



# SAMPLE EXAM

## ENTREPRENEURSHIP

THE ENTREPRENEURSHIP EXAM IS USED FOR THE  
FOLLOWING EVENTS:

ENTREPRENEURSHIP SERIES

ENTREPRENEURSHIP TEAM DECISION MAKING

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

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1. Georgiana owns a restaurant, and recently, she has noticed that the staff throw away a lot of food at the end of each night. If Georgiana is able to cut back on the amount of food waste, she will likely experience
  - A. increased success.
  - B. a damaged reputation.
  - C. a larger workforce.
  - D. higher overhead costs.
2. At what stage of the entrepreneurial process does an entrepreneur determine the amount of capital needed to launch the business?
  - A. Harvesting
  - B. Actualization
  - C. Development
  - D. Discovery
3. Which of the following is a true statement about promotion:
  - A. Promotional budgets should be at least \$200,000.
  - B. Companies should utilize all types of media.
  - C. Successful promotional strategies should not be changed.
  - D. Promotion's ultimate goal is to increase sales.
4. Kate is a consultant who specializes in helping companies discover and implement positive solutions to problems in their business processes. Kate's work could best be described as
  - A. business analysis.
  - B. marketing research.
  - C. public relations.
  - D. financial counseling.
5. Which of the following employee-selection tools gives employers a chance to evaluate job applicants' communication skills:
  - A. Personal interview
  - B. Physical examination
  - C. Reference check
  - D. Background screening
6. Which of the following questions should you ask to learn more about stakeholders' expectations for a project's long-term impact:
  - A. What are the specific deliverables for this project?
  - B. What worries you most about this project?
  - C. What problems will this project help to solve?
  - D. What obstacles will we face in completing this project?

7. Every month, a technology company has all-staff meetings in which employees team up and brainstorm new ideas together. Many of these ideas lead to innovative new products. This is an example of how \_\_\_\_\_ helps organizations innovate and change.
- A. resilience
  - B. customer service
  - C. training
  - D. collaboration
8. When a company has achieved a maximum level of efficiency, the long-run average total costs of production have been
- A. ignored.
  - B. expanded.
  - C. minimized.
  - D. strengthened.
9. A furniture manufacturer has been receiving complaints about the safety of its Model BA2X baby crib. What is the first thing the manufacturer should do?
- A. Ship the customers another crib
  - B. Offer refunds to the customers
  - C. Make style improvements to the crib
  - D. Initiate a product recall
10. Evaluating risk is essential for any business that undertakes a new project or venture. Which of the following is the final step for a business when assessing risks:
- A. Decide if the business can withstand a loss
  - B. Reduce or eliminate each identified risk
  - C. Estimate the likelihood of a loss occurring
  - D. Identify as many risks as possible
11. A local business adds a specific item to its product line each spring. This is an example of the product-mix strategy called
- A. contraction.
  - B. animation.
  - C. trading-up.
  - D. expansion.
12. Anthony has worked as an IT professional at his company for three years. This year, he hopes to be moved to the social media department so that he can learn new skills and expand his professional network. After doing some research, he finds an employee within the department that he thinks he could learn a lot from. In return, he figures he can help the employee clean up their computer and teach them the new company software. He decides to contact the employee to set up a lunch meeting. In other words, Anthony is trying to initiate a
- A. relational analysis.
  - B. strategic relationship.
  - C. private partnership.
  - D. mentorship program.

13. A vending company buying products from several businesses and putting those products in vending machines for customers to purchase is an example of a(n)
- A. distribution channel.
  - B. independent agent.
  - C. service business.
  - D. product wholesaler.
14. Juan recently expanded his business into another country to reach more of his target market. He was thrilled with his company's profits following the expansion—until he converted the money back to his domestic currency. At that point, he realized that the company made much less than he originally thought. What risk involved with international business did Juan experience?
- A. The cost of international unionized labor
  - B. Political unrest in foreign countries
  - C. Foreign exchange rate fluctuations
  - D. International trade agreement changes
15. Which of the following is an impact of implementing an effective customer profile system into a marketing and sales campaign:
- A. It leads to better customer service.
  - B. It creates a broader customer base.
  - C. It increases the price of a campaign.
  - D. It increases the company's churn rate.
16. Which of the following equations should employees know when they are verifying the accuracy of a business's balance sheet:
- A.  $\text{Owner's Equity} = \text{Available Cash} - \text{Liabilities}$
  - B.  $\text{Assets} = \text{Owner's Equity} - \text{Liabilities}$
  - C.  $\text{Owner's Equity} = \text{Liabilities} + \text{Available Cash}$
  - D.  $\text{Assets} = \text{Liabilities} + \text{Owner's Equity}$
17. If a judge determines that two individuals are not qualified to enter into a contract with one another, which basic contractual element is missing?
- A. Consideration
  - B. Capacity
  - C. Legality
  - D. Agreement
18. An independent organization using part of its website to share comments from satisfied Publix grocery shoppers is an example of which element of the promotional mix?
- A. Sales promotion
  - B. Publicity
  - C. Advertising
  - D. Personal selling

19. Which of the following are considered the owners of a corporation:
- A. Lower level employees
  - B. Managers
  - C. Stockholders
  - D. CEOs
20. Why do many businesses use dashboards?
- A. To develop new software programs
  - B. To gather information for databases
  - C. To maintain security of the systems
  - D. To track key performance indicators
21. One reason why a business might terminate an employee for cause is if the employee
- A. refuses a promotion.
  - B. is a whistle-blower.
  - C. jeopardizes coworkers.
  - D. needs additional training.
22. A well-documented work process contributes to an efficient operating system because it
- A. is easier to teach to new employees.
  - B. has been streamlined to limit waste.
  - C. can lead to extra paperwork.
  - D. creates the maximum amount of value.
23. When customers buy on credit, the money owed to the business by the customers is part of the business's
- A. accounts payable.
  - B. cash receipts.
  - C. current liabilities.
  - D. accounts receivable.
24. What approach to sales forecasting is being used by a business that starts the process by making forecasts for individual products or product lines?
- A. Sales quota
  - B. Bottom-up
  - C. Trading area
  - D. Top-down
25. When Henry makes a mistake at work, he considers blaming one of his coworkers. His sense of \_\_\_\_\_ lets him know that he is facing an ethical dilemma.
- A. viability
  - B. rule of law
  - C. disrespect
  - D. accountability

26. An entrepreneur who acts with honesty and integrity in all their business relationships is likely to
- A. experience more competition.
  - B. increase their expenses.
  - C. develop a positive reputation.
  - D. avoid ethical dilemmas.
27. Gross profit shows business owners the difference between what they've
- A. spent and received.
  - B. received and billed.
  - C. estimated and invoiced.
  - D. paid and risked.
28. Which of the following is an example of a financial risk associated with new ventures:
- A. Unemployment
  - B. Inflation
  - C. Competition
  - D. Failing industry
29. The costs required to register a new business are also known as
- A. research expenses.
  - B. incorporation fees.
  - C. inventory expenses.
  - D. establishment fees.
30. Obtaining a line of goods for use in a business is one of the functions of
- A. organizing.
  - B. selling.
  - C. purchasing.
  - D. controlling.
31. What is the exchange price of a product?
- A. The price of goods that changes according to economic conditions
  - B. The price at which the seller is able to cover costs
  - C. The price to the buyer after the seller deducts discounts and allowances
  - D. The price that the buyer is willing to pay and the seller is willing to accept
32. An example of an operating expense that is included in a business's income statement is
- A. purchases.
  - B. allowances.
  - C. commissions.
  - D. inventory.

33. Kenneth owns a company that sells designer dog collars, harnesses, and leashes. He sends a weekly email to current and prospective customers that includes product information and general tips for animal safety. What type of public relations tool is Kenneth using to connect with his target market?
- A. A newsletter
  - B. A press conference
  - C. A media tour
  - D. A press release
34. Kwame runs an organic meal delivery service. He wants his customers to be able to depend on him to consistently deliver high-quality, healthy food that will simplify their busy lives. This is his company's
- A. company promise.
  - B. brand promise.
  - C. brand point.
  - D. touchpoint.
35. When analyzing market potential, a business must consider the market's interest level in the product and the market's
- A. profitability standards.
  - B. competence and reliability.
  - C. ability to buy.
  - D. personal goals.
36. In a business, who is typically responsible for determining how much money a CEO should make?
- A. The previous CEO
  - B. The board of directors
  - C. The vice president
  - D. All the employees
37. Which of the following processes helps aspiring entrepreneurs generate venture ideas:
- A. Creative thinking
  - B. Financial planning
  - C. Decision-making
  - D. Goal setting
38. Making sure a company follows laws and regulations describes the HR management activity of
- A. compliance.
  - B. compensation and benefits.
  - C. employee relations.
  - D. staffing.
39. Because people often change their negotiating styles and strategies, effective negotiators must be
- A. flexible.
  - B. uneasy.
  - C. indifferent.
  - D. optimistic.

