Competency-Based
Competitive Events
Written Exam

Test Number 1343
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. Lynbark holds a portfolio of stocks and mutual funds. If the Federal Reserve cuts interest rates to trigger an economic expansion, what is the most likely impact on the value of Lynbark's investments?
   A. Become more volatile
   B. Remain at the same value
   C. Decrease in value
   D. Increase in value

2. Corey recently accepted a position with a government agency. Before he officially starts, though, he is required to sign a non-disclosure agreement (NDA). Why might the government agency require Corey to sign an NDA?
   A. To protect its proprietary information
   B. To ensure Corey is loyal to the agency
   C. To limit Corey's access to confidential information
   D. To prevent Corey from joining another company

3. Suppose Mac receives a laptop from his company to use at work. The laptop would be considered a(n)
   A. industrial good.
   B. consumer good.
   C. consumer service.
   D. industrial service.

4. Sarah opened a credit card with a $500 limit. After spending the full amount, she paid back half of the balance. She noticed that her available credit increased by the amount of her payment. What type of credit is Sarah using?
   A. Regular
   B. Budget
   C. Revolving
   D. Installment

5. Alonzo, a mortgage lender, is reviewing a customer's financial documents to determine if they qualify for a home loan. He calculates the percentage of the customer's monthly earnings that goes toward paying credit card bills and student loans. Which analysis technique is Alonzo using?
   A. Debt-to-income (DTI) ratio analysis
   B. Trend analysis of historical spending
   C. Horizontal analysis of asset growth
   D. Benford's Law digital analysis

6. Creon Technologies is performing an environmental scan to prepare for the upcoming year. Which of the following activities best illustrates this process:
   A. Counting office supplies currently stored in the warehouse
   B. Reviewing last month's employee attendance records
   C. Researching the popularity of a competitor's new app
   D. Organizing a company party to improve employee morale

7. Suppose Olivio has had a lump sum invested in stocks for the past six months and a day. He has accrued some profit, but the investment is unlikely to grow in the next year. Olivio does not need the money right away and does not want to reinvest it. What should Olivio do to maximize his profit in the least amount of time?
   A. Wait six months to withdraw the investment.
   B. Withdraw the investment immediately.
   C. Withdraw the investment incrementally over the next year.
   D. Wait a year to withdraw the investment.

8. How do corporate governance processes increase accountability throughout an organization?
   A. By replacing the board of directors with first-year employees
   B. By clearly defining the responsibilities of all members
   C. By ensuring internal financial reports remain confidential
   D. By giving a single executive officer all financial power

9. Which of the following actions best illustrates a company implementing an external risk control strategy:
   A. Agreeing with a bank to swap variable-rate interest payments for fixed-rate payments
   B. Enforcing strict limits on the amount of inventory held in the warehouse
   C. Creating a segregation of duties policy so that no single employee can approve payments
   D. Requiring employees to complete ongoing security awareness courses

10. Corella works in the compliance department, developing and executing employee training on laws, regulations, and internal procedures. She handles the ___________ responsibility of the compliance department.
    A. correction
    B. monitoring and detection
    C. identification
    D. prevention

11. A company decides to move its accounting records to a cloud-based system. What is the most likely risk the company needs to manage?
    A. The inability to perform complex calculations
    B. The risk of automatic error reporting to the IRS
    C. The threat of a cybersecurity breach
    D. The permanent loss of historical financial data

12. Which of the following is an example of constructive criticism given using the feedback sandwich method:
    A. “Nobody was paying attention to you while you spoke because your slides were boring. You should have had more color and less text.”
    B. “Your speech was boring and nobody could understand what you were saying. You need to speak up or nobody will listen to you.”
    C. “I was bored during the first half of your presentation, but the second half was pretty good. You should have included more photos in your slides.”
    D. “You spoke loudly and clearly, but you could improve your eye contact. If you look at your audience more, your speech will be very effective.”

