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

Test Number 1332
Booklet Number _____

Finance Cluster Exam

ACT – Accounting Applications Series Event
BFS – Business Finance Series Event

FCE – Financial Consulting Event
FTDM – Financial Services Team Decision Making Event

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

This comprehensive exam was developed by MBA Research exclusively for DECA's 2025-2026 Competitive Events Program. Items have been randomly selected from the MBA Research Test-Item Bank and represent a variety of instructional areas. Performance indicators for this exam are at the prerequisite, career-sustaining, and specialist levels. A descriptive key, including question sources and answer rationales, has been provided to the DECA chartered association advisor.

1. A personal vision can only help you if it
   A. accurately reflects what you want from life.
   B. includes the wishes of your significant other.
   C. examines your past compared to your future.
   D. places the most emphasis on your career.

2. Carly is inventive, imaginative, and innovative. In other words, she can develop something original, see something that's “not there,” and make changes or improvements to old ways of doing things. Carly could best be described as
   A. a troublemaker.
   B. creative.
   C. a rule-follower.
   D. independent.

3. Melanie is a freelance accountant. She makes sure to avoid working with any companies with whom she has a personal connection. Melanie is being ethical by
   A. avoiding a potential conflict of interest.
   B. conducting a performance review.
   C. prioritizing short-term goals.
   D. partnering with like-minded organizations.

4. To obtain experience and satisfy graduation requirements, The XYZ University arranged for Desmond to work for a local business in his specific field of study during one semester of the school year. How did Desmond obtain work experience?
   A. Volunteer work
   B. Internship
   C. Temporary employment
   D. Mentorship

5. Shoshanna wants to become a manager at her office by the end of next year. She writes down what she wants, breaks it down into achievable steps, visualizes herself succeeding, and periodically reviews her progress. Shoshanna is engaging in
   A. progress planning.
   B. objective predicting.
   C. success forecasting.
   D. goal setting.

6. A positive self-concept is often accompanied by
   A. insecurity.
   B. conceit.
   C. achievement.
   D. failure.

7. Trevor is a small-business owner who usually purchases his janitorial supplies from the store that is located across the street from his office. What is Trevor's buying behavior most likely based on?
   A. Product dependability
   B. Convenience
   C. Brand insistence
   D. Price

8. Which of the following is an example of evaluating project success:
   A. Reading customer reviews of a new product
   B. Asking team members how they are handling their workloads
   C. Figuring out how much money you'll need to spend on supplies
   D. Scheduling daily, weekly, and monthly activities

9. For an investment to yield positive results at the end of the investment period, the earnings should
   A. exceed the rate of inflation.
   B. be documented appropriately.
   C. grow by at least 10%.
   D. be accrued on a debt security.

10. One reason why businesses develop and use information systems is to help with the
   A. internal communication plan.
   B. decision-making process.
   C. public relations effort.
   D. new recruitment system.

11. Lately, Marilee has noticed that Adam has had decreased enthusiasm for his job. As a manager, Marilee may be able to motivate Adam by
   A. giving him a new project to work on.
   B. assigning his responsibilities to others.
   C. advising him to change his attitude.
   D. asking a coworker to praise him for his efforts.

12. Buying drinks from the local coffee shop is a variable expense because
   A. the amount spent varies from month to month.
   B. it is the easiest expense to cut from a budget.
   C. it is less costly than most other expenses.
   D. it is not a necessary expense.

13. What is a characteristic that applies only to economic services?
   A. Physical
   B. Scarce
   C. Intangible
   D. Useful

14. What question is important to ask when determining if online sources are providing reliable information for a research report?
    A. Do I need to provide a bibliography?
    B. Do I agree with the opinions expressed in the article?
    C. Can the author be quoted?
    D. What are the author's credentials?

15. In a contract, what one party gives or receives in exchange for something else is an example of
    A. acceptance.
    B. compensation.
    C. agreement.
    D. consideration.

16. What type of simple report might a buyer for a business prepare to periodically inform other departments about the status of scheduled deliveries?
    A. Analytical
    B. Progress
    C. Research
    D. Statistical

17. The U.S. government has a policy of protectionism to
    A. resolve problems in international trade.
    B. avoid a trade deficit.
    C. lower prices of domestic products.
    D. increase competition with foreign countries.

18. The action taken by the salesperson in handling customer complaints should be based on the
    A. salesperson's opinion of the customer.
    B. solutions available within the business's policies.
    C. customer's attitude toward the salesperson.
    D. amount of time required to solve the problem.

19. What kind of insurance combines death benefits with a savings and investment account?
    A. Term
    B. Liability
    C. Homeowner's
    D. Ordinary life

20. To reduce the risk of injury from falls in a retail store, employees should
    A. wear higher-heeled shoes with little or no tread.
    B. keep a portable fire extinguisher in every aisle of the store.
    C. wipe and dry wet floor surfaces at the end of each day.
    D. keep walkways clear of stock, cords, cartons, and equipment.

21. Which of the following represents an operating expense for a business:
    A. Cost of utilities
    B. Cost of goods
    C. Returns and allowances
    D. Sales revenue

22. What data mining technique uses "if-then" criteria to classify objects in a database?
    A. Histogram
    B. Rule induction
    C. Neural networking
    D. Quantitative reasoning

23. Which of the following is a way in which money flows into a business:
    A. Cost of goods
    B. Taxes
    C. Sale of assets
    D. Owner's equity

24. In a(n) ___________, the stakes are higher because someone could be harmed.
    A. situation
    B. problem
    C. dilemma
    D. ethical dilemma

25. One way that many businesses use database software programs is to
    A. analyze customer information.
    B. train new employees.
    C. prepare governmental reports.
    D. design company stationery.

26. Why do most businesses use some type of quality-control method at work?
    A. To guarantee safety
    B. To organize employees
    C. To attract vendors
    D. To minimize errors

27. The primary responsibility of an agent is to
    A. act in the best interest of the principal.
    B. advise the principal of their responsibilities.
    C. accept responsibility for a principal's personal torts or crimes.
    D. assume all authority for a principal's personal and professional decisions.

28. A business manager who wants to lead change in the company needs to be
    A. forceful.
    B. persuasive.
    C. emotional.
    D. conservative.

29. Employees can help control business costs by organizing their work, avoiding distractions, and
    A. getting promoted.
    B. leaving work early.
    C. being more productive.
    D. eliminating all errors.

30. Which of the following statements about financial goals is true:
    A. Setting financial goals only needs to happen once you have dependents.
    B. You should share financial goals with a partner before combining finances.
    C. Building an emergency fund is one of the last steps in financial planning.
    D. You shouldn't revisit your financial goals so you can stay focused over time.

31. In persuasion, what technique should you follow to be ready to answer questions and give proof?
    A. Make it personal.
    B. Be reasonable.
    C. Do your homework.
    D. Attract attention.

32. What can you do to practice being verbally assertive?
    A. Stand up straight.
    B. Start conversations.
    C. Make eye contact.
    D. Raise your voice.

33. Which of the following is a characteristic of individuals who have self-confidence:
    A. Exhibiting aggressive behavior when expressing opinions
    B. Realizing that mistakes are a part of personal growth
    C. Being overly concerned with what others think
    D. Taking few risks because of a fear of doing something wrong

34. Which of the following is an example of an informational message geared toward an external audience:
    A. An office calendar
    B. An employee handbook
    C. A print advertisement
    D. An inventory report

35. A business must ensure that it hires employees who possess the appropriate skills to
    A. set the appropriate standards.
    B. help the business achieve its organizational goals.
    C. determine if the business needs to seek additional funding.
    D. analyze the business's profit margins.

36. Which of the following data mining activities is a customer most likely to consider unethical:
    A. Analyzing all consumer purchases to predict future market trends
    B. Monitoring a customer's spending habits to prevent fraud and identity theft
    C. Analyzing a customer's search engine inquiries to market products to them
    D. Reviewing customer complaints to develop safer products

37. Monte has always loved to work with preschool children. He would like to open a daycare center in his area. However, he does not have enough capital saved at this time. What business activity should Monte address first?
    A. Financial analysis
    B. Marketing
    C. Information management
    D. Accounting

38. Which of the following conversations among employees would be considered lateral communication:
    A. Eli is holding a training session for his company's newly-hired employees.
    B. Martin, a mid-level manager, is on a conference call with his company's board of directors.
    C. Ravi is meeting with his boss to discuss his performance at work this quarter.
    D. Jenny is discussing the upcoming company sales meeting with fellow salespeople.

39. When the price of a product is high, consumer demand will usually be
    A. about average.
    B. unchanged.
    C. low.
    D. high.

40. Which of the following explains why U.S. corporations favor debt over equity financing:
    A. Credit is available to most consumers.
    B. Interest paid is deductible.
    C. Tax rates are progressive.
    D. Interest income is taxed as ordinary income.

41. A benefit of consolidation to financial institutions is
    A. more liquid capital.
    B. less complex products.
    C. one-stop shopping.
    D. more product options.

42. A possible consequence of poorly-executed corporate governance is
    A. decreased risk.
    B. greater payroll.
    C. limited profitability.
    D. increased ethics.

43. Benford's law typically applies to data that fit specific guidelines. Which of the following is one of those guidelines:
    A. Data should be restricted by minimums or maximums.
    B. Data must be measured rather than assigned.
    C. All data must be qualitative.
    D. Smaller datasets are better than larger datasets.

44. Protecting the investments of shareholders is a primary responsibility of
    A. upper level managers.
    B. company employees.
    C. company lawyers.
    D. the board of directors.

45. Costs that are tied to a company's level of production are most likely to be categorized as ___________ costs.
    A. variable
    B. fixed
    C. operating
    D. indirect

46. The King Investment Company is developing a data-mining model to forecast customer profitability. What type of prediction would be most appropriate for this study?
    A. Regression
    B. Futuring
    C. Algorithm
    D. Classification

47. Which financial market focuses on protecting individuals and organizations against risk?
    A. Capital market
    B. Commodities market
    C. Stock market
    D. Insurance market

48. The X Brand Company is unable to find an outside firm that will insure against a particular risk that is somewhat common in X Brand's industry. What would be the best alternative method to insure against this risk?
    A. Change industries
    B. Offer no insurance
    C. Employ captive insurance
    D. Set up group insurance

49. A business might conduct a compliance audit to
    A. develop efficient production processes.
    B. manipulate financial data to indicate profitability.
    C. ensure that it is following government regulations.
    D. evaluate its vendors' performance.

