



Competency-Based
Competitive Events
Written Exam

2025 HS ICDC
Booklet Number _____

Entrepreneurship Exam

ENT – Entrepreneurship Series Event

ETDM – Entrepreneurship 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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1. Vivek is designing business processes for a cheese manufacturer. He suggests that cheese salespeople send customer quotes to a clerk, who will be responsible for entering the orders into the company system. Which of the following observations might have influenced this process design decision:
 - A. Salespeople spend too much time inputting orders in the system.
 - B. The company hired too many employees recently, increasing costs.
 - C. Customers say salespeople spend too much time talking to them.
 - D. Some managers complain that salespeople are becoming lazy.
2. Mikey's Gym has a strong, long-lasting partnership with a sportswear company called Fitness Wears. Recently, Mikey's Gym has grown interested in partnering with a tech company called IronPulse Innovations. Mikey's Gym learns that Fitness Wears also partners with IronPulse Innovations. How can Mikey's Gym use this knowledge to secure a partnership with IronPulse Innovations?
 - A. To prove its dedication by breaking off its partnership with Fitness Wears
 - B. To relate to IronPulse Innovations by talking negatively of other partners
 - C. To justify why Mikey's Gym is a better partner than Fitness Wears
 - D. To boost its credibility by citing its long-lasting partnership with Fitness Wears
3. Which of the following is a question marketers must ask about the product element of the marketing mix:
 - A. How often should ads be delivered?
 - B. Which brands should be used?
 - C. How do we raise a product's value?
 - D. Where will products be available to buy?
4. Which of the following typically has the greatest impact on a company's corporate governance:
 - A. Human resources manager
 - B. Board of directors
 - C. Chief executive officer
 - D. Auditors
5. Ariana's company has unprotected digital assets. What is the first strategy she should implement?
 - A. Follow basic security practices by updating technology and securing company networks.
 - B. Make a social media post claiming the company has ownership of its digital assets.
 - C. Deter theft by publicly suing social media accounts that use her company's assets.
 - D. Draft a new employee agreement stating that no employee may steal digital assets.
6. Which of the following is an example of variable operating expense:
 - A. Utilities
 - B. Insurance
 - C. Travel costs
 - D. Mortgage
7. Priya, a store manager, welcomes and values her team's input during the decision-making process. This is a characteristic of _____ management.
 - A. visionary
 - B. democratic
 - C. coaching
 - D. authoritative

8. In which of the following scenarios would it be most useful for a company to have a public relations team that specializes in crisis mitigation:
- A. An embezzlement scandal involves numerous company executives.
 - B. Leadership plans to unveil new and exciting plans for the company's future.
 - C. A high-profile charity event is organized to benefit a national cause.
 - D. A beloved CEO announces their retirement after 30 years of service.
9. The target audience for a fashion brand consists of customers who value and can afford high-end clothing and accessories. To appeal to this demographic, the company positions its unique selling proposition (USP) around its luxury offerings. This scenario best demonstrates how a USP must
- A. create desire and urgency.
 - B. be easy to communicate.
 - C. be meaningful to the customer.
 - D. last for the life of the brand.
10. A successful business coordinates its human, capital, and fiscal resources. Which of the following are examples of human resources:
- A. Executives and managers
 - B. Natural gas and oil
 - C. Office buildings and supplies
 - D. Government loans and subsidies
11. Your coworker Henna wants to improve her opportunity recognition skills. Which of the following would be the best advice to give her:
- A. Be independent from others and avoid networking at all costs.
 - B. Stay informed of market trends to identify unmet needs or gaps.
 - C. Don't waste time evaluating the feasibility of ideas, just go for it.
 - D. Listen to others but always be thinking about what to say next.
12. Larger companies and e-tailers typically _____ to gather information about how customers interact with a business.
- A. use customer-relationship management software
 - B. notice what services customers favor
 - C. pay attention to who comes into the store
 - D. respond to negative reviews online
13. To better predict its customers' behavior, an online clothing retailer measures the assortment of products a customer tends to browse before making a final purchase. Which of the following marketing metrics is the company using:
- A. Predictive analytics
 - B. Customer acquisition cost
 - C. Predictive revenue
 - D. Customer relationship management

14. Which of the following is an example of a technology cost a startup may need to pay:
- A. Software
 - B. Patents
 - C. Insurance
 - D. Advertising
15. Internal audits are different from external audits in that internal audits
- A. focus on proving the accuracy of financial statements.
 - B. focus on measuring current performance.
 - C. determine if accounting practices are compliant.
 - D. are conducted by someone outside of the company.
16. A company implements a series of technology upgrades. These changes are gradual and do not require major or sudden shifts. What type of change could this be classified as?
- A. Pendulum
 - B. Exceptional
 - C. Paradigm
 - D. Incremental
17. What is the first step when creating an action plan?
- A. List tasks.
 - B. Set the timeline.
 - C. Assign tasks.
 - D. Define the goal.
18. X-Tech specifies that only recent college graduates should apply to its job openings. Which of the following human resources regulations is X-Tech breaching:
- A. Fair Labor Standards Act
 - B. Age Discrimination in Employment Act
 - C. Occupational Safety and Health Act
 - D. Family and Medical Leave Act
19. An exercise equipment manufacturer transports its products by truck instead of by plane because it is more cost-effective, even though delivery takes longer. This demonstrates how pricing impacts the _____ element of the marketing mix.
- A. packaging
 - B. product
 - C. place
 - D. promotion
20. Coffee Brews decides to bundle a best-selling drink with a less popular type of scone and sell them for a more affordable price than if the two items were bought separately. What type of harvesting strategy is Coffee Brews utilizing?
- A. Price optimization
 - B. Asset reallocation
 - C. Cost-reduction initiatives
 - D. Streamlining operations

21. A technology company offers a limited number of product lines, allowing it to specialize effectively and produce efficiently. The company has a _____ product mix.
- A. broad
 - B. deep
 - C. long
 - D. narrow
22. A small business seeks to reach a younger demographic. Which of the following public relations strategies would be most effective:
- A. Private events
 - B. Social media campaigns
 - C. Strategic partnerships
 - D. Press releases
23. Which of the following statements about mass and segment marketing is true:
- A. Segment marketing communicates a broad message to a large audience.
 - B. Mass marketing guarantees that a large audience will buy a product.
 - C. Segment marketing takes more resources to pull off successfully.
 - D. Mass marketing is more precise than segment marketing.
24. A company wants to know the difference between its sales revenue and cost of goods sold. What profitability ratio should the company use?
- A. Net profit margin
 - B. Gross margin
 - C. Return on investment
 - D. Return on equity
25. Which of the following is most likely a potential safety issue in the workplace:
- A. An air conditioner running on a hot day
 - B. A blocked emergency exit
 - C. A small parking lot
 - D. A set of locked doors
26. Summit Ridge Enterprises utilizes traditional risk management strategies. However, when division leaders make risk management decisions, they do not consider other divisions. This makes the company more vulnerable to risks. Why would enterprise risk management (ERM) be a better alternative?
- A. ERM leads to more efficient company-wide operations.
 - B. ERM results in greater customer service and higher sales.
 - C. ERM leaves employees more satisfied with the company's future.
 - D. ERM takes a holistic approach to risk management decisions.

27. Patty's Grill has added four TVs to improve business during football games. Now, Patty wants to conduct a cost-benefit analysis to determine if the project was a success. He compares the revenue generated this season with that of past seasons with no TVs. He discovers that the restaurant generated more revenue this season than in any other, but when he subtracts the cost of the TVs, the profit falls below average. Was Patty's project a success?
- A. Yes; the revenue for the season increased, indicating a positive outcome, but the costs of the TVs outweighed the benefit.
 - B. No; the profit for the season fell below average, indicating the addition of the TVs did not provide a return on investment.
 - C. Yes; the revenue for the season increased, which indicates the TVs helped boost business, even though the cost of the TVs reduced profit.
 - D. No; the revenue for the season decreased, suggesting the addition of the TVs hurt business.
28. Which of the following statements about push marketing is true:
- A. It attempts to create brand loyalty and gain repeat customers.
 - B. Businesses try to get customers to come to them.
 - C. Businesses attempt to take their products to customers.
 - D. It involves mass media promotions and word-of-mouth referrals.
29. A sportswear company has found success promoting its products by claiming they will help athletes play at their best. This best demonstrates how promotion _____ customers.
- A. informs
 - B. persuades
 - C. reminds
 - D. challenges
30. Natalie is creating a budget for her start-up business. Since there is no historical data to rely on, Natalie should remain _____ in her estimates.
- A. aggressive
 - B. unsure
 - C. confident
 - D. conservative
31. An international business is concerned about how shifting policies in one country will impact its operations. Which of the following strategies would be the most effective way for the business to manage this risk:
- A. Increase investment in the affected country.
 - B. Focus solely on domestic operations.
 - C. Diversify its market across multiple regions.
 - D. Reduce all international operations.
32. What should a business do first to conduct a feasibility study?
- A. Determine if it should hire a professional
 - B. Create an organizational plan
 - C. Perform a market analysis
 - D. Write a description of the proposed project

33. Which of the following is a way to ensure compliance is implemented in an organization:
- A. Conducting training programs
 - B. Avoiding the use of technology
 - C. Discussing compliance with customers
 - D. Guaranteeing employee raises for compliance
34. Who is responsible for creating and maintaining a company's customer service-oriented culture?
- A. Part-time employees
 - B. The marketing department
 - C. Customers
 - D. Leadership and management
35. When estimating project costs, Syrax Solutions considers the best-case scenario, worst-case scenario, and most likely scenario to determine a range of potential costs. What cost-management method is Syrax Solutions implementing?
- A. Bottom-up estimating
 - B. Three-point estimating
 - C. Earned value management
 - D. Top-down estimating
36. Jen works in insurance sales. Her least favorite part of the job involves making cold calls to potential customers. Jen frequently doubts her abilities, which results in her struggling to make sales. Which of the following characteristics of a successful salesperson should Jen seek to build upon:
- A. Self-confidence
 - B. Product knowledge
 - C. Self-motivation
 - D. Ability to work with others
37. Aspen started a new job with a higher salary, so they will need to pay more in taxes this year. This is an example of
- A. self-employment taxes.
 - B. a progressive tax structure.
 - C. excise taxes.
 - D. a regressive tax structure.
38. Which of the following are examples of financial records:
- A. Office furniture and equipment
 - B. Accounts payable and accounts receivable
 - C. Quantities of products available
 - D. Clients' names and addresses
39. Which of the following are common types of debt financing:
- A. Traditional loans and credit cards
 - B. Venture capitalists and debt crowdfunding
 - C. Equity crowdfunding and partnerships
 - D. Angel investors and business lines of credit

40. Which of the following is a common reason why business employees write proposals to management:
- A. Request an hourly pay raise
 - B. Determine what competitors are doing
 - C. Request approval for a new project
 - D. Air grievances with the company
41. Marc is a software developer who wants to improve one of his apps. Which of the following would be most effective in helping Marc determine the necessary features to add:
- A. Complete a self-evaluation to determine areas for personal growth.
 - B. Conduct a survey to gather feedback from current users.
 - C. Rank the app's features from Marc's favorite to least favorite.
 - D. Analyze the total number of downloads to gauge the app's popularity.
42. A car manufacturer dedicates years to training its employees in battery technology, software development, and artificial intelligence before eventually developing electric vehicles. The car manufacturer best illustrates how
- A. innovation sparks change.
 - B. learning sparks innovation.
 - C. change sparks learning.
 - D. change sparks innovation.
43. Zoey, a chef, notices that several customers ask for vegan meal options that are quick to prepare. Noticing this demand, Zoey starts a meal delivery service focused on ready-to-eat vegan meals. This is an example of how
- A. economic trends can influence business decisions.
 - B. professionals rarely use their college degrees.
 - C. entrepreneurs should focus on completely new industries.
 - D. work experience can lead to new business ventures.
44. Which of the following is a benefit of sharing best practices within an organization:
- A. It guarantees better decision-making.
 - B. It ensures product quality.
 - C. It nurtures a learning culture.
 - D. It increases costs and time.
45. Which of the following external factors should a newly formed manufacturer prioritize when developing a corporate governance framework:
- A. Company policies for employee benefits
 - B. Industry guidelines for board diversity
 - C. Codes of conduct for board members
 - D. Segregation of duties in the marketing department
46. A company wants to remain sensitive to customer needs and wants and align its strategies with customer values. What category of an environmental scan is demonstrated in this scenario?
- A. The economy
 - B. Demographics
 - C. Society and culture
 - D. Technology

