



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

Test Number 1312
Booklet Number _____

Finance Cluster Exam

ACT – Accounting Applications Series Event

BFS – Business Finance Series Event

FCE – Financial Consulting Event

FTDM – Financial Services Team Decision Making Event

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

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This comprehensive exam was developed by MBA Research exclusively for DECA's 2024-2025 Competitive Events Program. Items have been randomly selected from the MBA Research Test-Item Bank and represent a variety of instructional areas. Performance indicators for this exam are at the prerequisite, career-sustaining, and specialist levels. A descriptive test key, including question sources and answer rationale, has been provided to the DECA chartered association advisor.



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1. Which of the following best represents the correct order for organizing a job that must be completed:
 - A. Identify, classify, prioritize, schedule, perform
 - B. Classify, identify, prioritize, perform, schedule
 - C. Identify, prioritize, classify, schedule, perform
 - D. Prioritize, identify, classify, perform, schedule
2. Which of the following statements most accurately describes the financial-services industry today:
 - A. Banks, insurance companies, securities firms, and other financial institutions are sometimes owned by a single large firm offering a complete range of financial services.
 - B. The financial-services industry is largely unregulated, with little federal oversight.
 - C. The only place to pursue a career as a securities broker is a traditional financial securities firm on Wall Street.
 - D. It is highly segmented, with separate businesses for separate services.
3. Tiana is responsible for receiving all shipments for the Castle of Chocolate. She fails to notice that several items that her business ordered and paid for were not shipped. Her error is most likely to
 - A. create unhappy customers.
 - B. decrease inventory cost.
 - C. increase inventory cost.
 - D. increase shipping costs.
4. Which of the following is an example of a long-term business goal:
 - A. Develop departmental budgets
 - B. Expand into new markets
 - C. Hire an accountant
 - D. Create a sales presentation
5. Which of the following are common categories of commodities:
 - A. Metals, grains, and consumer goods
 - B. Energy, grains, and consumer goods
 - C. Energy, metals, and consumer goods
 - D. Energy, metals, and grains
6. One factor that has stimulated financial globalization is an increase in
 - A. foreign regulation.
 - B. domestic investment preferences.
 - C. protectionism.
 - D. domestic competition.
7. Companies that effectively allocate costs
 - A. increase profits and expenses.
 - B. improve short-term and hurt long-term decision-making.
 - C. spread costs among departments.
 - D. determine one department to cover all costs.

8. If you are taking out a mortgage loan on a new home, which of the following is most likely to be used as collateral:
- A. Cash in your savings account
 - B. Your car
 - C. The new home
 - D. Future paychecks
9. Which aspect of a company's financial statements can provide information about its bottom line?
- A. Cash flow trends
 - B. Earnings and revenue growth
 - C. Dividends paid
 - D. Liabilities
10. Duncan works for a marketing firm, but he has decided to take a second job doing marketing for a local business. What is a potential ethical issue that could cause risks associated with this decision?
- A. Conflict of interest
 - B. Lack of accountability
 - C. Misuse of resources
 - D. Product liability
11. The way you follow up with a customer when showing a customer service mindset will vary according to
- A. the customer's level of frustration.
 - B. the type of service you have provided the customer.
 - C. how far away the customer is located.
 - D. how much attention your supervisor paid to the customer.
12. When you know what your values are and align your behavior with them, you will
- A. be able to set priorities and goals easily.
 - B. feel conflicted in your decision-making.
 - C. never again struggle with an ethical dilemma.
 - D. find fulfillment in career but not personal life.
13. An important purpose of full-disclosure laws and regulations is to
- A. provide information to investors so they can make informed decisions.
 - B. prevent a stock's par value from dropping below its market value.
 - C. require companies to disclose all information about their operations.
 - D. allow company employees to use inside information for personal gain.
14. Which of the following is an example of job loss due to cyclical unemployment:
- A. Ryan recently lost his job in the construction industry during a time of economic contraction.
 - B. Tristan lost his management job when the coal supply had been depleted at the mine where he worked.
 - C. Lizzy's temporary job at a gourmet food company ended in January after the holiday rush.
 - D. Hannah left her position as a human resources manager so she could attend graduate school.

15. A business determines how much it costs to make a product and then adds a predetermined markup to set its selling price. This is an example of
- A. price-based costing.
 - B. economies of scale.
 - C. cost-based pricing.
 - D. gross profit.
16. What are the basic components of a business budget?
- A. Inventory, variable costs, and profits
 - B. Fixed costs, variable costs, and semi-variable costs
 - C. Fixed assets, inventory, and investments
 - D. Total revenues, total costs, and profit
17. If a company pays more in dividends than it receives in net income, the statement of changes in equity will show that retained earnings will be
- A. the same as the previous period.
 - B. zero.
 - C. lower than the previous period.
 - D. higher than the previous period.
18. Stacy, a poodle owner, chose her dog's groomer based on the friendliness and attentiveness of the staff. Even though the prices are higher than other groomers, Stacy would never consider going somewhere else. This example demonstrates the importance of
- A. building and maintaining customer relationships.
 - B. setting prices higher to create an image of luxury.
 - C. outpricing the competition through sales and giveaways.
 - D. earning new customers rather than focusing on current ones.
19. Which of the following is a tool that can be used to carry out scanning activities:
- A. Manufacturing equipment
 - B. Market research studies
 - C. Personnel records
 - D. Budgeting software
20. Casey's Tree Removal Services has a set of rules, practices, and processes by which the organization is controlled. Because of the company's strict adherence to these rules and processes, it has never had any major problems with unethical behavior or mismanagement. Instead, the company enjoys a positive relationship with its customers, employees, and the public. This example demonstrates the benefits of
- A. good corporate governance.
 - B. setting SMART goals.
 - C. ethics training in the workplace.
 - D. public relations initiatives.

21. Capital gains taxes may be imposed on
- A. stocks, real estate, and financial gifts.
 - B. stocks, bonds, and financial gifts.
 - C. bonds, real estate, and financial gifts.
 - D. stocks, bonds, and real estate.
22. While making a sale, an employee decides to keep the customer's money rather than ringing up the sale. This is an example of business risk caused by _____ human behavior.
- A. careless
 - B. dishonest
 - C. incompetent
 - D. ethical
23. Which of the following types of data should be maintained in an effective financial-information management system:
- A. Reports on the effectiveness of ad campaigns
 - B. Data on current customer trends
 - C. Statistics on demographic shifts
 - D. Information on external market conditions
24. Lean operations focus on increasing efficiency by reducing _____, while Six Sigma focuses on continuously improving _____ throughout the business.
- A. wages; automation
 - B. standards; waste
 - C. automation; standards
 - D. waste; quality
25. Michelle is a small business owner who has outdated customer information in her computer files. What type of application should Michelle use to update her database?
- A. Environmental scanning
 - B. Customer relationship management
 - C. Tabulation analysis
 - D. Application programming interface
26. Matthew received a loan for \$20,000 from a financial institution to help him pay for his college education. The loan is helping him cover the cost of his tuition while he is in school, and when he graduates, he will repay the financial institution. This is an example of which form of financial exchange?
- A. Bitcoin
 - B. Debit
 - C. Cash
 - D. Credit

27. Which of the following is the most effective way to avoid excessive credit card debt:
- A. Pay off your balance each month.
 - B. Use credit card cash advances to pay debt.
 - C. Choose a credit card with a high limit.
 - D. Pay off low-interest credit cards first.
28. ABC Education Company wants to compare its business practices and performance to that of other organizations within its industry. Which of the following financial analysis tools would be most helpful for this purpose:
- A. Benchmarking
 - B. Trending
 - C. Forecasting
 - D. Ratio analysis
29. Building professional, long-term relationships with others in the financial industry requires
- A. membership in unrelated trade organizations.
 - B. a detached attitude.
 - C. consistent communication.
 - D. a formal agreement or contract.
30. Which of the following is the formula used to calculate retained earnings:
- A. Operating cash flow – Capital expenditures + Net income (or loss)
 - B. Capital expenditures + Net income (or loss) – Net dividends
 - C. Beginning period retained earnings – Net income (or loss) + Net dividends
 - D. Beginning period retained earnings + Net income (or loss) – Net dividends
31. Firewalls, intrusion detection systems, and encryption are all methods used by companies to
- A. protect and secure financial information.
 - B. screen qualified job applicants.
 - C. sort and organize customer data.
 - D. ensure the security of their office buildings.
32. In corporate governance, oversight of management, segregation of control, and policy development are all examples of
- A. transparency in management.
 - B. external control mechanisms.
 - C. internal control mechanisms.
 - D. tasks of the board of directors.
33. To reduce the risk of unauthorized access to confidential data, businesses use security software to protect their
- A. corporate policies.
 - B. intranet systems.
 - C. intercom systems.
 - D. spam email.