13. Emerging market economies offer investors opportunities for immense growth, but may carry the disadvantage of
    A. increased globalization.
    B. instability or volatility.
    C. reliance on the stock market.
    D. high liquidity or growth.

14. Which of the following assets is traded on the derivatives market:
    A. Treasury bills
    B. Corporate bonds
    C. Common stock
    D. Options

15. Which of the following activities provides the most strategic opportunity for a finance professional to build a network of industry contacts:
    A. Declining invitations to local Chamber of Commerce events
    B. Participating in an internal company-wide recreational club
    C. Attending a national conference for finance professionals
    D. Enrolling in a self-paced technical skills course

16. L. P. Mulligan, a large retail bank, merges with Great Nation, a health insurance company, and sells customers bundled finance and insurance products. This convergence strategy is called
    A. monopolization.
    B. hostile takeover.
    C. bancassurance.
    D. cutting corners.

17. What piece of legislation established strict federal requirements for the integrity, preservation, and internal reporting of corporate financial records?
    A. Dodd-Frank Act
    B. Sarbanes-Oxley Act
    C. Gramm-Leach-Bliley Act
    D. Glass-Steagall Act

18. Jamila, a portfolio manager, is halfway through a long-term investment strategy when a change in interest rates shifts market conditions. Instead of sticking to the original plan, Jamila adjusts the asset allocation to protect the company’s capital. Which characteristic of creativity is she demonstrating?
    A. Independence
    B. Passion
    C. Flexibility
    D. Ambiguity

19. As part of its budgeting process, Gnome Center develops a static budget based on an anticipated sales volume of 10,000 units. If the company actually sells 15,000 units, why would the static budget be an ineffective tool for assessing how well the company controlled its variable costs?
    A. It focuses on historical data rather than current trends.
    B. It ignores the depreciation of machinery used in production.
    C. It fails to capture the impact of fixed costs.
    D. It does not adjust for changes in activity levels.

20. Nomad Noodle Bar's sales are strong, but it's not making as much profit as the business needs. Upon review of the restaurant's financial information, the manager discovers that its prices are too low and its costs are too high. How can Nomad Noodle Bar boost its profits?
    A. Raise its prices
    B. Renovate its kitchen
    C. Spend more on ingredients
    D. Expand to another location

21. Which of the following scenarios best illustrates how effective purchasing decisions can directly increase a company's profit:
    A. Lanie buys a significantly larger quantity of an unpopular coffee brand to sell at her cafe.
    B. Bart purchases toppings that are 25% more expensive for his pizza shop, but he keeps the retail price of his pizzas the same.
    C. Nicole finds a supplier to provide the same quality tools for her landscaping company at a 15% lower price than her current supplier.
    D. George sells one of his older delivery vans to save up money for a nicer, more efficient delivery van.

22. After several quarters of windfall profits, executive leadership at Cove Industries has decided to acquire a rival company. What type of form should the company file to quickly inform investors of this major decision?
    A. Form 13-D
    B. Form 10-K
    C. Form 8-K
    D. Form 10-Q

23. Almaz, an accountant, was just assigned a new client, but she realizes she already owns stock in one of the client's companies. To maintain professional objectivity and integrity, what should she do?
    A. Continue the assignment if she promises not to let her bias affect the work
    B. Liquidate her investments without informing her firm of the prior connection
    C. Transfer her investments to a friend to bypass independence rules
    D. Disclose the connection and remove herself from the assignment

24. Anastasia is evaluating whether to increase production for a popular children's toy. She performs a contribution margin analysis to determine how each additional unit affects profitability. Anastasia is performing __________ accounting.
    A. tax
    B. financial
    C. managerial
    D. forensic

25. How do employees benefit from having a role in achieving governance objectives?
    A. It removes the requirement to report unethical behavior.
    B. It increases their sense of purpose.
    C. It ensures they will be promoted.
    D. It allows them to bypass more difficult tasks.