47. Fumina is developing a corporate brand for her new restaurant. One of the first things she does is ask herself and her employees a series of questions, like “What does the business do better than anyone else?” and “What makes this business special?” Fumina is
- A. working to understand her customers.
 - B. committing to being the brand champion.
 - C. considering the business’s strengths.
 - D. reviewing the business’s foundations.
48. Information such as procedures for resolving disputes, names of all partners, allocation of investments, and the purpose of the business are generally included in standard
- A. articles of incorporation.
 - B. limited liability partnerships.
 - C. partnership agreements.
 - D. “Doing Business As” forms.
49. Which of the following is an external opportunity that a business might identify during a SWOT analysis:
- A. Management turnover
 - B. Decreasing competition
 - C. Extensive regulations
 - D. Strong research and development
50. Which of the following is considered a disadvantage of enterprise risk management (ERM) practices:
- A. It can lead to siloed decision-making that disregards other departments.
 - B. It requires significant time and financial resources to be successful.
 - C. It makes gauging risks across different departments more difficult.
 - D. It increases work and effort for department leaders.
51. Which two factors are most important to consider when evaluating the severity of a risk?
- A. Preparation time and its most recent occurrence
 - B. Risk likelihood and its most recent occurrence
 - C. Risk likelihood and the potential impact
 - D. Preparation time and the potential impact
52. Apex Studios needs financing but does not want to pay interest on a loan. What type of financing would be the most appropriate for Apex Studios?
- A. Equity financing because the company maintains full ownership.
 - B. Debt financing because the lender has no control over the company.
 - C. Equity financing because the company is not required to pay back the money.
 - D. Debt financing because the company doesn’t have to pay interest if it pays off the debt in time.
53. Aydin is a supply chain manager for a smart device company. Consumer demand has been consistently outpacing production, leading to delivery delays and unhappy customers. Which of the following is a reasonable decision regarding the company’s supply chain:
- A. Increase smart device production with a new supplier or manufacturer.
 - B. Increase the price of smart devices until demand matches supply.
 - C. Use a different delivery service to make delivery times more consistent.
 - D. Hire more customer service representatives to deal with unhappy customers.

54. Only official Rolex Retailers are allowed to sell Rolex watches. This best demonstrates _____ distribution.
- A. selective
 - B. intensive
 - C. indirect
 - D. exclusive
55. Which of the following is a best practice for conducting employee performance reviews:
- A. They should avoid criticism and tough topics.
 - B. They should occur once a week.
 - C. They should involve the entire department.
 - D. They should be scheduled in advance.
56. The marketing research team for an e-commerce company conducts a Political, Economic, Social, and Technological (PEST) analysis to help it describe the current business environment and understand what is popular. The team is fulfilling what component of a market analysis?
- A. Customer description
 - B. Competition
 - C. Customer perception
 - D. Market trends
57. Which of the following is an example of an industry risk associated with new ventures:
- A. Family problems
 - B. Competition
 - C. Economic downturns
 - D. Difficult suppliers
58. Which of the following is an obstacle a business might face when attempting to implement quality management:
- A. Lack of commitment from top managers
 - B. Sufficient time and resources
 - C. Clear quality goals and plans
 - D. Too many properly trained employees
59. Which of the following accurately summarizes the responsibilities of supply chain managers:
- A. Leading teams to complete projects, meet deadlines, and produce results for the company
 - B. Managing employees, including hiring, firing, disciplinary action, and company procedures
 - C. Ensuring company finances are organized, comprehensive, and comply with regulations
 - D. Planning and overseeing the sourcing, production, delivery, and return of products
60. Why are reputations harder to control now than ever before?
- A. Businesses have lowered their standards.
 - B. People have become more unethical over time.
 - C. Anyone can share anything on the internet.
 - D. Compliance with laws is no longer required.

61. Poorvi gives her creative employees flexibility and space for big-picture thinking, while she provides her detail-oriented employees with clear instructions and comprehensive explanations. What strategy is Poorvi using?
- A. Exercising a hands-off management approach to guide her staff
 - B. Adapting her management style to different personalities
 - C. Implementing a uniform approach to treat employees consistently
 - D. Challenging her employees to grow and develop new skills
62. Which of the following is an objective a business might achieve through sales-oriented pricing:
- A. Surviving
 - B. Maximizing profits
 - C. Earning a return on investment
 - D. Creating an image for the business
63. A local power outage causes Coppertone Collective to halt all business activity for a week. Which of the following would help the company resume operations and prevent significant financial loss:
- A. Annual financial report
 - B. Communications plan
 - C. Business continuity plan
 - D. Customer loyalty program
64. Yoda wants to protect the complex algorithm his company uses to recommend products for online shoppers. Which of the following intellectual property protections should he pursue:
- A. Patent
 - B. Trademark
 - C. Copyright
 - D. Trade secret
65. A software company has decided to urgently hire a business analyst. It is likely that the company
- A. often struggles to meet deadlines due to understaffing.
 - B. experiences high turnover rates or financial issues.
 - C. needs technical experts who can write documentation.
 - D. has process inefficiencies or project management issues.
66. During an episode of his favorite TV show, Rocky notices the main character drinking out of a McDonald's cup. This best demonstrates which of the following types of advertising media:
- A. Spectaculars
 - B. Human directionals
 - C. Product placement
 - D. Movie theater advertising
67. Which of the following best describes how a standard operating procedure is used:
- A. It provides potential employees with a description of the position, the benefits, and the pay.
 - B. It is followed the same way every time for consistency and compliance with industry standards.
 - C. It is best used as a reference from time to time by brand-new employees.
 - D. It can be used as a basic guideline and does not require employees to follow step-by-step.

68. Businesses can establish efficient operating systems by _____ work processes.
- A. complicating
 - B. minimizing
 - C. clearly documenting
 - D. frequently changing
69. Which of the following factors carries the most weight when applying for a loan:
- A. Insurance coverage
 - B. Credit score
 - C. Primary location
 - D. College degree
70. Tabitha is a supply chain manager for Toys-Argh-Us. Recently, customers have been returning defective toys, resulting in significant losses. Tabitha wants to switch to a more expensive manufacturer that will produce higher quality toys. Which of the following is a possible benefit of her decision:
- A. Switching manufacturers will be a signal to investors that the company is growing.
 - B. Spending more money upfront will cause toy prices to go down, leading to more sales.
 - C. More expensive manufacturing will cause toy prices to rise, increasing overall profits.
 - D. Higher quality toys will be returned less often, increasing customer satisfaction and loyalty.
71. Esfand is redesigning the appointment-booking process for a busy veterinary clinic. Currently, pet owners call the clinic during business hours and the receptionist books their appointments. However, the receptionist is overworked, and customers are frustrated by long hold times and want to book appointments after hours. What change should Esfand recommend?
- A. Make the receptionist stay an extra hour every day to take calls after normal business hours.
 - B. Use an online portal where customers can schedule appointments whenever they want.
 - C. Hire a second receptionist to take calls and book appointments during business hours.
 - D. Have customers come to the office and speak to the receptionist to book appointments.
72. Chi is making recommendations to improve the efficiency of Nerd Team, an IT support business. Which of the following recommendations is likely the result of process thinking:
- A. Nerd Team should hire fewer employees and cut back on equipment purchases.
 - B. Nerd Team should give a quarterly bonus to the employee with the most issues solved.
 - C. Nerd Team should run a social media marketing campaign to attract customers.
 - D. Nerd Team should categorize all support tickets as open, claimed, or closed.
73. Which of the following is a reason why companies may opt to use intensive distribution:
- A. To maintain tight control over a product or service
 - B. To deal with middlemen they trust to sell their products effectively
 - C. To reach the greatest number of consumers possible
 - D. To distribute a product through two different channels

74. Parisa provides guidance to her team and distributes bonuses as a reward for their hard work. Parisa exemplifies which of the following management functions:
- A. Organizing
 - B. Directing
 - C. Planning
 - D. Controlling
75. When acquiring property, a business might choose to purchase rather than lease if
- A. interest rates are rapidly increasing.
 - B. the business has a limited cash flow.
 - C. the business has a low credit rating.
 - D. the land is likely to appreciate in value.
76. Eddie and his family enjoyed everything about their experience at a barbecue restaurant during their vacation to Hilton Head. When they returned home, Eddie told his friends and coworkers about the restaurant and encouraged them to try it if they ever visit Hilton Head. This is an example of _____ marketing.
- A. guerrilla
 - B. affiliate
 - C. word-of-mouth
 - D. direct
77. Which of the following is a way in which corporate governance benefits nonprofit organizations:
- A. It guarantees scandals will not occur in the organization.
 - B. It slows down the audit and tax filing processes.
 - C. It ensures compliance with legal and ethical standards.
 - D. It improves reputation but decreases donations.
78. Common contractual agreements like warranties and lease agreements help businesses _____ risk.
- A. transfer
 - B. retain
 - C. avoid
 - D. prevent
79. A technology company wants to conduct market research on one of its recently released products. What should the company do first to carry out its marketing research?
- A. Develop a hypothesis
 - B. Determine the research design
 - C. Set research objectives
 - D. Identify the reason for the research
80. Which of the following could be considered a disadvantage of direct marketing:
- A. It must conform to legal regulations.
 - B. It creates a personal interaction.
 - C. It does not lead to consumer overload.
 - D. It is cost effective.