40. A business that focuses its selling efforts on satisfying the needs and wants of its clientele is a \_\_\_\_\_ business.
- A. customer-oriented
  - B. product-oriented
  - C. service-oriented
  - D. profit-oriented
41. Which of the following characteristics best describe effective marketing research:
- A. Reliable, timely, subjective
  - B. Systematic, accurate, timely
  - C. Thorough, inopportune, valid
  - D. Objective, inexact, systematic
42. One of the goals of change management is to
- A. limit the effects of a change.
  - B. reduce the time it takes to make a change.
  - C. keep the people involved to a minimum.
  - D. obtain buy-in from stakeholders.
43. Where does a channel of distribution begin?
- A. With the producer
  - B. With the intermediary
  - C. With the industrial user
  - D. With the ultimate consumer
44. Larry's Dairy wants to team up with Rookie Cookie to develop one new ice cream flavor. How should Larry's Dairy accomplish this?
- A. License Rookie Cookie name
  - B. Execute a joint venture
  - C. Create a partnership
  - D. Create a franchise under Rookie Cookie
45. The manager of a gift shop has doubled the selling price of one type of small, stuffed animals because customers want more of the items than are available to buy. What factor affecting selling price is involved in this situation?
- A. Cost and expense
  - B. Government regulation
  - C. Supply and demand
  - D. Competition
46. What type of corporate growth is depicted in the following example: Company X combines with Company Y to form Company Z.
- A. Charter
  - B. Merger
  - C. Consolidation
  - D. Expansion

47. Charice creates a new kind of glue using a new chemical formula that she invented. She wants to make sure that none of her competitors use the formula for their products. To protect the formula, Charice should \_\_\_\_\_ it.
- A. patent
  - B. trademark
  - C. copyright
  - D. prototype
48. Commissions paid to salespeople increase as the amount of their sales increase. This is an example of \_\_\_\_\_ costs.
- A. fixed
  - B. semi-variable
  - C. variable
  - D. operating
49. When a business installs dead-bolt locks on all of its exterior doors, it reduces \_\_\_\_\_ risk.
- A. natural
  - B. economic
  - C. human
  - D. obsolescence
50. Who typically has the greatest influence on a company's corporate governance?
- A. Board of directors
  - B. Shareholders
  - C. Chief financial officer
  - D. HR director
51. SWOT analysis is a technique for summarizing a company's
- A. skills, workers, organizations, and teams.
  - B. strategy, wholesalers, objectives, and trademarks.
  - C. strengths, weaknesses, opportunities, and threats.
  - D. store, warranty, occupations, and tariffs.
52. What section of a long, formal business report contains the author's opinions?
- A. Appendix
  - B. Recommendations
  - C. Introduction
  - D. Summary
53. When a scandal involving a large bank's CEO became public, the bank's public relations team went into immediate action. The team released public statements, provided an information hotline for the media, and apologized for the bank's involvement in the scandal. These public relations activities are forms of
- A. philanthropy.
  - B. community relations.
  - C. media tours.
  - D. crisis management.

54. A business with limited cash flow might decide to lease rather than buy a facility because it wants to avoid making a
- A. short-term commitment.
  - B. sizeable down payment.
  - C. monthly insurance disbursement.
  - D. required security deposit.
55. Gloria, a screenwriter, has written a new script. To protect her artistic work from possible reproduction by other people, she needs a
- A. trade secret.
  - B. patent.
  - C. trademark.
  - D. copyright.
56. A disruption in the supply chain can cause a business to
- A. make more money.
  - B. create happy customers.
  - C. encourage employees.
  - D. stop production.
57. Which of the following are two results of a company incorporating a business process design:
- A. Higher efficiency and decreased risk management
  - B. Increased structure and more consistency
  - C. Increased inefficiencies and more professionalism
  - D. More redundancies and improved problem solving
58. April and Mark are making plans to open a fashion boutique in an expensive upscale mall in the suburbs. They plan to advertise their shop and put on fundraising fashion shows for charity. Which of the following would be the most appropriate product for them to offer:
- A. \$15 T-shirts
  - B. \$200 silk dress
  - C. \$20 basic jeans
  - D. \$5 earrings
59. Your job is to inform consumers about new services being offered by your business. You are involved in what marketing function?
- A. Promotion
  - B. Pricing
  - C. Financing
  - D. Distribution
60. Which of the following is an operations activity in business:
- A. Obtaining resources
  - B. Selecting media
  - C. Analyzing investments
  - D. Contacting customers

61. A realistic vision involves attaining \_\_\_\_\_ results.
- A. complex
  - B. conditional
  - C. permanent
  - D. noble
62. What is the general intent of corrective counseling?
- A. To be positive and fact-finding with regard to employee behavior
  - B. To manage people in such a way that infractions are prevented
  - C. To issue increasingly more severe penalties for each offense
  - D. To provide a mechanism for maintaining employee discipline on a day-to-day basis
63. The Davis Company requires customers to provide their banking information each time they pay by phone to eliminate the financial and legal risks associated with storing banking information. However, customers strongly desire the ability to quickly pay by phone and often do not have their banking information available. The current situation is causing late and missed payments, resulting in lost revenue for the company. Dissatisfied customers experiencing late fees, who often rant about the company's poor service online, are creating a poor brand image for the company. Which of the following actions should the company take to best manage its legal, financial, IT, and brand risks:
- A. Eliminate the pay-by-phone option and require customers to mail their payments to a P.O. Box
  - B. Encourage customers to set up automatic electronic payments, eliminating the need to store the information
  - C. Send letters explaining how the current payment policy protects customers' personal information
  - D. Develop a way to encrypt and store customers' bank information in the company database for future use
64. What type of information about equipment is important for businesses to keep in their records?
- A. Country of origin
  - B. Inventory status
  - C. Production process
  - D. Serial numbers
65. One of the main reasons why businesses need marketing information is to use it in
- A. selling situations.
  - B. making decisions.
  - C. scheduling advertising.
  - D. monitoring distribution.
66. Which of the following is an action that a business might take after comparing its operating results to the industry average:
- A. Improve relations with its advertising agency
  - B. Decrease collection time on accounts receivable
  - C. Increase participation in community activities
  - D. Decrease training and orientation for new employees

67. What do coworkers who are involved in a dispute need to do before they can find a possible solution?
- A. Contact an arbitrator.
  - B. Ignore the situation.
  - C. Negotiate a settlement.
  - D. Identify the problem.
68. Before Joe starts working on a new assignment, he thinks about the goals of the assignment, the resources he has available to him, and the activities that the project will entail. Joe is implementing
- A. business process thinking.
  - B. inventory management.
  - C. personal accountability.
  - D. business objective planning.
69. What is necessary for goods and services to exist?
- A. Product standards
  - B. Raw materials
  - C. Entrepreneurial discovery
  - D. Demographic changes
70. Which of the following software is required for a computer system to be able to access online data:
- A. Antivirus
  - B. Filter
  - C. Browser
  - D. Modem
71. Entrepreneurs are often known for being \_\_\_\_\_, which sets them apart from other business owners.
- A. educated
  - B. wealthy
  - C. empathetic
  - D. creative
72. Zander owns a company that buys tea from other companies in China and sells it to grocery stores. Zander's company is a(n)
- A. industrial user.
  - B. producer.
  - C. wholesaler.
  - D. retailer.
73. One reason why TV is popular with advertisers is because it is the
- A. medium that delivers more memorable, believable ads.
  - B. only broadcast medium that offers local programming.
  - C. least influential type of advertising media.
  - D. least expensive type of advertising media.

74. To protect the company's operations from risks like natural disasters or cyberattacks, IT Solutions, Inc. developed a
- A. benchmarking system.
  - B. content management system.
  - C. unique selling proposition.
  - D. business continuity plan.
75. Do businesses such as banks and dry cleaners engage in production?
- A. No, the services provided by these businesses are intangible.
  - B. No, these businesses do not engage in production.
  - C. Yes, these businesses produce a line of tangible products.
  - D. Yes, the services provided by these businesses are their products.
76. Assembly, testing, and packaging fall under what stage of supply chain management?
- A. Delivering
  - B. Manufacturing
  - C. Planning
  - D. Sourcing
77. When an employee is speaking with a customer about the customer's experience with the company, what should the employee do?
- A. Listen actively
  - B. Provide input
  - C. Anticipate responses
  - D. Agree with feedback
78. When monitoring progress in achieving organizational goals, it's important to evaluate objectives that are
- A. vague.
  - B. measurable.
  - C. implied.
  - D. flexible.
79. Jolene's ice cream shop runs out of ice cream cones on a busy day. What type of situation requiring adaptability is Jolene's shop facing?
- A. Transition period
  - B. Resource issue
  - C. Emergency
  - D. Personal interaction
80. Which of the following is an example of business managers dealing unethically with employees:
- A. Offering limited part-time options
  - B. Disciplining a whistle-blower
  - C. Monitoring use of supplies
  - D. Downsizing the workforce

81. In what way can a startup business benefit from writing a business plan?
- A. Define managers' roles
  - B. Assess a new product or promotion
  - C. Prepare for an expansion
  - D. Place a value on the business
82. Owners/Managers should avoid conducting a feasibility study if they are
- A. unsure about the idea.
  - B. certain the idea is feasible.
  - C. considering a business expansion.
  - D. not ready to start the venture.
83. Sakiko wants to make sure she has a good understanding of the target customers for her new venture, so in her business plan, she should include a(n)
- A. company description.
  - B. executive summary.
  - C. market analysis.
  - D. competitive analysis.
84. ABC Inc. sells very expensive products that the average consumer cannot afford. Which form of demographic segmentation would be the most appropriate to use when directing promotional efforts to the target market?
- A. Occupation
  - B. Age
  - C. Life stage
  - D. Income
85. Which of the following ratios can help a business determine its overall profitability:
- A. Working capital ratio
  - B. Dividend yield
  - C. Return on equity
  - D. Liquidity ratio
86. A magazine has recently shifted to an all-digital product. This decision has most likely led to the need for
- A. new employees.
  - B. business process changes.
  - C. a shift in the mission statement.
  - D. increased revenue.
87. One way for a business to control its expenses is to develop a plan to
- A. purchase additional liability insurance.
  - B. obtain competitive bids from service providers.
  - C. offer flexible work hours to fulltime employees.
  - D. eliminate employees' healthcare benefits.