26. Which of the following is a direct consequence of poorly executed corporate governance:
    A. The company's credit rating upgrades.
    B. The company becomes more transparent.
    C. The company reports on its finances more frequently.
    D. The company's investor confidence decreases.

27. Linus is approached by a neighbor concerning a "great wealth-building opportunity," which involves selling products and recruiting new members. Linus would receive monthly dues from each member he recruits and pay dues to his own recruiter. Linus is likely being recruited to a(n)
    A. predatory lending scheme.
    B. callable CD scam.
    C. annuity scam.
    D. pyramid scheme.

28. Which of the following actions is most likely to require a company to adopt a more formal governance structure:
    A. Transitioning from a private company to a public one
    B. Switching from a bi-weekly to a monthly payroll cycle
    C. Migrating customer data to a centralized cloud server
    D. Increasing the annual budget for local marketing initiatives

29. Every year, Everest Peak Holdings conducts a formal internal audit of the company's management processes. What is the primary reason the company would choose to do this?
    A. To guarantee that the company's stock price will increase in the next fiscal quarter
    B. To ensure its governance practices are sound and any issues are addressed
    C. To report lower profit margins and eliminate the need for future taxes
    D. To investigate suspicious activity by members of the company's board of directors

30. How does customer relationship management (CRM) technology improve productivity overall?
    A. It makes business processes more enjoyable for employees and customers.
    B. It allows customers to make complaints and give feedback.
    C. It provides a single hub for customer data organization and analysis.
    D. It instructs new employees on how to perform their jobs efficiently.

31. How do company bylaws help establish a governance structure?
    A. They establish dress codes and vacation request procedures.
    B. They outline decision-making processes and protect shareholder rights.
    C. They attract new customers and increase sales.
    D. They list all local laws the company must follow to avoid paying federal taxes.

32. Which of the following best illustrates a social factor that might influence a teenager's decision to buy a specific brand of sneakers:
    A. Needing protective footwear while running and hiking
    B. Receiving a recent increase in a weekly allowance
    C. Believing comfort is more important than style
    D. Seeing influencers wearing the brand on social media

33. Which of the following is a key function of financial information management:
    A. Quality control
    B. Budget allocation
    C. Staff training
    D. Market research

34. Beth often discusses politics with a classmate who has very different opinions from hers. As a result, Beth finds that it is becoming easier to consider other people's perspectives. By considering viewpoints she disagrees with, Beth is
    A. proving others wrong.
    B. becoming more empathetic.
    C. becoming less empathetic.
    D. proving her intelligence.

35. A construction firm wins a contract to build a municipal stadium. The project requires significant upfront expenditures for raw materials and specialized labor, while the city will not issue progress payments for the first 90 days. Which budget should the firm utilize to ensure it maintains sufficient liquidity to meet its immediate obligations?
    A. Operating budget
    B. Cash flow budget
    C. Flexible overhead budget
    D. Static master budget

36. Xinyi owns a landscaping company and budgets 24 hours of labor over three days for a renovation project. Upon completion, Xinyi finds that the project required 36 hours of labor over a four-day period. Reviewing this variance primarily helps Xinyi to
    A. draft a code of ethics to guide employees.
    B. promote the company's quick and efficient service.
    C. reevaluate the estimated time and labor for a project.
    D. negotiate a lower price for landscaping equipment.

37. The Potbelly Corporation distributes a portion of its fiscal year profits to shareholders. How will these payments be represented in the company's statement of equity?
    A. Deducted from "Opening Balance"
    B. Deducted from "Withdrawal of Capital"
    C. Added to "Other Losses"
    D. Added to "Dividends"

38. Lochlan tends to be in a bad mood when he comes home from work. He deduces that it's because he hates driving during rush hour. The next day, he decides to take the bus home instead and discovers he is in a much better mood when he arrives home. Which technique for developing self-control did Lochlan utilize?
    A. The reward technique
    B. Stimulus control
    C. Alternate behaviors
    D. Extinction