34. Comparing the prices offered by different vendors for the same goods and services is what part of the purchasing process?
- A. Receipt of goods
 - B. Bid analysis
 - C. Invoice payment
 - D. Price fixing
35. What is the key distinction between a word processor and a text editor?
- A. A text editor is a simplified type of word processor.
 - B. A text editor is more focused on the visual formatting elements of a document.
 - C. A text editor offers users more control over layout and colors.
 - D. A text editor is a more advanced word processor.
36. What form of communication is best for a manager to use to obtain immediate feedback from employees and gauge their nonverbal cues?
- A. Phone call
 - B. Instant messaging
 - C. Face-to-face meeting
 - D. Email
37. Whether prices go up or down, the relationship between relative prices does not change if the _____ remains the same.
- A. value
 - B. resource
 - C. ratio
 - D. market
38. What type of insurance company serves as a financial intermediary?
- A. Liability
 - B. Health
 - C. Property
 - D. Life
39. Marcus is one of the earliest investors for a new teeth-whitening kit. Since then, he has convinced several other people to invest in the kit, allowing him and other early backers to profit from their investments. What type of investment scam is this scenario describing?
- A. Ponzi scheme
 - B. Viatical investment scam
 - C. Boiler room
 - D. Predatory lending
40. In which stage of project management does risk analysis take place?
- A. Closing
 - B. Execution
 - C. Planning
 - D. Initiation

41. How can the stock market affect the economy?
- A. Rising stock markets cause consumer prices to decrease.
 - B. The stock market performs better during long-term stagnation.
 - C. Interest rates are lower when the economy is in recession.
 - D. Declines in stock markets decrease consumer confidence.
42. Which of the following is a good source of detailed information about specific career opportunities in business:
- A. Community-college student centers
 - B. Professional organization websites
 - C. Classified ads in urban newspapers
 - D. Corporate human-resource departments
43. When your parents tell you to vacuum the living room, you are receiving _____ directions.
- A. social
 - B. written
 - C. oral
 - D. nonverbal
44. What can a business do if it is exposed to risks that commercial insurance companies do not cover?
- A. Acquire a professional association
 - B. Create a trade union
 - C. Form a captive insurance company
 - D. Establish a risk management committee
45. Isaac, who has \$10,000 to invest, wants to determine how much money he could accrue over 1 year if he invests the full \$10,000. To calculate that future value, what pieces of information does Isaac need?
- A. Past value and principal
 - B. Income and interest rate
 - C. Present value and discount rate
 - D. Past value and present value
46. Like food service is just one segment of the hospitality and tourism industry, _____ is one component of _____.
- A. risk control; risk management
 - B. risk management; risk control
 - C. internal risk; external risk
 - D. external risk; internal risk
47. Which of the following involves obtaining and evaluating data for the purpose of helping businesses make long-term decisions:
- A. Applied research
 - B. Communications networks
 - C. Information management
 - D. Organizational development

48. What is a good source of information for a managerial accountant whose company needs to determine how much money is available for a marketing campaign?
- A. Sales forecast
 - B. Variance analysis
 - C. Budget
 - D. Cost-benefit analysis
49. What type of economic indicator are stock market returns commonly considered to be?
- A. Lagging
 - B. Exploratory
 - C. Coincident
 - D. Leading
50. How does a student with initiative handle a situation that increases their workload?
- A. Asks their teacher how to handle it
 - B. Waits until their teacher notices
 - C. Asks other students to assist them
 - D. Finds ways to adjust to the situation
51. Sierra is a woman who enjoys watching football. However, the commercials she sees on TV always seem to portray men as the only demographic that enjoys sports. The idea that only men watch football is an example of a(n)
- A. unconscious bias.
 - B. prejudice.
 - C. discriminatory statement.
 - D. stereotype.
52. If all individuals who own a business share unlimited liability for the business's losses, these individuals are part of a(n)
- A. private corporation.
 - B. "C" corporation.
 - C. "S" corporation.
 - D. general partnership.
53. How do employees benefit from being involved in achieving governance objectives?
- A. Limited union support
 - B. Reduced communication
 - C. Greater profits
 - D. Increased job satisfaction
54. You want to take a vacation day next week. At first, your manager doesn't think you should, but you are able to change their attitude and convince them by using
- A. bullying.
 - B. intimidation.
 - C. threats.
 - D. persuasion.

55. If Danita invests \$6,000 at a simple annual interest rate of 5%, the future value of her investment at the end of a 5-year period will be
- A. \$1,200.
 - B. \$1,650.
 - C. \$1,500.
 - D. \$4,500.
56. Which of the following situations is an example of using marginal analysis to make a segment profitability decision:
- A. A furniture company must decide whether to sell its pieces assembled or unassembled.
 - B. A company must decide whether to use an outside marketing firm or hire someone internally.
 - C. A clothing retailer must decide how many units of each product to sell.
 - D. A restaurant chain manager must decide whether to keep a certain franchise open.
57. If a company requests that managers monitor and verify the accuracy of their departments' income and expenses as reported by the accountant each month, it is creating a corporate governance structure that uses
- A. external control mechanism.
 - B. unethical method of monitoring.
 - C. internal independent audit.
 - D. external independent audit.
58. A financial institution fails to comply with an important government regulation. The financial institution will most likely
- A. avoid an audit.
 - B. pay a fine.
 - C. get a better reputation.
 - D. gain new business.
59. To endorse a check, the payee must sign their name on the
- A. check's memo line.
 - B. back of the check.
 - C. check's "Pay to the order of" section.
 - D. signature block of the check.
60. Aria must obtain certain data and information from Mateo before she can enter a customer's insurance claim in the computer. To process the customer's insurance claim, Aria and Mateo must
- A. coordinate their work activities.
 - B. develop departmental goals.
 - C. obtain management's approval.
 - D. improve their communication.
61. Emi wants to better understand her company's financial performance over several years. To best compare historical data over a number of accounting periods, Emi should use _____ analysis.
- A. horizontal
 - B. SWOT
 - C. vertical
 - D. break-even

62. When employees have the ability to retrieve only the computer data that are important for them to perform their job, the business is applying the
- A. principle of least authority.
 - B. doctrine of organizational structure.
 - C. law of diminishing capacity.
 - D. concept of intrusion prevention.
63. The two main divisions of the trade industry are
- A. producers and retailers.
 - B. wholesalers and producers.
 - C. wholesalers and retailers.
 - D. manufacturers and wholesalers.
64. The primary responsibility of all financial-services providers is
- A. improving the community's standard of living.
 - B. lobbying the government on behalf of the industry.
 - C. purchasing and selling securities.
 - D. growing and protecting their clients' wealth.
65. The 52-week high and low numbers are a good indicator of the stock's
- A. net change.
 - B. volatility.
 - C. yield.
 - D. volume.
66. Which of the following statements about effective business writing is true:
- A. It is direct, clear, and simple.
 - B. It uses complex terms and language.
 - C. It doesn't keep the audience in mind.
 - D. It is designed to be read slowly.
67. When a large bank acquires or merges with another bank, it has the opportunity to
- A. instantly gain many new customers.
 - B. avoid or eliminate federal banking regulations.
 - C. transfer financial risk to the newly acquired bank.
 - D. decrease the federal interest rate.
68. Which of the following is the first step a financial planner typically takes when meeting a new client:
- A. Recommend steps to eliminate debt
 - B. Determine client's tolerance for risk
 - C. Create long-term financial goals
 - D. Assess current financial situation

69. What is a primary responsibility of an investment bank?
- A. Use funds from premiums to offer loans
 - B. Pool contributions and invest for them for employees
 - C. Help firms raise funds by issuing securities
 - D. Accept deposits from individual savers
70. Which of the following factors has increased financial globalization and made it easier to communicate across country borders:
- A. Deregulation
 - B. Technology
 - C. Exchange rates
 - D. Competition
71. The primary force influencing corporate governance is a company's
- A. independent directors.
 - B. chief executive officer.
 - C. board of directors.
 - D. shareholders.
72. Why do many people pursue finance careers?
- A. Careers in finance are typically easier than other careers.
 - B. There is a positive outlook for finance careers.
 - C. Finance careers generally have small salaries.
 - D. Finance careers do not require much education or training.
73. A manager must decide whether to make products in-house or outsource manufacturing. In this scenario, the company's committed costs are likely to be
- A. cash inflows.
 - B. irrelevant costs.
 - C. relevant costs.
 - D. cash receipts.
74. Which of the following is an example of a cost-of-goods expense a business may pay:
- A. Wages for its employees
 - B. Electricity for its building
 - C. Rent for its land/property
 - D. Raw materials for its products
75. A guideline for writing effective business letters is that each letter should
- A. entertain the reader.
 - B. display the writer's vocabulary.
 - C. have a clear purpose.
 - D. contain indirect questions.

76. One of the most important benefits of setting goals is
- A. achieving success in life.
 - B. learning how to lead others.
 - C. becoming a good example.
 - D. avoiding everyday problems.
77. Which of the following is most likely to incur a luxury tax:
- A. Wool coat with faux fur collar
 - B. Five-carat diamond ring
 - C. Laptop computer
 - D. Used minivan with leather interior
78. Which of the following actions is most likely to lead to a serious legal penalty:
- A. Possession of legal medication without a prescription
 - B. Missing a couple of days of school due to a family vacation
 - C. Refusing to speak when a police officer questions you
 - D. Being noisy with your friends at an amusement park
79. The balance sheet has a close relationship with the company's
- A. fair market value.
 - B. statement of financial position.
 - C. income statement.
 - D. mortgage.
80. Which type of risk is easier to reduce because it can be forecasted?
- A. External
 - B. Economic
 - C. Natural
 - D. Internal
81. An example of an association rule is: "If a customer at XYZ Grocery Store purchases peanut butter, they are 70% likely to also purchase jelly." In this example, the antecedent is _____ and the consequent is _____.
- A. being a customer at the store; buying jelly
 - B. buying jelly; being a customer at the store
 - C. buying jelly; buying peanut butter
 - D. buying peanut butter; buying jelly
82. Which of the following is an example of an employee behaving ethically at work:
- A. Performing work-related tasks in efficient ways
 - B. Making social plans with friends on company time
 - C. Using office supplies for personal business
 - D. Accepting credit for a project that a coworker completed

83. Ann-Marie is preparing an annual report. While many people might look at the report, Ann-Marie needs to remember that this report's main audience is
- A. shareholders.
 - B. the CEO.
 - C. customers.
 - D. possible employees.
84. Which of the following most likely led to a greater emphasis on governance structures in recent years:
- A. Competitor saturation
 - B. Stock market crash
 - C. Accounting fraud
 - D. New technology in the industry
85. Which of the following is an example of a routine decision:
- A. Choosing a career to pursue
 - B. Picking a new roommate
 - C. Selecting which car to buy
 - D. Ordering pizza for dinner
86. Which of the following is the best example of misusing company resources:
- A. Juan takes notepads from the supply closet.
 - B. Nate flies first class when he travels for work.
 - C. Yazmin often leaves her shift early without clocking out.
 - D. Ashley pays for a business lunch with a company credit card.
87. A local bank has gone into a partnership with a life insurance company. As a result, the bank will sell the company's insurance to its clients. This partnership is an example of
- A. consolidation.
 - B. amalgamation.
 - C. bancassurance.
 - D. market extension.
88. Lawrence's manager asked him to prepare a visual representation of key performance indicators, including cash flow, liquidity, profitability, and liability. Lawrence should use his company's analytic software to create a(n)
- A. operating agreement.
 - B. financial scorecard.
 - C. cost standard.
 - D. profit-and-loss statement.
89. Virtual audits are different than traditional audits in that virtual audits
- A. don't rely on technology.
 - B. must offer printed copies of data.
 - C. cannot be done remotely.
 - D. involve sharing documents online.