88. Internal and external audits are both necessary functions for a business, but they have several key differences. One of these differences is that
- A. external auditors are responsible to management, while internal auditors are responsible to shareholders.
  - B. internal audits are conducted once a year, while external audits are ongoing and conducted throughout the year.
  - C. internal auditors are company employees, while external auditors are employed by an outside audit firm.
  - D. external audit reports examine company practices and risks, while internal reports examine financial records.
89. One reason why it is important for businesses to identify and respond to current business trends is to
- A. control performance.
  - B. remain competitive.
  - C. encourage feedback.
  - D. improve motivation.
90. Which of the following is a financial record that indicates an owner's equity in a business:
- A. Balance sheet
  - B. Profit report
  - C. Income statement
  - D. Operating budget
91. Sonny wants to run mail, email, social media, and texting campaigns, which are all forms of \_\_\_\_\_ marketing.
- A. relationship
  - B. digital
  - C. print
  - D. direct
92. A local grocery store encourages its customers to sign up for its free loyalty cards. Based on the data it collects from the cards, the grocery store makes decisions about what items to put on sale and when. This is an example of a data \_\_\_\_\_ strategy.
- A. encryption
  - B. breach
  - C. advertising
  - D. mining
93. How can an action plan help manage employees?
- A. It details steps to achieve sales goals.
  - B. It plans for risk.
  - C. It explains how products will be created and delivered.
  - D. It allows the manager to delegate tasks and track progress.
94. What category of an income statement indicates total profit?
- A. Cash flow
  - B. Bottom line
  - C. Net profit
  - D. Gross profit

95. The Meilani Company carries three versions of a product made by three different manufacturers. The Meilani Company's product mix contains three \_\_\_\_\_ of this product.
- A. exhibits
  - B. lines
  - C. displays
  - D. arrangements
96. An important aspect of providing excellent customer service is
- A. using creative ads.
  - B. complimenting vendors.
  - C. training employees.
  - D. earning high profits.
97. What important factors should a small business owner consider when deciding whether to hire an additional employee?
- A. Training needs and attitude
  - B. Property taxes and benefits
  - C. Screening process and skill set
  - D. Necessary skills and affordability
98. When concluding an interview with a job applicant, the interviewer should explain the
- A. next step in the process.
  - B. problems in the business.
  - C. performance evaluation system.
  - D. requirements of the position.
99. Businesses often buy goods to resell and do not pay for them immediately but receive \_\_\_\_\_ from the supplier.
- A. bank loans
  - B. commercial paper
  - C. trade credit
  - D. secured loans
100. The last step in the budgeting process is to
- A. gather relevant data.
  - B. plug in the data.
  - C. evaluate and revise the budget as necessary.
  - D. use the budget for financial planning and control.

1. A

Increased success. When entrepreneurs use resources productively, they are able to cut costs, increase profits, and experience overall general success. If Georgiana can reduce the amount of food that is wasted, she will be using her resources more productively, thereby increasing her chances of success. Georgiana will not necessarily experience higher overhead costs, a damaged reputation, or a larger workforce; these are unrelated to cutting back on food waste.

SOURCE: EN:030 Explain the impact of resource productivity on venture success

SOURCE: Koehler, J. (2019, May 17). *A guide to organizational resources and how to manage them*. Retrieved August 16, 2024, from <https://www.uagrantham.edu/blog/a-guide-to-organizational-resources-and-how-to-manage-them/>

2. C

Development. An entrepreneur determines the amount of capital needed to launch a business during the development stage of the entrepreneurial process. The discovery stage involves exploring potential business opportunities for feasibility and profitability. Actualization, the actual launching and running of the business, cannot occur until capital has been obtained. Harvesting is the final step when the entrepreneur determines how to exit the business.

SOURCE: EN:039 Describe the nature of entrepreneurship

SOURCE: Business Jargons. (2024). *Entrepreneurial process*. Retrieved August 16, 2024, from <https://businessjargons.com/entrepreneurial-process.html>

3. D

Promotion's ultimate goal is to increase sales. Effective promotion should persuade consumers to buy by convincing them that the product being offered for sale will satisfy their specific needs. Rather than using all types of media, the advertiser should select media which will deliver the sales message to its target market. Even successful promotional strategies should be monitored so that adjustments can be made when changes occur in the marketplace. The promotional budget will vary from company to company.

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

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

4. A

Business analysis. Business analysis is the process of introducing and overseeing change within organizations for the purpose of producing positive outcomes. Kate's work is an example of business analysis because she helps companies discover problems within their business processes and then helps them implement solutions to those problems. Her work is not public relations, marketing research, or financial counseling.

SOURCE: OP:327 Discuss the nature of business analysis

SOURCE: Villanova University. (2024, March 8). *What is business analysis?* Retrieved August 20, 2024, from <https://www.villanovau.com/resources/business-analysis/what-is-business-analysis/>

5. A

Personal interview. An interview is the dialogue between the applicant and the interviewer, and it is the most widely used selection tool. It gives interviewers a chance to check applicants' communication skills, as well as the opportunity to answer applicants' questions. Background screenings, reference checks, and physical examinations are not useful in determining applicants' communication skills.

SOURCE: HR:356 Select and hire new employees

SOURCE: Indeed. (2023, September 5). *What is an interview? (Types of interviews and formats)*. Retrieved August 16, 2024, from <https://in.indeed.com/career-advice/interviewing/what-is-interview>

6. C

What problems will this project help to solve? Stakeholders are those people who will be affected by a project's outcome. In other words, stakeholders are the people for whom you are doing the project. To help ensure that project deliverables meet stakeholder expectations, it's imperative to determine the stakeholders' needs and wants early in the project. The easiest way to gather this information is usually to talk with stakeholders directly about their expectations. You should talk with them about their expectations for the long-term impact of the project, project completion, and the actual "doing" of the project. Questions to ask to ascertain stakeholders' expectations for a project's long-term impact include "What problems will this project help to solve?" "How will this project help you to achieve your mission?" and "What are the consequences of not doing the project?" Questions to ask about project completion include "What are the specific deliverables for this project?" and "How will you know that the project has been completed successfully?" To learn more about stakeholder expectations for actually carrying out the project, ask questions such as "What worries you most about this project?" and "What obstacles will we face in completing this project?"

SOURCE: EI:113 Determine stakeholder expectations

SOURCE: Gifford, D. (2023, October 23). *21 questions: Understanding project stakeholder expectations*. Retrieved August 16, 2024, from <https://infoworks.com/21-questions-understanding-project-stakeholder-expectations/>

7. D

Collaboration. One of the ways that an organization can encourage change is through collaboration. Collaboration between multiple departments allows for more creativity, which in turn leads to more innovation and change. This example is not related to training, customer service, or resilience.

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

SOURCE: Metcalf, M. (2017, July 21). *How to create a culture of innovation and learning*. Retrieved August 20, 2024, from <https://www.forbes.com/sites/forbescoachescouncil/2017/07/21/how-to-create-a-culture-of-innovation-and-learning/>

8. C

Minimized. The average total cost shows how much it costs a company to produce its product(s) on average. Minimizing the average total cost means that the company is producing in the most efficient way possible and receiving the maximum possible profit. Expanding and strengthening are not generally accepted terms when speaking about average total cost or efficiency. Ignoring the long-run average total costs of production would be hazardous to the company and very likely lead to inefficiency, loss of profits, and possible closure.

SOURCE: EC:077 Describe the concept of economies of scale

SOURCE: Kenton, W. (2024, August 12). *Economies of scale*. Retrieved August 16, 2024, from <https://www.investopedia.com/terms/e/economiesofscale.asp>

9. D

Initiate a product recall. Quality management is the coordination of resources to ensure the degree of excellence of a process, good, or service. A product recall is the removal from the marketplace of a product that is defective or hazardous to consumers. Defective baby cribs can seriously injure or kill infants. Therefore, the manufacturer needs to immediately notify the public that the crib is hazardous, so owners know to stop using the crib. Notification is generally communicated to the public by letters, the media, signs in stores, on the company's website, etc. The manufacturer should cease production and stop shipping the crib until the problem has been fixed. Style refers to the product's appearance and is not a primary concern when dealing with a defective item. Offering refunds and shipping a fixed or different type of crib are secondary actions that the manufacturer can take after recalling the defective crib.

SOURCE: QM:001 Explain the nature of quality management

SOURCE: Curry, J.A., & Howell, K.J. (2023, July 24). *Do you recall? A blueprint for managing product recalls*. Retrieved August 20, 2024, from <https://www.harrisbeach.com/insights/do-you-recall-a-blueprint-for-managing-product-recalls/>

10. B

Reduce or eliminate each identified risk. Evaluating business risk is the process of identifying the risks associated with a new business project before comparing each potential loss against the potential benefits. The final step when assessing business risk is to reduce or eliminate each identified risk. The first step is to identify as many risks as possible, followed by estimating the likelihood of a loss occurring. Then, a business will assign a dollar amount to the potential risk and calculate total loss. It will then determine if it can withstand the loss and if the risk is worth taking. Then, the business will reduce or eliminate each identified risk.

SOURCE: RM:094 Assess business risks

SOURCE: Commonwealth of Australia. (2024, January 18). *Assess and manage risk*. Retrieved August 20, 2024, from <https://business.gov.au/risk-management/risk-assessment-and-planning/assess-and-manage-risk>

11. D

Expansion. The product-mix strategy of expansion involves adding products to the existing product line. Trading-up is adding products that are higher priced and are of higher quality. Contraction means eliminating a product from the product line. Animation is not a product-mix strategy.

SOURCE: PM:003 Explain the concept of product mix

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

12. B

Strategic relationship. A strategic relationship is a relationship that is formed because it is beneficial for all parties involved. In this example, Anthony has identified an individual who he thinks could help him learn about working in the social media department. In return, Anthony will provide the employee with technical assistance. This is an example of a strategic relationship, not a mentorship program, relational analysis, or private partnership. A mentorship program generally involves an older or more experienced person helping a younger or less experienced person learn about their field. The difference between a strategic relationship and mentoring, however, is that mentees generally have nothing to provide in return for the mentoring. Relational analysis and private partnership are not terms used to describe this type of relationship.