81. Stan is the human resources manager at a small business. He sends Gita, marketing director of 20 years, a short email to let her know she's been dismissed from the company, effective immediately. Where did Stan go wrong?
- A. He should have canceled Gita's insurance benefits beforehand.
 - B. He should have had a face-to-face conversation with Gita.
 - C. He gave Gita false hope for future employment opportunities.
 - D. He was rude and disrespectful in his message to Gita.
82. Capital expenditures are different than operating expenses in that capital expenditures
- A. don't create value or generate revenue in the long term.
 - B. offer a simpler budgeting process than operating expenses.
 - C. involve long-term investments in physical assets.
 - D. cover the day-to-day costs of running a business.
83. The main difference between debt financing and equity financing is that debt financing involves _____, whereas equity financing involves _____.
- A. borrowing money; selling a percentage of company ownership
 - B. selling a percentage of company ownership; borrowing money
 - C. multiple investors, paying loans back with interest
 - D. borrowing money; paying loans back with interest
84. Which of the following is an example of an operational risk a business may face:
- A. Product shortages
 - B. Hurricanes
 - C. Political issues
 - D. Inflation
85. Kathryn's company assists in the sale of goods without actually buying them from the producer. What role in a channel of distribution does Kathryn's company play?
- A. Wholesaler
 - B. Manufacturer
 - C. Agent
 - D. Retailer
86. Which of the following scenarios is most likely to lead to a security issue:
- A. Carson prefers to use the same password for all his work accounts.
 - B. Amelia locks the doors if she is the last to leave her office.
 - C. Sidney checks her personal social media accounts while at work.
 - D. Marcus emails a memo to his entire department once a week.
87. Which of the following departments is responsible for coordinating the creation and improvement of products:
- A. Human resources
 - B. Accounting and finance
 - C. Information technology
 - D. Research and development

88. Which of the following is an example of data that marketers can gather from salespeople:
- A. Shortages on certain products
 - B. What products competitors are offering
 - C. Current industry trends
 - D. What current and potential customers want
89. Brian needs insurance coverage. His insurance agent presents him with multiple options from different companies, all at different prices and coverage levels. Is Brian's insurance agent an independent agent or a direct writer?
- A. A direct writer because they can pull options from multiple providers.
 - B. An independent agent because they can pull options from multiple providers.
 - C. An independent agent because they can only sell what their provider offers.
 - D. A direct writer because they can only sell what their provider offers.
90. Which of the following businesses seeking to obtain business credit will have the least expensive interest rate:
- A. Verdant Farms has good credit and has been in business for six months.
 - B. Nimbus Studios has good credit and a solid history of profitability.
 - C. Onyx Solutions has excellent credit and is struggling to turn a profit.
 - D. Lunar Ventures has excellent credit and a proven track record of profitability.
91. Which of the following is an example of a customer profile based on demographics:
- A. Young adult who likes to travel
 - B. Fitness guru based in Los Angeles
 - C. Highly intelligent professional
 - D. Middle-aged woman who teaches high school
92. Sami wants to improve his time management skills. Which of the following general principles of time management could help him:
- A. Focus on unimportant tasks during his downtime
 - B. Divide large projects into smaller parts
 - C. Take care of the easiest tasks first
 - D. Focus on tasks, not on goals
93. A software startup creates a viral video demonstrating how its product works and showcasing its potential. A wealthy businessperson noticed the videos and invests in the startup in return for a stake of the company. This best describes which of the following funding options for startups:
- A. Applying for a business loan
 - B. Hosting a crowdfunding campaign
 - C. Reaching out to friends and family
 - D. Catching the attention of an angel investor
94. Utilities like water and electricity for an office building are _____ costs.
- A. potential
 - B. one-time
 - C. recurring
 - D. opportunity

95. Which of the following is an indicator that a company may need to increase its staff and hire more employees:
- A. Employees are underworked.
 - B. Employees are working a lot of overtime.
 - C. Employee morale is at an all-time high.
 - D. Employees are happy with working conditions.
96. In which section of a business plan would you likely find building permits, contracts, product pictures, and copies of leases?
- A. Appendices
 - B. Executive summary
 - C. Financial plan
 - D. Market analysis
97. Which of the following is an example of someone consuming broadcast media:
- A. Pedro reads the billboards while he rides the bus.
 - B. Yahod reads the newspaper with his breakfast every morning.
 - C. Jenny listens to the radio on her drive to work.
 - D. Anna watches the advertisements before a YouTube video.
98. Your volleyball coach congratulating you on an excellent spike is an example of
- A. informal recognition.
 - B. cultural sensitivity.
 - C. personality mirroring.
 - D. formal recognition.
99. Emily was recently elected to her company's board of directors. Which of the following is a new responsibility she will likely have as a board member:
- A. Customer service
 - B. Day-to-day management
 - C. Overseeing budgets
 - D. Recruiting entry-level employees
100. Employees at a company grow anxious after hearing rumors of potential leadership changes. When the employees inquire about the change, they are met with vague responses. The lack of employee support ultimately causes the change to fail. How could this change have been better managed?
- A. Greater transparency
 - B. Less employee buy-in
 - C. Improved employee training
 - D. Less communication



KEY

2025 HS ICDC

Entrepreneurship Exam

ENT – Entrepreneurship Series Event

ETDM – Entrepreneurship Team Decision Making Event

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1. A

Salespeople spend too much time inputting orders in the system. Business process design is influenced by many factors that depend on a company's particular circumstances. In this case, time spent inputting orders is not time spent generating or maintaining customers, which could lead to reduced revenue and justify a new process. Salespeople spending too much time talking to customers is not a factor that would be addressed by this decision, while managerial complaints of laziness are subjective and hard to address through this kind of change. Increased costs from over-hiring is a company concern but would not be directly addressed by this process change.

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

SOURCE: Raia, M. (2024, November 6). *Master business process design with practical tips*. Retrieved January 17, 2025, from <https://www.nutrient.io/blog/how-to-design-a-process/>

2. D

To boost its credibility by citing its long-lasting partnership with Fitness Wears. Mikey's Gym can reference its own long-lasting partnership with Fitness Wears to boost its credibility with IronPulse Innovations. Breaking off its partnership with Fitness Wears would hurt both companies and communicate disloyalty to IronPulse Innovations. The same goes for justifying why Mikey's Gym is a better partner than Fitness Wears. There is no reason that IronPulse Innovations cannot have multiple partnerships, so this one-or-the-other approach would only damage the relationships Mikey's Gym has with both companies. Furthermore, IronPulse Innovations is unlikely to do business with Mikey's Gym if it talks negatively about the other companies with which it does business.

SOURCE: EI:116 Leverage business relationships

SOURCE: Craig-Hart, S. (2025). *5 ways to help develop and leverage powerful business relationships*. Retrieved January 21, 2025, from <https://smartsimplemarketing.com/5-ways-to-help-develop-and-leverage-powerful-business-relationships/>

3. B

Which brands should be used? The product element of the marketing mix refers to the goods, services, or ideas a business will offer its customers. Marketers conduct research and use their creativity to figure out what customers need and how their business can meet those needs. To do this, marketers ask themselves questions such as: "How many products should we offer?", "Does the product have special features?", "Which brands should be used?", and "How should the product be packaged?", among others. "How do we raise a product's value?" is a question marketers ask themselves pertaining to the price element. When developing the place element of their marketing mix, marketers ask themselves "Where will products be available to buy?" When developing the promotion element, marketers ask themselves "How often should ads be delivered?"

SOURCE: MP:001 Explain the concept of marketing strategies

SOURCE: LAP-MP-001—Pick the Mix (Nature of Marketing Strategies)

4. B

Board of directors. Corporate governance is the system by which directors handle their responsibility toward shareholders. This system of rules, practices, and processes is used to direct and manage a company. A company's board of directors is the primary force influencing corporate governance. The chief executive officer typically reports directly to a board of directors. Auditors and human resources managers do not hold greater influence than the board on a company's corporate governance.

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

SOURCE: Chen, J. (2024, September 12). *Corporate governance: Definition, principles, models, and examples*. Retrieved January 15, 2025, from <https://www.investopedia.com/terms/c/corporategovernance.asp>

5. A

Follow basic security practices by updating technology and securing company networks. Digital assets are often stolen via unauthorized access. As such, securing company networks and keeping technology up to date is the easiest and most effective way to stop theft. Other methods are expensive, inefficient, ineffective, or all three. Drafting a new employee agreement will take time and does not do anything to prevent third parties from stealing assets. Social media posts do not hold the weight of legal documents and may only serve to attract digital pirates. Suing social media accounts may recoup some losses, but it is an expensive process that is unlikely to provide robust protection against future theft.

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

SOURCE: Griffin, T. (2021, January 11). *How to protect your company's digital assets*. Retrieved January 17, 2025, from <https://www.forbes.com/councils/forbestechcouncil/2019/12/23/how-to-protect-your-companys-digital-assets/#79521876c5fe>

6. C

Travel costs. Operating costs that fluctuate with changes in production are called variable expenses (or variable costs). When a company produces more of a product, variable expenses go up. When a company produces less of a product, variable expenses go down. Some common variable operating expenses include travel expenses, advertising and promotion, and sales commissions. Insurance, utilities, and mortgage are each examples of fixed expenses (or fixed costs)—operating costs that do not increase or decrease with changes in production.

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

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

7. B

Democratic. Democratic managers value the input of employees in the decision-making process and usually believe having more ideas is better than having a few. Authoritative managers tend to make decisions without feedback from others. Coaching managers view their role as that of a coach who sees the potential in employees and wants to help them grow. Visionary managers know how to ensure every team member understands the company's vision and is working toward a common goal.

SOURCE: SM:028 Describe factors that influence management

SOURCE: Coursera. (2024, December 18). *What is management? Styles, functions, skills, and careers*. Retrieved January 15, 2025, from <https://www.coursera.org/articles/management>

8. A

An embezzlement scandal involves numerous company executives. It would be most useful for a company to have a public relations team that specializes in crisis mitigation if an embezzlement scandal involves numerous company executives. Embezzling is a public relations crisis that damages the organization's reputation. A public relations team that specializes in crisis mitigation can respond to the scandal in a way that demonstrates the company's values and mission to the public with a sense of urgency. Retirement announcements and new and exciting plans for the future are not crises and, therefore, would not require a public relations team that specializes in crisis mitigation. Organizing a charity event is a public relations activity, but it would not require crisis mitigation unless something went wrong at the event.

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

SOURCE: Indeed. (2024, December 5). *9 public relations examples to inspire your next campaign*. Retrieved January 15, 2025, from <https://www.indeed.com/career-advice/career-development/public-relations-examples>

9. C

Be meaningful to the customer. A USP is a one-of-a-kind attribute of a product or brand that separates it from the competition. A company must ensure that its USP is meaningful to the customer. You can come up with a really clever USP, but if it's not meaningful or useful to your customers, it's worthless. You must make sure that the benefit you're offering is a benefit your customers truly desire. In this scenario, the company positions its USP around its luxury offerings because it knows its target audience truly desires them. This scenario does not demonstrate how a USP must be easy to communicate, create desire and urgency, or last for the life of the brand.

SOURCE: PM:272 Identify company's unique selling proposition

SOURCE: LAP-PM-272—Stand Out (Unique Selling Proposition)

10. A

Executives and managers. Human resources are any employees who help their business reach its goals by producing goods and services. Examples of human resources include executives and managers, both of whom play important roles in businesses. Capital resources are assets that are man-made and used in the production of other items. Examples of capital resources a company may have include supplies, equipment, tools, and even the building or facility where production takes place. Natural gas and oil are examples of natural resources, which occur in nature and can be used to produce goods and services. Government loans and taxes are examples of fiscal resources.

SOURCE: HR:508 Coordinate human, capital, and fiscal resources to meet business priorities

SOURCE: Bean-Mellinger, B. (2025). *What are the differences in capital resource, human resource & natural resource?* Retrieved January 21, 2025, from <https://smallbusiness.chron.com/differences-capital-resource-human-resource-natural-resource-60792.html>

11. B

Stay informed of market trends to identify unmet needs or gaps. The key steps in the opportunity recognition process include identifying unmet needs or market gaps, analyzing trends and customer behaviors, evaluating the feasibility and potential of ideas, and developing a strategy to capitalize on the opportunity. The best advice to give Henna to improve her opportunity recognition skills is to stay informed of market trends to identify unmet needs or gaps. It would be unwise to avoid networking, as networking with industry professionals is a great way to improve opportunity recognition skills. Active listening is key to building opportunity recognition skills, but listening to others while always thinking about what to say next is not active listening; therefore, it is not good advice. Finally, a crucial step of the opportunity recognition process is evaluating the feasibility and potential of ideas. Telling Henna not to waste her time on this step would be bad advice.

SOURCE: EN:031 Create processes for ongoing opportunity recognition

SOURCE: Vaia. (2025). *Opportunity recognition*. Retrieved January 22, 2025, from <https://www.vaia.com/en-us/explanations/business-studies/family-business/opportunity-recognition/>

12. A

Use customer-relationship management software. Larger companies and e-tailers rely on customer-relationship software to gather information about how customers interact with a business. For small retailers, information gathering may be easy enough to do by simply paying attention to who comes into the store and noticing what services they favor. Responding to negative reviews online does not directly allow larger companies and e-tailers to gather information about how customers interact with a business.