50. Which of the following methodologies focuses most on eliminating waste to maximize value:
    A. Licensing
    B. Lean
    C. Six Sigma
    D. Sustainability

51. As Tom is reviewing a customer's credit report to determine if the company should offer the customer a line of credit, he should use the company's __________ to guide his decision.
    A. accounting method
    B. purchasing policies
    C. payment history
    D. credit standards

52. An employee with the DPB Company left a small box in the middle of the business's reception area. Unfortunately, a client did not see the box, fell, and was seriously injured. Now, the DPB Company must pay several thousand dollars to cover the client's medical bills. This hurts the company's financial well-being. What internal steps could the company have taken to control the risk associated with this type of financial loss?
    A. Review and evaluate health insurance options
    B. Develop and follow a detailed business plan
    C. Purchase and maintain a crime insurance policy
    D. Implement and monitor safety policies

53. Abidemi works at a manufacturing plant. His company wants to determine whether it would be financially wise to add a new production line, so Abidemi does some research. He decides to analyze the costs and benefits of manufacturing additional products. This type of analysis is known as
    A. a process flow diagram.
    B. SWOT analysis.
    C. marginal analysis.
    D. a product road map.

54. Which of the following is a benefit of compliance in the finance industry:
    A. It eliminates all risks an organization may face.
    B. It leads to decreased regulatory scrutiny and regulation.
    C. It makes it easier to manipulate the market or market prices.
    D. It builds and maintains public trust in the financial system.

55. Which of the following is a reason to calculate a company's debt-to-equity (D/E) ratio:
    A. To assess the ability of a company to hire more employees
    B. To compare multiple companies in different industries
    C. To assess the level of risk involved in investing in the company
    D. To compare the current year's performance to a previous year's

56. A new employee left JRB Manufacturing two weeks after they completed the company's training program. The expense of training the new employee is a(n) __________ for the company.
A. capital liability
B. sunk cost
C. external cost
D. current asset

57. Which of the following is an estate-tax deduction:
A. Money left to friends or distant relatives
B. Charitable contributions that are unqualified
C. Valuable art and collectibles left to children
D. Property passing directly to the surviving spouse

58. What is a challenge of working in securities and investments?
A. The pay is often low.
B. Workdays are often short.
C. The profession is not respected.
D. The job can be very stressful.

59. Talani is investing in a money market, which buys and sells products such as
A. agricultural goods.
B. treasury bills.
C. technology.
D. shares of stock.

60. Generally, a company’s board of directors makes decisions on behalf of the company as a(n)
A. fiduciary.
B. actuary.
C. consumer.
D. president.

61. Lucy authorized her accountant, attorney, and life-insurance agent to care for her assets and make decisions regarding her money and property. Her accountant, attorney, and life-insurance agent are her
A. bookkeepers.
B. economists.
C. relationship experts.
D. fiduciaries.

62. Incorporating technology into compliance is a way for organizations to
A. improve customer experience.
B. avoid the effects of regulation.
C. increase staff.
D. reduce costs.

63. Which of the following are the largest institutions to deliver banking services:
    A. Savings and loan associations
    B. Insurance companies
    C. Commercial banks
    D. Brokerage houses

64. The purpose of using an audit trail in the financial-information management function is to
    A. monitor the competition.
    B. ensure the efficient use of human resources.
    C. analyze customer preferences.
    D. identify data inconsistencies.

65. Which of the following international financial institutions provides financing and advice to countries to encourage economic development:
    A. World Bank Group
    B. Commonwealth of Nations
    C. Liberty Institute
    D. Small Business Administration

66. Noah is a financial planner who guides clients. Which of the following is one of his ethical responsibilities to his clients:
    A. Giving clients subjective information
    B. Keeping client information confidential
    C. Responding to clients' requests on his own timeline
    D. Being friends with his clients

67. Which of the following statements accurately describes the relationship between ethics and corporate governance:
    A. Companies with effective corporate governance generally make more unethical decisions.
    B. Organizations that consistently behave ethically have no need for corporate governance.
    C. Corporate governance seeks to maximize profits at the expense of transparency and being ethical.
    D. Corporate governance seeks to minimize unethical behavior, reduce risk, and avoid mismanagement.

68. Stefan decides to invest a sum of $1,200 into one of his favorite stocks that typically earns 10% or more each year. If the stock earns 10% this year, what will be the total value of his investment?
    A. $120
    B. $1,320
    C. $1,200
    D. $1,080

69. Which of the following is a key aspect of risk management:
    A. Determining appropriate advertising media
    B. Setting product prices
    C. Preparing operational budgets
    D. Staying in compliance with laws and regulations

70. A computer software application that consolidates and manages multiple departmental budgets is beneficial to large businesses that
    A. use a bottom-up approach to budgeting.
    B. generate inventory reports on a regular basis.
    C. focus on customer expectations to develop their budgets.
    D. rely on an external source to facilitate forecasting.

71. You want to have $8,000 in three years to purchase a car. You can earn 4% compound interest on your investment. How much should you invest today?
    A. $7,692.31
    B. $7,111.75
    C. $7,821.47
    D. $7,364.10

72. Which of the following statements about the importance of corporate governance is true:
    A. It results in unethical and profitable business practices.
    B. It leads to ethical business practices, which can push away investors.
    C. It aims to align the interests of some of its stakeholders.
    D. It creates a system of rules that determines how a company operates.

73. To protect the integrity of archived financial information, businesses might consider using different types of
    A. service procedures.
    B. monetary exchanges.
    C. production methods.
    D. storage strategies.

74. A corporation's profits go down 25% in one quarter. Clearly, the company needs to make some big changes. Who would be in charge of making decisions that will help the company change its course?
    A. The treasurer
    B. Managers
    C. The board of directors
    D. Shareholders

75. A company failed to recall products that presented a safety issue. As a result, product users won a class-action lawsuit in which the company must compensate individuals who received injuries while using the defective product. In this situation, the lack of an effective risk-management program has caused
    A. the company to purchase additional property insurance.
    B. a sizable financial loss for the company.
    C. employees to complain about unsatisfactory work conditions.
    D. a higher demand for more innovative products.

76. An effective financial information management system enables managers to obtain reports to determine how the company is using its funds. If the managers find that the company is not operating efficiently, they may reallocate funds from one business function to another to improve profitability. In this situation, the reports generated by the financial information management system are
    A. tracking purchasing behavior.
    B. ensuring compliance.
    C. guiding decision-making.
    D. improving customer service.

77. Seamus is calculating the value of all the outstanding Google stock owned by Google's shareholders. Seamus is determining
    A. cash flow.
    B. liability.
    C. shareholder's equity.
    D. revenue.

78. Tyrese and his team are creating a list of their company's critical enterprise-wide risks. They are compiling
    A. enterprise risk management.
    B. a risk assessment.
    C. a risk control.
    D. a risk inventory.

79. Checking the validity, reliability, and significance of data and using graphs, charts, and tables to display this data describes what step of interpreting data mining results?
    A. Choose and apply data mining techniques
    B. Analyze and visualize results
    C. Define goals and metrics
    D. Explore and preprocess data

80. When creating a master budget for her company, Jamila determined that the marketing department is responsible for the purchase of a new email platform. Jamila is
    A. performing cost-benefit analysis.
    B. eliminating sunk costs.
    C. allocating costs.
    D. performing marginal analysis.

81. Which of the following is a way in which managerial accountants can help a company's management:
    A. Releasing financial information to the public
    B. Setting competitive product or service prices
    C. Hiring and training new employees
    D. Accumulating data on costs and profits

82. Employees in the finance industry can become members of a local __________ to build long-lasting relationships in their career field.
    A. recreational sports team
    B. credit union
    C. political party
    D. professional association

83. In relation to the business cycle, the stock prices of non-cyclical industries tend to
    A. remain steady throughout all phases.
    B. steadily decrease during the expansion phase.
    C. increase slightly during the trough phase.
    D. increase dramatically during the contraction phase.

84. When the unemployment rate is high,
    A. people have higher purchasing power.
    B. families have more disposable income.
    C. employee morale doesn't change.
    D. the economy's output decreases.

85. What can a potential investor determine about a stock by analyzing its price range in a 52-week period?
    A. Previous close
    B. Stock volatility
    C. Rate of return
    D. Dividend amount

86. Which of the following is an example of financial information that should be included in a sustainability report:
    A. Percentage of recycled materials used in manufacturing
    B. Development in areas of high poverty
    C. Percentage of senior management hired from the local community
    D. Costs of actions taken to manage risks or opportunities associated with climate change

87. A company uses financial software to examine a product's total costs in relation to its selling price. The company is analyzing
    A. stockturn.
    B. market value.
    C. liquidity.
    D. profitability.

88. Which of the following factors can lead an investor to develop a home bias:
    A. Higher risk associated with international investing
    B. Fewer barriers to entry in foreign markets
    C. Less availability of domestic investments
    D. Better familiarity with foreign markets

89. Which of the following is a way in which businesses can effectively safeguard important financial information:
    A. Using simple passwords
    B. Maintaining security software
    C. Avoiding regular updates to devices
    D. Using public Wi-Fi networks

90. Which of the following is a tax-deductible gift:
    A. Vacation home
    B. Inherited items
    C. Stocks
    D. Charitable donation

91. When the unemployment rate rises, stock values typically
    A. increase.
    B. remain unchanged.
    C. decrease.
    D. stabilize quickly.

92. One of the responsibilities of finance professionals is to provide clients with services that the clients usually are
    A. incapable of understanding.
    B. unable to obtain by themselves.
    C. not willing to purchase.
    D. convinced they do not need.