SOURCE: EI:114 Establish strategic relationships with others

SOURCE: Hendricks, A. (2024). *How to build strategic relationships inside (and outside) of your organization*. Retrieved August 16, 2024, from <https://simplystakeholders.com/build-strategic-relationships/>

13. A

Distribution channel. Distribution channels are the paths, or routes, that goods or services take from the producer to the ultimate consumer or industrial user. A vending company buying products from several businesses and selling them through vending machines to final users is an example of a direct channel of distribution. The vending company is buying the products from manufacturers and selling them directly to customers. The vending company is actually a retailer, but it is not a service business because it sells a tangible product. Wholesalers are intermediaries who help to move goods between producers and retailers by buying goods from producers and selling them to retailers. Independent agents are intermediaries who assist in the sale or promotion of goods and services but do not take title to them.

SOURCE: CM:010 Select channels of distribution

SOURCE: Fernando, J. (2024, July 29). *What is a distribution channel in business and how does it work?* Retrieved August 20, 2024, from <https://www.investopedia.com/terms/d/distribution-channel.asp>

14. C

Foreign exchange rate fluctuations. Foreign exchange rate risk occurs when the value of an investment fluctuates due to changes in a currency's exchange rate. When a domestic currency appreciates against a foreign currency, profits earned in the foreign country will decrease after being exchanged back to the domestic currency. Juan's profits were greater in the foreign currency than in domestic currency because of fluctuations in the exchange rate between the two currencies. International trade agreements, political unrest, and the cost of international unionized labor are all factors that business owners should consider before engaging in international business, but Juan did not experience them in this situation.

SOURCE: EN:041 Describe small-business opportunities in international trade

SOURCE: Beers, B. (2023, July 17). *Top risks for international businesses*. Retrieved August 16, 2024, from <https://www.investopedia.com/ask/answers/06/internationalfinancerisks.asp>

15. A

It leads to better customer service. Customer profiling is the process of identifying a business's most likely or ideal customer through the use of demographic, psychographic, attitudinal, and behavioral information. If a business implements an effective customer profiling system, it leads to better customer service. By documenting customers' characteristics, a company will be able to predict issues before they come up, offer useful self-help resources, and better align with customer needs if they reach out to the business's service team. Instead of increasing the price of a campaign, it will lower it. The more specific the customer, the less money a business will spend. Rather than making the customer base broader, customer profiling focuses on identifying the specific buyers that'll actually buy a product, which is more valuable than targeting everyone. Customer profiling reduces a company's churn rate (a company's loss in customers for a given period of time) because it focuses on reaching customers that will actually use a business's product in both the short term and long term.

SOURCE: MP:031 Develop customer profile

SOURCE: El-Abidin, R. (2024, April 15). *Customer profiling in 10 easy steps [+ templates]*. Retrieved August 20, 2024, from <https://blog.hubspot.com/service/customer-profiling>

16. D

Assets = Liabilities + Owner's Equity. A balance sheet is a financial statement that captures the financial condition of the business at that particular moment. Three main elements are included on the balance sheet—assets, liabilities, and owner's equity. Available cash is one part of the business's total assets. If the assets do not equal the liabilities when the liabilities are added to the owner's equity (Assets = Liabilities + Owner's Equity), information on the balance sheet is incorrect.

SOURCE: FI:335 Spot problems in/issues with financial statements

SOURCE: Corporate Finance Institute. (2024). *Balance sheet*. Retrieved August 21, 2024, from <https://corporatefinanceinstitute.com/resources/accounting/balance-sheet/>

17. B

Capacity. The parties entering into a contract must have the mental capacity to understand what they are agreeing to. Children and adolescents under 18, for example, are typically not mature enough to understand a contract, so they typically do not have the legal capacity to enter into a contract. Instead, an adult may have to sign the contract on their behalf. The consideration element requires that both parties get something out of the deal. The agreement element requires that all parties agree to the deal. The legality element requires that the purpose of the contract falls within the law.

SOURCE: BL:002 Describe the nature of legally binding contracts

SOURCE: Cornell Law School. (n.d.). *Capacity*. Retrieved August 16, 2024, from <https://www.law.cornell.edu/wex/capacity>

18. B

Publicity. Publicity is any nonpersonal presentation of ideas, goods, or services that is not paid for by the company or individual which benefits from or is harmed by it. Publix is not paying for the website but is benefitting from the site that posts positive comments from satisfied customers. People who access the site will read the comments and may decide to shop at Publix. Advertising is a paid form of promotion. Personal selling involves interaction between a salesperson and a client. Sales promotion activities are promotional activities other than advertising, personal selling, and publicity.

SOURCE: PR:003 Identify the elements of the promotional mix

SOURCE: Indeed. (2024, February 12). *What is publicity? (With examples)*. Retrieved August 20, 2024, from <https://www.indeed.com/career-advice/career-development/example-of-publicity>

19. C

Stockholders. Stockholders are the owners of a corporation. Therefore, their interests are an important factor in corporate governance. Managers, CEOs, and lower level employees are not considered the owner(s) of a corporation.

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

SOURCE: Hitchcock, J. (2023, November 1). *Guide to corporations: Definition and types*. Retrieved August 20, 2024, from <https://www.shopify.com/blog/what-is-a-corporation>

20. D

To track key performance indicators. Dashboards are computer-generated, custom-designed reports that indicate in graphic form the overall condition of a business. They present a set of key performance indicators that, when viewed together, give a snapshot of the health of the company. Managers use dashboards to track the key performance indicators and identify potential problems so they can make adjustments before any harm is done. The information in company databases is used to generate dashboards. Dashboards are not used to maintain the security of the systems or to develop new software programs.

SOURCE: SM:027 Identify and benchmark key performance indicators (e.g., dashboards, scorecards)

SOURCE: Tableau. (2024). *What is a dashboard? A complete overview*. Retrieved August 16, 2024, from <https://www.tableau.com/learn/articles/dashboards/what-is>

21. C

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

SOURCE: HR:358 Dismiss/Fire employees

SOURCE: The Hartford. (2024). *Acceptable reasons for termination*. Retrieved August 16, 2024, from <https://www.thehartford.com/business-insurance/strategy/employee-termination/valid-reasons>

22. A

Is easier to teach to new employees. 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. The existence of this documentation should not lead to extra paperwork. The level of documentation for a work process has no bearing on whether the process has been streamlined to limit waste or has been maximized for value creation.

SOURCE: OP:022 Establish efficient operating systems

SOURCE: Slack. (2021, September 21). *What is process documentation, and why do I need it?* Retrieved August 16, 2024, from <https://slack.com/blog/collaboration/process-documentation>

23. D

Accounts receivable. Accounts receivable are monies owed to a business by its customers. Whenever a customer makes a credit purchase, they owe the business or the credit card company a debt. Cash receipts are income in the form of currency or coins. Current liabilities are debts that must be paid within a year. Accounts payable are debts owed by the business.

SOURCE: FI:085 Explain the concept of accounting

SOURCE: LAP-FI-085—Show Me the Money (Nature of Accounting)

24. B

Bottom-up. The bottom-up, or build-up, approach involves starting the sales forecast process by gathering individual forecasts which may be combined, or built up, into a forecast for the entire company. This approach is the opposite of the top-down approach which involves starting the sales forecasting process by preparing an overall forecast for the entire company. A trading area is the territory in which a firm conducts business. A sales quota is a specific selling goal set for a member of the sales force.

SOURCE: FI:096 Forecast sales

SOURCE: Corporate Finance Institute. (2024). *Bottom-up forecasting*. Retrieved August 21, 2024, from <https://corporatefinanceinstitute.com/resources/financial-modeling/bottom-up-forecasting/>

25. D

Accountability. People who are accountable for their actions accept responsibility for all their decisions. This means accepting blame for mistakes, rather than shifting blame onto others. Rule of law entails respecting the rules and laws of your city and country. Viability means ensuring that your actions are helpful in the long term, not just the short term. Disrespect would not help Henry know he is facing an ethical dilemma.

SOURCE: EI:125 Recognize and respond to ethical dilemmas

SOURCE: LAP-EI-125—Make the Right Choice (Recognizing and Responding to Ethical Dilemmas)

26. C

Develop a positive reputation. An entrepreneur who is known to deal honestly with customers, clients, and vendors is likely to enjoy a good reputation. Acting with honesty and integrity does not necessarily increase expenses. An honest entrepreneur still faces ethical dilemmas that they have to deal with. Dealing honestly with others is not likely to increase competition.

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

SOURCE: Meridian University. (2023, April 25). *The crucial role of ethics in entrepreneurship*. Retrieved August 16, 2024, from <https://meridianuniversity.edu/content/the-crucial-role-of-ethics-in-entrepreneurship>

27. A

Spent and received. Gross profit shows business owners the difference between what they've spent and received. It does not show the difference between what they've paid and risked, received and billed, or estimated and invoiced. Money paid is an expense, while money risked is an investment. There is no applicable term for the difference between the two. In a firm's accounting department, money received is compared to the money billed. If receivables don't match billings, the accounting department must figure out why. Accounting departments also handle invoicing for work completed. Estimates are guesses given before work takes place.

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

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

28. B

Inflation. Entrepreneurs typically face several types of risks whenever they start a new venture, including financial risks. Financial risks they might face include inflation, loss of capital, uncertain income, economic downturns, and even bankruptcy, among others. Competition is typically categorized as a market or competitive risk. Failing industry is categorized as an industry risk. Unemployment is a career risk.

SOURCE: EN:010 Assess risks associated with venture

SOURCE: Hayes, A. (2022, November 13). *What risks does an entrepreneur face?* Retrieved August 16, 2024, from <https://www.investopedia.com/ask/answers/040615/what-risks-does-entrepreneur-face.asp>

29. B

Incorporation fees. One of the first steps in starting a business is paying incorporation fees to officially register that business and define its structure. Research expenses are the costs that come with conducting research on the market in which a new business is entering. Inventory expenses are operational costs that are associated with managing a business's inventory, or the stock a business has on hand. Establishment fees is a fictitious term.

