabilities

SOURCE: Investopedia. (2022, October 26). *Tax liability: Definition, calculation, and example*. Retrieved August 8, 2023, from <https://www.investopedia.com/terms/t/taxliability.asp>

87. A

Consider risks in a positive way. Enterprise risk management focuses on both the downside and the upside of risks. Businesses must take risks to be successful, so utilizing an effective enterprise risk management program gives them the opportunity to take advantage of these risks in the most effective, strategic, and calculated way. In this way, risk leads to increased growth and opportunity. Taking a reactive approach to problem-solving, responding to events as they happen, and focusing on risks by department are components of traditional risk management and are not always beneficial.

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

SOURCE: Hayes, A. (2022, September 7). *Enterprise risk management (ERM): What is it and how it works*. Retrieved August 8, 2023, from <https://www.investopedia.com/terms/e/enterprise-risk-management.asp>

88. C

Insider trading. Insider trading is the buying or selling of a public company's stock by an individual who has nonpublic, confidential information about the company or the stock. It also includes tipping others off when one has nonpublic, confidential information. Because Drew informed his friend of the recall before the news was made public, allowing them to sell their stock before the price decreases, Drew was partaking in illegal insider trading. Boiler room tactics are high-pressure sales tactics used by salespeople to persuade investors to purchase speculative or fraudulent securities. Internet fraud is the use of online services or software to commit cybercrime, defraud victims, and take advantage of victims. Pump-and-dump schemes attempt to boost the price of a stock or security through false, misleading, fake, or exaggerated statements or recommendations.

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

SOURCE: Ganti, A. (2023, June 4). *What is insider trading and when is it legal?* Retrieved August 7, 2023, from <https://www.investopedia.com/terms/i/insidertrading.asp>

89. D

Employees who are overburdened are unlikely to stay with the company. It can be tempting for entrepreneurs to sugarcoat the amount of time and effort that will be needed from employees—but this approach is destined to backfire. Employees who are hired under the impression that they will only work 20 hours per week, for example, will certainly not appreciate it when they are told they actually need to work 30 or 40, especially if their compensation doesn't increase accordingly. If workers are consistently overburdened, they are unlikely to stay with the company for very long—and will probably resent the company's management in the meantime. Entrepreneurs shouldn't discriminate against people with busy personal lives when hiring employees. Many people are able to effectively balance an active personal and professional life. Being honest is important so that employees know what to expect at work. The primary purpose of honesty in the employee search is not to weed out people who are not dedicated to the job—it's to provide transparency for all prospective workers. It is not true that employees are not legally allowed to work more than 40 hours per week.

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

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

90. B

Simple explanations. When providing product information to clients, finance professionals should keep the clients' point of view in mind. Clients may not be familiar with finance industry jargon, technical terms, or acronyms. Therefore, finance professionals should use simple, clear language that clients understand. While standard responses are sometimes helpful to finance professionals, it is usually better to keep individual clients in mind when providing product information since different clients are likely to have different knowledge bases.

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

SOURCE: AARP and the Financial Planning Association. (n.d.). *A financial professional's guide to working with older clients*. Retrieved August 7, 2023, from https://assets.aarp.org/www.aarp.org/articles/money/financial_planning/financial_professional.pdf

91. B

Process payroll. Accounting software programs allow businesses to efficiently track various financial data and generate financial reports. Businesses use accounting software to track budgets, income, expenses, and bank transactions. Many comprehensive accounting software programs have applications to process payroll and taxes, forecast sales, and manage inventory. Businesses use project-management software to plan and execute projects. Businesses do not use accounting software to establish insurance policies or to organize media transcripts.

SOURCE: FI:352 Explain the use of technology in accounting

SOURCE: Fairbanks, L. (2023, February 21). *Choosing the right small business accounting software*. Retrieved August 8, 2023, from <http://www.businessnewsdaily.com/7542-choosing-accounting-software.html>

92. A

Browser bookmarking applications. Browsers are computer software that retrieve information from the internet. They have bookmarking applications that allow computer users to select websites and store their URLs on a personal computer for easy access in the future. Bookmarking applications allow users to organize sites by categories by placing them into folders on a computer. Notebooks are not online tools. An intranet is an internal network, similar to the internet, that is accessible only by authorized employees. A word-processing memo template formats a type of written message.

SOURCE: NF:006 Demonstrate basic web-search skills

SOURCE: Computer Hope. (2023, May 1). *Bookmark*. Retrieved August 9, 2023, from <https://www.computerhope.com/jargon/b/bookmark.htm>

93. B

To understand potential risk. Standard deviation is used to measure the differences or distances of data points from the mean of the data set. Analysts often use the standard deviation to help determine an investment's volatility. An investment with a high standard deviation is more volatile than one with a low standard deviation. Analysts already know the average or mean of the data when they calculate standard deviation. The range is the difference between the largest and smallest numbers in a data set. The mode is the number that appears the most in a data set.