93. Variance analysis helps maintain control over a project's expenses by monitoring __________ costs versus __________ costs.
    A. planned; actual
    B. fixed; indirect
    C. actual; past
    D. planned; past

94. Stark Enterprises creates mathematical representations of systems and processes to help the company understand the probability of risks. In other words, Stark Enterprises is engaging in
    A. risk modeling.
    B. disaster prevention.
    C. safety modeling.
    D. data mining.

95. One way for a financial planner to build professional business relationships is by
    A. taking online classes.
    B. funding charitable events.
    C. conducting finance seminars.
    D. reviewing educational requirements.

96. The primary purpose of financial institutions is to help clients manage their money, and the primary purpose of insurance companies is to provide insurance products that help clients __________ their __________.
    A. minimize, risk
    B. reduce, assets
    C. increase, profitability
    D. strengthen, investments

97. Which of the following is a result of financial globalization:
    A. Decreased connectivity among countries across the globe
    B. Economic and social decline of previously developed nations
    C. Less overall financial competition among nations
    D. Economic and social development of previously undeveloped nations

98. To save money, an auto manufacturer imports substandard parts for its engines. Many of the cars that contain engines with imported parts have caught on fire. Now, the manufacturer is facing a class action lawsuit. This is an example of a risk associated with
    A. domestic trade.
    B. product safety.
    C. service quality.
    D. trade secrets.

99. The Kodiak Company does not pay dividends to its shareholders. In which of the following equity statement components would this money appear instead:
    A. Cash flow
    B. Retained earnings
    C. Treasury stock
    D. Outstanding shares

100. A retail bank and an insurance company, which recently merged together, are moving from two legacy accounting systems to one enterprise planning system for the new, larger organization. This is an example of __________ in the finance industry.
    A. bancassurance
    B. increased liquidity
    C. convergence
    D. knowledge management

1. A

Accurately reflects what you want from life. Your personal vision should reflect your desires for your life--not the desires of your significant other. Your vision should emphasize all aspects of your future equally and should focus solely on your future--not on your past.

SOURCE: EI:063 Determine personal vision

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

2. B

Creative. Creativity is the ability to generate unique ideas, possibilities, and solutions. Creative people usually possess inventiveness, imagination, and innovation. Based on the information given, Carly can best be described as creative--not necessarily independent, a rule-follower, or a troublemaker.

SOURCE: PD:012 Demonstrate appropriate creativity

SOURCE: LAP-PD-012--Imagine That (Demonstrating Creativity)

3. A

Avoiding a potential conflict of interest. A conflict of interest is a situation in which it is impossible to be truly impartial. If Melanie were to conduct business with an organization with which she has personal ties, there is a potential conflict of interest between her duty as an accountant and an incentive to help the company. Melanie is not partnering with any organization or conducting a performance review in this example. Prioritizing short-term goals is not always ethical behavior—Melanie is thinking in the long term by avoiding conflicts of interest.

SOURCE: FI:351 Discuss the role of ethics in accounting

SOURCE: LAP-FI-351—With Due Care (The Role of Ethics in Accounting)

4. B

Internship. Internships involve training in which schools and businesses cooperate to provide on-the-job practice for learners. In the example, the XYZ University arranged for a student to work for a local business for a certain period of time. Internships may be paid or nonpaid positions, and sometimes lead to permanent, paid positions after the students graduate. A mentor is an experienced worker who acts as a guide to a less-experienced worker. Temporary employment involves being paid to perform work for a limited time. There is not enough information provided to determine if Desmond was paid for his internship.

SOURCE: PD:032 Describe techniques for obtaining work experience (e.g., volunteer activities, internships)

SOURCE: Herrity, J. (2025, June 9). *A complete guide to internships*. Retrieved October 8, 2025, from https://www.indeed.com/career-advice/finding-a-job/definitive-guide-to-internships

5. D

Goal setting. Goal setting is the ability to visualize, set, and focus on achieving objectives. It's how you determine what it is you want to do. The basic steps of goal setting include choosing your goal, writing your goal down, breaking your goal down, visualizing your goal, and reviewing and updating your goal regularly. Objective, predicting, success forecasting, and progress planning are not terms commonly used to describe goal setting.

SOURCE: PD:018 Set personal goals

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

6. C

Achievement. Self-concept is the way in which you see yourself. Developing a positive self-concept will normally help you to achieve your goals. It does not necessarily bring conceit or egotism. Poor self-concept usually leads to feelings of insecurity and failure.

SOURCE: EI:016 Explain the concept of self-esteem

SOURCE: Psychology Today. (2025). *Self-esteem*. Retrieved October 8, 2025, from https://www.psychologytoday.com/us/basics/self-esteem

7. B

Convenience. Trevor is most likely motivated to buy from this particular store because it is close and convenient to his business. If Trevor needs cleaning supplies right away, he just has to walk across the street to buy them. Although brand, price, and product dependability might influence his buying behavior, there is not enough information provided to determine if these factors are important to Trevor in this situation.

SOURCE: MK:014 Explain factors that influence customer/client/business buying behavior

SOURCE: LAP-MK-014--Cause and Effect (Buying Behavior)

8. A

Reading customer reviews of a new product. Reading customer reviews is an example of evaluating project success because they provide insight into customers' levels of satisfaction with the final product of a project. Customer satisfaction is an important component of project success. Figuring out how much money you'll need to spend on supplies and scheduling daily, weekly, and monthly activities are parts of the project planning process. Asking team members how they are handling their workloads is an example of monitoring a project while it is in progress.

SOURCE: OP:521 Evaluate project success

SOURCE: LAP-OP-521--Making the Grade (Evaluating Project Success)

9. A

Exceed the rate of inflation. When making investments, it is important to consider the time value of money, which is the difference between the money's current purchasing power in relation to its purchasing power at a future date. Earnings from investments can come in different forms, such as accumulated interest from debt securities or dividends from equity securities. At the end of the investment period, a successful investment will yield more money than the investor started with. However, it is important to consider the rate of inflation, which is an increase in prices of goods and services. If inflation increases more rapidly than the investment earns (e.g., 10%) during the investment period, then the value of money earned will not yield the desired results. Documents and forms do not affect the time value of money.

SOURCE: FI:062 Explain the time value of money

SOURCE: Fernando, J. (2025, February 25). *Inflation: What it is and how to control inflation rates.* Retrieved October 8, 2025, from https://www.investopedia.com/terms/i/inflation.asp

10. B

Decision-making process. Businesses need to make many decisions on a daily basis that affect the success of the business. To help with the decision-making process, they develop and use information systems, which are methods of gathering, storing, and analyzing data. For example, an information system might store data about current customers and be able to analyze that data to provide information about buying behavior and product preferences. A business can use this information to decide whether to modify products or change its promotional approach. Businesses do not develop and use information systems to help with the public relations effort, the internal communication plan, or the new recruitment system.

SOURCE: NF:083 Explain the role of information systems

SOURCE: Indeed. (2025, March 26). *What is an information system? Definition and uses*. Retrieved October 8, 2025, from https://www.indeed.com/career-advice/career-development/what-is-information-system

11. A

Giving him a new project to work on. Employees often lose enthusiasm for their jobs, which affects their motivation to perform their work to the best of their abilities. This often occurs because employees become bored with routine tasks and need new work challenges. To combat these types of situations, managers may be able to give employees additional responsibilities or new projects, which provide more task variety, reduce boredom, and increase their motivation to perform their jobs well. Offering new projects makes the employee feel valued, which may increase their motivation. Advising an employee to change their attitude may not improve an employee's motivation. Managers, rather than coworkers, are responsible for providing subordinates with positive feedback.

SOURCE: EI:059 Motivate team members

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

12. A

The amount spent varies from month to month. Variable expenses differ from fixed expenses because fixed expenses are the same each month, whereas variable expenses change. Not all variable expenses are unnecessary. In addition, not all variable expenses are less costly and easy to cut. For example, grocery shopping is a variable expense, but it is also necessary, sometimes expensive, and not necessarily easy to cut from a budget.

SOURCE: FI:066 Develop personal budget

SOURCE: Schwahn, L. (2025, May 23). *What are variable and fixed expenses? How can I budget for them?* Retrieved October 8, 2025, from https://www.nerdwallet.com/article/finance/what-are-variable-expenses

13. C

Intangible. The major characteristics of economic services are very similar to those of economic goods. They must be useful, scarce, and transferable. However, services are not physical objects. They are intangible activities performed by other people for a certain amount of money. Intangible means not capable of being detected through the senses. Useful and scarce are characteristics of both economic goods and services. Physical is a characteristic of economic goods.

SOURCE: EC:002 Distinguish between economic goods and services

SOURCE: LAP-EC-902--Get the Goods on Goods and Services (Economic Goods and Services)

14. D

What are the author's credentials? When identifying sources that provide relevant, valid written material, the researcher evaluates a variety of factors, including the credibility of the author. A credible author would have expertise and knowledge of the topic at hand. For example, an economics professor's article about aggregate demand would tend to be more trustworthy than if the article were written by a construction worker. Research reports should look at a topic from different viewpoints to ensure that it is objective and free of bias. Whether the author can be quoted or if a bibliography is required are not questions that address the reliability of the online information.

SOURCE: CO:054 Identify sources that provide relevant, valid written material

SOURCE: LinkedIn. (2024, May 24). *Here's how you can critically evaluate and analyze information like a professional.* Retrieved October 8, 2025, from https://www.linkedin.com/advice/1/heres-how-you-can-critically-evaluate-analyze-cewrc

15. D

Consideration. In a contract, consideration is what one party gives or receives in exchange for something else. In order for a contract to be legally binding, something of value must be exchanged. For example, one party might sell a product to another party and receive monetary payment. Both the product and the monetary payment have value. What one party gives or receives in exchange for something else is not an example of agreement, compensation, or acceptance.

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

SOURCE: Solanki, S. (2024, December 13). *Consideration - Legal glossary.* Retrieved October 8, 2025, from https://legal.thomsonreuters.com/blog/consideration-legal-glossary/

16. B

Progress. A progress report is a type of simple report that businesses often use to keep the various departments informed of each other's activities. Progress reports briefly provide updated information about long-term activities. They are short and usually include only summaries of necessary information. Analytical, research, and statistical reports are examples of complex written reports that are lengthy and contain detailed information.