SOURCE: EN:009 Assess start-up requirements

SOURCE: Black, M., & Tarver, J. (2022, January 6). *Business startup costs: How to calculate and budget.* Retrieved August 16, 2024, from <https://www.forbes.com/advisor/business-loans/business-startup-costs/>

30. C

Purchasing. The main function of purchasing is to obtain goods and services for use in the business. Selling is a marketing function which involves determining consumer needs and wants, and responding through planned, personalized communication that influences purchase decisions and enhances future business opportunities. Controlling is the management function that monitors the work effort. Organizing is setting up the way the business's work will be done.

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

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

31. D

The price that the buyer is willing to pay and the seller is willing to accept. Both buyers and sellers must feel that they are receiving optimum value from the product. The price at which the seller is able to cover costs is the break-even point. The price to the buyer after the seller deducts discounts and allowances is the net price. A price that changes according to economic conditions is a flexible price.

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

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

32. C

Commissions. Commission is a percentage of the total sale amount paid to the individual who makes the sale. Many businesses pay a commission to salespeople, which is part of their salary. Salaries and wages are operating expenses that are listed in a business's income statement. Purchases and value of inventory are included in the cost of merchandise sold category of an income statement. Allowances are deductions that are indicated in the revenue category of an income statement.

SOURCE: FI:102 Interpret financial statements

SOURCE: Kennon, J. (2022, May 12). *What are operating expenses?* Retrieved August 16, 2024, from <https://www.thebalance.com/operating-expense-on-the-income-statement-357586>

33. A

A newsletter. Email newsletters are good ways for a business to communicate with its target market in a professional and controlled way. Businesses use newsletters to give current and prospective customers product information, a listing of distributors, or even an inside look at how the business operates. A press release is written information given to media to obtain publicity. A media tour is a way to get publicity that entails inviting media to a business to show how a business works. A media tour is especially useful if a business is undergoing a significant change. A press conference is a meeting to which a business or group invites members of the media in order to make an announcement.

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

SOURCE: Ethos. (2021, October 6). *Why your company's e-newsletter is a great PR tool*. Retrieved August 20, 2024, from <https://www.ethos-marketing.com/blog/e-newsletter-great-pr-tool/>

34. B

Brand promise. A brand promise is a business's agreement (spoken or unspoken) with its customers that it will consistently meet their expectations and deliver on its characteristics and values. Kwame promises his customers that he will deliver the quality of food and service that they expect. Touchpoints are all the opportunities that businesses have to connect with customers and reinforce their brand value. Company promise and brand point are not terms commonly used to describe the situation illustrated in the question.

SOURCE: CR:001 Identify company's brand promise

SOURCE: Frederiksen, L. (2022, September 26). *Elements of a successful brand 4: Brand promise*. Retrieved August 16, 2024, from <https://hingemarketing.com/blog/story/elements-of-a-successful-brand-4-brand-promise1>

35. C

Ability to buy. A market analysis is a study of a particular market segment. A business conducts a market analysis to determine if a market is willing and able to purchase the business's products. If the business determines that the market has a significant interest in or need for a product, has the money to buy the product, and has accessibility to the product, the business may decide to produce and distribute its products to the market. The business, rather than the market, considers profitability. Realistically, a business does not usually have the ability to consider each market member's level of competence, reliability, or personal goals, especially if the target market is very large.

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

SOURCE: Dimitris. (2020, July 18). *Market potential analysis - What is it & how to do it*. Retrieved August 20, 2024, from <https://coara.co/blog/market-potential-analysis>

36. B

The board of directors. A company's board of directors governs its affairs and ensures that shareholders' needs are met. One of the responsibilities of a board of directors is to be responsible for hiring and compensating a company's CEO. The previous CEO, all the employees, and the vice president are not in charge of determining how much money a CEO will make.

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

SOURCE: McClure, B. (2021, June 30). *A guide to CEO compensation*. Retrieved August 20, 2024, from <https://www.investopedia.com/managing-wealth/guide-ceo-compensation/>

37. A

Creative thinking. The creative-thinking process is a method for encouraging your own creativity, which enables one to generate unique ideas, approaches, and solutions. An entrepreneur is a person who starts and assumes the risk for a business. Before an entrepreneur can start a venture, they must generate an idea for the business, which is done by thinking creatively. The entrepreneur must generate venture ideas before they can make decisions, set goals, and plan finances for the venture.

SOURCE: EN:006 Generate venture ideas

SOURCE: Patterson, L. (2018, June 13). *The role of creativity in entrepreneurship*. Retrieved August 16, 2024, from <https://www.alphagamma.eu/entrepreneurship/role-creativity-in-entrepreneurship/>

38. A

Compliance. Compliance is an HR management activity that ensures a company is following all applicable laws and regulations. Staffing is an HR management activity that ensures a company has appropriate employees available and ready to work. Compensation and benefits is an HR management activity that ensures a company's employees are paid. Employee relations is an HR management activity that ensures a company's employees have positive working relationships.

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

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

39. A

Flexible. During a negotiation, one party may change strategies one or more times to confuse or distract the other party. To remain effective if this situation occurs, a negotiator must be flexible, patient, and aware of the tactics that the other party is using. Effective negotiators try to remain optimistic during a session under all circumstances, not only when the other person changes strategies. An indifferent or uneasy attitude often hinders the negotiating process.

SOURCE: EI:062 Demonstrate negotiation skills

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

40. A

Customer-oriented. Many businesses, whether they are wholesale, retail, or manufacturers of goods, stress to employees that the customer is always right! A service-oriented business emphasizes its services, and a product-oriented business stresses its products. A profit-oriented business considers making a profit its first priority.

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

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

41. B

Systematic, accurate, timely. Marketing research is the systematic gathering, recording, and analyzing of data about a specific issue, situation, or concern. Three ways to describe effective marketing research are systematic, accurate, and timely. Other common ways to describe effective marketing research include objective, thorough, valid, and reliable. Inexact, inopportune, and subjective are not terms used to describe effective marketing research.

SOURCE: IM:010 Explain the nature of marketing research

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

42. D

Obtain buy-in from stakeholders. Changes are more successful when stakeholders are supportive of them. Change management helps obtain this buy-in from stakeholders by keeping them informed and involved. Limiting the effects of a change, keeping the people involved to a minimum, and reducing the time it takes to make a change are not necessarily goals of change management.

SOURCE: SM:095 Explain the nature of change management

SOURCE: Mind Tools. (2024). *The four principles of change management*. Retrieved August 20, 2024, from <https://www.mindtools.com/ahpnreq/the-four-principles-of-change-management>

43. A

With the producer. A producer is the grower, provider, or manufacturer of goods or services. Products originate with producers. The channel ends with an industrial user or ultimate consumer. An intermediary is a channel member operating between the producer and the consumer or industrial user to help in the movement of goods and services.

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

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

44. B

Execute a joint venture. A joint venture is an arrangement that involves two or more businesses entering into a relationship by combining complementary resources such as technology, skills, capital, or distribution channels for the benefit of all parties. The relationship is usually short term and involves the execution of a single project or transaction. A partnership is a form of business ownership in which the business is owned by two or more persons. Licensing is a business structure that requires the authorization or permission of an owner for another entity to use trademarked, copyrighted, or patented material for a specific activity, during a specific time period, for the profit of both parties. A franchise is a contractual agreement between a parent company and a franchisee to distribute goods or services.

SOURCE: BL:003 Explain types of business ownership

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

45. C

Supply and demand. High demand and low supply have created a situation in which customers are willing to pay higher prices. Competition is not a factor as supply is low to all stores, creating an overall shortage situation. The cost and expense of buying and selling the stuffed animals remain the same. Government regulation is not a factor at this point.

SOURCE: PI:002 Explain factors affecting pricing decisions

SOURCE: Kramer, L. (2024, June 26). *How does the law of supply and demand affect prices?* Retrieved August 20, 2024, from <https://www.investopedia.com/ask/answers/033115/how-does-law-supply-and-demand-affect-prices.asp>

46. C

Consolidation. A consolidation involves the joining of two or more companies to form a new company. Both companies give up their identities. A merger is the absorption of one company by another in which one of the two companies gives up its identity. Expansion involves opening new businesses but does not involve a name change. A charter is a state permit issued to a business allowing it to operate as a corporation. It is not a way in which a corporation grows.

SOURCE: BL:006 Select form of business ownership

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

47. A

Patent. Patents protect inventions and prevent others from making, using, or selling that invention. A new chemical formula for glue is a new invention, so Charice should obtain a patent to protect it. Trademarks protect the names of products and prevent other companies from using those names for their own products. Copyrights protect original works, such as music, paintings, literary works, and television. A prototype is an early test or sample of a product, not a form of protection for intellectual property.

SOURCE: BL:051 Describe methods used to protect intellectual property

SOURCE: Kurt, D. (2024, July 16). *Patents, trademarks, and copyrights: The basics*. Retrieved August 16, 2024, from <https://www.investopedia.com/articles/investing/111014/patents-trademarks-and-copyrights-basics.asp>

48. C

Variable. Variable costs go up or down in response to increases or decreases in sales. Fixed and semi-variable costs are not affected by sales commissions. Operating costs are the expenses involved in running the business.

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

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

49. C

Human. Human risks are caused by human weakness and the unpredictability of employees and/or customers. The business is installing dead-bolt locks to prevent or control the possibility of theft, which is a type of human risk. Natural risks result from such natural causes as floods, tornadoes, fires, lightning, blizzards, and earthquakes. Economic risks are changes in the market that force prices to be lowered, products to change, or even businesses to fail. Obsolescence is an economic risk that is the state of being outmoded or unfashionable.

SOURCE: EC:011 Determine factors affecting business risk

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

50. A

Board of directors. Corporate governance includes the controls, policies, and guidelines needed to reach organizational goals while meeting stakeholders' needs. While many people are affected by corporate governance structures, the board of directors is the primary influence on corporate governance. The board is selected by shareholders and has the responsibility of making important decisions for the business. Shareholders, the chief financial officer (and most other executives), and the HR director 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, August 28). *What is corporate governance?* Retrieved August 28, 2024, from <https://www.investopedia.com/terms/c/corporategovernance.asp>

51. C

Strengths, weaknesses, opportunities, and threats. SWOT analysis stands for strengths, weaknesses, opportunities, and threats. The alternatives do not define a SWOT analysis.