90. Consensus building is a process that often enables a group to
- A. reach an agreement.
 - B. express an attitude.
 - C. create a stalemate.
 - D. define a philosophy.
91. An organization with a strong culture typically has
- A. weak managers.
 - B. clear values.
 - C. unclear values.
 - D. no rules.
92. Jerry is very angry because Greg dented his employer's delivery truck and blamed the dent on Jerry. Which of the following is the most appropriate thing for Jerry to do when the supervisor yells at Jerry for damaging the truck:
- A. Accept responsibility.
 - B. Maintain self-control.
 - C. Blame someone else.
 - D. Get even with Greg.
93. Which of the following budgeting software applications tracks a business's cash, interest, and dividends:
- A. Revenue recognition
 - B. Capital expenses
 - C. Workflow management
 - D. Inventory planning
94. Why do some companies decide against using variance analysis?
- A. Real causes cannot be correctly identified.
 - B. Horizontal analysis requires much less time.
 - C. Variance analysis is not based on real, tangible data.
 - D. Variance analysis involves too much of a time delay.
95. Which of the following is a function of financial markets:
- A. Customer service
 - B. Borrowing and lending
 - C. Auctions
 - D. Productivity
96. Data normalization involves creating a(n) _____ for all data within an organization.
- A. anomaly set
 - B. search query
 - C. group command
 - D. standard format

97. Risk should be managed
- A. as a part of business strategy.
 - B. on a case-by-case basis.
 - C. through the purchase of insurance.
 - D. after an incident has occurred.
98. A primary reason why businesses implement financial audit trails is to
- A. reduce risks associated with intentional data tampering.
 - B. monitor the daily activities of the securities exchanges.
 - C. ensure that financial reports are prepared quickly.
 - D. evaluate their profitability ratios.
99. Which of the following is a function of cost accounting budgets:
- A. Understanding profitability
 - B. Controlling finances
 - C. Analyzing sources of income
 - D. Determining cash flow
100. Hank would like to meet regularly in person with other financial planners in his geographic area to discuss trends and issues impacting their profession. Which of the following professional organizations would best meet Hank's needs:
- A. International Financial Planning Association
 - B. Local Society of Financial Planning Professionals
 - C. Federal Organization of Financial Planners
 - D. National Association of Professional Financial Advisors



KEY

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1. A

Identify, classify, prioritize, schedule, perform. The best order is to list your activities, determine frequency, rank in order of importance, put activities in a time plan, and do the activities as planned. The alternatives are not the best order to follow because they involve doing tasks out of sequence.

SOURCE: PD:009 Demonstrate systematic behavior

SOURCE: Kagan, J. (2024, March 7). *How to organize projects efficiently: A project manager's guide*. Retrieved September 25, 2024, from <https://niftypm.com/blog/how-to-organize-projects-efficiently/>

2. A

Banks, insurance companies, securities firms, and other financial institutions are sometimes owned by a single large firm offering a complete range of financial services. Since deregulation of the financial-services industry in 1999 (the Gramm-Leach-Bliley Act), financial-services providers are allowed to offer a broad range of services. Before deregulation, the industry was highly segmented, with separate businesses for separate services. A career as a securities broker can be pursued in many places, not just at a traditional financial-services firm on Wall Street. The financial-services industry is highly regulated by the U.S. Securities and Exchange Commission.

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

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

3. C

Increase inventory cost. When an employee fails to notice that all of the items that were ordered have not been received, the business' inventory costs increase; the business paid for items that it didn't receive. There's no indication that the missing inventory would create unhappy customers. Missing items would not increase shipping costs for the Castle of Chocolate.

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

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

4. B

Expand into new markets. Expanding a business into new markets is a long-term business goal that typically takes over a year to accomplish. Creating a sales presentation, hiring an accountant, and developing departmental budgets are examples of short-term business goals that can be accomplished in a year's time or less.

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)

5. D

Energy, metals, and grains. Commodities are raw, primary products commonly categorized as energy, metals, and agricultural products, which are often further divided into grains, livestock, and softs. Energy commodities include different types of fuel, including natural gas, crude oil, heating oil, etc. Metals commodities include precious and industrial metals such as gold, silver, and copper. Grains are probably the most popular of the commodities and include corn, soybeans, wheat, etc. Livestock include cattle and hogs, while softs are food and fiber commodities such as cocoa, cotton, orange juice, etc. Consumer goods (tangible items produced for personal use) are finished goods, not raw, primary products; therefore, they are not referred to as commodities.

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

SOURCE: Thompson, C. (2024, March 4). *Commodities trading: An overview*. Retrieved September 27, 2024, from <https://www.investopedia.com/investing/commodities-trading-overview/>

6. D

Domestic competition. Globalization is the rapid and unimpeded flow of capital, labor, and ideas across national borders, which includes the integration of financial markets, especially capital markets. Due to increased domestic competition, financial companies have been seeking new markets in foreign countries. Reduced regulation has also encouraged financial globalization. Protectionism is a government's policy to protect domestic industries and businesses against foreign competition. These types of policies do not encourage globalization.

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

SOURCE: Fernando, J. (2024, June 27). *Globalization in business with history and pros and cons*. Retrieved September 27, 2024, from <https://www.investopedia.com/terms/g/globalization.asp>

7. C

Spread costs among departments. Cost allocation refers to the process of identifying, assigning, and accumulating costs to a company's cost objects. Cost objects are any activity or item to which a company assigns costs, which can be a product or product line, a project, or a department. Cost allocation helps a company determine which parts of a business are responsible for which costs by spreading costs among departments (not just one department). This process can help a company make better-informed decisions, both in the short term and the long term. Companies that effectively allocate costs typically increase their profits and lower their expenses. They do this by determining which cost objects are most profitable. If a cost object is not profitable and is causing the business to pay more expenses, then the company would do further evaluations on it.

SOURCE: FI:663 Discuss the nature of cost allocation

SOURCE: Corporate Finance Institute. (2024). *Cost allocation*. Retrieved September 27, 2024, from <https://corporatefinanceinstitute.com/resources/accounting/cost-allocation>

8. C

The new home. A mortgage is a type of secured loan, meaning the borrower pledges to the lender some valuable possession as collateral, or security, to guarantee that the loan will be repaid. In the case of a mortgage, the collateral is almost always the home itself. Lenders order appraisals of homes to ensure the property—the collateral—is worth the risk. If you don't repay the mortgage, the lender has the right to foreclose the home, meaning you'll lose the collateral. Although your car, cash in your savings account, and future paychecks are common forms of collateral for personal loans, they are not typically used for mortgages.

SOURCE: FI:625 Apply for a consumer loan

SOURCE: McMillin, D. (2024, May 13). *What is collateral for a mortgage, and how does it work?* Retrieved September 25, 2024, from <https://www.bankrate.com/mortgages/collateral-for-mortgage>

9. B

Earnings and revenue growth. A company's financial statements can provide important information to investors. One of the most important pieces of information is about the company's bottom line: whether it is profitable and by how much. Information about earnings and revenue growth can help an investor determine the company's profitability. While cash flow trends, liabilities, and dividends paid are all important pieces of information that can be obtained from financial statements, they are not related to the company's bottom line.

SOURCE: FI:274 Describe sources of securities information

SOURCE: Loth, R. (2023, April 13). *12 things you need to know about financial statements*. Retrieved September 27, 2024, from <https://www.investopedia.com/articles/basics/06/financialreporting.asp>

10. A

Conflict of interest. Conflicts of interest are situations in which it is impossible to be truly impartial. An example of a conflict of interest is taking on a second job that could be in competition with your primary job or could take away your focus from your primary job. This type of conflict of interest is an ethical issue that Duncan is creating, which could lead to risk for his employers. Duncan's decision is not related to lack of accountability, misuse of resources, or product liability.

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

SOURCE: Segal, T. (2024, July 30). *What is a conflict of interest?* Retrieved October 16, 2024, from <https://www.investopedia.com/terms/c/conflict-of-interest.asp>

11. B

The type of service you have provided the customer. The way you follow up with a customer when showing a customer service mindset will vary according to the type of service you have provided. Employees should follow up with customers to be certain that they have received satisfaction from the product or company's services. The way you follow up should not be based on levels of frustration, supervisory attention, or distance. All customers are important. Following up suggests to customers that you care about their continued satisfaction.

SOURCE: CR:004 Demonstrate a customer service mindset

SOURCE: LAP-CR-004—Set Your Mind to It (Customer Service Mindset)

12. A

Be able to set priorities and goals easily. When you know what your values are and align your behavior with them, you will be able to set priorities and goals that will make you feel fulfilled, motivated, and happy. You will not necessarily feel conflicted in your decision-making. You will also not necessarily find fulfillment in your career but not your personal life. While knowing what your values are will help you with ethical situations, it will not necessarily help you avoid all struggles with ethical dilemmas.

SOURCE: EI:126 Assess personal behavior and values

SOURCE: LAP-EI-126—Assess Yourself (Assessing Your Personal Behavior and Values)

13. A

Provide information to investors so they can make informed decisions. Full-disclosure laws and regulations require companies to disclose—publicize—any information that could affect the value of the firms' stocks. Investors need this information so they can make informed buy, hold, or sell decisions about investments. Full-disclosure laws also prevent company employees and other insiders from using privileged information for their personal gain. Full-disclosure laws do not require companies to disclose every bit of information about their operations—some undisclosed trade secrets are permitted. Full-disclosure laws and regulations are not designed to impact par values of stock.