SOURCE: CO:094 Prepare simple written reports

SOURCE: Faisal, S. (2025, March 17). *Progress reports in project management: Definition, process & more*. Retrieved October 8, 2025, from https://userpilot.com/blog/progress-reports/

17. B

Avoid a trade deficit. Protectionism is a government's policy to protect domestic industries and businesses against foreign competition. It seeks to avoid an unfavorable balance of trade, or a trade deficit, in which a nation's imports are greater than its exports. Protectionism encourages higher prices of domestic products. It also tends to increase problems in trading with other countries because it restricts imports.

SOURCE: EC:016 Explain the nature of global trade

SOURCE: LAP-EC-916--Beyond US (Global Trade)

18. B

Solutions available within the business's policies. Salespeople handling complaints should take action based on their understanding of the complaint and the solutions that are possible within the business's policies. These policies should be explained to the customer. The salesperson should not permit their opinion of the customer to be a factor, whether the opinion is negative or positive. They should also not be influenced by the customer's attitude. The time required to solve the problem is not as important as finding a solution.

SOURCE: CR:010 Handle customer/client complaints

SOURCE: Herrity, J. (2025, July 31). *What is retail management? (Definition and responsibilities)*. Retrieved October 8, 2025, from https://www.indeed.com/career-advice/finding-a-job/what-is-retail-management

19. D

Ordinary life. Ordinary life is a type of life insurance that pays benefits on the death of the policyholder. It also provides a savings and investment program at current market rates and has cash value. Term is a form of life insurance that covers a specific number of years. Homeowner's insurance protects property owners from damage to their property. It usually includes liability insurance, which protects the homeowner if someone else is injured on or by their property.

SOURCE: FI:081 Describe the concept of insurance

SOURCE: Insuranceopedia. (2024, November 21). *Ordinary life insurance*. Retrieved October 8, 2025, from https://www.insuranceopedia.com/definition/3275/ordinary-life-insurance

20. D

Keep walkways clear of stock, cords, cartons, and equipment. Keeping aisles clear and clean reduces the risk of customers and employees falling or tripping over items. Many falls can cause serious injury to people. If the store is found liable for the accident, it may be responsible for paying for hospitalization and treatment costs. In addition, the store might be fined if it violates safety codes. Wet floor surfaces should be wiped and dried immediately. Employees should wear lower-heeled shoes with good tread to reduce the risk of falls. Fire extinguishers are used in the event of fire and do not necessarily reduce the risk of falls.

SOURCE: OP:007 Follow safety precautions

SOURCE: Indeed. (2025, July 26). *6 types of safety hazards in the workplace.* Retrieved October 8, 2025, from https://www.indeed.com/career-advice/career-development/safety-hazards

21. A

Cost of utilities. This is an expense that is part of a business's day-to-day operation. Sales revenue is income coming into the business from sales. The cost of goods is the expense of purchasing the goods. Returns and allowances are refunds or price adjustments given to customers.

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

SOURCE: Paljug, K. (2025, March 7). *Operating costs: Definition, formula, types, and examples*. Retrieved October 8, 2025, from https://www.investopedia.com/terms/o/operating-cost.asp

22. B

Rule induction. Rule-induction data mining techniques are often used to determine if-then relationships among a set of data. A histogram is a graphic that is similar to a bar chart but groups data into specific ranges. The neural networking approach uses computer applications that mimic the ways in which the human brain processes data, which often involve sequencing data patterns. Quantitative reasoning is a fictitious term.

SOURCE: NF:149 Describe data mining tools and techniques

SOURCE: Twin, A. (2025, July 27). *What is data mining? How it works, benefits, techniques, and examples.* Retrieved October 8, 2025, from https://www.investopedia.com/terms/d/datamining.asp

23. C

Sale of assets. Ways in which money can flow into a business include start-up money, the sale of products, loans, interest, and the sale of assets. Assets are anything of value that a business owns. In some cases, businesses have assets that they no longer need, and selling these assets brings in cash. Cost of goods, owner's equity, and taxes are all ways in which money flows out of a business.

SOURCE: FI:091 Describe the nature of cash flow statements

SOURCE: LAP-FI-091--Count the Cash (Cash Flow Statements)

24. D

Ethical dilemma. Ethical dilemmas involve deciding whether something is right or wrong. In an ethical dilemma, if you pick the wrong choice, someone (or something) could be harmed. A dilemma is a difficult situation in which you are required to make a decision. Someone will not necessarily be harmed if you make the wrong decision. Problems and situations do not necessarily lead to someone being harmed.

SOURCE: EI:124 Explain reasons for ethical dilemmas

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

25. A

Analyze customer information. Database software programs are designed to sort, arrange, locate, and analyze a wide variety of information. Many businesses use database software to analyze information that relates to customers, such as their names, addresses, types of purchases, and amounts spent. Then, this information can be used to identify customers who might be interested in specific products or who live in certain parts of the country. The business can also rearrange the information according to different criteria. Word-processing software programs are used to design stationery and prepare reports. Businesses often use online tutorials and employee development programs to train new employees.

SOURCE: NF:009 Demonstrate basic database applications

SOURCE: Kolosky, C. (2024, January 19). *Everything to know about database software*. Retrieved October 8, 2025, from https://www.knack.com/blog/what-is-database-software/

26. D

To minimize errors. Quality control involves ensuring the degree of excellence of a good or service. Most businesses use some type of quality-control method at work to achieve excellence and minimize errors. Quality-control methods vary depending on the type of business, but they are all intended to help the business operate efficiently and correctly. An example of a quality-control method might be having two people conduct an inventory count to minimize the possibility that one person will make a mistake. Businesses do not use quality-control methods to organize employees, attract vendors, or guarantee safety.

SOURCE: OP:164 Utilize quality control methods at work

SOURCE: Hayes, A. (2025, May 21). *Quality control (QC): What it is, how it works, and QC careers.* Retrieved October 9, 2025, from https://www.investopedia.com/terms/q/quality-control.asp

27. A

Act in the best interest of the principal. An agent is a person or business that is authorized to conduct certain activities with third parties on behalf of another person or business (principal). Employees, attorneys, and accountants are examples of people who enter into relationships as agents for others. The primary responsibility of the agent is to act in the best interest of the principal (client). These actions might, but do not always, include advising the principal of their responsibilities, such as an accountant who explains tax obligations to a client. The amount of an agent's authority (personal and professional) depends on the principal. An agent's responsibility for a principal's tort or crime depends on the circumstances of the action in relation to the agent's authority. For example, an agent with express authority over business matters does not assume responsibility for a principal's personal behavior, such as assault.

SOURCE: BL:072 Explain the nature of agency relationships

SOURCE: Kagan, J. (2025, June 13). *What is an agent? Definition, types of agents, and examples*. Retrieved October 9, 2025, from https://www.investopedia.com/terms/a/agent.asp

28. B

Persuasive. Business managers who want to lead change in the company need to have certain characteristics to be effective. They should be persuasive, which means they have the ability to get people to see things their way, do things their way, or agree with them. Change doesn't just happen on its own. Change leaders need the involvement and help of many different people. Effective change leaders are able to persuade the right people to go along with them and help make the change happen. A manager who wants to lead change does not need to be emotional, forceful, or conservative.

SOURCE: EI:005 Lead change

SOURCE: LAP-EI-005--Start the Revolution (Leading Change)

29. C

Being more productive. When employees organize their work and avoid distractions, they become more productive, which can help control business costs. When employees get promoted, their rate of pay usually goes up, so business costs may actually increase. Employees who leave work early increase business costs, not decrease them. An organized and focused worker is less likely to make errors, but there's no way to eliminate errors entirely.

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

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

30. B

You should share financial goals with a partner before combining finances. Setting financial goals is extremely important because the state of your finances impacts not just you, but family members, too—especially if you combine finances with a partner. You should discuss any individual and shared financial goals with your partner before combining finances to make sure you are both in agreement. Building an emergency fund is often one of the first steps in financial planning. Setting financial goals can (and should) happen any time you have finances to manage, and not just once you have dependents. You should revisit your goals often to assess progress and in case circumstances have changed.

SOURCE: FI:065 Set financial goals

SOURCE: Fidelity. (2024, September 25). *Tips for couples: Improving money talks*. Retrieved October 9, 2025, from https://www.fidelity.com/learning-center/personal-finance/communication-tips-couples

31. C

Do your homework. It's not enough just to suggest something. You should provide information, reasons, and proof. Anticipate that others may not agree with you at first. Do your homework to be ready. Be prepared to give details and answer questions. When using persuasion, it is important to be reasonable, make your appeal personal, and attract the audience's attention. However, these techniques will not help you prepare to answer questions and give proof.

SOURCE: EI:012 Persuade others

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

32. B

Start conversations. There are several ways that you can practice being verbally assertive. One is to start conversations. Don't wait for others to talk to you. Talk about what interests you while you let others talk about whatever they wish. The secret is to make sure both sides have equal time to talk. Standing up straight and making eye contact are examples of body language. You should not raise your voice when you are being assertive. You should speak at a normal volume.

SOURCE: EI:008 Use appropriate assertiveness

SOURCE: LAP-EI-008--Assert Yourself (Assertiveness)

33. B

Realizing that mistakes are a part of personal growth. Self-confidence is a positive belief in your own talents, skills, and objectives. Individuals with self-confidence are willing to accept, admit, and learn from their mistakes, and they are not afraid to take positive risks. Other characteristics of self-confident people are that they respect others' rights to differing opinions and can assertively communicate their beliefs, regardless of what others think.

SOURCE: EI:023 Exhibit self-confidence

SOURCE: Morin, A. (2025, October 3). *How to be more confident: 9 tips that work*. Retrieved October 9, 2025, from https://www.verywellmind.com/how-to-boost-your-self-confidence-4163098

34. C

A print advertisement. Informational messages involve communicating data, facts, or knowledge to a message receiver. Print advertisements communicate information about a business's products to customers or potential customers, which are external audiences. An employee handbook, an inventory report, and an office calendar are types of information provided to the business's employees, who are an internal audience.