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

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

52. B

Recommendations. Recommendations are stated separately so that the reader can identify what information is fact and what is opinion. The summary highlights the main points of the report. An appendix contains materials that may be helpful to the reader but are not necessary for understanding the report. The introduction generally includes a statement of the problem, the purpose of the report, definitions of terms, research methods, and limitations to the research.

SOURCE: CO:009 Prepare complex written reports

SOURCE: University Writing & Speaking Center. (n.d.). *How to write a business report*. Retrieved August 16, 2024, from <https://www.unr.edu/writing-speaking-center/writing-speaking-resources/how-to-write-a-business-report>

53. D

Crisis management. Crisis management involves the ongoing managing, planning, and coordinating of resources in the event that undesirable circumstances occur. A scandal involving company leadership is an example of an undesirable circumstance that warrants immediate crisis management. Community relations, philanthropy, and media tours are other public relations activities, but they are not involved in this example. Community relations refers to a business or organization's efforts to create goodwill between it and the people in the community. Philanthropy refers to a company's charitable activities. A media tour is a trip taken by a company executive to meet with members of the press.

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

SOURCE: Talkwalker. (2024, February 7). *11 steps for PR crisis management*. Retrieved August 20, 2024, from <https://www.talkwalker.com/blog/pr-crisis-management>

54. B

Sizeable down payment. Cash flow is the movement of money, or cash, into and out of a business. A business with limited cash flow might decide to lease rather than to buy a facility because the initial expense is less. Buying often involves a sizeable down payment on a mortgage that a business might not be able to afford. The business might not have a large sum of money to invest in property. Leasing usually requires a security deposit, but that is not a sizeable investment and is money that the business often gets back when it terminates the lease. A lease is a short-term commitment. Businesses pay for insurance regardless of whether they lease or purchase a facility.

SOURCE: OP:028 Negotiate lease or purchase of facility

SOURCE: Business Development Bank of Canada. (n.d.). *Should you buy or lease your commercial space?* Retrieved August 16, 2024, from <https://www.bdc.ca/en/articles-tools/money-finance/buy-lease-commercial-real-estate/buy-or-lease-my-commercial-space>

55. D

Copyright. Copyright is legal protection of books and other artistic works granted by government and giving their creators sole rights to them for a certain period of years. Because Gloria's intellectual property is in the form of a written artistic piece that she wishes to protect from reproduction, she is best served by a copyright. Patents are legal protections of an invention or a process granted by the government to its owners for a certain number of years. Trade secrets are undisclosed pieces of information within a particular business or industry kept protected through contracts and nondisclosure agreements. Trademarks are symbols, designs, or words used by producers to identify a good or service and registered with the government to prevent use by others.

SOURCE: EN:013 Select strategies to protect intellectual property

SOURCE: Brewer, T. (2019, May 16). *What are the four basic types of intellectual property rights?* Retrieved August 16, 2024, from <https://brewerlong.com/information/business-law/four-types-of-intellectual-property>

56. D

Stop production. If there is a disruption in the supply chain, a business may not get the materials it needs in time. In that case, it will be unable to manufacture products and will need to stop production. Supply chain disruptions do not help a business make more money, create happy customers, or encourage employees.

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

SOURCE: Ebbers, S. (2022, September 28). *Cause and effect of supply chain disruptions*. Retrieved August 20, 2024, from <https://www.randstad.com/workforce-insights/workforce-management/cause-effect-supply-chain-disruptions/>

57. B

Increased structure and more consistency. Business process design is the act of creating a brand-new workflow or process. Its ultimate goal is improvement through a series of repeatable steps that work toward achieving a goal. Results of a company incorporating a business process design include increased structure, more consistency, higher efficiency, improved problem-solving, and more professionalism. Decreased risk management, more redundancies, and increased inefficiencies are not intended results of business process design. Business process design improves risk management and compliance, and it leads to fewer redundancies and inefficiencies.

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

SOURCE: Guthrie, G. (2021, February 5). *What is business process design?* Retrieved August 20, 2024, from <https://nulab.com/learn/strategy-and-planning/business-process-design/>

58. B

\$200 silk dress. A business's marketing strategies give direction to its goals and objectives. In this situation, the business is selecting a marketing mix that will create a specific image. The products the boutique offers need to be high quality, stylish, and expensive to fit properly in this marketing mix. The less expensive products do not fit the image created by the place and the promotion elements.

SOURCE: MP:001 Explain the concept of marketing strategies

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

59. A

Promotion. Promotion is a marketing function that communicates information about goods, services, images, or ideas to achieve a desired outcome. Financing is a business function rather than a marketing function. Pricing involves determining and adjusting prices to maximize return and meet customers' perceptions of value. Distribution involves moving, storing, locating, or transferring ownership of goods or services.

SOURCE: MK:002 Describe marketing functions and related activities

SOURCE: LAP-MK-002—Work the Big Seven (Marketing Functions)

60. A

Obtaining resources. Resources refer to any person or item that the business uses to accomplish an objective. Operations management is the process of planning, controlling, and monitoring the day-to-day activities required for the company to function. This includes obtaining and allocating the appropriate types and amounts of resources to do the work, such as employees, equipment, and supplies. Contacting customers is a sales activity. Selecting media is a promotional activity. Analyzing investments is a financial activity.

SOURCE: OP:189 Explain the nature of operations

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

61. C

Permanent. A vision is the future you wish to create. Though visions often develop from abstract dreams, they must be achievable at some point in the future—they must be realistic. Realistic visions yield permanent (rather than conditional) results. The results achieved may impact individuals throughout their lives, as well as generations of people in the distant future. A realistic vision does not need to yield complex or noble results.

SOURCE: EI:063 Determine personal vision

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

62. A

To be positive and fact-finding with regard to employee behavior. Corrective counseling is one of the forms of corrective discipline in which the employee and personnel counselor or human resources manager discuss each violation. If the violation is repeated, the subsequent discussion is more detailed and involves a higher level of management. By guiding employees toward acceptable workplace behavior, rather than penalizing their behavior, supervisors can preserve employees' dignity. Thus, corrective counseling tends to foster supervisor-employee cooperation. Progressive discipline involves issuing increasingly more severe penalties for each offense. Managing people in such a way that infractions are prevented refers to preventive discipline. Constructive criticism can provide a mechanism for maintaining employee discipline on a day-to-day basis.

SOURCE: HR:369 Explain the nature of remedial action

SOURCE: Enright, M. (2021, February 5). *Dealing with problem employees*. Retrieved August 16, 2024, from <https://www.wolterskluwer.com/en/expert-insights/dealing-with-problem-employees>

63. D

Develop a way to encrypt and store customers' bank information in the company database for future use. By encrypting the information, the company can eliminate some of the risk of storing customers' banking information while making the payment process easier, leading to less lost revenue and more satisfied customers. Letters explaining the policy may help customers understand the need for security, but they do nothing to help with the loss of revenue or to help satisfy customers. Eliminating the pay-by-phone option would upset the customers who pay in that manner, and requiring payments by mail would probably lead to more lost revenue. Asking customers to set up automatic payments doesn't mean they will, and it doesn't address what they want—an easy way to pay by phone; it also would not eliminate the need to store the banking information.

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

SOURCE: Thomas, C. (2024). *Five steps of the risk management process 2024*. Retrieved August 20, 2024, from <https://www.360factors.com/blog/five-steps-of-risk-management-process/>

64. D

Serial numbers. Businesses should record the serial numbers of all equipment. These are unique numbers that are used for identification purposes. Serial numbers are found on all types of business equipment and are useful when making equipment-related inquiries and when tracking stolen property. Inventory information deals with the materials a business needs for producing the goods or services it sells, or the items it buys to resell. Businesses do not need to know how equipment was produced, and it is not usually necessary to keep track of a piece of equipment's country of origin.

SOURCE: NF:001 Describe the nature of business records

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

65. B

Making decisions. Making decisions is one of the primary responsibilities of marketing managers. To be able to make good decisions, managers need marketing information, which is all of the marketing-related data available from inside and outside the business. This includes information about customers, competitors, economic conditions, sales, etc. Managers use this information on a regular basis to make decisions about developing new products, opening new locations, changing prices, etc. Marketing information is the basis of good decision-making. Managers use marketing information to develop appropriate advertising rather than to schedule advertising. Managers usually do not use marketing information in selling situations, or to monitor distribution.

SOURCE: IM:012 Describe the need for marketing data

SOURCE: Donato, H. (2023, July 25). *Using marketing information management to make data-driven decisions*. Retrieved August 20, 2024, from <https://www.workamajig.com/marketing-guide/marketing-information-management>

66. B

Decrease collection time on accounts receivable. Businesses usually compare their operating results to the industry average to determine how well they are performing. If a business learns that other similar businesses are being paid much sooner than it is, the business might take steps to decrease collection time on accounts receivable. By speeding up payment on accounts receivable, the business will improve its cash flow situation and often become more profitable. The advantage of comparing operating results to the industry average is that a business can identify problem areas and take action to correct them. After comparing its operating results to the industry average, a business would not improve relations with its advertising agency, decrease training and orientation for new employees, or increase participation in community activities.

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

SOURCE: Bloomenthal, A. (2024, July 26). *Financial ratio analysis: Definition, types, examples, and how to use*. Retrieved August 21, 2024, from <https://www.investopedia.com/terms/r/ratioanalysis.asp>

67. D

Identify the problem. The first step in resolving conflict involves identifying the problem. If coworkers are involved in a dispute, they need to identify exactly what the problem is before they can find a possible solution. Determining the conflict is often difficult because the parties involved may have different opinions about the problem. Once coworkers take the time to discuss the conflict and identify the exact problem, they will be in a better position to agree on a possible solution. Ignoring the situation usually makes the dispute worse and does not solve the problem. Arbitrators usually negotiate problems between management and labor. Negotiating a settlement is the last step in resolving conflict.