SOURCE: PM:013 Explain the role of customer service in positioning/image

SOURCE: LAP-PM-913—Customer Service Supersized (The Role of Customer Service in Positioning/Image)

13. A

Predictive analytics. Predictive analytics involves using data and algorithms to make predictions about future outcomes. In marketing, they are commonly used to measure purchase-related behaviors, such as the length of time between purchases or which assortment of products a customer tends to browse before making a final purchase. Customer acquisition cost is a metric that determines how much money it costs to convince a customer to make a purchase. Predictive revenue is a marketing metric that involves calculating predicted future revenues. Customer relationship management refers to the strategies, processes, technology, and people a business uses to build, maintain, and maximize the long-term value of customer relationships.

SOURCE: MP:020 Explain strategies for linking performance measures to financial outcomes

SOURCE: Marinina, M. (2022, September 6). *Predictive analytics in marketing: Benefits and 7 use cases*. Retrieved January 16, 2025, from <https://www.itransition.com/predictive-analytics/marketing>

14. A

Software. Startup costs are all the expenses involved in setting up a new business or introducing a new product to the market. These include several different cost categories, such as cost of sales, professional fees, administrative fees, technology costs, and sales and marketing costs. Software is an example of a technology cost a startup may need to pay. Insurance is an example of an administrative cost. Advertising is an example of a sales and marketing cost. Patents are an example of professional fees associated with a new venture.

SOURCE: EN:009 Assess start-up requirements

SOURCE: Morah, C. (2024, June 12). *How to estimate business startup costs and what it covers*. Retrieved January 22, 2025, from <https://www.investopedia.com/articles/pf/09/business-startup-costs.asp>

15. B

Focus on measuring current performance. Internal audits focus on a specific area of a company, measure current performance, and look for areas of improvement. The overall goal of an internal audit is to increase efficiency and profitability while improving decision-making. An external audit looks at the accuracy of a company's financial statements as well as any other practices that could confirm the truthfulness of budget statements. External audits also determine if a company's accounting practices comply with applicable rules and regulations. Internal audits are conducted by someone within the company on the company's behalf, while external audits are usually conducted by a third party.

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

SOURCE: Caseware. (2023, July 27). *Internal vs. external auditing*. Retrieved January 15, 2025, from <https://www.caseware.com/us/resources/blog/internal-vs-external-auditing>

16. D

Incremental. Incremental changes are gradual and do not require major or sudden shifts. Exceptional changes are isolated events that change an individual's experience but don't majorly affect multiple aspects of their life. Pendulum changes are sudden swings from one state to another, often switching from one extreme to the opposing view or state. Paradigm changes result in new beliefs or values and become internalized as the new norm.

SOURCE: SM:095 Explain the nature of change management

SOURCE: Whatfix. (2024). *What is change management?* Retrieved January 14, 2025, from <https://whatfix.com/change-management/>

17. D

Define the goal. An action plan is a checklist for completing a project or achieving a goal. Action plans are useful for breaking down work into manageable steps. The first step is defining the goal, or what you need to achieve with the project. To be most effective, it should be a SMART goal (specific, measurable, attainable, relevant, and time-based). After defining the goal, then you will list the tasks and activities needed to achieve that goal. Next, you will set the timeline for completing the goal, with start and end dates for all tasks. After setting the timeline, you will assign tasks to team members.

SOURCE: SM:012 Develop action plans

SOURCE: Udoagwu, K. (2024, May 3). *What is an action plan? (Example and template)*. Retrieved January 22, 2025, from <https://www.wrike.com/blog/what-is-an-action-plan-with-example/>

18. B

Age Discrimination in Employment Act. The Age Discrimination in Employment Act prevents employers from discriminating against employees or potential employees based on their age. It specifically applies to individuals aged 40 or older. Employers cannot advertise age preferences in job openings, ask about age in the interview process, or deny current employees promotions or training based on their age. The Family and Medical Leave Act gives workers with various kinds of family-related or medical problems as much as 12 weeks of unpaid leave per year. The Fair Labor Standards Act establishes minimum wage and overtime pay standards. The Occupational Safety and Health Act stipulates that workers may not be disciplined or discharged for refusing to work in unsafe environments or because they report an alleged violation to the appropriate government agency.

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

SOURCE: Weberman, D.H. (2024, July 25). *Employment laws impacting small businesses: What you need to know*. Retrieved January 21, 2025, from <https://www.dhwebberman.com/post/employment-laws-impacting-small-businesses-what-you-need-to-know-3bf0d>

19. C

Place. The place element of the marketing mix involves the shipping, handling, and storing of products and determining when and where they will be available. Pricing affects place decisions in a number of ways, including that it impacts the choice of transportation channels used and where products are offered. Because the manufacturer in this scenario chooses a cheaper transportation channel for its products, it demonstrates how pricing impacts the place element of the marketing mix. This scenario does not demonstrate how pricing impacts the product or promotion element of the marketing mix. Packaging is not one of the four elements of the marketing mix.

SOURCE: PI:001 Explain the nature and scope of the pricing function

SOURCE: LAP-PI-001—The Price Is Right (Nature of Pricing)

20. A

Price optimization. Price optimization is a harvesting strategy that requires adjusting a product or service's pricing to capitalize on its competitive advantages. Bundling the popular drink with a less popular scone to maximize sales is an example of price optimization. Asset reallocation involves moving assets from one activity or market to another to maximize the returns from them. Cost-reduction initiatives involve identifying and eliminating wasteful practices and processes to reduce overhead costs while simultaneously boosting efficiency. Streamlining operations refers to redesigning existing business processes to maximize efficiency and productivity.

SOURCE: EN:035 Describe methods of venture harvesting

SOURCE: Upmetrics. (2025). *What is harvesting in business?* Retrieved January 22, 2025, from <https://upmetrics.co/business-terms/harvesting>

21. D

Narrow. Most businesses use four dimensions to describe their product mixes—width, length, depth, and consistency. Width refers to the number of product lines a company carries and is usually referred to as being narrow or broad. The business with a narrow product mix offers a limited number of product lines. Having a narrow product mix allows a company to specialize effectively, produce efficiently, and concentrate its marketing efforts on its few product lines. A business with a broad product mix offers many product lines. A business with a deep product mix offers significant variation of its products. If a business has many products, it has a long product mix.

SOURCE: PM:003 Explain the concept of product mix

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

22. B

Social media campaigns. Social media can help businesses reach a significant number of people with limited costs. In addition, most young people use social media on a regular basis. A public relations strategy that utilizes social media would be the most effective for the small business since it is both cost-effective and can reach a large, younger demographic. Press releases are sent to news media and are generally used to promote a fundraiser or highlight a major milestone or change. Private events are exclusive events that are intended to build the brand's identity and increase public demand. Strategic partnerships between different companies are formed to promote products and services that complement one another, or that support a common goal. While the small business would likely benefit from using press releases, hosting private events, and forming strategic partnerships, these strategies are not specifically directed at a younger audience.

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

SOURCE: Indeed. (2024, December 5). *9 public relations examples to inspire your next campaign*. Retrieved January 15, 2025, from <https://www.indeed.com/career-advice/career-development/public-relations-examples>

23. C

Segment marketing takes more resources to pull off successfully. Segment marketing is the classification of customers into similar groups to appeal to one or more individual segments. On the other hand, mass marketing (also known as undifferentiated marketing) is designing products and directing marketing activities to appeal to the whole market. Segment marketing takes more resources to pull off successfully. Since the product is usually more complex, it can be more difficult to produce, requiring more creativity during design and more money during production. On the flip side, segment marketing is more precise than mass marketing, as the small size of each segment allows for a finely tuned product, an appropriate price, and ease of distribution. Mass marketing communicates a broad message to a large audience. Mass marketing does not guarantee that a large audience will buy a product. A common disadvantage of mass marketing is that only a small percentage of the mass market is likely to purchase the product due to customer differences. Simply put, a product isn't always appropriate for everyone in the mass market, and a large portion of the customers are going to look elsewhere for products that better fit their needs and wants.

SOURCE: MP:003 Explain the concept of market and market identification

SOURCE: LAP-MP-003—Have We Met? (Market Identification)

24. B

Gross margin. Profitability ratio refers to a class of financial ratios that measures the ability of a company to make a profit. Gross margin—also known as gross profit margin—is a type of profitability ratio that measures the difference between sales revenue and the costs related to products sold. It is a key indicator of how efficiently a company is producing its goods compared to its sales. Net profit margin measures overall profitability, as it accounts for all expenses and taxes. Return on investment is a profit-oriented pricing objective in which the business bases the amount of profit it wants to earn on the amount of its capital investment. Return on equity measures profitability relative to shareholders' equity. In other words, it measures a company's ability to earn a return on its equity investments.

SOURCE: FI:542 Monitor business's profitability

SOURCE: Hayes, A. (2024, June 25). *Profitability ratios: What they are, common types, and how businesses use them*. Retrieved January 15, 2025, from <https://www.investopedia.com/terms/p/profitabilityratios.asp>

25. B

A blocked emergency exit. All workplace emergency exits should be clearly marked and cleared of all obstacles to ensure employee safety in the case of an emergency. Running air conditioners on a hot day, having a small parking lot, and keeping office doors locked would not necessarily lead to safety issues.

SOURCE: OP:151 Identify potential safety issues

SOURCE: United States Department of Labor. (n.d.). *Hazard identification and assessment*. Retrieved January 21, 2025, from <https://www.osha.gov/safety-management/hazard-identification>

26. D

ERM takes a holistic approach to risk management decisions. An advantage of enterprise risk management in comparison to traditional risk management is that it takes a holistic, company-wide approach to risk management decisions. This allows companies to make risk management decisions that consider the entire business as opposed to singular divisions. While it is true that ERM tends to leave employees more satisfied with the company's future, results in greater customer service, and leads to more efficient company-wide operations, these advantages do not justify why ERM would be a better alternative concerning the specific issue at hand.

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 January 16, 2025, from <https://www.investopedia.com/terms/e/enterprise-risk-management.asp>

27. C

Yes; the revenue for the season increased, which indicates the TVs helped boost business, even though the cost of the TVs reduced profit. Patty's cost-benefit analysis revealed a short-term loss, but there is optimism for long-term gain. The short-term loss is the below-average profit for the season, largely due to the cost of the TVs. However, once the cost of the TVs is no longer factored in future seasons, all additional revenue generated by the TVs will contribute directly to profit. Labeling the addition of the TVs a failure based only on this season's profit overlooks the fact that the cost of the TVs significantly impacted this year's profit. In the long term, the investment will likely pay off. The restaurant did not generate less revenue this season; it generated more, despite the reduced profit.

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

SOURCE: Hayes, A. (2024, July 25). *Cost-benefit analysis: How it's used, pros, and cons*. Retrieved January 22, 2025, from <https://www.investopedia.com/terms/c/cost-benefitanalysis.asp>

28. C

Businesses attempt to take their products to customers. Push marketing is a promotional strategy where businesses attempt to take their products to customers. A common push marketing tactic includes selling products directly to customers through company showrooms. Businesses that utilize pull marketing aim to get customers to come to them. It involves mass media promotions and word-of-mouth referrals. Pull marketing attempts to create brand loyalty and gain repeat customers, whereas push marketing is focused more on short-term sales.

SOURCE: PR:249 Identify communications channels used in sales promotion

SOURCE: Robertson, T. (2025). *Difference between push & pull marketing*. Retrieved January 17, 2025, from <https://smallbusiness.chron.com/difference-between-push-pull-marketing-31806.html>

29. B

Persuades. Promotion is a marketing function needed to communicate information about goods, services, images, and/or ideas to achieve a desired outcome. Organizations have three major objectives when using promotion to influence customers—to inform, persuade, and remind. Organizations use promotion to persuade customers to buy products or to have certain views or opinions, and to purchase their products over all the other available choices. Persuasive promotions are designed to stimulate some sort of action in customers. In this scenario, the sportswear company makes athletes feel like they will perform at their best when they wear the company's products. Therefore, this best demonstrates how promotion persuades customers. The scenario does not demonstrate how promotion informs or reminds customers. Companies typically don't use promotion to challenge customers.