SOURCE: CO:039 Write informational messages

SOURCE: Indeed. (2025). *What is external communication in business? (With examples)*. Retrieved October 9, 2025, from https://uk.indeed.com/career-advice/career-development/what-is-external-communication

35. B

Help the business achieve its organizational goals. A business must hire employees who have the skills to carry out the tasks that are needed to achieve its organizational goals. Without the appropriate skills, the business will not run efficiently or compete effectively in the marketplace, which is likely to result in financial losses. Hiring skilled employees will not necessarily help a business determine funding needs or analyze profit margins. Managers, rather than employees, set the business's organizational standards.

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

SOURCE: Cecchi-Dimeglio, P. (2023, September 29). *How leaders use the power of goal alignment*. Retrieved October 9, 2025, from https://www.forbes.com/sites/paolacecchi-dimeglio/2023/09/29/how-leaders-use-the-power-of-goal-alignment/

36. C

Analyzing a customer's search engine inquiries to market products to them. Many consumers (although not all) view efforts to use their shopping information or other data to target them with more products as an unethical use of data. Monitoring a customer's spending habits to prevent fraud and identity theft and reviewing complaints to develop safer products are not typically considered unethical, because these activities benefit consumers and society. Analyzing all purchases to predict future market trends is also not generally considered unethical, because it looks at data as a whole instead of using personally identifiable information.

SOURCE: NF:150 Discuss the importance of ethics in data mining

SOURCE: Texas A&M International University. (2022, November 23). *The ethics of data mining*. Retrieved October 9, 2025, from https://online.tamiu.edu/programs/business/ms-information-science/ethics-of-data-mining/

37. A

Financial analysis. This is the process of planning, maintaining, monitoring, controlling, and reporting the use of financial resources. Aspects of this activity involve obtaining funds and using them to achieve the goals of the business. The accounting activities keep and interpret financial records. Information management is the process of coordinating the resources pertaining to business knowledge, facts, or data. Marketing is the process of creating, communicating, and delivering value to customers and managing customer relationships in ways that benefit the organization and its stakeholders.

SOURCE: EC:071 Describe types of business activities

SOURCE: LAP-EC-071--Strictly Business (Business Activities)

38. D

Jenny is discussing the upcoming company sales meeting with fellow salespeople. Lateral communication is communication exchanged among employees on the same hierarchical level. For example, a salesperson having a conversation with other salespeople is an example of lateral communication. Having a conversation with a boss or a company leader would be considered upward communication, not lateral communication. Holding a training session for new employees is an example of downward communication, not lateral communication.

SOURCE: CO:014 Explain the nature of staff communication

SOURCE: Keiling, H. (2025, May 30). *4 types of communication and how to improve them*. Retrieved October 9, 2025, from https://www.indeed.com/career-advice/career-development/types-of-communication

39. C

Low. There is an inverse relationship between consumer demand and the price of the product. In other words, the higher the price of a product, the lower the consumer demand for it will be.

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

SOURCE: LAP-EC-905--It's the Law (Supply and Demand)

40. B

Interest paid is deductible. Since interest paid is tax-deductible, but dividends are not, corporations are more likely to use debt over equity financing. Although credit may be available to most consumers, interest income may be taxed as ordinary income, and tax rates may be progressive, none of these explains why the U.S. tax system favors debt over equity financing.

SOURCE: EC:072 Describe the nature of taxes

SOURCE: Maverick, J.B. (2024, June 13). *Equity financing vs. debt financing: What's the difference?* Retrieved October 9, 2025, from https://www.investopedia.com/ask/answers/042215/what-are-benefits-company-using-equity-financing-vs-debt-financing.asp

41. A

More liquid capital. Consolidation is the merging of financial providers within the same institutional category, such as a retail bank merging with another retail bank. Consolidation can provide many benefits to merged companies, such as combined resources, which often involve more liquid capital or cash. One-stop shopping and a wider variety of products are the benefits of consolidation to consumers. Consolidation does not affect the complexity of the financial products.

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

SOURCE: Chen, J. (2025, May 3). *Consolidation: Meaning, how it works, and example*. Retrieved October 9, 2025, from https://www.investopedia.com/terms/c/consolidation.asp

42. C

Limited profitability. A company's corporate governance is the system by which directors handle their responsibilities toward shareholders. Governance processes can act as a framework for reaching company goals and objectives, as corporate governance is part of nearly all areas of management and strategy, and it greatly impacts decision-making. Therefore, poorly executed corporate governance can result in negative consequences for a business, such as limiting its profitability. Increased ethics, decreased risk, and greater payroll are not typically consequences of poorly executed corporate governance.

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

SOURCE: Chen, J. (2025, September 11). *Corporate governance: Definition, principles, models, and examples.* Retrieved October 9, 2025, from https://www.investopedia.com/terms/c/corporategovernance.asp

43. B

Data must be measured rather than assigned. Benford's Law states that the leading digit (or most commonly occurring digit) in a dataset is likely to be small. Benford's law typically applies to data that fit specific guidelines, including that data must be measured rather than assigned. This is because Benford's law often does not apply to assigned numbers, such as ID numbers, phone numbers, or zip codes. Other guidelines are that data should not be restricted by minimums or maximums, data must be quantitative rather than qualitative, and larger datasets are better than smaller datasets.

SOURCE: NF:124 Demonstrate advanced database applications

SOURCE: Murtagh, J. (2023, May 8). *What is Benford's Law? Why this unexpected pattern of numbers is everywhere.* Retrieved October 9, 2025, from https://www.scientificamerican.com/article/what-is-benfords-law-why-this-unexpected-pattern-of-numbers-is-everywhere/

44. D

The board of directors. The board of directors has the responsibility of protecting shareholders' investments, developing the company's mission and structure, and governing all the activities of the organization. These responsibilities do not belong to company employees, to upper level managers, or even to company lawyers.

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

SOURCE: Chen, J. (2025, May 20). *Board of directors: Definition and role*. Retrieved October 9, 2025, from https://www.investopedia.com/terms/b/boardofdirectors.asp

45. A

Variable. Cost accounting is a form of managerial accounting that looks to capture a company's total cost of production by assessing costs such as variable, fixed, and operating costs. Cost accounting helps businesses make fully informed decisions. Variable costs are costs tied directly to a company's level of production. Operating costs are associated with the day-to-day operations of a business. Fixed costs are costs that don't vary depending on the level of production. Indirect costs are costs that cannot directly be linked to a product.

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

SOURCE: Hayes, A. (2025, February 27). *Cost accounting explained: Definition, types, and practical examples*. Retrieved October 9, 2025, from https://www.investopedia.com/terms/c/cost-accounting.asp

46. A

Regression. Regression and classification are the two types of prediction commonly used in the data mining process. Regression uses existing numerical data to predict other values, such as customer profitability. Classification is used to categorize data based on identified characteristics. Neither algorithm nor futuring is a type of prediction. An algorithm is a formula or set of instructions used to build a data-mining model. Futuring involves predicting events yet to occur. However, the term is not usually associated with data mining.

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

SOURCE: Twin, A. (2025, July 27). *What is data mining? How it works, benefits, techniques, and examples*. Retrieved October 10, 2025, from https://www.investopedia.com/terms/d/datamining.asp

47. D

Insurance market. The insurance market specializes in contracts sold to protect individuals against the risk of financial losses caused by catastrophe and crime. The capital market supports the trade of financial securities such as stocks and bonds. Basic goods or assets such as wheat, coffee, gold, and oil are traded in the commodities markets.

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

SOURCE: Hayes, A. (2025, August 17). *Financial markets: Role in the economy, importance, types, and examples*. Retrieved October 19, 2025, from https://www.investopedia.com/terms/f/financial-market.asp

48. C

Employ captive insurance. Captive insurance is offered by an in-house insurance company for a parent company. Companies often resort to captive insurance policies when they are unable to secure regular insurance against certain risks. Group insurance is a term used for insurance that covers a defined group of people. It would not change the decision of a firm to insure against a certain risk. Offering no insurance would not insure against the risk and, therefore, would not be the best alternative to insure against the risk. Changing industries would not be a better alternative than captive insurance because the company would most likely need to completely restructure.

SOURCE: RM:043 Discuss legal considerations affecting risk management

SOURCE: Kagan, J. (2025, October 5). *What is a captive insurance company?* Retrieved October 10, 2025, from https://www.investopedia.com/terms/c/captive-insurance-company.asp

49. C

Ensure that it is following government regulations. Government regulations affect the way that businesses record and report financial data. To ensure that the business is following all of the regulations, it should conduct a compliance audit. Because a comprehensive compliance audit can detect discrepancies, it can help a business determine what it needs to do to correct a problem so it can comply with regulations. It is unethical and often illegal to manipulate financial data in ways that aim to mislead the audience. Developing efficient production processes and evaluating vendors' performance are not reasons for conducting a compliance audit.

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

SOURCE: Iqbal, A., & Ramos, C. (2023, June 9). *Compliance audit: Definition, types, and what to expect*. Retrieved October 10, 2025, from https://auditboard.com/blog/compliance-audit

50. B

Lean. Lean production, often referred to simply as "lean," is a quality-control method that focuses on maximizing customer value while minimizing waste. Six Sigma is a popular quality-management methodology that relies on a five-step approach to improve any business process. Lean Six Sigma is an offshoot of traditional Six Sigma methodology that nevertheless prioritizes waste elimination. Sustainability is the successful long-term management of an organization's financial, social, and environmental risks, opportunities, and obligations. Licensing involves issuing a government permit that allows an individual or a business to function in the marketplace.

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

SOURCE: Purdue University. (2021, June 7). *Six Sigma vs Lean Six Sigma: What's the difference?* Retrieved October 10, 2025, from https://www.purdue.edu/leansixsigmaonline/blog/six-sigma-vs-lean-six-sigma/

51. D

Credit standards. Businesses establish standards or criteria for determining to whom they should extend credit. Businesses consider many factors such as the customer's credit history, credit score, income, type of purchase, etc. If the customer meets the company's credit standards, Tom is more likely to approve the customer's request for a line of credit. The company's purchasing policies, accounting method, and payment history are not factors that Tom needs to consider when determining if the company should offer the customer a line of credit.