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

SOURCE: Kenton, W. (2022, August 26). *Full disclosure: What it is, how it works, example.* Retrieved September 25, 2024, from <https://www.investopedia.com/terms/f/fulldisclosure.asp>

14. A

Ryan recently lost his job in the construction industry during a time of economic contraction. Cyclical unemployment occurs during periods of time when there is low demand for workers due to economic conditions and fluctuations in the business cycle. When the economy slows, consumer spending tends to fall, which causes many businesses to decrease production. When production decreases, there is not enough work for employees, so businesses implement layoffs, which causes unemployment to rise. Lizzy's situation is an example of seasonal unemployment. Seasonal unemployment occurs when people are out of work because of factors that involve the time of year. Frictional unemployment describes people who are temporarily between jobs due to layoffs, resignations, or educational pursuits, as is the case in Hannah's situation. Structural unemployment results when people do not have the job skills for jobs that currently exist. These people often have skills and training needed to work but are unemployed due to factors such as technological advancements or lacking natural resources (e.g., depleted coal mine).

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

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

15. C

Cost-based pricing. Determining how much it costs to make a product and adding a predetermined markup is a method known as cost-based pricing. Price-based costing is determining how much customers will pay for a product and then whittling down costs so the business can still make a profit. Economies of scale are cost savings created by increased levels of production. Gross profit is a company's revenue after subtracting the costs of the products it has sold.

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

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

16. D

Total revenues, total costs, and profits. The basic budgeting equation is $\text{Total Revenues} - \text{Total Costs} = \text{Profit}$. The total costs identified in this equation include all costs and expenses. Total revenues include all sales revenues from all sources. Profit is the difference between the two. Fixed, variable, and semi-variable costs are the three main types of costs that combine to make total costs. Inventory is not a basic component in budgeting, although aspects involving inventory do appear in a budget. Fixed assets and investments are important aspects of accounting and therefore do impact budgets, but they are not among the basic components of a business budget.

SOURCE: FM:013 Demonstrate budgeting applications

SOURCE: EntreLeadership. (2024, August 28). *How to create a basic business budget*. Retrieved September 27, 2024, from <https://www.ramseysolutions.com/business/create-a-business-budget>

17. C

Lower than the previous period. The formula for a statement of changes in equity is: $\text{beginning earnings} + \text{net income} - \text{dividends} = \text{retained earnings}$. If dividends are higher than net income, retained earnings will be lower than beginning earnings. In order for retained earnings to stay the same, the net income would have to be exactly equal to the dividend payments. For retained earnings to be higher than the previous period, net income would have to exceed dividends. For retained earnings to equal zero, the dividend payments would have to be equal to the beginning earnings and net income would have to be zero.

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

SOURCE: Basu, C. (2024). *How to calculate dividends, retained earnings, and statement of cash flow*. Retrieved September 27, 2024, from <http://smallbusiness.chron.com/calculate-dividends-retained-earnings-statement-cash-flow-19419.html>

18. A

Building and maintaining customer relationships. One of the best ways to differentiate a business from the competition is by offering excellent customer service. By building and maintaining strong customer relationships, businesses can retain current customers and turn them into loyal brand ambassadors. It is more expensive to acquire new customers than it is to retain current customers, so businesses should focus on satisfying the needs of their current customers before attempting to earn new customers. This example does not demonstrate the importance of setting high prices for brand image or outpricing the competition through sales and giveaways.

SOURCE: CR:030 Build and maintain relationships with customers

SOURCE: Waypath. (2024, March 13). *Top 7 benefits of CRM software for growing businesses*. Retrieved September 25, 2024, from <https://waypathconsulting.com/top-benefits-of-customer-relationship-management>

19. B

Market research studies. Market research studies are a tool that can be used to carry out scanning activities. They can provide useful information about customer attitudes, demographic changes, etc. Manufacturing equipment, personnel records, and budgeting software are all tools that a business can use to enhance or manage its internal environment.

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

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

20. A

Good corporate governance. Corporate governance is the combined set of rules, practices, and processes by which an organization is managed. Benefits of effective corporate governance include fewer incidents of misconduct, smoother day-to-day operations, and better relationships with stakeholders. This example demonstrates how adherence to corporate governance policies can benefit an organization. Ethics training, public relations initiatives, and SMART goals can also benefit companies, but they are not demonstrated in this example.

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

SOURCE: Chen, J. (2024, September 12). *Corporate governance: Definition, principles, models, and examples*. Retrieved September 27, 2024, from <https://www.investopedia.com/terms/c/corporategovernance.asp>

21. D

Stocks, bonds, and real estate. When investments such as stocks, bonds, and real estate are sold at a profit, a capital gains tax may be levied. A capital gain is the difference between the purchase price and sales price of an asset. Investors can reduce their capital gains taxes in a number of ways, including selling some investments at a loss to offset the profit generated by the sale of other investments. Capital gains taxes can also be reduced by keeping investments for a longer length of time. Short-term capital gains are taxed at a higher rate than long-term and super-long-term capital gains. The capital gain generated by a real estate sale is often not taxed if the seller owned the home for at least 2 years. A gift tax, not a capital gains tax, may be imposed on financial gifts.

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

SOURCE: Weltman, B. (2024, September 13). *Capital gains tax rates and potential changes in 2025*. Retrieved September 25, 2024, from <https://www.investopedia.com/articles/00/102300.asp>

22. B

Dishonest. Human risks are chances of loss caused by human weaknesses and unpredictability. Dishonest behavior is a form of human risk that includes all forms of stealing, cheating, or lying. Failing to ring a sale and keeping the firm's money is a form of dishonesty. Careless behavior occurs when employees fail to pay attention to details. An incompetent employee is one who does not have the skills to do the job correctly. Ethical behavior is moral conduct.

SOURCE: EC:011 Determine factors affecting business risk

SOURCE: LAP-EC-911—Lose, Win, or Draw (Business Risk)

23. D

Information on external market conditions. Financial-information management involves collecting, maintaining, and reporting data about financial transactions; assisting in the preparation of financial statements; supporting budgeting activities; and storing and protecting customer financial information. Information that should be stored in an effective financial-information management system includes data about organizational finances, internal operational information, and data on external market conditions. Data on current customer trends, statistics on demographic shifts, and reports on the effectiveness of ad campaigns would be more relevant to marketing managers than to financial-information managers.

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

SOURCE: Strutner, S. (2023, September 4). *Financial management explained: Scope, objectives, & importance*. Retrieved September 27, 2024, from <https://www.netsuite.com/portal/resource/articles/financial-management/financial-management.shtml>

24. D

Waste; quality. Businesses are constantly looking for ways to use their resources more efficiently. Two popular methods of achieving this goal are lean operations (manufacturing) and Six Sigma. The lean-operations method involves eliminating waste (the ineffective use of resources) to improve efficiency. According to the lean-operations philosophy, when efficiency increases, the business will have fewer errors, which leads to higher profits. Six Sigma is a quality-management framework that involves continuously setting higher goals of perfection. The Six Sigma framework builds upon previous goals to set higher goals, which continuously improves the quality of the business's goods, services, or processes. The ultimate goal is to maximize outputs, have no process or product defects, and minimize production costs. Therefore, an important aspect of the Six Sigma philosophy is to continuously lower costs while improving quality. Lean operations do not focus on reducing wages, automation, or standards. Six Sigma does not focus on improving waste.

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

SOURCE: Kenton, W. (2024, July 1). *Lean six sigma: Definition, principles, and benefits*. Retrieved September 27, 2024, from <https://www.investopedia.com/terms/l/lean-six-sigma.asp>

25. B

Customer relationship management. Customer relationship management (CRM) applications would allow Michelle to easily manage, update, and organize her customers' information. Businesses use application programming interfaces (APIs) to exchange documents. Tabulation analysis involves summarizing or tallying the responses obtained from research. Environmental scanning involves collecting information about the environment surrounding the business.

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

SOURCE: Hashemi-Pour, C. (2024). *CRM (customer relationship management)*. Retrieved September 30, 2024, from <https://www.techtarget.com/searchcustomerexperience/definition/CRM-customer-relationship-management>

26. D

Credit. Credit is borrowed money that individuals can use to purchase goods and services when they need them. You get credit from a credit grantor, whom you agree to pay back for the total cost of the amount you spent (plus applicable interest charges) at an agreed-upon time. Matthew received \$20,000 in credit from a financial institution to pay for college. He benefits from this credit because without it he may not be able to afford tuition. This example does not demonstrate the use of cash, debit, or bitcoin.

SOURCE: FI:058 Explain forms of financial exchange (cash, credit, debit, electronic funds transfer, etc.)

SOURCE: Waugh, E. (2024, January 27). *What is credit?* Retrieved September 25, 2024, from <https://www.experian.com/blogs/ask-experian/credit-education/faqs/what-is-credit/>

27. A

Pay off your balance each month. If you must use credit cards, the most effective way to avoid excessive credit card debt is to pay off your balance each month. By paying back what you've borrowed each month, you can avoid paying interest and other costly fees. If you cannot pay off your balance each month, work to pay off high-interest credit cards first since high-interest credit cards cost you more in the long run than low-interest cards. Choose credit cards with low limits so that you have less of an opportunity to accumulate debt. Credit card cash advances usually result in extremely high interest charges, often 20% or more. So, it is wise to avoid cash advances, rather than using them to pay debt.

SOURCE: FI:071 Demonstrate the wise use of credit

SOURCE: Irby, L. (2022, January 17). *10 ways to avoid credit card debt.* Retrieved September 25, 2024, from <https://www.thebalance.com/avoid-credit-card-debt-960043>

28. A

Benchmarking. A benchmark is a point of reference—something that provides a basis for comparison or evaluation. Benchmarking is used by companies to compare themselves to competitors within their industry. If ABC Education Company wants to compare its practices and performance to that of other organizations, benchmarking would be the most effective method. Trending, or trend analysis, involves comparing financial reporting periods to identify a trend, such as an increase in sales or a reduction in expenses. Forecasting is used to predict future events and trends, such as sales and other revenues. Ratio analysis involves calculating financial ratios (comparisons created when one number is divided into another) to get a better understanding of a company's financial health.