SOURCE: PR:001 Explain the role of promotion as a marketing function

SOURCE: LAP-PR-901—Razzle Dazzle (Nature of Promotion)

30. D

Conservative. For start-up businesses, setting up an initial budget can be more difficult since there are no historical data to rely on. Managers must rely on industry research and estimates to fill in the blanks. The key is to remain conservative (purposely low for the sake of caution). Being aggressive, confident, or unsure of her estimates will likely not help Natalie as she creates her budget.

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

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

31. C

Diversify its market across multiple regions. The best way to mitigate the impact of political uncertainty in one country is to diversify the market across multiple regions. This approach reduces the business's dependence on any single country. Increasing investment in the affected country would increase the business's risk of loss if the shifting policies in the country work against it. Focusing solely on domestic operations would hurt the business's ability to grow. Similarly, reducing all international operations would be an overreaction and could be costly for an international business.

SOURCE: RM:094 Assess business risks

SOURCE: Thunderbird School of Global Management. (2024, November 13). *How politics affects global business*. Retrieved January 16, 2025, from <https://thunderbird.asu.edu/thought-leadership/insights/how-politics-affects-global-business>

32. A

Determine if it should hire a professional. A feasibility study is an organized inquiry into the possible success of a business idea or venture. These studies are used for a number of different potential endeavors, such as new products, expansions, mergers or acquisitions, or entirely new businesses. If a business wants to conduct a feasibility study, it should first determine if it should hire a professional. Because feasibility studies can become complicated and a business may not have individuals with the skills or experience required to conduct one, businesses should consider hiring a professional consultant who can conduct the study. The second step of conducting a feasibility study is to write a description of the proposed project, followed by performing a market analysis, outlining the financials, and creating an organizational plan. The sixth step is to assess technical needs. Businesses finish the process by carefully reviewing their work before presenting it.

SOURCE: EN:038 Determine feasibility of venture ideas

SOURCE: LAP-EN-038—Explore the Possibilities (Conducting Feasibility Studies)

33. A

Conducting training programs. When employees are not trained on compliance, risks are much more likely to occur. It is important to provide all employees with detailed training programs so they are more likely to be aware of compliance strategies and how to abide by them. Discussing compliance with customers does not necessarily ensure that compliance will be adequately implemented. Leveraging technology is a great way to ensure compliance is implemented in an organization, as compliance software can streamline processes and automate alerts for regulatory changes or deadlines. While guaranteeing employee raises for compliance would likely work to some extent, it is not a standard compliance practice and may incentivize behavior that does not align with ethical compliance.

SOURCE: BL:011 Develop strategies for legal/government compliance

SOURCE: Pirani. (2025). *Practical compliance guide: How to ensure compliance across your organization*. Retrieved January 21, 2025, from <https://www.piranirisk.com/academy/pirani-explains/how-to-ensure-compliance-across-your-organization>

34. D

Leadership and management. The responsibility for creating and maintaining a customer service-oriented culture rests most prominently on the organization's leadership and management. They are responsible for creating a customer service-oriented culture and vision and for communicating those things clearly, thoroughly, and repeatedly throughout the organization. Leaders such as managers and executives have the power and influence to create such a culture. All employees—including part-time employees and those in the marketing department—are also responsible for maintaining a customer service-oriented culture, but not more so than managers and executives. Employees follow their leaders. Customers are important factors to a customer service-oriented culture, but they are not responsible for creating and maintaining it.

SOURCE: CR:008 Explain management's role in customer relations

SOURCE: Bacal, R. (2025). *What is management's role in building a customer service corporate culture?* Retrieved January 21, 2025, from <https://customerservicezone.com/what-is-managements-role-in-building-a-customer-service-corporate-culture>

35. B

Three-point estimating. Three-point estimating considers three scenarios to provide a realistic estimate of project costs: the most optimistic (best-case), most pessimistic (worst-case), and most likely scenarios. The cost management method provides a range of outcomes. Top-down estimating involves estimating overall project costs and then deducting individual costs from the total. Bottom-up estimating is the opposite; it involves estimating the individual tasks and then adding them up to the total project cost. Earned value management is a comprehensive strategy that compares the project's performance in scope, cost, and schedule. While all are useful cost-estimating strategies, they are not demonstrated in the scenario.

SOURCE: OP:029 Develop expense control plans

SOURCE: Martins, J. (2025, February 1). *Project cost management: Definition, steps, and benefits*. Retrieved January 23, 2025, from <https://asana.com/resources/cost-management-steps>

36. A

Self-confidence. When Jen doubts her abilities as a salesperson, she is struggling with her self-confidence. Improving her self-confidence will improve the way she performs during these calls and increase the likelihood of her securing each sale. Jen's feelings of doubt do not signal issues in her self-motivation, product knowledge, or ability to work with others.

SOURCE: SE:017 Explain the nature and scope of the selling function

SOURCE: LAP-SE-017—Sell Away (The Nature and Scope of Selling)

37. B

A progressive tax structure. Progressive taxes have a more significant impact on high-income groups than low-income groups. The higher the taxable amount, the higher the tax rate. Because Aspen's income has risen, their tax rate will rise as well because they are part of a progressive tax structure. In regressive tax systems, individuals with lower incomes pay a higher percentage of their income in taxes compared to higher earners. Excise taxes are indirect taxes charged on goods like gas, alcohol, and luxury items. Self-employment taxes are the equivalent of payroll taxes for those who own their own businesses. There is no indication that Aspen owns their own business in this scenario. This is not an example of a regressive tax structure, excise taxes, or self-employment taxes.

SOURCE: EC:072 Describe the nature of taxes

SOURCE: LAP-EC-072—Pay Your Share (Business Taxes)

38. B

Accounts payable and accounts receivable. Financial records contain information related to the amount of money going into and out of a business. These records usually include all payments received, called accounts receivable, and all payments made, which are known as accounts payable. Financial records also typically include cash records and credit records. Clients' names and addresses are examples of customer records. Furniture and equipment are examples of asset records. Quantities of products available are examples of inventory records.

SOURCE: NF:001 Describe the nature of business records

SOURCE: LAP-NF-001—Record It (Business Records)

39. A

Traditional loans and credit cards. Debt financing is when a borrower accepts funds from an outside source with the promise of repayment plus interest. Traditional loans, credit cards, business lines of credit, and debt crowdfunding are common types of debt financing. Equity financing is the process of selling shares to raise capital. Investors who buy the shares hope to share in the future profits of a business or project. Common types of equity financing include angel investors, venture capitalists, equity crowdfunding, and partnerships.

SOURCE: FI:340 Discuss factors to consider in choosing between debt and equity capital

SOURCE: Kuligowski, K. (2024, April 9). *The difference between debt and equity financing*. Retrieved January 15, 2025, from <https://www.businessnewsdaily.com/6363-debt-vs-equity-financing.html>

40. C

Request approval for a new project. A proposal is a document that details a plan of action, an idea, or a request for funding; provides a solution to a problem; or suggests a change in operations. By writing proposals, business employees are providing information to management that will help management make decisions. For example, employees may write a proposal to request approval for a new project or initiative, as employees often need management's approval to initiate or fund new initiatives. While they might write proposals that deal with the grievance procedure, employees do not write proposals to air grievances. Employees do not write proposals to request a raise; rather, they may write a proposal to request funding for a project. Determining what competition is doing is typically not a reason for writing a proposal, unless it's tied to a specific project or strategy.

SOURCE: CO:062 Write proposals

SOURCE: Technical Writer HQ. (2025). *What is proposal writing?* Retrieved January 21, 2025, from <https://technicalwriterhq.com/writing/proposal-writing>

41. B

Conduct a survey to gather feedback from current users. By conducting a survey, Marc can determine which features are most popular, which are least popular, the areas users want to see improved, and the areas users are most satisfied. Using this data, Marc can then determine the necessary features to add to his app. Completing a self-evaluation will not provide Marc with any information about the app's features. Ranking the app's features from Marc's favorite to least favorite is not representative of the preferences of all the app's users. Analyzing the total number of downloads will also not provide information on the app's specific features.

SOURCE: EN:032 Develop plan to invest resources into improving current products or creating new ones

SOURCE: Safety Culture. (2024, April 16). *How product improvement can help you compete.* Retrieved January 22, 2025, from <https://safetyculture.com/topics/product-improvement/>

42. B

Learning sparks innovation. The car manufacturer best illustrates how learning sparks innovation. Employees dedicated years to learning about battery technology, software development, and artificial intelligence. This learning sparked innovation as the car manufacturer used this knowledge to develop electric cars. Based on the information available, there is no indication of change sparking learning, innovation sparking change, or change sparking innovation.

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

SOURCE: LinkedIn. (2025). *How can you turn change into learning and innovation?* Retrieved January 16, 2025, from <https://www.linkedin.com/advice/3/how-can-you-turn-change-learning-innovation>

43. D

Work experience can lead to new business ventures. One way that entrepreneurs determine opportunities for new business ventures is through their own work experience. Zoey's experience as a chef helped her determine an opportunity to create a meal delivery service focused on ready-to-eat vegan meals. This example is not related to economic trends. It is not true that entrepreneurs should focus on completely new industries; many entrepreneurial ventures take place within existing industries, such as in Zoey's case. This example is not related to professionals using or not using their college degrees.

SOURCE: EN:004 Determine opportunities for venture creation

SOURCE: Cote, C. (2020, July 21). *How to come up with an innovative business idea.* Retrieved January 21, 2025, from <https://online.hbs.edu/blog/post/how-to-come-up-with-a-business-idea>

44. C

It nurtures a learning culture. One benefit of sharing best practices within an organization is that it helps nurture a learning culture. Companies that share best practices can attract more talent, demonstrate flexibility to any business changes, and are more likely to boost employees' performance. Sharing best practices with key individuals and groups also identifies and fills knowledge gaps, generates creative ideas, increases efficiency, and creates a supportive community. Sharing best practices does not guarantee better decision-making. It also decreases time and costs. While sharing best practices may contribute to better product quality, it does not directly influence it.

SOURCE: EI:115 Share best practices with key individuals and groups

SOURCE: Memari, E. (2021, May 12). *9 benefits of sharing best practices in an organization*. Retrieved January 21, 2025, from <https://elearningindustry.com/sharing-best-practices-organization-9-benefits>

45. B

Industry guidelines for board diversity. Corporate governance refers to the system by which directors handle their responsibility toward shareholders. External factors that impact corporate governance come from outside an organization, such as industry guidelines, government regulations, or independent audits. Many corporations and regulators emphasize diversity and inclusion on boards, and industry guidelines help to shape these decisions. Therefore, the company should prioritize industry guidelines for board diversity when developing a corporate governance framework. Segregation of duties in the marketing department, policies for employee benefits, and codes of conduct for board members are each internal factors companies should consider when developing a corporate governance framework.

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

SOURCE: Chen, J. (2024, September 12). *Corporate governance: Definition, principles, models, and examples*. Retrieved January 15, 2025, from <https://www.investopedia.com/terms/c/corporategovernance.asp>

46. C

Society and culture. Environmental scanning refers to collecting information about the environment surrounding a business. There are six main categories of information generally included in an environmental scan—demographics, society and culture, the economy, competition, government, and technology. In this scenario, society and culture is demonstrated because the company wants to remain sensitive to customer needs and wants and align its strategies with customer values. Successful businesses understand what customers value and their attitudes toward the world around them. They stay on top of changes in society and culture so that they can remain sensitive to customer needs and wants. This scenario does not demonstrate demographics (the physical and social characteristics of the population), the economy, or technology.