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

SOURCE: Investopedia. (2023, September 28). *Credit criteria: What it is, how it works & how to improve yours*. Retrieved October 10, 2025, from https://www.investopedia.com/terms/c/credit-criteria.asp

52. D

Implement and monitor safety policies. Businesses can take many actions to control their level of risk. Developing, implementing, and monitoring specific safety policies is one way to lower risks associated with accidents in the workplace. Accidents can be costly to the business, especially if it does not carry sufficient comprehensive property insurance to cover these types of situations and the severe injuries that may result. Crime insurance policies protect businesses from losses associated with theft. Health insurance is a benefit that businesses offer to their employees to help offset medical expenses. A business plan is the written business model, which shows how the business works now and how it is intended to work in the future.

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

SOURCE: Kenton, W. (2025, May 31). *What is risk management in finance, and why is it important?* Retrieved October 10, 2025, from https://www.investopedia.com/terms/r/riskmanagement.asp

53. C

Marginal analysis. Marginal analysis is a decision-making tool that can help companies see the benefits and costs of a particular activity. Marginal analysis involves examining the additional benefits of an activity and comparing those benefits to the additional costs of engaging in that same activity. By completing marginal analysis, companies can determine the best course of action to take. SWOT analysis stands for strengths, weaknesses, opportunities, and threats. Businesses use SWOT analysis to determine what they can improve on or take advantage of to increase their chances of success. A product road map outlines the development of a new product from start to finish. A process flow diagram is generally used in engineering to map out various technical processes.

SOURCE: FI:659 Describe marginal analysis techniques and applications

SOURCE: Hayes, A. (2025, June 24). *Marginal analysis in business and microeconomics, with examples*. Retrieved October 10, 2025, from https://www.investopedia.com/terms/m/marginal-analysis.asp

54. D

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

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

SOURCE: Hargrave, M. (2025, September 5). *Understanding the role and duties of the compliance department*. Retrieved October 10, 2025, from https://www.investopedia.com/terms/c/compliancedepartment.asp

55. C

To assess the level of risk involved in investing in the company. The debt-to-equity (D/E) ratio measures the degree to which a company has financed its activities through debt as opposed to using shareholder equity in the company. Typically, a high D/E ratio suggests that the company is a higher risk for investors because a lot of the financing has been done through borrowing. The D/E ratio is a particularly poor metric for evaluating companies in different industries, as standard D/E ratios differ by industry. Other metrics are also better for comparing current and past performance, such as horizontal analyses. The ability of a company to hire more employees could not be determined from its D/E ratio.

SOURCE: FM:014 Demonstrate financial analysis applications

SOURCE: Fernando, J. (2025, June 9). *Debt-to-equity (D/E) ratio formula and how to interpret it*. Retrieved October 10, 2025, from https://www.investopedia.com/terms/d/debtequityratio.asp

56. B

Sunk cost. Sunk costs are costs that are incurred and cannot be recovered. In the situation described, the business spent money to train an employee who quit shortly thereafter. The business will not be able to recoup the training costs because the employee is no longer there to perform the work that they were trained to do. Training is an internal cost. Current assets include things such as inventory, cash, accounts receivable, etc. A capital liability is the responsibility incurred when purchasing a capital asset, such as a building or a piece of equipment. This often involves borrowing a large amount of money to obtain the asset.

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

SOURCE: Hussain, A. (2025, February 27). *What is a sunk cost-and the sunk cost fallacy?* Retrieved October 10, 2025, from https://www.investopedia.com/terms/s/sunkcost.asp

57. D

Property passing directly to the surviving spouse. An estate tax is a tax on the fair-market value of assets that are transferred to another person upon the owner's death. In some situations, beneficiaries can obtain estate-tax deductions. The marital deduction is a deduction that applies when the deceased individual's property passes directly to the surviving spouse. Estate-tax deductions apply to some qualified charitable contributions. Valuable art, collectibles, and money that are left to children, relatives, and friends are not tax-deductible under the estate-tax code.

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

SOURCE: IRS. (2024, October 29). *Estate tax*. Retrieved October 10, 2025, from https://www.irs.gov/businesses/small-businesses-self-employed/estate-tax

58. D

The job can be very stressful. Careers in securities and investments can be very stressful and require long hours. However, since they also tend to be high paying and highly respected, many people think they're worth it.

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

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

59. B

Treasury bills. A financial market is an organized effort or exchange that facilitates the buying and selling of financial assets. There are many types of financial markets, including money markets. Money markets involve the buying and selling of short-term, low-risk financial products such as treasury bills, which are issued by the government. Stocks, agricultural goods (soft commodities), and technology are often high-risk investments.

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

SOURCE: Hayes, A. (2025, August 20). *Money markets: What they are, how they work, and who uses them*. Retrieved October 10, 2025, from https://www.investopedia.com/terms/m/moneymarket.asp

60. A

Fiduciary. A company's board of directors—a group of people chosen to govern the activities of a corporation—makes decisions on behalf of the company as a fiduciary. A fiduciary is an entity that acts on behalf of another, putting that client's interests ahead of its own. A board of directors is responsible for making decisions that will benefit the company and its stakeholders (and not simply themselves). A company's board of directors does not act as the president or the consumers. An actuary is a person who assesses risk.

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

SOURCE: Chen, J. (2025, May 20). *Board of directors: Definition and role.* Retrieved October 10, 2025, from https://www.investopedia.com/terms/b/boardofdirectors.asp

61. D

Fiduciaries. An individual's financial advisors may serve as a fiduciary, and a fiduciary relationship will exist. The fiduciary is responsible for caring for another person's assets and making the decisions regarding an individual's assets. An example of a fiduciary would be a trusted financial advisor, such as an accountant, attorney, or insurance agent. An economist is a person who studies how countries and individuals make economic decisions. A bookkeeper is an individual who analyzes financial transactions, journalizes those transactions, posts the journal entries to ledgers, and balances the books. Although Lucy's accountant may also be her bookkeeper, her attorney and life-insurance agent are not likely to be bookkeepers.

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

SOURCE: Brown, J.H., Yodis, B.A., & Riter, G.M. (2025, August 19). *Choosing the right fiduciary in an estate plan: A decision to shape a legacy*. Retrieved October 10, 2025, from https://www.ballardspahr.com/insights/alerts-and-articles/2025/08/choosing-the-right-fiduciary-in-an-estate-plan-a-decision-to-shape-a-legacy

62. D

Reduce costs. Using compliance technology allows organizations to reduce the costs of compliance. Technology is more efficient, saves time, and can replace expensive labor costs. Compliance technology does not necessarily help organizations improve customer experience, increase staff, or avoid the effects of regulation.

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

SOURCE: RSM. (2023, December 6). *How can technology drive compliance in your organization?* Retrieved October 10, 2025, from https://rsmus.com/insights/services/financial-management/how-can-technology-drive-compliance-in-your-organization.html

63. C

Commercial banks. Commercial banks are the largest institutions to deliver banking services. However, you can also find banking services at savings and loan associations, credit unions, local banks, insurance companies, brokerage houses, and on the internet.

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

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

64. D

Identify data inconsistencies. Audit trails track each step of every financial transaction from inception to completion. Audit trails can uncover mistakes or inconsistencies that might reveal fraudulent behavior. Audit trails do not ensure the efficient use of human resources, analyze customer preferences, or monitor the competition.

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

SOURCE: Vicente, V. (2024, May 10). *What is an audit trail? Everything you need to know*. Retrieved October 10, 2025, from https://auditboard.com/blog/what-is-an-audit-trail

65. A

World Bank Group. The World Bank Group, which includes the World Bank as well as several other international organizations, is an international financial institution that provides financing and advice to impoverished countries to encourage economic development and eliminate poverty. The Small Business Administration is a U.S. government financial institution that provides financial assistance and advice to American small businesses. The Commonwealth of Nations and the Liberty Institute are not financial institutions. The Commonwealth of Nations is an international organization that promotes world peace, democracy, and free trade. The Liberty Institute is an international organization based in the country of Georgia that advocates civil liberties as well as public accountability and effective governance.

SOURCE: FI:336 Describe the role of financial institutions

SOURCE: Kenton, W. (2025, July 1). *What is the role of the world bank?* Retrieved October 10, 2025, from https://www.investopedia.com/terms/w/worldbank.asp

66. B

Keeping client information confidential. Noah has an ethical responsibility to keep client information confidential. His clients will not be able to trust him or build a relationship with him if he doesn't keep their information private. Noah should attempt to build long-term relationships with his clients, but this does not necessarily mean being friends with them. He should give clients objective information. It is important for him to respond to clients' requests promptly, not on his own timeline.

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

SOURCE: Hayes, A. (2025, August 16). *Understanding codes of ethics: Types and their practical uses.* Retrieved October 10, 2025, from https://www.investopedia.com/terms/c/code-of-ethics.asp

67. D

Corporate governance seeks to minimize unethical behavior, reduce risk, and avoid mismanagement. Good corporate governance systems seek to reduce unethical decision-making and decrease the risk of corruption and mismanagement. Corporate governance should not seek to maximize profits at the expense of ethical behavior. Corporate governance should be in place in every organization, regardless of whether the organization consistently acts ethically. Companies with effective corporate governance in place generally make more ethical decisions, not more unethical decisions.

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

SOURCE: Chen, J. (2025, September 11). *Corporate governance: Definition, principles, models, and examples*. Retrieved October 10, 2025, from https://www.investopedia.com/terms/c/corporategovernance.asp

68. B

$1,320. To calculate the future value of a one-year investment, first calculate the earned interest by multiplying the original amount by the interest rate ($1,200 X .10 = $108). Then, the amount of earned interest is added to the original amount to calculate the total value of the investment ($120 + $1,200 = $1,320).