SOURCE: FM:014 Demonstrate financial analysis applications

SOURCE: Chen, J. (2024, April 7). *Benchmarks: Definition, types, and how to use them in investing.* Retrieved September 27, 2024, from <https://www.investopedia.com/terms/b/benchmark.asp>

29. C

Consistent communication. Networking helps finance professionals build relationships with others who work in the same or related fields. These contacts often lead to new job opportunities and client referrals. Joining college alumni groups, social and civic organizations, and professional associations are common ways to network with others. The key to building long-term relationships with others is engaging in consistent, ongoing communication—getting to know the other person. By doing so, finance professionals build rapport with others and earn their trust. Formal contracts and a detached or indifferent attitude will not foster positive professional relationships. To join, many trade organizations require their members to work in the trade or industry.

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

SOURCE: Lund, J. (2024, May 9). *The key to business success? Relationships!* Retrieved September 27, 2024, from <https://www.superoffice.com/blog/business-relationships/>

30. D

Beginning period retained earnings + Net income (or loss) – Net dividends. Retained earnings are the cumulative net profits of a company after accounting for dividend payments. Retained earnings are calculated by adding net income to (or subtracting net losses from) the beginning period retained earnings then subtracting any net dividend(s) paid to shareholders. Net dividends usually refer to cash dividends or stock dividends. The formula looks like: Retained earnings = Beginning period retained earnings + Net income (or loss) – Net dividends. Subtracting capital expenditures from operating cash flow calculates free cash flow. Capital expenditures and operating cash flow are not used when calculating retained earnings.

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

SOURCE: Fernando, J. (2024, June 25). *Retained earnings in accounting and what they can tell you*. Retrieved September 27, 2024, from <https://www.investopedia.com/terms/r/retainedearnings.asp>

31. A

Protect and secure financial information. Firewalls, intrusion detection systems, and encryption are all examples of technological advancements that allow companies to better protect sensitive financial information. They are not methods used to screen qualified job applicants, ensure the security of office buildings, or sort and organize customer data.

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

SOURCE: Egnyte. (2023, November 14). *Financial privacy: What is it?* Retrieved September 27, 2024, from <https://www.egnyte.com/guides/financial-services/financial-data-protection>

32. C

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

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

SOURCE: Davoren, J. (2024). *Three types of corporate governance mechanisms*. Retrieved September 27, 2024, from <https://smallbusiness.chron.com/three-types-corporate-governance-mechanisms-66711.html>

33. B

Intranet systems. An intranet system is a business's internal computer network. It allows for the electronic exchange of information among the business's employees. Because businesses often store confidential information (e.g., customer financial data, employee payroll data) on their intranet, they must take steps to ensure that unauthorized individuals do not obtain the information. Businesses use computer software applications to minimize security risks. Encryption techniques and passwords are examples of methods that businesses use to protect the confidential information that is stored on their intranet systems. Businesses do not use security software to protect their corporate policies, intercom systems, or spam email.

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

SOURCE: Firstup. (2024, October 10). *What is an intranet, and is it still relevant to your organization?* Retrieved October 16, 2024, from <https://firstup.io/blog/what-is-an-intranet-and-is-it-still-relevant-to-your-organization/>

34. B

Bid analysis. Businesses compare the prices offered by different vendors for the same goods and services in order to decide from whom to make the purchase. Analyzing the bids allows businesses to find out which vendor is offering the best price. Price fixing involves businesses agreeing on prices of their products resulting in little choice for the consumer. Receipt of goods is the arrival of the order at its destination. Invoice payment is paying for the goods once they have been received.

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

SOURCE: LAP-OP-015—Buy Right (Purchasing)

35. A

A text editor is a simplified type of word processor. A word processor is a great tool for the average user who needs to write and format text on documents, but a text editor is designed specifically for users who need to write and edit text quickly with less focus on formatting. A text editor is not a more advanced word processor and does not offer users more control over layout and colors, nor is it more focused on the visual formatting elements of a document.

SOURCE: NF:007 Demonstrate basic word processing skills

SOURCE: Microsoft. (n.d.). *What is a word processor?* Retrieved September 25, 2024, from <https://www.microsoft.com/en-us/microsoft-365/word/word-processor>

36. C

Face-to-face meeting. Having a face-to-face meeting is the best way to get immediate verbal and nonverbal feedback. Nonverbal feedback or body language can often provide insight into what the message recipient feels or really thinks about the message. For example, crossing arms often indicates a defensive or negative attitude about the message. The manager cannot gauge or monitor employees' nonverbal cues through phone calls, instant messaging, or email.

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

SOURCE: Indeed. (2023, September 22). *Face-to-face meetings: 9 benefits and why they're important.* Retrieved September 25, 2024, from <https://www.indeed.com/career-advice/career-development/face-to-face-meetings>

37. C

Ratio. A ratio is a fixed relation in number or degree between two similar things. Therefore, if the relative price of two items is cut in half or doubles, the ratio would remain the same. Value is the amount of satisfaction that a good or service will provide a customer. A market is any circumstance in which buyers and sellers exchange goods or services for a price. A resource is any item that is used to produce goods or services.

SOURCE: EC:006 Describe the functions of prices in markets

SOURCE: LAP-EC-906—When More Is Less (Functions of Price)

38. D

Life. Life insurance companies are a type of financial intermediary because they receive funds from their customers (savers) and lend the funds to other customers (borrowers). Property, liability, and health insurance companies are not financial intermediaries. Like life insurance companies, they sell their services to customers, but they do not lend funds to borrowers.

SOURCE: FI:336 Describe the role of financial institutions

SOURCE: Fontinelle, A. (2024, September 17). *Life insurance: What it is, how it works, and how to buy a policy.* Retrieved September 27, 2024, from <https://www.investopedia.com/terms/l/lifeinsurance.asp>

39. A

Ponzi scheme. A Ponzi scheme is an investment scam that lures in new investors by promising high rates of return with little to no risk. In a Ponzi scheme, high rates of returns are paid to initial investors out of funds from later investors. Because Marcus and other early backers are profiting from investments made by new backers, this scenario is an example of a Ponzi scheme. Predatory lending is when lenders pressure a consumer into signing loan agreements that aren't in the consumer's best interest. A viatical investment scam is when companies convince investors to buy interests in the death benefits provided for in life insurance policies of terminally ill patients. Boiler rooms are high-pressure sales tactics (cold calls, fast talking, etc.) used in an effort to persuade investors to purchase securities.

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

SOURCE: Office of the New York State Attorney General. (2024). *Investment fraud*. Retrieved September 25, 2024, from <https://ag.ny.gov/investor-protection/common-investment-scams>

40. C

Planning. A risk analysis takes place in the planning stage of project management. Project managers analyze risk in an effort to prepare to minimize its effects as much as possible. In the initiation phase, the idea for the project is assessed and a statement of work and project charter are drafted. In the execution phase, the work of the project is completed. In the closing phase, project managers deliver the final product and tie up any loose ends.

SOURCE: OP:158 Explain the nature of project management

SOURCE: LAP-OP-158—Projected to Win (Nature of Project Management)

41. D

Declines in stock markets decrease consumer confidence. When stock prices fall, businesses and consumers lose confidence and are less likely to spend money, so the economy is negatively affected. Interest rates do tend to be lower when the economy is in recession, but this is not an example of how the stock market affects the economy. The stock market does sometimes perform better during long-term economic stagnation, but this is not an example of how the stock market affects the economy. Finally, rising stock markets do not necessarily cause consumer prices to decrease.

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

SOURCE: Liberto, D. (2023, February 28). *How the stock market affects the U.S. economy*. Retrieved September 27, 2024, from <https://www.investopedia.com/how-stock-market-affects-economy-5296138>

42. B

Professional organization websites. Most business specialties have a professional organization, such as the National Association of Business Economics. Today, many professional organizations also have a website that includes information about the type of jobs in the profession. Many websites also provide information about the training necessary for jobs in the profession and a listing of members who may have positions available. Classified ads in urban newspapers and community-college student centers are not good sources of detailed information about specific careers. Corporate human-resource departments only provide information about careers in their businesses.

SOURCE: PD:025 Explain employment opportunities in business

SOURCE: LAP-PD-025—Go for It! (Careers in Business)

43. C

Oral. When your parents tell you to vacuum the living room, you are receiving oral directions. When a person speaks, they are not giving nonverbal directions or written directions. Directions for vacuuming the living room are not social directions.

SOURCE: CO:119 Follow oral directions

SOURCE: Birt, J. (2024, September 23). *10 effective ways to improve verbal communication skills*. Retrieved September 25, 2024, from <https://www.indeed.com/career-advice/career-development/how-to-improve-verbal-communication-skills>

44. C

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

SOURCE: RM:043 Discuss legal considerations affecting risk management

SOURCE: Kagan, J. (2024, July 12). *What is a captive insurance company?* Retrieved September 27, 2024, from <https://www.investopedia.com/terms/c/captive-insurance-company.asp>

45. C

Present value and discount rate. Calculating the time value of money helps individuals make wise investment decisions. To solve for the future value of his \$10,000 initial investment, Isaac should use the formula Present Value \times (1 + Discount Rate). \$10,000 is the present value of his investment, and the discount rate is the interest rate that he expects to earn on that initial investment.

SOURCE: FI:238 Calculate the time value of money

SOURCE: Chen, J. (2024, July 19). *How to use the future value formula*. Retrieved September 27, 2024, from <https://www.investopedia.com/terms/f/futurevalue.asp>

46. A

Risk control; risk management. Risk management is a business activity that involves the planning, controlling, preventing, and limiting of business losses and enhancing possibilities for gain. Risk control includes specific actions taken to mitigate the chance of risk. Risk control is one component of risk management, but not all risk management is risk control. Internal risks are those controlled by the business, like poor budgeting. External risks are those that a business cannot control, such as inflation. Internal and external risks do not overlap.