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

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

47. C

Considering the business's strengths. To create a successful brand, it is important to consider the business's strengths as a way to distinguish the company from competitors. Fumina is considering her restaurant's strengths when she asks herself and her employees questions about the business's performance and uniqueness. Committing to being the brand champion, reviewing the business's foundations (like the mission and vision statements), and understanding customers are all ways to develop a corporate brand, but they are not demonstrated in this example.

SOURCE: PM:126 Build corporate brands

SOURCE: LAP-PM-126—Build Your Corporate Brand...Before Someone Builds It for You (The How-To's of Corporate Branding)

48. C

Partnership agreements. Standard partnership agreements generally include information such as procedures for resolving disputes, managerial responsibilities, names and addresses of all partners, allocation of investments, and the purpose of the business. Articles of incorporation generally include the business name, purpose, location, amount of stock to be issued, stockholder voting guidelines, names and addresses of the board of directors, and the general powers, limitations, and activities of the corporation. Limited Liability Partnerships are hybrid forms of business ownerships that are designed for business professionals such as lawyers and doctors. County governments often require sole proprietors to register their business names using “Doing Business As” forms.

SOURCE: BL:006 Select form of business ownership

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

49. B

Decreasing competition. By conducting a SWOT analysis, a company might identify potential opportunities to expand its business. Decreasing competition is an opportunity for the business to take up a greater market share as competition declines. This is also an external opportunity because declining competition is occurring outside of the company. Extensive regulations are an external threat. Strong research and development is an example of an internal strength. Management turnover is an example of an internal weakness.

SOURCE: MP:010 Conduct SWOT analysis for use in the marketing planning process

SOURCE: LAP-MP-010—Analyze This! (SWOT Analysis)

50. B

It requires significant time and financial resources to be successful. A downside of enterprise risk management practices is that they often require significant time and financial resources from a company to be successful. Without the proper time and money invested, ERM strategies can fail before launch. Risk management decisions that are siloed and disregard other departments, increased work for department leaders, and greater difficulty in gauging risks across departments are disadvantages of traditional risk management practices, not enterprise risk management practices.

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 January 16, 2025, from <https://www.investopedia.com/terms/e/enterprise-risk-management.asp>

51. C

Risk likelihood and the potential impact. When evaluating the severity of a risk, it is most important to consider the risk likelihood and the potential impact. Risk likelihood refers to the probability that a risk will happen, while the potential impact refers to the magnitude of the consequences of a risk if it were to materialize. The preparation time and a risk's most recent occurrence are not the two most important factors to consider.

SOURCE: RM:045 Develop a risk management program

SOURCE: Lancaster, A. (2024, January 29). *How to build a comprehensive risk management plan*. Retrieved January 16, 2025, from <https://www.auditboard.com/blog/how-to-build-a-comprehensive-risk-management-plan/>

52. C

Equity financing because the company is not required to pay back the money. Apex Studios needs financing but does not want to pay interest on a loan. The biggest advantage of equity financing is that a company does not have to pay back the money borrowed. This is because investors are not creditors, and their money grants them partial ownership of the company, which allows them to benefit alongside the company if/when it succeeds. Debt financing requires interest on repayments, regardless of the time frame in which the debt is paid off. Equity financing requires a company to give up percentages of ownership. While it is true that an advantage of debt financing is that the lender has no control over the company, this does not change the fact that the company will still have to repay the lender with interest.

SOURCE: FI:043 Determine financing needed for business operations

SOURCE: Maverick, J.B. (2024, June 13). *Equity financing vs. debt financing: What's the difference?* Retrieved January 21, 2025, from <https://www.investopedia.com/ask/answers/042215/what-are-benefits-company-using-equity-financing-vs-debt-financing.asp>

53. A

Increase smart device production with a new supplier or manufacturer. Aydin's company is not meeting customer demand, so increasing production will allow it to continue making sales and satisfy customers. Hiring more customer service representatives is unlikely to help since it will not impact production or delivery times. Increasing prices is a poor supply chain decision as it may alienate customers and stunt growth. Using a different delivery service will not impact business performance since the delays stem from lack of production.

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

SOURCE: LAP-OP-477—Chain Reaction (Impact of Supply Chains on Business Performance)

54. D

Exclusive. Exclusive distribution means selling a product through just one middleman in a geographic area. Marketers use this method when they need to maintain tight control over a product. Therefore, Rolex watches only being sold by official Rolex Retailers is an example of exclusive distribution. Selective distribution means selling a product through a limited number of wholesalers and retailers in a geographic area. Intensive distribution means selling a product through every available wholesaler and retailer in a geographic area where consumers might look for it. Indirect distribution is a channel of distribution in which goods and services move from the producer to the channel members and then to consumers or industrial users.

SOURCE: CM:009 Explain the nature of channel strategies

SOURCE: Bhasin, H. (2024, December 17). *Exclusive distribution: Definition, strategy, and examples*. Retrieved January 15, 2025, from <https://www.marketing91.com/exclusive-distribution>

55. D

They should be scheduled in advance. A performance review is a formal assessment of a worker's job performance by their supervisor that lets the worker know how they are doing on the job. Performance reviews should be scheduled in advance. This gives the employees advance notice and an opportunity to prepare questions. Performance evaluations are great for providing feedback and keeping an open line of communication for the employee and manager. However, they should not occur once a week. Rather, they should happen quarterly, semi-annually, or annually, depending on organizational policies. Performance reviews should involve just the employee and the manager to ensure confidentiality and focus on individual feedback and development. Constructive criticism and addressing challenging topics are essential for performance reviews, as they can lead to employee growth and development.

SOURCE: HR:368 Assess employee performance

SOURCE: Slavin, S. (2023, April 7). *How to evaluate an employee: A performance review checklist*. Retrieved January 17, 2025, from <https://www.freshbooks.com/hub/leadership/evaluate-an-employee>

56. D

Market trends. A market analysis is a systematic study of a specific market. A PEST analysis helps a marketing research team identify external factors—such as political, economic, social, and technological trends—that shape the business environment. It involves understanding what is happening in a marketplace, what is popular, and how those factors and trends influence the business. Therefore, the team in this scenario is fulfilling the market trends component of a market analysis. Customer perception refers to how the target audience perceives the business and its products or services. Customer description involves defining the demographic, psychographic, and behavioral characteristics of that target market. The competition component of a market analysis involves describing rival companies with the same examination that was applied to the researching company.

SOURCE: MP:009 Conduct market analysis (market size, area, potential, etc.)

SOURCE: Frenz, R. (2017, September 26). *Components of market analysis*. Retrieved January 16, 2025, from <https://bizfluent.com/info-7921910-components-market-analysis.html>

57. D

Difficult suppliers. Entrepreneurs typically face several types of risks whenever they start a new venture, including industry risks. Industry risks they might face include difficult suppliers, a complex industry, an over-served industry, or a failing industry. Competition is typically categorized as a market or competitive risk. Economic downturns are considered a financial risk associated with new ventures. Family problems are an example of the emotional risks that entrepreneurs may face when starting a new venture.

SOURCE: EN:010 Assess risks associated with venture

SOURCE: Hayes, A. (2022, November 13). *What risks does an entrepreneur face?* Retrieved January 22, 2025, from <https://www.investopedia.com/ask/answers/040615/what-risks-does-entrepreneur-face.asp>

58. A

Lack of commitment from top managers. An obstacle that a business might face when attempting to implement quality management is a lack of commitment from top managers. Other examples of obstacles a business might face include improperly trained employees, lack of sufficient time and resources, and vague quality goals and plans. Properly trained employees, sufficient time and resources, and clear quality goals and plans would assist in implementing quality management. It is highly unlikely that a business has too many properly trained employees.

SOURCE: QM:001 Explain the nature of quality management

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

59. D

Planning and overseeing the sourcing, production, delivery, and return of products. Supply chain managers oversee the logistics of producing, delivering, and returning products. The other options describe different roles in a company. Company finances are usually the responsibility of accountants. Managing employees is the responsibility of human resources professionals. Leading teams to complete projects is the role of a project manager.

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

SOURCE: LAP-OP-303—Top of the (Supply) Chain (Nature of Supply Chain Management)

60. C

Anyone can share anything on the internet. Reputations are harder to control now than ever before. Anyone can share anything on the internet, and that includes their opinion of your company. True and untrue statements about your company can spread quickly online. Even your own employees can cause serious damage to your business's reputation. As a result, you could find yourself losing business. People have not necessarily become more unethical over time. We must all still comply with local, state, and federal laws. Businesses have not necessarily lowered their standards.

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

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

61. B

Adapting her management style to different personalities. By providing her creative employees with flexibility and her detail-oriented employees with clear instructions, Poorvi is adapting her management style to different personalities. Instead of treating her employees the same across the board, she is taking their needs into consideration and modifying her management style accordingly. In this scenario, Poorvi is not challenging her employees to grow and develop new skills. She is treating her employees as individuals instead of implementing a uniform approach. Poorvi is using a hands-on management approach in this scenario.

SOURCE: EI:105 Adapt management style to the personality type of others

SOURCE: Schwefel, S. (2024, September 30). *Leadership communication styles: Adapting to others*. Retrieved January 21, 2025, from <https://discoveryyourself.com/leadership-communication-styles-adapting>

62. D

Creating an image for the business. Sales-oriented pricing is a category of pricing objectives that focuses on increasing total amount of income from sales. Some specific objectives a business might achieve by using sales-oriented pricing include creating an image for the business, being more competitive, and obtaining, maintaining, or increasing market share. Profit-oriented pricing is a category of pricing objectives that focus on profit for the business. Some of the objectives a business might achieve through sales-oriented pricing include surviving, maximizing profits, earning a return on investment, and earning a return on sales.

SOURCE: PI:002 Explain factors affecting pricing decisions

SOURCE: LAP-PI-902—Make Cents (Factors Affecting Selling Price)

63. C

Business continuity plan. A business continuity plan is a system of prevention and recovery from potential threats to a company. Threats may include natural disasters, acts of terrorism, or cyberattacks. In this scenario, the threat is relatively minor (a power outage), but it still halts business operations for a week. The goal of a business continuity plan is to get the business back on track with little to no interruption. Using a business continuity plan to prepare for an event such as this would allow Coppertone Collective to continue business operations as seamlessly as possible and prevent significant financial loss. A customer loyalty program and annual financial report would provide little to no assistance in resuming operations and preventing significant financial loss. A communications plan would be more useful for a project, and it would not necessarily prevent financial loss.

SOURCE: EN:034 Explain the need for continuation planning

SOURCE: Kenton, W. (2024, November 14). *What is a business continuity plan (BCP), and how does it work?* Retrieved January 22, 2025, from <https://www.investopedia.com/terms/b/business-continuity-planning.asp>

64. D

Trade secret. Intellectual property refers to the set of intangible business assets that result from thinking processes. Businesses must take the necessary measures to legally protect their intellectual property assets. A trade secret is undisclosed information within a particular business or industry, such as a formula, pattern, recipe, algorithm, or proprietary process. A patent provides legal protection for an invention, design, improvement, or process. A copyright provides legal protection of books and other artistic works, giving their creators sole rights to them for a certain period of years. A trademark is a symbol, design, or word used by a producer to identify a good or service and registered with the government to prevent use by others. Yoda's algorithm is an example of a trade secret, not a patent, copyright, or trademark.

SOURCE: EN:013 Select strategies to protect intellectual property

SOURCE: Kenton, W. (2024, June 7). *What is intellectual property and what are some types?* Retrieved January 22, 2025, from <https://www.investopedia.com/terms/i/intellectualproperty.asp>

65. D

Has process inefficiencies or project management issues. A business analyst's role is to identify business needs and align processes and solutions with those needs. Process inefficiencies and project management issues often stem from poorly aligned business goals, so these are likely reasons to hire a business analyst. Understaffing, turnover rates, and financial issues are outside the scope of a typical business analyst's role. A technical expert who writes documentation would be a technical writer or engineer, not a business analyst.