SOURCE: FI:238 Calculate the time value of money

SOURCE: Fernando, J. (2025, October 6). *Time value of money: What it is and how it works*. Retrieved October 10, 2025, from https://www.investopedia.com/terms/t/timevalueofmoney.asp

69. D

Staying in compliance with laws and regulations. Risk management is a business activity that involves the planning, controlling, preventing, and procedures to limit business losses. Risk management deals largely with minimizing the possibility of risk to the ongoing operation of a business. If a business does not comply with laws, then it may be sued or fined, which could result in substantial financial losses or significant disruption to operations. Preparing operational budgets, determining appropriate advertising media, and setting product prices relate to other areas of marketing and management that do not directly involve risk management.

SOURCE: RM:043 Discuss legal considerations affecting risk management

SOURCE: Indeed. (2025, June 9). *5 reasons why compliance is important for a business*. Retrieved October 10, 2025, from https://ca.indeed.com/career-advice/career-development/why-compliance-is-important

70. A

Use a bottom-up approach to budgeting. Budgeting is the process of estimating income and expenses. The bottom-up budgeting approach involves gathering income and expense forecasts from individual departments, divisions, or functions and integrating them into one budget for the entire company. Because manually merging and updating individual budgeting documents or spreadsheets can be very time-consuming, some budgeting software contains applications to automate the budget-consolidation process. The budgeting process is an internal activity that considers external factors (e.g., customer/client buying behavior) during the development process. Businesses of all sizes generate inventory reports.

SOURCE: FM:013 Demonstrate budgeting applications

SOURCE: Paro. (2023, August 24). *How to accelerate the bottom-up budgeting process via automation.* Retrieved October 15, 2025, from https://paro.ai/blog/bottom-up-budgeting-automation/

71. B

$7,111.75. To determine how much you should invest today, calculate the present value of your investment using the formula Present Value = Future Value / (1 + Interest Rate)Number of Years. So, the present value of your investment is equal to $8,000 / (1 + 0.04)3. To solve this equation, first add one to the interest rate (1 + 0.04 = 1.04). Next, raise this sum to the third power, which is the same as multiplying the sum by itself three times (1.043 = 1.04 X 1.04 X 1.04 = 1.1249). Finally, divide the future value of your investment by this product ($8,000 / 1.1249 = $7,111.75). To have $8,000 in three years, you need to invest $7,111.75 today.

SOURCE: FI:238 Calculate the time value of money

SOURCE: Fernando, J. (2025, October 6). *Time value of money: What it is and how it works*. Retrieved October 10, 2025, from https://ca.indeed.com/career-advice/career-development/why-compliance-is-important

72. D

It creates a system of rules that determines how a company operates. Corporate governance refers to the structure of rules, regulations, and processes that are used to manage a company. Corporate governance is important because it creates a system of rules that determines how a company operates. Corporate governance aligns the interests of all—not just some—of its stakeholders. Good corporate governance also leads to ethical business practices, which leads to financial viability and, in turn, can attract investors.

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

SOURCE: Duffy, D. (2025). *What is corporate governance?* Retrieved October 10, 2025, from https://www.thecorporategovernanceinstitute.com/insights/lexicon/what-is-corporate-governance/

73. D

Storage strategies. Businesses are legally required to keep certain types of financial information for a specific period of time. Because many businesses must keep a large amount of financial information, they must consider how to archive, or store, historical information. Businesses often store information on magnetic or optical tapes and disks or a combination of different methods. Because technology is evolving, the types of storage options change, so businesses must keep up with the technology. It is important to keep up with technology because businesses must be able to retrieve archived records in formats that are readable and usable at any given time. Service procedures, monetary exchanges, and production methods will not protect the integrity of archived financial information.

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

SOURCE: Sharma, A. (2023, January 19). *How to ensure data integrity in your organization*. Retrieved October 10, 2025, from https://www.dataversity.net/articles/how-to-ensure-data-integrity-in-your-organization/

74. C

The board of directors. The board of directors rules the company. If the company is in trouble and its profits are going down dramatically, the board of directors may step in and develop a plan to guide the company. Shareholders elect the board of directors. The treasurer and managers would not be in charge of making new plans.

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

SOURCE: Chen, J. (2025, May 20). *Board of directors: Definition and role*. Retrieved October 10, 2025, from https://www.investopedia.com/terms/b/boardofdirectors.asp

75. B

A sizable financial loss for the company. An important aspect of risk management is anticipating areas of potential loss and taking steps to prevent the loss from occurring. Because the business failed to correct a wrong, it experienced a sizable financial loss because it had to compensate its customers for their injuries. Although it is costly to implement a product recall, a recall would likely have cost the business less money than going through litigation and compensating the injured parties. The lack of an effective risk-management program did not cause a higher demand for more innovative products, affect the company's property insurance, or prompt employees to complain about working conditions.

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

SOURCE: Indeed. (2025, June 6). *What is ethical management? (Plus benefits and examples)*. Retrieved October 10, 2025, from https://www.indeed.com/career-advice/career-development/what-is-ethical-management

76. C

Guiding decision-making. One activity of the financial information management function is to provide accurate financial reports so that managers can make sound decisions about business activities. For instance, managers use the financial reports to make decisions about how to use or reallocate money to operate more efficiently. The reports are not being used to ensure compliance. There is not enough information provided to determine if the managers want to improve customer service or track purchasing behavior by reallocating funds to different departments or business activities.

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

SOURCE: Martinez, Z. (2025, February 27). *How to improve your financial decision-making?* Retrieved October 10, 2025, from https://www.paystand.com/blog/financial-decision-making

77. C

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

SOURCE: FI:274 Describe sources of securities information

SOURCE: Hayes, A. (2025, July 15). *Shareholder equity (SE): What it is and how it is calculated*. Retrieved October 10, 2025, from https://www.investopedia.com/terms/s/shareholdersequity.asp

78. D

A risk inventory. A risk inventory is a listing of all of an organization's critical enterprise-wide risks. A risk assessment is a tool used in risk management, but it does not necessarily list a company's every critical enterprise-wide risk. Enterprise risk management allows a company to plan, organize, lead, and control the risk at every level of an organization. A risk control is a tactic to mitigate a perceived risk.

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

SOURCE: Andales, J. (2025, September 17). *How to perform a risk assessment*. Retrieved October 10, 2025, from https://safetyculture.com/topics/risk-assessment

79. B

Analyze and visualize results. Data mining refers to the process of sorting through large raw data sets to identify patterns, relationships, and useful information. When interpreting data mining results, you should start by defining goals and metrics, followed by exploring and preprocessing data. The next step is to choose and apply data mining techniques. Then, once data mining techniques have been applied to your data, you will analyze and visualize your results. This is done by checking the validity, reliability, and significance of data, and by using graphs, charts, tables, or maps to display findings in a clear way. The final step of interpreting data mining results is to communicate and act on your results.

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

SOURCE: Twin, A. (2025, July 27). *What is data mining? How it works, benefits, techniques, and examples*. Retrieved October 10, 2025, from https://www.investopedia.com/terms/d/datamining.asp

80. C

Allocating costs. Cost allocation is the process of assigning costs to cost objects, such as projects, departments, or regions. Jamila is allocating the cost of the email platform to the marketing department. Jamila is not performing marginal analysis, eliminating sunk costs, or performing cost-benefit analysis.

SOURCE: FI:663 Discuss the nature of cost allocation

SOURCE: Indeed. (2025, June 6). *What is cost allocation? (Definition, method, and examples)*. Retrieved October 10, 2025, from https://www.indeed.com/career-advice/career-development/allocating-costs

81. D

Accumulating data on costs and profits. Managerial accountants provide valuable assistance and information to management and conduct many types of financial analyses. Accumulating data on costs and profits is one of many ways they do this, and they explain the findings of their analyses to management so that management can make informed financial decisions. Managerial accountants typically do not hire or train employees. Managerial accountants do not have the power to set competitive product or service prices. Rather, they can provide information to help managers do so. Managerial accountants' work is not typically released to the public because managerial accountants are strictly internal accountants.

SOURCE: FI:660 Explain the nature of managerial accounting

SOURCE: Tobin, J.M. (2025, September 26). *Certified management accountant (CMA) certification.* Retrieved October 10, 2025, from https://www.accounting.com/certifications/certified-management-accountant/

82. D

Professional association. Active participation in a professional organization specific to the finance industry allows finance professionals to serve on committees, hold offices, and attend seminars with other local finance professionals. This involvement may result in long-term professional relationships for the participants. Credit unions are institutions that provide savings and loan services—joining a credit union makes a person a part-owner, but it does not necessarily build relationships with other finance professionals. Joining a political party or sports team may help build relationships with like-minded individuals, but not necessarily those in the same career field.

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

SOURCE: Indeed. (2025, March 28). *Why you should become a member of a professional group*. Retrieved October 10, 2025, from https://ca.indeed.com/career-advice/career-development/why-you-should-become-member

83. A

Remain steady throughout all phases. The business cycle affects the stock prices of various industries in different ways. The demand for the products of non-cyclical industries (e.g., food, beverage, tobacco, healthcare) tends to remain consistent throughout all phases of the business cycle. Therefore, the stock performance of non-cyclical industries tends to remain steady throughout all stages of the business cycle, as well. Changes in the business cycle tend to affect the stock prices of other industries, including energy and capital goods. The energy sector (e.g., oil) is affected by the global supply and demand, which influences energy stock performance. Historically, energy stocks tend to perform best late in the business cycle. Capital goods stocks tend to perform well during the expansion phase of the business cycle because businesses are expanding and buying equipment.

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

SOURCE: Investopedia. (2025, March 16). *Cyclical vs. Non-cyclical stocks: What's the difference?* Retrieved October 10, 2025, from https://www.investopedia.com/articles/00/082800.asp

84. D

The economy's output decreases. When the unemployment rate is high, the economy's output decreases. When people are unemployed, they and their families have less disposable income and lower purchasing power. This means that unemployed workers spend far less than employed workers with a steady income, as unemployed workers have less money to spend. As a result, the nation as a whole loses its contribution to the economy in terms of buying goods and services. Unemployment also affects those workers who are still employed, as they may be concerned about losing their jobs, feel guilty for having a job when their former co-workers are out of work, or even feel lucky to have kept their jobs. In this way, unemployment hurts employee morale.