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

SOURCE: ZenGRC. (2024, August 30). *Risk control & risk management: What's the difference?* Retrieved October 16, 2024, from <https://www.zengrc.com/risk-control-risk-management-whats-the-difference/>

47. C

Information management. This is the process of accessing, processing, maintaining, evaluating, and disseminating knowledge, facts, or data for the purpose of assisting business decision-making. Businesses need a lot of information to operate successfully and make decisions that will help the business grow and prosper. Managing the information allows businesses to obtain the data they need to remain competitive and survive. Communications networks, organizational development, and applied research do not involve obtaining and evaluating data for the purpose of helping businesses make long-term decisions.

SOURCE: NF:110 Discuss the nature of information management

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

48. C

Budget. A budget is a financial plan that helps an organization process and organize money for future operations. If a company needs to know how much money is available for a marketing campaign, a managerial accountant can consult the budget. A sales forecast is a prediction of the outcome of future operations. Variance analysis involves comparing actual expenses with budgeted expenses. Cost-benefit analysis involves weighing the costs and benefits of a decision.

SOURCE: FI:660 Explain the nature of managerial accounting

SOURCE: Tuovila, A. (2024, June 30). *Managerial accounting meaning, pillars, and types*. Retrieved September 27, 2024, from <https://www.investopedia.com/terms/m/managerialaccounting.asp>

49. D

Leading. Stock market returns are commonly considered to be leading economic indicators because they often decline in advance of an economic decline and improve prior to positive movement in the overall economy. Lagging economic indicators such as the unemployment rate do not change direction until after the general economy improves or declines. Coincident economic indicators move simultaneously with the overall economy. Exploratory economic indicators are fictitious.

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

SOURCE: Reiff, N. (2023, February 15). *Leading indicators: Definition and how they're used by investors*. Retrieved September 27, 2024, from <https://www.investopedia.com/terms/l/leadingindicator.asp>

50. D

Finds ways to adjust to the situation. People with initiative are flexible and adjust to changes that occur. Asking a teacher or other students to help handle an increase in work does not show initiative. Waiting until a teacher notices the situation shows no initiative and could potentially create more problems.

SOURCE: EI:024 Explain the importance of demonstrating initiative

SOURCE: LAP-EI-024—Hustle! (Taking Initiative)

51. D

Stereotype. Stereotypes are set images or assumptions about a person, group of people, or thing. Stereotypes are often widely recognized by a society as a whole. For example, the idea that only men enjoy watching sports is a stereotype. Prejudice is an opinion or judgment that is based on feeling or hearsay, rather than fact. Unconscious bias is bias that we are unaware of and unable to control. This type of bias happens automatically through the quick judgments we make. A discriminatory statement would involve discrimination, or unfair treatment of a person or group based on the person's or group's characteristics. This example best demonstrates a stereotype, not prejudice, unconscious bias, or a discriminatory statement.

SOURCE: EI:017 Recognize and overcome personal biases and stereotypes

SOURCE: LAP-EI-917—Don't Jump to Conclusions! (Recognizing and Overcoming Personal Biases and Stereotypes)

52. D

General partnership. With a general partnership, all partners are liable for the debts of the business. If one partner refuses to pay their share of the debts, the other partners will be responsible for paying them. Owners of private, "C," and "S" corporations have limited liability.

SOURCE: BL:003 Explain types of business ownership

SOURCE: LAP-BL-003—Own It Your Way (Types of Business Ownership)

53. D

Increased job satisfaction. Governance objectives are company goals that serve as the foundation for company culture and decision-making. It's important to involve employees in achieving governance objectives, as this can lead to increased job satisfaction and a positive attitude. Union support is a strategy used to increase employee involvement in the achievement of governance objects, rather than a benefit or consequence of it. Greater profits are a benefit experienced by the company rather than individual employees. Involving employees in achieving governance objectives often leads to greater, not reduced, communication.

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

SOURCE: Kinsey, A. (2024). *How to align employees with company goals*. Retrieved September 27, 2024, from <https://smallbusiness.chron.com/align-employees-company-goals-11667.html>

54. D

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

SOURCE: EI:012 Persuade others

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

55. C

\$1,500. To calculate the future value of her investment, multiply the principal by the simple interest rate ($\$6,000 \times 0.05 = \300). Then, multiply that product by the number of years ($\$300 \times 5 = \$1,500$).

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 October 16, 2024, from <https://www.thebalancesmb.com/how-to-calculate-the-future-value-of-an-investment-393391>

56. D

A restaurant chain manager must decide whether to keep a certain franchise open. Marginal analysis can be used to make many types of decisions. One type of decision that it can be used for is a segment profitability decision, which is the process of deciding if it is more profitable to keep or drop an unsuccessful segment of the business. The restaurant manager must decide if the franchise (a segment of their business) is profitable enough to remain open. The clothing retailer who must decide how many units of each product to sell is making a sales mix decision. A company deciding whether to use an outside marketing firm or hire someone internally is making a make-or-buy decision. The furniture company deciding whether or not to assemble its pieces before sale is making a sell-or-process-further decision. All of these cases can benefit from marginal analysis.

SOURCE: FI:659 Describe marginal analysis techniques and applications

SOURCE: Hayes, A. (2024, April 15). *Marginal analysis in business and microeconomics, with examples*. Retrieved September 27, 2024, from <https://www.investopedia.com/terms/m/marginal-analysis.asp>

57. C

Internal independent audit. When a company uses employees, managers, or owners to monitor the organization's activities, it is using an internal independent audit. External control mechanisms and audits are controlled by governments, unions, or financial institutions. Requesting employees to verify the accuracy of accounting helps prevent unethical practices from occurring and is recommended for the benefit and success of an organization.

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

SOURCE: Davoren, J. (2024). *Three types of corporate governance mechanisms*. Retrieved September 27, 2024, from <https://smallbusiness.chron.com/three-types-corporate-governance-mechanisms-66711.html>

58. B

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

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

SOURCE: Akalp, N. (2023, February 18). *The consequences of noncompliance in business*. Retrieved September 27, 2024, from <https://www.corpnet.com/blog/the-consequences-of-noncompliance-in-business/>

59. B

Back of the check. Endorsement involves signing the back of the check, which allows the funds to be transferred from the payer (check source) to the payee (check recipient). The payer completes the front of the check, which includes the "Signature" line and the "Pay to the order of" line, which identifies who can cash the check—usually the payee. The memo line is used to identify the purpose of the check.

SOURCE: FI:560 Write checks

SOURCE: PNC. (2024, July 10). *How to endorse a check*. Retrieved September 25, 2024, from <https://www.pnc.com/insights/personal-finance/spend/how-to-endorse-a-check.html>

60. A

Coordinate their work activities. Employees are often responsible for different parts of an entire body of work. When each employee performs their specific part efficiently and effectively so that other employees can do their work, they are coordinating their work activities. Managers rather than employees develop departmental goals. There is not enough information provided to determine if Aria and Mateo need to improve the way they communicate or if management needs to approve certain activities so that Aria and Mateo can perform their work tasks.

SOURCE: OP:230 Coordinate work with that of team members

SOURCE: Marquis, A. (2024). *Importance of integration & coordination in an organization*. Retrieved September 25, 2024, from <http://smallbusiness.chron.com/importance-integration-coordination-organization-17921.html>

61. A

Horizontal. A horizontal analysis is a financial analysis technique that looks at data over multiple periods, such as year-over-year (YoY). In other words, horizontal analysis occurs by looking left and right (horizontally) across a collection of company financial statements over time. A vertical analysis is a financial analysis technique that reviews line items (such as those found on an income statement) as a proportion of revenue. It occurs by looking up and down (vertically) a financial document. A SWOT analysis is a marketing tool that investigates a business's strengths, weaknesses, opportunities, and threats. A break-even analysis is the process of determining the level at which revenues equal total costs.

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

SOURCE: Tuovila, A. (2024, March 3). *Horizontal analysis: What it is vs. vertical analysis*. Retrieved September 27, 2024, from <https://www.investopedia.com/terms/h/horizontalanalysis.asp>

62. A

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

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

SOURCE: Indiana University. (2024, September 24). *About the principle of least privilege*. Retrieved September 27, 2024, from <https://kb.iu.edu/d/amsv>

63. C

Wholesalers and retailers. Trade industries are businesses that buy and sell goods to others. Wholesalers sell goods to retailers, who sell them to ultimate consumers. Neither manufacturers nor producers are part of the trade industries.

SOURCE: EC:070 Explain the role of business in society

SOURCE: LAP-EC-070—Business Connections (Business and Society)

64. D

Growing and protecting their clients' wealth. Because financial-services providers (e.g., financial planners, bankers, and insurance agents) provide and manage financial products, they have the responsibility to grow and protect their clients' wealth. Finance professionals do this by providing sound financial advice and suggesting appropriate financial products to customers. Depending on a particular client's needs and the financial-service provider's product line, an appropriate financial product may include securities. By growing and protecting their clients' wealth, financial-services providers help their clients maintain or improve their standard of living. Lobbying the government is not a primary responsibility of all financial-services providers.

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

SOURCE: Indeed. (2024, September 23). *What does a finance department do?* Retrieved September 27, 2024, from <https://www.indeed.com/career-advice/career-development/what-does-finance-department-do>

65. B

Volatility. The 52-week high and low numbers (the highest and lowest prices paid for the stock in the past 52 weeks) are a good indicator of the stock's volatility, which refers to a stock's movement in price in any given time frame. A stock that rises and falls sharply is said to be volatile and may mean that an investor either makes a lot of money or loses it. Yield is what a bond brings an investor at a particular bid price over the time period—listed as a percentage. Volume is the number of shares traded during a specific period. Net change is the difference between a stock's closing price and the previous day's price.