SOURCE: PD:077 Demonstrate problem-solving skills

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

68. A

Business process thinking. Business process thinking involves treating every project and activity within a company as a structured process. By thinking about the goals of his assignment, the resources available to him, and the activities the project will entail, Joe is implementing business process thinking. Joe may also practice personal accountability at work, but that is not the focus of this example. Joe did determine the objectives of his project in this example, but that is not the only thing he did. Inventory management is the management of a company's resources, such as raw materials, works in progress, and finished goods. Joe did not implement inventory management in this example.

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

SOURCE: Kothari, A. (2024, May 22). *Importance of process thinking in business management*. Retrieved August 20, 2024, from <https://tallyfy.com/process-thinking/>

69. C

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

SOURCE: EN:001 Explain the need for entrepreneurial discovery

SOURCE: Platform. (2019, October 21). *The entrepreneurial discovery process – The S3 engine*. Retrieved August 16, 2024, from <https://www.interregeurope.eu/find-policy-solutions/stories/the-entrepreneurial-discovery-process-the-s3-engine>

70. C

Browser. A browser is a type of software application that allows a user to access online data. This is an important type of software for businesses that want to access the internet or create their own website. There are several browsers available, but the most popular is Google Chrome. A modem is an internal or external computer communications device that is used to transmit information over a particular medium, such as phone lines or TV cables. Filters are computer programs that block out unwanted information. Antivirus software is not required for a computer system to be able to access online data.

SOURCE: NF:012 Determine venture's information technology needs

SOURCE: Orgera, S. (2022, June 16). *What is a web browser?* Retrieved August 16, 2024, from <https://www.lifewire.com/what-is-a-browser-446234>

71. D

Creative. While most people are creative in some capacity, entrepreneurs tend to be stronger creative thinkers able to act on their creative ideas. Some entrepreneurs might have life experiences that nurture those creative tendencies. Being creative helps entrepreneurs see the relationships between unrelated things and view the world in a problem-solution way. While entrepreneurs might be empathetic, wealthy, or educated, this is not always the case and does not always distinguish them from other business owners.

SOURCE: EN:002 Discuss entrepreneurial discovery processes

SOURCE: Carosa, C. (2022, October 16). *Why is it important for an entrepreneur to have creativity?* Retrieved August 16, 2024, from <https://www.forbes.com/sites/chriscarosa/2022/10/16/why-is-it-important-for-an-entrepreneur-to-have-creativity/>

72. C

Wholesaler. A wholesaler is a channel member that helps move goods between producers and retailers by buying them from producers and selling them to retailers. Zander's company is buying tea from the Chinese companies (the producers) and selling it to grocery stores (retailers). A retailer is a business that buys consumer goods or services and sells them to ultimate consumers. A producer is someone who makes or provides goods and services. An industrial user is a business that buys materials, goods, or services that will be used to make other goods or used in company operations.

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

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

73. A

Medium that delivers more memorable, believable ads. The experience of color, sound, and action makes TV ads easy to remember and believe. However, these qualities also make the ads more expensive to produce. Also, it is costly to advertise on TV because it can reach such a large audience. Radio is another broadcast medium that offers local programming. TV is one of the most influential types of advertising media.

SOURCE: PR:007 Explain types of advertising media

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

74. D

Business continuity plan. To protect the company's systems and operations from risks or threats like natural disasters or cyberattacks, IT Solutions, Inc. developed a business continuity plan. Business continuity planning involves identifying any risks to the business, implementing procedures to mitigate risks, testing safeguards, and reviewing the process. A unique selling proposition sets one business apart from its competitors. Benchmarking is the process of measuring how a company's processes stand up against industry best practices. A content management system is software that helps companies create and manage a website.

SOURCE: EN:034 Explain the need for continuation planning

SOURCE: Kenton, W. (2024, February 20). *What is a business continuity plan (BCP), and how does it work?* Retrieved August 16, 2024, from <https://www.investopedia.com/terms/b/business-continuity-planning.asp>

75. D

Yes, the services provided by these businesses are their products. Businesses are engaged in production, whether they produce goods or services. Even though services are intangible items that cannot be detected through the senses, services are products that can be sold to customers. Businesses that provide services must have a system for producing those services.

SOURCE: OP:017 Explain the concept of production

SOURCE: LAP-OP-017—Can You Make It? (Nature of Production)

76. B

Manufacturing. Supply chain management has five stages: planning, sourcing, manufacturing, delivering, and returning. During the manufacturing stage, companies use machinery and labor to turn raw materials into final products, a process that typically involves assembly, testing, and packaging. These tasks are not generally found within the delivering, sourcing, or planning stages of supply chain management.

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

SOURCE: Fernando, J. (2024, June 27). *Supply chain management (SCM): How it works and why it's important.* Retrieved August 20, 2024, from <https://www.investopedia.com/terms/s/scm.asp>

77. A

Listen actively. An employee who directly interacts with a customer has an opportunity to find out how the customer feels about their experience with the company. This might include information about what the company is doing right and what needs improvement. The employee can forward the customer's feedback to management for review. When speaking with the customer, the employee should actively listen—use nonverbal cues, paraphrasing, and questioning to let the customer know that the message is heard and understood. To get honest feedback from a customer, the employee should not provide their own opinions. The employee does not need to agree with the customer's feedback and should not anticipate the customer's responses. If the employee anticipates what the customer is saying, the employee is distracted and may not hear the message.

SOURCE: PM:138 Evaluate customer experience

SOURCE: Brookins, M. (2022, March 14). *Top ten ways to improve a customer's experience.* Retrieved August 20, 2024, from <http://smallbusiness.chron.com/top-ten-ways-improve-customers-experience-25745.html>

78. B

Measurable. When monitoring progress in achieving organizational goals, it's important to evaluate objectives that are measurable. In business, what gets measured gets managed. Objectives that are vague, flexible, or implied will make it difficult to monitor and measure progress.

SOURCE: PD:257 Monitor progress in achieving organizational goals

SOURCE: Eby, K. (2024, August 6). *How to write SMART goals: Examples, step-by-step guide, and free template*. Retrieved August 16, 2024, from <https://www.smartsheet.com/blog/essential-guide-writing-smart-goals>

79. B

Resource issue. Resources, which include people, money, information, ideas, and other essential items, are used to produce or do something. Ice cream cones are considered a resource for Jolene's shop, and when she runs out of them, she needs to adapt. Personal interactions require people to adapt to each individual's style of interaction. A transition period is designed to allow someone to adjust to their new surroundings over time. Emergencies include things like injuries and natural disasters. Although running out of ice cream cones is certainly inconvenient for an ice cream shop, it isn't an emergency.

SOURCE: EI:006 Demonstrate adaptability

SOURCE: LAP-EI-006—Go With the Flow (Demonstrating Adaptability)

80. B

Disciplining a whistle-blower. A whistle-blower is an employee who informs on a company that is doing something wrong or harmful. In most cases, the employee tells an agency that has the authority to make the company change its ways. An example is an employee reporting a safety hazard to an agency that can make the company correct the problem, pay a fine, or both. If businesses take disciplinary action against a whistle-blower, they are being unethical because the employee has the right to report wrongdoing. Unethical discipline might include giving the employee bad performance ratings that are not appropriate or denying promotions that have been earned. Ethical businesses try to treat all employees equally and not punish those who point out problems. Downsizing the workforce is ethical if handled correctly and often occurs when the economy is slow. Businesses are not required to offer part-time positions. Monitoring the use of supplies is a routine business activity.

SOURCE: SM:002 Explain the nature of managerial ethics

SOURCE: Guerin, L. (2024, February 29). *Wrongful termination: Retaliation & whistleblowing*. Retrieved August 16, 2024, from <https://www.nolo.com/legal-encyclopedia/wrongful-termination-retaliation-whistleblowing.html>

81. A

Define managers' roles. A business plan can help a startup company whose managers do not have clearly identified roles establish who is expected to do what. When business owners want to sell an existing business, they write a business plan to help them set a value. An existing business can use a business plan to prepare for an expansion, such as an additional product line, office building, or group of employees. Writing a business plan forces an existing company to analyze the effectiveness of a new product or promotion.

SOURCE: SM:007 Explain the nature of business plans

SOURCE: LAP-SM-007—Plan Now, Succeed Later (Nature of Business Plans)

82. B

Certain the idea is feasible. Owners/Managers should avoid conducting a feasibility study if they are certain the idea is feasible. This certainty may come from a previous study or from observing another business using the idea successfully. Considering a business expansion is a great reason to conduct a feasibility study. Even if owners/managers aren't ready to start a venture or are unsure about an idea, it's still beneficial to conduct a feasibility study to find out more.

SOURCE: EN:038 Determine feasibility of venture ideas

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

83. C

Market analysis. A market analysis is a systematic study of the market, which is customers who have an unfilled desire and are financially able and willing to satisfy that desire. To best understand a target customer/market, Sakiko should complete a market analysis and include it in her business plan. An executive summary (synopsis of the business plan), company description (explanation of the business, industry, and goals), and competitive analysis (comparison of competitors) are all valuable parts of a business plan, but they won't provide Sakiko with the customer information she is seeking.

SOURCE: EN:014 Use components of business plan to define venture idea

SOURCE: Dixon, A. (2024, March 1). *Top 10 components of a business plan*. Retrieved August 16, 2024, from <https://smartasset.com/small-business/top-components-of-a-business-plan>

84. D

Income. A consumer's level of income tells marketers how much money is available to be spent for goods and services. Individuals must have a certain level of available income in order to afford expensive items.

Consumers in the same age group cannot necessarily afford expensive items. Consumers employed in certain types of occupations might not be able to afford expensive products. No matter what life stage a family or household is in, they must have sufficient income to purchase expensive products.