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

SOURCE: Picardo, E. (2024, September 19). *How the unemployment rate affects everybody*. Retrieved October 10, 2025, from https://www.investopedia.com/articles/economics/10/unemployment-rate-get-real.asp

85. B

Stock volatility. Investors can assess stock volatility by analyzing the 52-Week HI/LO column in the stock table. This column indicates the highest and lowest prices paid during the past year. If the range between the lowest and highest prices is large, then the stock's price has risen or fallen sharply in the past year, making it a volatile, riskier stock. The rate of return or yield is determined by dividing the dividend by the actual closing price and is expressed as a percentage. The dividend is the dollar amount the investors earn on a share of stock. Previous close indicates the stock's closing price for the previous day.

SOURCE: FI:275 Interpret securities table

SOURCE: Hayes, A. (2025, May 11). *Volatility: Meaning in finance and how it works with stocks*. Retrieved October 10, 2025, from https://www.investopedia.com/terms/v/volatility.asp

86. D

Costs of actions taken to manage risks or opportunities associated with climate change. Many pieces of financial information are needed in a sustainability report. One example is the costs of any actions that the company has taken to manage risks or opportunities posed by climate change. The percentage of senior management hired from the local community, the economic development in areas of high poverty, and the percentage of recycled materials used in manufacturing are all important aspects of a sustainability report, but are not related to financial information.

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

SOURCE: Thompson, C. (2025, September 12). *Understanding the global reporting initiative: GRI standards and benefits.* Retrieved October 10, 2025, from https://www.investopedia.com/global-reporting-initiative-7483127

87. D

Profitability. Profit is the money remaining after total costs (e.g., all materials, production, storage) are deducted from total revenue. A company may analyze the profitability of a specific product to determine if it is generating the desired level of revenue for the company. If the product is not generating the desired profit, the company may determine that it needs to increase the product's selling price or drop the item from its product line. Liquidity is a measure that indicates a business's ability to use or convert assets into cash to meet short-term obligations. Stockturn is the number of times stock is sold in a given period of time. Market value is the price at which an asset would sell in an auction setting.

SOURCE: FM:014 Demonstrate financial analysis applications

SOURCE: Bloomenthal, A. (2025, June 17). *Financial ratio analysis: Definition, types, examples, and how to use*. Retrieved October 10, 2025, from https://www.investopedia.com/terms/r/ratioanalysis.asp

88. A

Higher risk associated with international investing. Home bias refers to an investor's preference to invest mainly in domestic equities while ignoring the benefits of diversifying into foreign equities. There are several factors that can lead an investor to favor domestic investments. One of these factors is that there is a higher risk associated with international investing. This is because investors with home bias tend to stick with investments with which they're familiar and comfortable. Other factors that can lead an investor to develop a home bias include greater availability of domestic investments, unfamiliarity with foreign markets, lack of transparency, and greater barriers to entry in foreign markets, among others. Less availability of domestic investments, better familiarity with foreign markets, and fewer barriers to entry in foreign markets are not reasons an investor may develop a home bias.

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

SOURCE: Chen, J. (2022, May 17). *Home bias: What it is, how it works, special considerations*. Retrieved October 10, 2025, from https://www.investopedia.com/terms/h/homebias.asp

89. B

Maintaining security software. There are many ways businesses can effectively safeguard important financial information. One of the best ways to do so is to maintain security software, meaning that all internet-enabled devices should be equipped with strong, updated security software that regularly checks for harmful activity with the use of firewalls, antivirus protection, and more. Companies should regularly update their devices and security software. Companies should encourage employees to use strong, complex passwords rather than simple passwords. Companies should use private Wi-Fi networks when possible. But if they need to use public networks, they should never allow for personal or financial information to be shared.

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

SOURCE: Krystian, M. (2025, April 9). *Software security: What it is & best practices*. Retrieved October 10, 2025, from https://www.rippling.com/blog/software-security

90. D

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

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

SOURCE: Kagan, J. (2024, October 29). *Gift tax: What it is and how it works*. Retrieved October 10, 2025, from https://www.investopedia.com/terms/g/gifttax.asp

91. C

Decrease. Economic factors such as the unemployment rate can affect stock prices. If trends indicate a rise in unemployment rates, the economy may be heading into a recession. In this situation, individuals are often fearful about losing their jobs and are likely to hold onto their money rather than invest it. They may also sell their stock in anticipation of needing the money for living expenses. Businesses often react the same way--they may hold onto their funds until the economy rebounds before making major investments. All these factors can cause the value of stocks to decrease.

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

SOURCE: Investopedia. (2025, July 16). *Economic indicator: Definition and how to interpret*. Retrieved October 10, 2025, from https://www.investopedia.com/terms/e/economic_indicator.asp

92. B

Unable to obtain by themselves. Financial professionals provide many types of services that clients may be unable to obtain by themselves. For example, financial professionals analyze financial data and are able to provide information about the strength and safety of various products. Clients often do not have the ability to track the growth of these products and rely on professionals for guidance and advice. Finance professionals do not provide clients with services that clients usually are not willing to purchase, are incapable of understanding, or are convinced they do not need.

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

SOURCE: Gratton, P. (2025, February 25). *What does a financial advisor do?* Retrieved October 10, 2025, from https://www.investopedia.com/articles/personal-finance/050815/what-do-financial-advisers-do.asp

93. A

Planned; actual. A variance analysis assesses the difference between two figures. It helps businesses maintain control over a project's expenses by monitoring planned (or budgeted) costs versus actual costs. A business may conduct a variance analysis for a project to determine if it needs to adjust goals, objectives, or strategies. Monitoring past, indirect, and fixed costs is not the main purpose of a variance analysis.

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

SOURCE: Indeed. (2025, September 23). *Variance analysis: Definition, types, formulas and examples.* Retrieved October 10, 2025, from https://www.indeed.com/career-advice/career-development/variance-analysis

94. A

Risk modeling. Risk modeling is a process of simulating various outcomes based on historical data, probability distributions, and expert predictions. In this example, Stark Enterprises is engaging in risk modeling--not data mining (the process of examining large sets of data to determine patterns or correlations), safety modeling, or disaster prevention.

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

SOURCE: Lee, J. (2024, July 2). *The ultimate guide to risk modeling*. Retrieved October 10, 2025, from https://www.experian.com/blogs/insights/the-ultimate-guide-to-risk-modeling/

95. C

Conducting finance seminars. Holding seminars or workshops for individuals or small business owners provides financial planners with new business contacts and opportunities to network. Networking can help financial planners further their professional goals because they often obtain advice from other professionals, as well as gain referrals and clients. Providing money to charities, taking online classes, and reviewing educational requirements are activities that do not always involve contact with others; therefore, networking opportunities are less likely to occur.

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

SOURCE: Willis, S. (2024, June 6). *5 things to expect from a standard financial planning seminar*. Retrieved October 10, 2025, from https://www.apsitaxes.com/blog/what-to-expect-from-standard-financial-planning-seminars

96. A

Minimize, risk. Insurance companies sell insurance policies. An insurance policy is a contract that states that the insurer (the insurance company) will pay for specified losses incurred by an individual or another company (policyholder) in return for installment payments (premiums). The purpose of purchasing insurance policies (e.g., life, property, professional liability, etc.) is to protect the policyholder's assets and minimize financial losses associated with various risks (e.g., death, fire, and malpractice). By minimizing the policyholder's financial losses, the insurance company is providing a product that protects the policyholder's assets. Many insurance companies now provide financial products (e.g., investments), which are designed to build wealth. The primary purpose of insurance companies is not to provide insurance products that increase the policyholder's profitability but to protect the policyholder from financial losses.

SOURCE: FI:336 Describe the role of financial institutions

SOURCE: Thangavelu, P. (2021, June 9). *Insurance companies vs. banks: What's the difference?* Retrieved October 10, 2025, from https://www.investopedia.com/articles/personal-finance/070715/insurance-companies-vs-banks-separate-and-not-equal.asp

97. D

Economic and social development of previously undeveloped nations. When international investors are attracted to an undeveloped country's expanding workforce, that country is able to make the economic and social changes necessary to become a modern, industrialized society. Financial globalization results in increased connectivity among countries across the globe, not decreased connectivity. Financial globalization results in greater prosperity among underdeveloped nations and allows previously developed nations to expand into new markets. It does not result in economic and social decline among previously developed nations. Financial globalization results in greater financial competition among nations, not less financial competition.

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

SOURCE: Hall, M. (2023, August 15). *How globalization impacts international investments and economics*. Retrieved October 10, 2025, from https://www.investopedia.com/ask/answers/022615/what-effect-has-globalization-had-international-investments.asp

98. B

Product safety. Businesses risk financial losses and damaged reputations when they use lower-quality goods and materials. In the example, the manufacturer used low-quality parts that affected the performance and safety of the car engine. When car engines catch on fire and people are injured, the manufacturer may be legally required to pay damages to the injured parties. The risks in the example are not associated with domestic trade, service quality, or trade secrets.

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

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

99. B

Retained earnings. The retained earnings component of an equity statement reflects the income earned and kept by the company. Dividends are payments made to shareholders. If a company decides not to pay dividends, then that money would be considered retained earnings. Outstanding shares and treasury stock are other components of an equity statement, but they are not affected if dividends are not paid. Cash flow is not a recognized label on an equity statement.

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

SOURCE: Hayes, A. (2025, July 15). *Shareholder equity (SE): What it is and how it is calculated*. Retrieved October 10, 2025, from https://www.investopedia.com/terms/s/shareholdersequity.asp

100. C

Convergence. Convergence in the finance industry typically involves the merging of financial providers from different financial sectors, such as a retail bank merging with an insurance company. As a result of the merger, the new, larger organization may choose to replace each company's legacy accounting system with one new enterprise planning system for all of its operations--both banking and insurance. Convergence often results in increased capital liquidity. Bancassurance is the sale of insurance products by a retail/business bank, not the merger of an insurance company and a bank. Not enough information was provided to determine if the enterprise planning system encompasses knowledge management.

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

SOURCE: Thomas, G. (2025, May 22). *Industry convergence*. Retrieved October 10, 2025, from https://dealhub.io/glossary/industry-convergence/