SOURCE: FI:275 Interpret securities table

SOURCE: Hayes, A. (2024, July 3). *Volatility: Meaning in finance and how it works with stocks*. Retrieved September 27, 2024, from <https://www.investopedia.com/terms/v/volatility.asp>

66. A

It is direct, clear, and simple. Effective business writing is direct, clear, simple, and gets to the point quickly. Because it is designed to be read quickly, sentences in effective business writing are short and clear as possible. Rather than using complex terms and language, effective business writing uses simple word choices. Effective business writing shares crucial information and keeps the concerns of the audience in mind.

SOURCE: CO:016 Explain the nature of effective written communications

SOURCE: GCFGlobal.org. (n.d.). *Business writing essentials*. Retrieved September 25, 2024, from <https://edu.gcfglobal.org/en/business-communication/business-writing-essentials/1>

67. A

Instantly gain many new customers. One of the biggest benefits and motivations for a bank to acquire another is to gain large numbers of new customers. When a bank acquires another one, it does not transfer any of its financial risk, but instead assumes any financial risk belonging to the newly acquired bank. When two banks merge, they should seek to streamline the way they handle federal banking regulations to avoid negative impacts on profits. However, they cannot avoid or eliminate federal banking regulations completely. A bank does not have the ability to decrease the federal interest rate.

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

SOURCE: BPI. (2024, February 29). *Breaking down the bank merger review process*. Retrieved September 27, 2024, from <https://bpi.com/breaking-down-the-bank-merger-review-process/>

68. D

Assess current financial situation. A financial planner's first step typically is assessing a new client's current financial situation by reviewing their assets, debt, personal goals, and risk tolerance. This information is needed in order to create an appropriate financial plan. Determining a client's tolerance for risk is just one aspect of evaluating a new client. Recommending steps to eliminate debt and creating long-term financial goals are actions a financial advisor may recommend after they have reviewed the client's current finances and helped determine an overall financial plan.

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

SOURCE: Fontinelle, A. (2024, August 29). *What does a financial advisor do?* Retrieved September 27, 2024, from <http://www.investopedia.com/articles/personal-finance/050815/what-do-financial-advisers-do.asp>

69. C

Help firms raise funds by issuing securities. Investment banks locate outside sources of money for firms. In most cases, investment banks help these businesses to raise funds by issuing securities (e.g., stocks and bonds). An investment company pools investors' funds and invests the funds based on the needs of the investors. Insurance companies collect premiums for their insurance products. A deposit-taking institution (e.g., bank, credit union) accepts deposits from savers and uses the deposits to offer loans to borrowers.

SOURCE: FI:336 Describe the role of financial institutions

SOURCE: Hargrave, M. (2024, August 6). *Investment bank: What it is, how it works, major examples*. Retrieved September 27, 2024, from <https://www.investopedia.com/terms/i/investmentbank.asp>

70. B

Technology. Because of the internet and digital communication tools, it has become easier than ever for businesses to work with one another across borders. Because of this increased communication, financial globalization has increased. Deregulation and exchange rates also impact financial globalization, but they have not necessarily made it easier to communicate across borders. Competition is an effect of increased financial globalization rather than a factor that has caused it.

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

SOURCE: Pologeorgis, N. A. (2023, August 20). *The globalization of financial services*. Retrieved September 27, 2024, from <https://www.investopedia.com/articles/financial-theory/09/risk-free-rate-return.asp>

71. C

Board of directors. Corporate governance consists of various rules, processes, and duties that direct and manage a corporation. A company's board of directors is the primary force influencing corporate governance, as the board is responsible for making important decisions and representing shareholders. In addition, the board must ensure the company's corporate governance policies incorporate risk management, ethical business practices, corporate strategy, environmental awareness, etc. Boards are often made up of insiders (shareholders, founders, and executives) and independent directors (managers or directors of other large corporations). Chief executive officers (CEOs), shareholders, and independent directors can each be members of a board of directors, but the board as a whole is the primary force influencing a company's corporate governance, not an individual member or group of members. In some cases, a CEO may be a member of a board of directors. However, CEOs are typically selected and overseen by a board. Shareholders are important stakeholders that indirectly affect governance, as members of a board of directors are elected by shareholders. Independent directors are chosen due to their experience managing or directing other large corporations, and they help dilute the concentration of power by aligning shareholder and insider interests.

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

SOURCE: Chen, J. (2024, September 12). *Corporate governance: Definition, principles, models, and examples*. Retrieved September 27, 2024, from <https://www.investopedia.com/terms/c/corporategovernance.asp>

72. B

There is a positive outlook for finance careers. Although there are many reasons to pursue a finance career, many people are attracted by the positive career outlook. Finance careers generally have large salaries. Careers in finance are not usually easier than other careers, and they do not necessarily require less education or training than other careers.

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

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

73. B

Irrelevant costs. Committed costs are those that have already been set aside for a future expense and cannot be altered. Because these costs are already expected and cannot be changed, they are not relevant to business decisions a manager may make. Cash inflow is the money going into a business. Cash receipts are the money that a business collects (e.g., business income).

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

SOURCE: WallStreetMojo. (2024, August 21). *Irrelevant cost*. Retrieved September 27, 2024, from <https://www.wallstreetmojo.com/irrelevant-cost/>

74. D

Raw materials for its products. Two kinds of expenses are “cost of goods” and “operating expenses.” The cost of goods is the amount of money a business pays for the raw materials from which it produces goods to sell. An example of the cost-of-goods expense is the raw materials a business purchases for (or to make) its product(s). Other examples of the cost-of-goods expense are soap for a car wash and the design for a new style of boot. Electricity for its building, wages for its employees, and rent for its land/property are examples of operating expenses—all of the expenses involved in running a business.

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

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

75. C

Have a clear purpose. In order to write an effective business letter, the letter writer should first have a specific purpose for sending the letter. That purpose should be made clear in the letter so that the recipient does not have to guess the reason for the communication. A business letter is not intended to be entertaining or to display the writer's vocabulary. Instead, the vocabulary used should be appropriate to the recipient. If the letter contains questions, they should be direct.

SOURCE: CO:133 Write business letters

SOURCE: George Mason University. (2024). *Writing business letters*. Retrieved September 25, 2024, from <https://writingcenter.gmu.edu/writing-resources/different-genres/writing-business-letters>

76. A

Achieving success in life. Success has been defined as reaching the goals you have set for yourself. Without goals, you are less likely to succeed. Setting goals does not mean you can avoid everyday problems or learn how to lead others. Becoming a good example is a benefit to others rather than to the person who sets the goals.

SOURCE: PD:018 Set personal goals

SOURCE: LAP-PD-918—Go for the Goal (Goal Setting)

77. B

Five-carat diamond ring. A luxury tax is levied on expensive, nonessential items such as luxury cars, valuable artwork, and expensive jewelry. A used minivan, a wool coat, and a laptop computer are not considered expensive, nonessential items.

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

SOURCE: Goettel, D. (2024, May 17). *What is a luxury tax?* Retrieved September 27, 2024, from <https://www.wise-geek.com/what-is-a-luxury-tax.htm>

78. A

Possession of legal medication without a prescription. It is illegal to be in possession of a medication, even if it is a legal medication, if you do not have a prescription for it. Missing school for a family vacation will not lead to a legal penalty. Missing too much school is breaking a law, but a couple of days is not a criminal offense. While people are allowed to file noise complaints that can lead to legal penalties, an amusement park is a place where noise is expected, so you will not be penalized as long as you are not creating a disturbance or being unsafe. You have the right to refuse to speak when a police officer questions you, so it should not lead to a legal penalty.

SOURCE: BL:163 Comply with the spirit and intent of laws and regulations

SOURCE: LAP-BL-163—Laying Down the Law (Complying With the Spirit and Intent of Laws and Regulations)

79. C

Income statement. The balance sheet has a close relationship with the company's income statement. Changes to the income statement directly affect the numbers on the balance sheet. The balance sheet shows the company's mortgage as a liability, but the two are not closely related. The company's value on the balance sheet is quite different from its fair market value. Statement of financial position is another name for the balance sheet.

SOURCE: FI:093 Explain the nature of balance sheets

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

80. D

Internal. Internal risks are faced by a company from within its own organization. Because the organization is familiar with itself, it can more easily forecast internal risks than external risks. External risks are more difficult to control and forecast than internal risks. Economic and natural risks are both types of external risks.

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

SOURCE: Vicente, V. (2024, June 14). *10 types of risk management strategies to follow*. Retrieved September 27, 2024, from <https://www.auditboard.com/blog/10-risk-management-strategies/>

81. D

Buying peanut butter; buying jelly. In data mining, association rules are if/then statements that describe relationships among data such as correlations. In this example, there is a correlation between purchasing peanut butter (the antecedent) and purchasing jelly (the consequent). The “then” statement always follows the “if” statement; the two cannot be reversed. In other words, this example could not be interpreted to mean: “Customers that purchase jelly are 70% likely to also purchase peanut butter.”

SOURCE: NF:151 Demonstrate basic data mining techniques

SOURCE: Hashemi-Pour, C. Lutkevich, B. (2024, April). *What are association rules in data mining?* Retrieved September 25, 2024, from <https://searchbusinessanalytics.techtarget.com/definition/association-rules-in-data-mining>

82. A

Performing work-related tasks in efficient ways. Ethics are the basic principles that govern your behavior in all areas of your life, including the workplace. Ethical employees are responsible employees who adhere to a standard of appropriate behavior. They complete tasks that they start in an efficient manner, follow company rules, and are honest and trustworthy. Employees who use office supplies for personal business (without permission), accept credit for work they didn't do, and make personal plans on company time are being dishonest and behaving unethically.

SOURCE: EI:004 Demonstrate ethical work habits

SOURCE: LAP-EI-004—Work Right (Demonstrating Ethical Work Habits)

83. A

Shareholders. The annual report is a document that reviews a company's activities each year. It contains financial information that must be shared with stakeholders, who have invested in the company, and includes other items like a letter from the chief executive officer, new product plans, and plans for future programming. It is possible that customers, employees, and potential employees see this document because reporting companies must post their annual reports, but they are not the target audience of this document.