SOURCE: OP:327 Discuss the nature of business analysis

SOURCE: Seth, S. (2024, July 10). *Business analyst: Who they are and what they do.* Retrieved January 23, 2025, from <https://www.investopedia.com/articles/personal-finance/040915/what-business-analyst-and-how-much-do-they-make.asp>

66. C

Product placement. A product placement is a type of "other" media that uses branded products as props in movies, TV shows, online videos, and video games. Because the main character of the TV show drinks out of a McDonald's cup, this is an example of product placement. Human directionals are individuals wearing or holding signs to advertise a business or product. Movie theater advertising refers to promotional messages shown prior to the screening of a film in a movie theater. It also includes posters, standees/stand-ups, and other advertisements present in a movie theater lobby. Spectaculars are a type of out-of-home advertisement built to order and often designed with neon lights or moving parts. They are typically large, elaborate electrical signs.

SOURCE: PR:007 Explain types of advertising media

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

67. B

It is followed the same way every time for consistency and compliance with industry standards. A standard operating procedure is a set of step-by-step instructions for performing routine activities. They should be followed the same way every time to guarantee that an organization remains consistent and in compliance with industry regulations and business standards. A standard operating procedure is not just to be referenced from time to time by newer employees or used as a basic guideline. It should be followed step-by-step by all employees until the procedure is complete. A standard operating procedure does not provide potential employees with a description of the position, the benefits, and the pay; that is the purpose of a job description.

SOURCE: EN:026 Describe the use of operating procedures

SOURCE: Hashemi-Pour, C. (2024, June). *Standard operating procedure (SOP).* Retrieved January 22, 2025, from <https://www.techtarget.com/searchbusinessanalytics/definition/standard-operating-procedure-SOP>

68. C

Clearly documenting. A work process that has been well documented should require less time to teach, and training is less dependent on the presence of an experienced worker. This helps newer employees quickly integrate into business operations and helps seasoned workers remain focused on their own tasks. Frequently changing, minimizing, or complicating work processes decreases efficiency across a business.

SOURCE: OP:022 Establish efficient operating systems

SOURCE: Slack. (2024, August 25). *What is process documentation, and why do I need it?* Retrieved January 22, 2025, from <https://slack.com/blog/collaboration/process-documentation>

69. B

Credit score. Whenever you apply for a loan, the lending institution will check your credit score. The higher your credit score, the more likely you are to be approved. Factors like insurance coverage, education level, and primary location do not carry as much weight into the loan evaluation process.

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

SOURCE: Pike, R. (2022, July 12). *6 things lenders look at when assessing your loan*. Retrieved January 21, 2025, from <https://www.fairgofinance.com.au/knowledge-hub/6-things-lenders-look-at-when-assessing-your-loan/>

70. D

Higher quality toys will be returned less often, increasing customer satisfaction and loyalty. One benefit of higher quality manufacturing is that customers are less likely to receive defective products, leading to more satisfied and loyal customers overall. Although higher upfront costs may be reflected in a higher price tag for the customer, this may also cause fewer sales, reducing overall profits. Significant supply chain changes are not necessarily viewed positively or negatively by investors and could even signal instability or uncertainty. Higher upfront costs are more likely to increase toy prices, not decrease them.

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

SOURCE: LAP-OP-477—Chain Reaction (Impact of Supply Chains on Business Performance)

71. B

Use an online portal where customers can schedule appointments whenever they want. In process design, there are often many factors to take into consideration. In this case, Esfand needs to consider employee and customer complaints. Using a no-contact online portal reduces calls the receptionist must take, eliminates long hold times, and allows customers to book appointments after normal business hours. The other options fail to address these concerns. Setting appointments in-person and hiring a second receptionist fail to address customer convenience, while having the receptionist stay longer forces them to take more calls.

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

SOURCE: Ronan, S. (2018, April 1). *5 ways to improve your business process*. Retrieved January 17, 2025, from <https://www.bizjournals.com/boston/news/2018/04/01/5-ways-to-improve-your-business-processes.html>

72. D

Nerd Team should categorize all support tickets as open, claimed, or closed. Process thinking seeks to improve workplace procedures rather than a particular business outcome. Structuring the company's support ticket system is a change that improves a company procedure, so it is a good example of process thinking. Cutting back on employees and equipment seeks to save money, while offering quarterly bonuses seeks to incentivize employees, and running marketing campaigns seeks to attract customers. None of these decisions address company procedures, so they are not examples of process thinking.

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

SOURCE: Drew, C. (2023, July 11). *What is process thinking? (Examples, pros, and cons)*. Retrieved January 15, 2025, from <https://helpfulprofessor.com/process-thinking/>

73. C

To reach the greatest number of consumers possible. Intensive distribution means selling a product through every available wholesaler and retailer in a geographic area where consumers might look for it. Marketers use this method when they are attempting to reach the greatest number of consumers possible. Selective distribution means selling a product through a limited number of wholesalers and retailers in a geographic area. Marketers use selective distribution when they want to deal with the middlemen they trust to sell their products effectively. Exclusive distribution means selling a product through just one middleman in a geographic area. Marketers use this method when they need to maintain tight control over a product. Dual distribution means distributing a product through two different channels.

SOURCE: CM:001 Explain the nature and scope of channel management

SOURCE: LAP-CM-001—Chart Your Channels (Channel Management)

74. B

Directing. In this scenario, Parisa is carrying out the directing function of management. Directing involves providing guidance to workers and work projects. Managers set the direction for the business and influence employees to follow in that direction. Not only do managers plan and organize the work, but they also guide employees in carrying out the work. Managers motivate employees by rewarding them for their hard work, including bonuses, pay raises, and promotions. The planning function of management involves deciding what work will be done and how it will be accomplished. Organizing involves setting up the way the business's work will be done. Controlling involves monitoring the work effort.

SOURCE: SM:001 Explain the concept of management

SOURCE: LAP-SM-001—Manage This! (Concept of Management)

75. D

The land is likely to appreciate in value. Purchasing a business gives that business ownership of a property, meaning any appreciation in value of that property directly benefits the business. If interest rates are increasing or the business has a low credit rating or limited cash flow, the business should lease the property. Increased interest rates make it more expensive for businesses to pay off a purchased piece of land. If a business has a limited cash flow, it will be unable to provide the cash up front needed to purchase a property outright. If a business has a low credit rating, it will be unlikely to obtain the loans needed to buy a facility.

SOURCE: OP:028 Negotiate lease or purchase of facility

SOURCE: FindLaw. (2024, June 6). *Factors to consider: Lease or purchase of a facility*. Retrieved January 22, 2025, from <https://www.findlaw.com/smallbusiness/business-operations/factors-to-consider-lease-or-purchase-of-a-facility.htm>

76. C

Word-of-mouth. Word-of-mouth marketing refers to promotion and publicity for a business provided by customers who tell others of their satisfaction with the business. Because Eddie told several people about his family's experience at the barbecue restaurant and encouraged others to visit it, this is an example of word-of-mouth marketing. Affiliate marketing is the process of promoting and selling another business's products on a website in exchange for a sales commission. Direct marketing refers to the forms of advertising that seek a specific, measurable action from a targeted group of consumers, using direct mail, telemarketing, emails, etc., that are sent directly to a consumer's home or business. Guerrilla marketing refers to promotional techniques that are unconventional, low-cost, and aim to attract consumers' attention.

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

SOURCE: Hayes, A. (2024, July 2). *Word-of-mouth marketing: Meaning and uses in business*. Retrieved January 17, 2025, from <https://www.investopedia.com/terms/w/word-of-mouth-marketing.asp>

77. C

It ensures compliance with legal and ethical standards. Corporate governance is the system by which directors handle their responsibility toward shareholders. Nonprofit organizations must maintain a strong public image and comply with key legal and ethical standards. By prioritizing corporate governance, a nonprofit organization helps ensure that it will be transparent and accountable while demonstrating integrity. While proper corporate governance can help a nonprofit avoid scandals, it does not guarantee that they will not occur. Proper corporate governance expedites auditing and tax procedures, as it ensures the organization has all of the necessary documents and procedures in place for these processes to go smoothly. Additionally, strong corporate governance increases both donations and reputation.

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

SOURCE: Garcia, M. (2025). *Importance of corporate governance in a nonprofit organization*. Retrieved January 16, 2025, from <https://smallbusiness.chron.com/importance-corporate-governance-nonprofit-organization-62533.html>

78. A

Transfer. Certain risks may be reduced or eliminated by transferring (or shifting) those risks to another person or business. This option enables businesses to move forward with their decisions without bearing the risks involved. These businesses use a risk-transfer method, such as entering into a contract, selecting a particular form of business ownership, or purchasing insurance. Common contractual agreements like warranties and lease agreements help businesses transfer risk. They do not typically help businesses avoid, prevent, or retain risk.

SOURCE: EC:011 Determine factors affecting business risk

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

79. D

Identify the reason for the research. Just like the scientific method, marketing research is a process of specific steps. To conduct marketing research, marketing researchers need to start by identifying the reason for the research. The company in this scenario should first identify the problem, issue, situation, or concern to be researched. It will need to determine what kind of data to collect, how much data to gather, why the data are needed, and whether what it learns from the research will be worth the potential costs of the research. The second step the company should take in its marketing research efforts will be to set research objectives, followed by developing a hypothesis and determining the research design. Then, the company will collect the needed data, analyze them, and make recommendations based on its findings.

SOURCE: IM:010 Explain the nature of marketing research

SOURCE: LAP-IM-010—Seek and Find (Marketing Research)

80. A

It must conform to legal regulations. Direct marketing refers to forms of advertising that seek a specific, measurable action from a targeted group of consumers, using direct mail, telemarketing, emails, etc., that are sent directly to a consumer's home or business. A disadvantage of direct marketing is that it must conform to legal regulations, as regulations change often and businesses that don't adhere to changes can face stiff penalties and fines. Another disadvantage of direct marketing is that it can lead to consumer overload. Advantages of direct marketing include that it is cost effective and it creates a personal interaction.

SOURCE: PR:089 Explain the nature of direct marketing channels

SOURCE: Leonard, K. (2025). *The advantages & disadvantages of direct marketing & telemarketing*. Retrieved January 17, 2025, from <https://smallbusiness.chron.com/advantages-disadvantages-direct-marketing-telemarketing-54933.html>

81. B

He should have had a face-to-face conversation with Gita. Firing or dismissing employees is an important human resources function. Given the company (a small business, likely with few employees) and her years of service, Gita's dismissal should have been a face-to-face conversation, not a short email. There is no indication Stan's email was rude or disrespectful or that he gave Gita false hope for future employment opportunities. Canceling Gita's insurance benefits before notifying her would have been both unethical and illegal.

SOURCE: HR:358 Dismiss/Fire employees

SOURCE: Indeed. (2023, June 22). *How to terminate an employee (And what not to do)*. Retrieved January 21, 2025, from <https://www.indeed.com/career-advice/career-development/how-to-terminate-an-employee>

82. C

Involve long-term investments in physical assets. Capital expenditures are different than operating expenses in that capital expenditures involve long-term investments in physical assets. A capital expenditure is a one-time purchase a business makes (e.g., land, building, equipment) to acquire an asset expected to have a lasting benefit. Operating expenses refer to all the expenses involved in running a business that are not directly related to production. Operating expenses cover the day-to-day costs of running a business. Capital expenditures involve significant investments, requiring a company to commit resources to something that will generate revenue in the long term. Operating expenses involve smaller costs to support existing activities, and don't create value or generate revenue in the long term. Operating expenses offer a simpler budgeting process than capital expenditures.