SOURCE: NF:093 Interpret statistical findings

SOURCE: Hargrave, M. (2023, May 11). *Standard deviation formula and uses vs. variance*. Retrieved August 9, 2023, from <https://www.investopedia.com/terms/s/standarddeviation.asp>

94. D

Fiduciary. A fiduciary duty is the commitment to act in the best interests of another person or organization (even when those interests are at odds with your own). Board members have a fiduciary responsibility to the organization, so they must always act for its benefit. An actuary is a person who assesses risk. Ad hoc means short-term or created for a particular or temporary reason. Fair market typically refers to fair market value and means a company's worth according to the marketplace.

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

SOURCE: Pounds, R. (2022, May 4). *The roles and responsibilities of a board of directors*. Retrieved August 8, 2023, from <https://www.diligent.com/resources/blog/the-roles-and-responsibilities-of-a-board-of-directors>

95. B

Being insulting or rude. Businesspeople need to be aware of cultural differences in order to avoid accidentally insulting or being rude to businesspeople from other parts of the world. For example, some forms of nonverbal communication are offensive in some countries although they are accepted in others. In some countries it is rude to start and end a meeting on time, but that is the standard in other countries. In some countries businesspeople shake hands when they meet but hug or bow in other countries. Without knowing what is acceptable, businesspeople run the risk of being insulting or rude. Businesspeople usually meet face-to-face, ask questions, and discuss finances.

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)

96. A

Consumer. Businesses set different types of organizational goals. When a business sets standards to accommodate the target market's needs and wants, it is setting consumer-oriented goals. Employees often use technology to carry out the activities used to achieve the business's consumer goals. Financial goals are objectives that are measured in terms of money.

SOURCE: PD:254 Determine the nature of organizational goals

SOURCE: Chron. (2020, October 12). *Customer orientation examples*. Retrieved August 9, 2023, from <http://smallbusiness.chron.com/customer-orientation-examples-10201.html>

97. D

Dependability. Dependability includes being accountable for your actions and your mistakes. This means accepting responsibility when things go wrong. When Violet makes a mistake, she demonstrates dependability by admitting the mistake and trying to make it right. Loyalty, empathy, and consistency are all important qualities that trustworthy people possess, but Violet does not demonstrate them in this example.

SOURCE: EI:128 Build trust in relationships

SOURCE: LAP-EI-128—Trust in Me (Building Trust in Relationships)

98. D

Stewardship. Financial stewardship involves ensuring that a company's financial resources are allocated appropriately and ethically to fulfill the company's mission. In this situation, the Sun Valley Granola Company failed to engage in financial stewardship because it spent more money promoting its products than ensuring that its products were high-quality. There is not enough information given in this example to determine whether the company neglected to plan, budget, or set policies.

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

SOURCE: Nonprofit Accounting Basics. (2022, September 1). *Stewardship & accountability*. Retrieved August 8, 2023, from <https://www.nonprofitaccountingbasics.org/reporting-operations/stewardship-accountability>

99. C

Liability exposure. Businesses are morally obligated to be cautious and behave in ways that are not harmful to others. A business that takes steps to ensure that its facilities are safe tends to run a lower risk of liability exposure (e.g., lawsuits, damaged reputation, and financial loss). Complying with safety standards does not reduce a business's obligation to be socially responsible. Fraudulent activity involves dishonest behavior such as theft. Property disputes are conflicts associated with the use or ownership of land and buildings.

SOURCE: RM:043 Discuss legal considerations affecting risk management

SOURCE: Hakim Law Group. (2019, December 12). *How to effectively reduce liability exposure of your business*. Retrieved August 8, 2023, from <https://hakimlawgroup.com/how-to-effectively-reduce-liability-exposure-of-your-business/>

100. A

To protect online transactions. Tokenization is the process of substituting a random number in place of an account number to process the transaction online. In this way, financial institutions are able to protect customer data from fraud. Credit card creation, provision of incentives, and government-required quotas are not aspects of tokenization.

SOURCE: RM:058 Discuss the nature of risk control (i.e., internal and external)

SOURCE: Zunino, A. (2023, April 12). *Tokenization and the future of finance: Unleashing the power of blockchain in global markets*. Retrieved August 8, 2023, from <https://www.forbes.com/sites/forbestechcouncil/2023/04/12/tokenization-and-the-future-of-finance-unleashing-the-power-of-blockchain-in-global-markets/?sh=3f6433126184>