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

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

85. C

Return on equity. There are several profitability ratios that can help a business determine its overall profitability, including return on equity, profit margin, return on assets, and gross margin ratio. The return on equity ratio is a company's net income divided by its average stockholders' equity. This ratio is useful for illustrating how effective a company is at turning cash into greater gains for the company and for investors. A liquidity ratio measures a company's ability to pay off its short-term debts. A working capital ratio is a type of liquidity ratio. A dividend yield is a type of market prospect ratio. Investors use market prospect ratios to predict what the trend of a stock will be in the future.

SOURCE: FI:542 Monitor business's profitability

SOURCE: Bloomenthal, A. (2024, July 26). *Financial ratio analysis: Definition, types, examples, and how to use*. Retrieved August 20, 2024, from <https://www.investopedia.com/terms/r/ratioanalysis.asp>

86. B

Business process changes. Businesses change their processes for a variety of reasons. One of those might be technological developments that increase efficiency and productivity. Because the magazine responded to a technological development, it would then need to update its processes to fit the new product. This decision would not necessarily lead to the need for increased revenue, new employees, or a shift in the mission statement.

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

SOURCE: Lucidchart. (2024). *How to effectively implement business process change*. Retrieved August 20, 2024, from <https://www.lucidchart.com/blog/how-to-efficiently-pivot-business-processes>

87. B

Obtain competitive bids from service providers. By obtaining bids from service providers (e.g., phone, health insurance, transportation), a business can select the company that provides the best service for the lowest price. Purchasing additional insurance increases business expenses. The government requires certain types and sizes of businesses to offer healthcare benefits to employees; therefore, eliminating healthcare benefits is not always an option. Providing flexible working hours often increases business expenses because the facility is open and operating for longer periods of time.

SOURCE: OP:029 Develop expense control plans

SOURCE: Corporate Finance Institute. (2024). *Competitive bidding*. Retrieved August 21, 2024, from <https://corporatefinanceinstitute.com/resources/economics/competitive-bidding/>

88. C

Internal auditors are company employees, while external auditors are employed by an outside audit firm. An internal audit is done by a department in a business and offers risk management while evaluating the effectiveness of the business's processes, controls, and corporate governance. An external audit is an examination of a business that is done through an independent accountant or outside audit firm and is typically concerned with an organization's financial condition and accuracy of business accounts. To that end, internal auditors are employed by the business, making them company employees, and are responsible to management. External auditors are employed by an outside audit firm and are responsible to shareholders. Internal audit reports examine company practices and risks, while external reports typically examine financial records. Internal audits are ongoing and conducted by a business throughout the year, while external audits are typically conducted once a year.

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

SOURCE: AccountingTools. (2024, April 24). *The difference between internal and external audits*. Retrieved August 20, 2024, from <https://www.accountingtools.com/articles/the-difference-between-internal-and-external-audits.html>

89. B

Remain competitive. Business and industry trends are constantly changing the way that companies do business. Businesses continually monitor these trends to develop new and better ways of producing products and serving customers. Businesses that fail to identify and respond to current trends may be unable to remain competitive because they are doing business the old-fashioned way when customers expect innovative techniques. Businesses do not identify and respond to current trends to control performance, encourage feedback, or improve motivation.

SOURCE: NF:013 Describe current business trends

SOURCE: Mailchimp. (2024). *Business trends to watch for long-term success*. Retrieved August 16, 2024, from <https://mailchimp.com/resources/business-trends/>

90. A

Balance sheet. A balance sheet is a financial statement that captures the financial condition of the business at that particular moment. The balance sheet shows a business's assets, liabilities, and owner's equity, which is the amount the owner has invested in the business. An income statement is a summary of a business's income and expenses over a period of time. An operating budget is an estimate of a business's finances of the day-to-day operations. A profit report is a summary of business transactions that shows net profit before and after taxes.

SOURCE: FI:093 Explain the nature of balance sheets

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

91. D

Direct. Direct marketing includes forms of advertising that seek a specific, measurable action from a targeted group of consumers, using direct mail, telemarketing, emails, etc., and that are sent directly to a consumer's home or business. Relationship marketing is a strategy in which businesses spend time with current and prospective clients outside the office setting to enhance the partnership. Digital marketing involves the use of the internet, social media, smartphones, and other technology to promote products and attract customers. Print marketing includes forms of printed media, such as magazines, brochures, and postcards.

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

SOURCE: Kenton, W. (2024, April 30). *Direct marketing: What it is and how it works*. Retrieved August 20, 2024, from <https://www.investopedia.com/terms/d/direct-marketing.asp>

92. D

Mining. Data mining is the process of gathering data, analyzing data, and identifying patterns and trends that then inform business practices. By gathering data from its customers and using that information to make business decisions, the grocery store is using data mining strategies. Data encryption is the process of transferring data. Data breach occurs when private data has been viewed, stolen, or used in an unauthorized manner. Data advertising is not a recognized term in information management.

SOURCE: NF:148 Discuss the nature of data mining

SOURCE: Twin, A. (2024, February 23). *What is data mining? How it works, benefits, techniques, and examples*. Retrieved August 16, 2024, from <https://www.investopedia.com/terms/d/datamining.asp>

93. D

It allows the manager to delegate tasks and track progress. An action plan can include management plans, which organize and prioritize activities related to managing employees and administrative duties. With the help of an action plan, managers can delegate tasks and keep track of progress so that the business is efficient and successful. An action plan also helps prepare for risk, but this is a part of the contingency plan and does not necessarily help with managing employees. An action plan can also explain how products will be created and delivered, but this is a part of the operations plan and does not necessarily help with managing employees. Finally, the action plan does not detail steps to achieve sales goals; rather, this is the purpose of a marketing or sales plan.

SOURCE: SM:012 Develop action plans

SOURCE: Wolters Kluwer. (2020, December 28). *Creating action plans for your business plan*. Retrieved August 21, 2024, from <https://www.wolterskluwer.com/en/expert-insights/creating-action-plans-for-your-business-plan>

94. D

Gross profit. Gross profit is determined by subtracting the cost of goods sold/cost of sales from revenue. It is the total amount of money a business makes as a profit before all other remaining expenses have been deducted. Determining the gross profit helps businesses see how much money they've invested in making or obtaining their products versus how much it costs to operate the business. The bottom line is net profit, which is the money remaining after operating expenses are subtracted from gross profit. Cash flow is the movement of money into and out of a business.

SOURCE: FI:094 Describe the nature of income statements

SOURCE: LAP-FI-094—Watch Your Bottom Line (Income Statements)

95. B

Lines. A product line is a group of related items made or sold by one company. The product mix is the particular assortment of products that a business offers to meet the needs of its market(s) and its company goals. Businesses planning their product mixes often decide to handle more than one product line in order to offer their customers a choice of products/brands. An example would be a business that sells different types of tea from Lipton, Twinings, Bigelow, and Tazo. Displays, exhibits, and arrangements of products are part of visual merchandising, not elements of the product mix.

SOURCE: PM:006 Plan product mix

SOURCE: Indeed. (2024, August 15). *Product line vs. product mix: Key differences*. Retrieved August 20, 2024, from <https://www.indeed.com/career-advice/career-development/product-line-vs-product-mix>

96. C

Training employees. Employees need to know what customer service means to the business. Management is responsible for communicating the level of service that employees should provide the business's customers. One way for management to do this is by providing the employees with training programs. These programs may include cross-training employees to do other jobs and provide ongoing product training. Actions such as earning high profits, using creative ads, and complimenting vendors do not affect the level of customer service a business provides.

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)

97. D

Necessary skills and affordability. A business owner considers many factors when determining whether to hire an employee. An important consideration is the nature of the work that the owner needs to have done. For example, if the owner needs someone to pay bills and mail invoices, they would likely hire a person who has bookkeeping skills. The owner must also consider if they can afford to pay a full-time or a part-time employee. Hiring a full-time employee is more costly because the person works longer hours, which increases payroll expenses. Benefits are usually not offered to part-time employees, which makes part-time employees less costly to the business. Training needs are important but depend on the skills the owner needs for the business. Property taxes, the screening process, and attitude are not factors that small business owners consider when deciding whether to hire additional employees.

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

SOURCE: Post, J. (2024, May 9). *Guide to hiring employees*. Retrieved August 16, 2024, from <https://www.businessnewsdaily.com/15752-employee-hiring-guide.html>

98. A

Next step in the process. When concluding an interview with a job applicant, it is important for the interviewer to explain what will happen next. The interviewer might have more applicants to interview before making a decision. Each applicant should know when the process will be completed, such as by the end of the week. They also are entitled to know if they will receive a phone call if the job is being offered to them or a letter of thanks for their interest. The requirements of the position and the performance evaluation system would be discussed during the interview rather than at the conclusion. Interviewers should not explain the problems in the business with job applicants.

SOURCE: HR:355 Interview job applicants

SOURCE: Monroe Community College. (2024). *General stages of an interview*. Retrieved August 16, 2024, from <https://www.monroecc.edu/depts/careercenter/interview-preparation-and-mock-interviews/general-stages-of-an-interview/>

99. C

Trade credit. Many suppliers offer their customers short-term financing in the form of trade credit. The businesses receive the goods but do not pay for them until a later date. Trade credit allows businesses to obtain goods from the suppliers, resell the goods to consumers, and then pay the suppliers for the goods. Bank loans are obtained from financial institutions rather than from suppliers. Commercial paper is unsecured promissory notes issued by corporations. Secured loans are obtained by putting up collateral that has more value than the amount of the loan.

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

SOURCE: Kagan, J. (2022, July 17). *Trade credit: Definition, accounting, and pros & cons*. Retrieved August 16, 2024, from <https://www.investopedia.com/terms/t/trade-credit.asp>

100. C

Evaluate and revise the budget as necessary. The last step in the budgeting process is to evaluate and revise the budget as necessary. Gathering relevant data, plugging them into the budget, and using the budget for financial planning and control are all steps that come earlier in the process.

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

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