SOURCE: EN:019 Describe considerations in selecting capital resources

SOURCE: Bullis, J. (2024, August 1). *CapEx vs. OpEx: What's the difference?* Retrieved January 22, 2025, from <https://www.cubesoftware.com/blog/capex-vs-opex>

83. A

Borrowing money; selling a percentage of company ownership. The main difference between debt financing and equity financing is that debt financing involves borrowing money, whereas equity financing involves selling a percentage of company ownership. Debt financing does not involve multiple investors, but equity financing does. Debt financing does involve borrowing money, but equity financing does not involve paying loans back with interest.

SOURCE: FI:031 Explain sources of financial assistance

SOURCE: Maverick, J.B. (2024, June 13). *Equity financing vs. debt financing: What's the difference?* Retrieved January 21, 2025, from <https://www.investopedia.com/ask/answers/042215/what-are-benefits-company-using-equity-financing-vs-debt-financing.asp>

84. A

Product shortages. Operational risks are possible events or situations that are the result of employee actions, core processes, and daily business activities. Some of these risks involve disagreements and/or problems with human resources, labor relations, suppliers, channel members, and company management. Examples of operational risks include product shortages, poor product development, and unreliable manufacturing equipment. A hurricane is an example of a hazard risk—potential events or situations that can cause injury or harm to people, property, or the environment. Inflation is an example of a financial risk—possible events or situations that directly impact a company's cash flow. Political issues are an example of strategic risks—possible events and situations that can affect the execution of an organization's long-term plans.

SOURCE: SM:075 Explain the nature of risk management

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

85. C

Agent. In a channel of distribution, agents are intermediaries that assist in the sale and/or promotion of goods and services but do not take title to them. Agents do not buy products from producers; in other words, they never actually own them. Instead, their job is to sell and promote a producer's goods and services. In this scenario, Kathryn's company is an agent because it assists in the sale of goods without actually buying them from a producer. A retailer is a business that buys consumer goods or services and sells them to the ultimate consumer. A wholesaler helps move goods between producers and retailers by buying goods from producers and selling them to retailers. Manufacturers are businesses that take goods or materials from suppliers and create a finished product.

SOURCE: CM:003 Explain the nature of channels of distribution

SOURCE: LAP-CM-003—Channel It (Channels of Distribution)

86. A

Carson prefers to use the same password for all his work accounts. Using the same password for all work-related accounts poses a security risk to Carson and his business. If one account is infiltrated, all the other accounts with that same password are also at risk. Locking doors after leaving the office is a way to prevent security issues. Emailing memos to just one department and checking one's social media are not likely to be security risks.

SOURCE: OP:154 Identify potential security issues

SOURCE: Impact. (2023, February 15). *5 risky employee cybersecurity issues in the workplace*. Retrieved January 19, 2025, from <https://www.impactmybiz.com/blog/risky-employee-cybersecurity-issues-in-the-workplace>

87. D

Research and development. Research and development departments are responsible for overseeing the development of new products. Accounting and finance departments handle the monetary functions of a company. Information technology departments handle a company's technological infrastructure. The human resources department is responsible for the hiring and training of company employees.

SOURCE: HR:508 Coordinate human, capital, and fiscal resources to meet business priorities

SOURCE: Scott, S. (2025). *Role of HR in achieving business goals*. Retrieved January 17, 2025, from <https://smallbusiness.chron.com/role-hr-achieving-business-goals-1767.html>

88. D

What current and potential customers want. There are many sources of data available to marketers, including salespeople, customers, competitors, suppliers, distributors, the news, and trade journals, to name a few. A company's sales team generates a great deal of useful data for marketers, as it keeps records that can tell marketers things such as what current and potential customers want, who the company's current and potential customers are, and data about completed sales. Marketers can learn about competing businesses' current product offerings by observing their promotional campaigns, checking their website, and viewing their ads. Trade journals and news publications can help marketers gather data on current industry trends. Suppliers and distributors can tell marketers if there are shortages on certain products.

SOURCE: IM:012 Describe the need for marketing data

SOURCE: LAP-IM-012—Data Do It (Need for Marketing Data)

89. B

An independent agent because they can pull options from multiple providers. Brian's insurance agent presents him with options from different companies, making him an independent agent. Direct writers are unable to pull options from different companies, whereas independent agents are not limited to the offerings of one provider. They have the flexibility to tailor products and services from different providers to present customers with a slew of options. A direct writer can only sell what their provider offers, and since Brian's insurance agent could provide coverage options from multiple providers, one can deduce that Brian's insurance agent is not a direct writer.

SOURCE: FI:082 Obtain insurance coverage

SOURCE: Clark Insurance. (2024, November 10). *Is Geico good enough? Differences between a direct writer and an independent agent*. Retrieved January 22, 2025, from <https://www.clarkinsurance.com/differences-direct-writer-independent-agent/>

90. D

Lunar Ventures has excellent credit and a proven track record of profitability. Established businesses with excellent credit and a proven track record of profitability are considered less risky and tend to get the best interest rates. The riskier the business is considered, the more expensive the interest rates will be. Verdant Farms has good credit, but has only been in business for six months, so its interest rate will be more expensive. Onyx Solutions has excellent credit but is struggling to turn a profit, so its interest rate will also be more expensive. Nimbus Studios has good credit and a solid history of profitability, so its interest rate will likely fall somewhere in the middle.

SOURCE: FI:041 Identify risks associated with obtaining business credit

SOURCE: Byas, K. (2024, May 7). *How much will a business line of credit cost?* Retrieved January 21, 2025, from <https://www.bankrate.com/loans/small-business/business-line-of-credit-cost/>

91. D

Middle-aged woman who teaches high school. Demographics are the physical and social characteristics of a customer and include such factors as age, education, occupation, and income. Technical businesses often develop customer profiles based on demographic information because it helps them develop advertising that will appeal to their customers. Therefore, of the available options, the middle-aged woman who teaches high school is an example of a customer profile based on demographics. A customer profile based on geographics would indicate where a customer lives, such as in Los Angeles. A customer profile based on psychographics would indicate a customer's lifestyle and personality, such as interests in fitness or travel. A customer's level of intelligence would be difficult to determine, and intelligence is not a demographic factor.

SOURCE: MP:031 Develop customer profile

SOURCE: Resuello, L.D. (2024, March 1). *What is a customer profile? (+ free templates, examples, and benefits)*. Retrieved January 16, 2025, from <https://fitsmallbusiness.com/customer-profile-template-examples>

92. B

Divide large projects into smaller parts. Time management refers to how people use the 24 hours in their day to effectively accomplish goals. One of the general principles of time management that could help Sami is to divide large projects into smaller parts. This will help Sami be realistic about the time he needs to complete each part, as he could set smaller deadlines for himself along the way to make sure he's staying on task. Rather than focusing on tasks over goals, Sami should focus on goals, not on tasks. Measuring his work this way will help keep him focused on the bigger picture. Rather than taking care of the easiest tasks first, Sami should determine which tasks are important and urgent and prioritize those. Rather than focusing on unimportant tasks during his downtime, Sami should make the most of his downtime and use it wisely.

SOURCE: PD:019 Use time-management skills

SOURCE: LAP-PD-019—About Time (Time Management)

93. D

Catching the attention of an angel investor. An angel investor is someone who provides startup money to a new business in exchange for a stake in the company. Startups that catch the attention of angel investors improve their chances of being successful, even though they lose some control over the company due to the angel investor's input on business decisions. Because the businessperson in this scenario invests in the startup in return for a stake in the company, this is an example of a startup earning funding by catching the attention of an angel investor. This scenario does not demonstrate the startup funding options of reaching out to friends and family, applying for a business loan, or hosting a crowdfunding campaign.

SOURCE: EN:016 Select sources to finance venture creation/start-up

SOURCE: The Hartford. (2025). *10 startup financing models to fund your small business*. Retrieved January 22, 2025, from <https://www.thehartford.com/business-insurance/strategy/startup/money>

94. C

Recurring. Recurring costs are associated with a decision or project that will occur repeatedly and regularly. One-time costs are expenses that the business pays just one time to implement the decision or project. Potential costs are costs that may arise in the future. Opportunity costs refer to what a business will lose if it spends its resources on one decision rather than another.

SOURCE: FI:357 Describe the nature of cost-benefit analysis

SOURCE: LAP-FI-357—Running the Numbers (Cost-Benefit Analysis)

95. B

Employees are working a lot of overtime. If a company's employees are working a lot of overtime, it is a sign that it may need to hire more employees. Employees working overtime is a common sign that employees may feel overworked and need to work extra hours to keep up with their workload. Whereas overworked employees are a sign that a company should hire more employees, underworked employees may mean that a company is overstaffed. If employee morale is at an all-time high, then it is likely that the company does not need to hire more employees. If it is low, then the company should consider adding to its staff. Employees often complain about working conditions when they are overworked, which means more employees are needed. If employees are happy, then it is less likely that the company needs to increase staff.

SOURCE: EN:018 Explain considerations in making the decision to hire staff

SOURCE: Bliss, M. (2020, January 7). *The 10 signs you need to hire more employees*. Retrieved January 22, 2025, from <https://www.simplybusiness.com/resource/10-signs-you-need-to-hire-more-employees>

96. A

Appendices. A business plan is your company's business model in written form. Although each business plan is unique, a typical business plan contains the following sections: cover page, executive summary, table of contents, company description, products offered, market analysis, strategy and implementation, management plan, financial plan, and appendices. The appendices are the extra bits of information that support the points you have already made. Typical business plan appendices may include building permits, contracts, product pictures, and copies of leases. You would not find these materials in the market analysis, financial plan, or executive summary sections of a business plan.

SOURCE: SM:013 Develop business plan

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

97. C

Jenny listens to the radio on her drive to work. Broadcast media is promotional media including radio and TV that may be transmitted through the air, cable, or internet. Therefore, Jenny listening to the radio on her drive to work is an example of someone consuming broadcast media. Yahod reading the newspaper with his breakfast every morning is an example of someone consuming publications or print media. Pedro reading the billboards while he rides the bus is an example of someone consuming out-of-home media. Anna watching the advertisements before a YouTube video is an example of someone consuming digital media.

SOURCE: PR:007 Explain types of advertising media

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

98. A

Informal recognition. Informal recognition is praise that is offered outside of formal systems. It is often spontaneous, such as a positive comment from a supervisor or a pat on the back from a coach. Formal recognition is usually planned and well thought out. Examples include school grading systems, most sports-related awards, and wages and bonuses for work. Receiving the Most Valuable Player award for your volleyball performance would be an example of formal recognition. Cultural sensitivity refers to being aware and accepting of cultural differences. Personality mirroring occurs when one person subconsciously imitates, or mirrors, the speech, body language, or attitudes of another person. This scenario is not an example of formal recognition, cultural sensitivity, or personality mirroring.

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

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

99. C

Overseeing budgets. A board of directors is a group of people chosen to govern the activities of a corporation. Common responsibilities of the board of directors include overseeing financial performance (including budgets and financial statements), hiring executive leadership, shaping culture and vision, protecting shareholders' investment, and ensuring legal and regulatory compliance, among others. Day-to-day management, recruiting entry-level employees, and customer service are not typically responsibilities of the board of directors.

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

SOURCE: Wire, A. (2024, September 11). *What is a board of directors? (Overview, roles, and responsibilities)*. Retrieved January 15, 2025, from <https://www.onboardmeetings.com/blog/board-director-structure-roles-responsibilities>

100. A

Greater transparency. Transparency is the practice of being open and honest about a company's operations, values, and performance. When employees understand the reasoning behind a change and can have their questions clearly answered, they are much more likely to embrace the change. Improved employee training is beneficial but would not impact the way this change was managed. Employee buy-in is a vital component of change management. Less employee buy-in would make managing the change more difficult. Similarly, change management benefits from strong communication. Less communication would make managing the change even harder.

SOURCE: SM:095 Explain the nature of change management

SOURCE: Whatfix. (2024). *What is change management?* Retrieved January 14, 2025, from <https://whatfix.com/change-management/>