SOURCE: FI:274 Describe sources of securities information

SOURCE: Hayes, A. (2024, June 10). *What is an annual report?* Retrieved September 27, 2024, from <https://www.investopedia.com/terms/a/annualreport.asp>

84. C

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

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

SOURCE: Shaftoe, R. (2024). *Reasons for corporate governance*. Retrieved September 27, 2024, from <https://smallbusiness.chron.com/reasons-corporate-governance-70176.html>

85. D

Ordering pizza for dinner. Routine decisions are decisions that people make often. They are so minor or simple that people don't think about them much and make them almost unconsciously. Deciding to order pizza for dinner is a routine decision. Selecting which car to buy, choosing a career to pursue, and picking a new roommate are not routine decisions.

SOURCE: PD:017 Make decisions

SOURCE: LAP-PD-017—Weigh Your Options (Decision-Making)

86. C

Yazmin often leaves her shift early without clocking out. The use of company resources is one of the main causes of financial risk. Even when people are not intending to take advantage of the company, it can be easy to get caught up in activities that are a strain on resources, including company time. If Yazmin leaves her shift early without clocking out, she is misusing company resources and putting the company at risk. Paying for a business lunch with a company credit card, flying first class for work travel, or taking notepads from the supply closet are not necessarily examples of misusing company resources as long as they are in line with company policies.

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

SOURCE: Tucci, L. (n.d.). *What is risk management and why is it important?* Retrieved September 27, 2024, from <https://www.techtarget.com/searchsecurity/definition/What-is-risk-management-and-why-is-it-important>

87. C

Bancassurance. Bancassurance is an arrangement between a bank and an insurance company where the insurance company is allowed to sell its products to the bank's clients. Consolidation is the combination of assets, liabilities, and other financial items of at least two entities into one. Amalgamation, which is often used interchangeably with consolidation, is a combination of two or more companies into a brand-new entity. Market extension is a type of merger between companies that sell the same products but compete in different markets.

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

SOURCE: Banton, C. (2023, November 9). *Bancassurance: Definition, how it works, pros & cons*. Retrieved September 27, 2024, from <https://www.investopedia.com/terms/b/bancassurance.asp>

88. B

Financial scorecard. Many financial analysis applications include the capability to create financial scorecards containing key financial indicators and up-to-date financial information. Cash flow, liquidity, profitability, and liability are examples of metrics that are often included on a financial scorecard. Rather than simply listing data on the scorecard, business employees can use financial analysis applications to develop charts and graphs that present the data in much more readily understandable ways. A profit-and-loss statement is a summary of business transactions that shows net profit before and after taxes by analyzing sales, purchases, cost of goods sold, and operating expenses for a specified period. While Lawrence's financial scorecard probably contains information that also appears on the company's profit-and-loss statement, the financial scorecard presents additional financial metrics. Cost standards are established specifications used to measure how much a project or product costs. An operating agreement is a written document signed by members of a limited liability partnership or limited liability company that specifies the terms of the business arrangement.

SOURCE: FM:014 Demonstrate financial analysis applications

SOURCE: Tarver, E. (2024, July 26). *What is a balanced scorecard (BSC), how is it used in business?* Retrieved September 27, 2024, from <https://www.investopedia.com/terms/b/balancedscorecard.asp>

89. D

Involve sharing documents online. An audit is the process by which an organization's accounts and records are verified. Virtual audits have the same goal as a traditional audit; however, virtual audits occur via virtual means rather than in person. Because virtual audits typically occur online, businesses or organizations must share the necessary documents with the auditor(s) via the internet, allowing the auditors to access them. Because auditors will have digital access to the data and documents, they do not need printed copies. Virtual audits can be done remotely, and they rely on technology.

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

SOURCE: Rajpal, D. (2023, February 15). *What is a virtual audit and how are they done?* Retrieved September 27, 2024, from <https://enterslice.com/learning/what-is-a-virtual-audit-and-how-are-they-done/>

90. A

Reach an agreement. A consensus is a decision-making outcome that requires the substantial agreement of each group member. Therefore, the process of consensus building is intended to enable a group to reach an agreement. Consensus building helps a group to discuss issues and achieve objectives rather than create a stalemate, which means the group cannot agree. An attitude is the way a person looks at life. Philosophy is the combination of principles, attitudes, or beliefs held by individuals or organizations that influence their behavior.

SOURCE: EI:011 Use consensus-building skills

SOURCE: LAP-EI-911—It's a Group Thing (Consensus Building)

91. B

Clear values. Organizations with clear values that are shared and acted upon by all employees have strong cultures. Strong organizational cultures do not necessarily have no rules or weak managers. Organizations with unclear values tend to have weak organizational cultures, not strong cultures.

SOURCE: EI:064 Explain the nature of organizational culture

SOURCE: LAP-EI-064—Culture Club (The Nature of Organizational Culture)

92. B

Maintain self-control. If Jerry lets his anger get the best of him when he is unjustly criticized, the things Jerry says and does will probably make the situation worse. If Jerry can maintain his self-control in this situation, he will be able to defend himself without losing his temper. He should not take responsibility for something he didn't do or try to put the blame on someone else, as Greg has done. Getting even is seldom a good idea, and Jerry should let the supervisor handle Greg.

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

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

93. A

Revenue recognition. The primary function of budgeting software is to help a business forecast and monitor income and expenses for all its functions, including sales, promotion, production, payroll, etc. Advanced software can generate different types of reports by integrating financial data from a variety of sources (e.g., cash flows) to help the business make decisions about how to best manage its money. Because an important aspect of budgeting involves knowing how much money the business has at any given time, revenue recognition applications help the business track various sources of revenue. Analyzing the amount of revenue available helps the business determine how to allocate funds to cover its various cash outflows, such as capital expenses, inventory purchases, and operating (e.g., workflow) expenses.

SOURCE: FM:013 Demonstrate budgeting applications

SOURCE: Schmidt, J. (2015-2024). *Budgeting software*. Retrieved September 27, 2024, from <https://corporatefinanceinstitute.com/resources/fpa/budgeting-software/>

94. D

Variance analysis involves too much of a time delay. Accounting staff typically calculate variances based on monthly accounting reports. However, some businesses find that is too much of a time delay to correct a problem quickly and effectively. In those cases, companies may decide against using variance analysis. Variance analysis is based on tangible, objective data. Real causes can be uncovered with careful variance analysis. Since horizontal analysis compares multiple periods of business activity to identify trends, it actually requires more time to conduct than variance analysis.

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

SOURCE: Accounting Tools. (2024, August 18). *Variance analysis definition*. Retrieved September 27, 2024, from <https://www.accountingtools.com/articles/what-is-variance-analysis.html>

95. B

Borrowing and lending. A financial market is any market where buyers and sellers exchange assets. One of the functions of financial markets is the borrowing and lending of funds. Borrowing and lending allows financial markets to exist. Auctions are an example of a financial market. Customer service and productivity are not functions 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. (2024, August 5). *Financial markets: Role in the economy, importance, types, and examples*. Retrieved September 27, 2024, from <https://www.investopedia.com/terms/f/financial-market.asp>

96. D

Standard format. Data normalization involves creating a standard format for all data within an organization. By standardizing the format of all data, businesses can conduct more accurate and efficient information analyses. Data normalization can also lead to more space being available within a database, faster answers to questions, and better segmentation. Data normalization does not typically involve creating a search query, group command, or anomaly set for all data within an organization.

SOURCE: NF:124 Demonstrate advanced database applications

SOURCE: Microsoft. (2024, June 6). *Description of the database normalization basics*. Retrieved September 27, 2024, from <https://learn.microsoft.com/en-us/office/troubleshoot/access/database-normalization-description>

97. A

As a part of business strategy. Enterprise risk management is a plan-based business strategy that aims to identify, assess, and prepare for risks across the organization. Therefore, according to this concept, risk should be managed as a part of overall business strategy. Risk should not be managed on a case-by-case basis, because it will not be unified toward supporting the business's overall goals. After an incident has occurred, it is too late to manage risks. While purchasing insurance is one way to manage some risks, it does not cover all the risks that can affect a business.

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

SOURCE: Hayes, A. (2024, June 21). *Enterprise risk management (ERM): What it is and how it works*. Retrieved September 27, 2024, from <https://www.investopedia.com/terms/e/enterprise-risk-management.asp>

98. A

Reduce risks associated with intentional data tampering. The purpose of an audit trail is to record the step-by-step process of all financial transactions, which may or may not include securities trades. By maintaining audit trails, businesses can trace unethical behavior associated with financial data tampering. Employees may be less likely to intentionally tamper with financial data if they know financial audit trails are in place and activities can be monitored and tracked. The primary reason why businesses use financial audit trails is not to ensure that financial reports are prepared quickly or to evaluate profitability ratios.

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

SOURCE: Tuovila, A. (2024, June 2). *Audit: Meaning in finance and accounting and 3 main types*. Retrieved September 27, 2024, from <https://www.investopedia.com/terms/a/audit.asp>

99. B

Controlling finances. Budgets are financial plans that are used to project revenue and expenses. The aim of budgets is to control finances. Determining cash flow, understanding profitability, and analyzing sources of income are not functions of cost accounting budgets.

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

SOURCE: Ganti, A. (2024, May 17). *What is a budget? Plus 11 budgeting myths holding you back*. Retrieved September 27, 2024, from <https://www.investopedia.com/terms/b/budget.asp>

100. B

Local Society of Financial Planning Professionals. If Hank is interested in meeting other area financial planners in person regularly to discuss trends and issues impacting financial planning, he would be wise to join a local organization such as the Local Society of Financial Planning Professionals. Since the members work in close proximity to each other, they are more likely to hold face-to-face meetings on a regular basis. A national (federal) or international professional organization may not necessarily have a chapter in Hank's area.

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

SOURCE: Shethna, J. (2024). *13 basic benefits of joining a professional organization*. Retrieved September 27, 2024, from <https://www.educba.com/joining-a-professional-organization/>