39. Which of the following assets is traded on a commodities market:
    A. Oil futures
    B. Preferred stock
    C. Mutual funds
    D. Municipal bonds

40. Which of the following actions would be completed with the help of a financial institution:
    A. Choosing new vendors
    B. Obtaining a mortgage
    C. Hiring new employees
    D. Filing a police report

41. Lumina Nexus decides to expand its product line into a new, highly competitive market. The risk that this venture will fail due to poor competitive positioning is categorized as which type of risk associated with enterprise risk management (ERM)?
    A. Strategic
    B. Compliance
    C. Hazard
    D. Financial

42. A company's equity statement gives stakeholders insight into
    A. estimated future earnings and investments.
    B. changes to investments in the business.
    C. estimated future revenue and costs.
    D. changes to the company's income.

43. A key difference between financial accounting and managerial accounting is that financial accounting __________ historical financial data and managerial accounting __________ financial data to forecast future performance.
    A. creates; distributes
    B. records; interprets
    C. interprets; records
    D. distributes; creates

44. Melissa is searching for a financial product that will keep her money safe, accrue interest over time, and still allow her to access capital whenever necessary. What kind of financial product should Melissa choose from a commercial bank?
    A. Checking account
    B. Annuities
    C. Certificate of deposit
    D. Savings account

45. Recent financial data show a slump in gross domestic product (GDP) and a slowdown in hiring over the year. These are indications of an economic
    A. trough.
    B. contraction.
    C. expansion.
    D. peak.

46. Ronaldo is a stockbroker who receives an order from a wealthy client to sell a significant amount of stock from a particular firm. Realizing the order may trigger others to sell, Ronaldo sells all his stock of the company before executing the order. Ronaldo is engaging in
    A. shadow trading.
    B. tipping.
    C. front-running.
    D. misappropriation.

47. To ensure every employee understands the organization's ethical requirements, leadership should prioritize
    A. automating financial audit processes.
    B. scheduling town hall meetings with shareholders.
    C. implementing a formal code of conduct.
    D. creating detailed job descriptions.

48. Which of the following stressors is characterized by unfriendly coworkers, mean managers, and an unorganized workspace:
    A. Heavy/unrealistic workload
    B. Low salary
    C. Unpleasant work environment
    D. Non-work issues

49. One ethical consequence of a company having poor risk management is that it
    A. may not be able to follow through on its code of ethics.
    B. will follow its code of ethics at the expense of customers.
    C. may be unable to generate enough revenue to make a profit.
    D. will have no basis for a code of ethics or ethical behavior.

50. Leo is a server at a restaurant and notices that the dishwasher is broken. Instead of telling his shift supervisor, Leo goes directly to the restaurant's owner to complain. Why is this considered a failure to follow the chain of command?
    A. Leo's supervisor was bypassed, who is responsible for daily operations.
    B. Restaurant servers are not allowed to speak to any employees above them.
    C. Broken equipment should only be reported to local law enforcement.
    D. The restaurant owner is the only person who can fix the machinery.

51. Stratton-Oakley Dynamics is looking for a new investment partner for a major expansion. The Chief Financial Officer (CFO) decides to reach out to a contact they met at a conference for advice and recommendations. The benefit of this professional relationship is that it
    A. provides the CFO access to valuable industry information.
    B. eliminates the need for the company to perform an external search.
    C. gives the company an exclusive advantage competitors can't replicate.
    D. allows the CFO to bypass legal regulations.

52. What is a primary benefit of personal goal setting?
    A. Guarantees you will never fail
    B. Allows you to avoid doing difficult tasks
    C. Provides a clear sense of direction
    D. Decreases the need for hard work

53. Companies can use cost accounting data to set a budget and measure the results. This process allows the company to
    A. identify variances and improve efficiency.
    B. report more accurate data to external parties.
    C. eliminate liabilities and reduce taxes.
    D. comply with financial government regulations.

54. Amos is a financial advisor who accepts gifts and meals from an investment firm representative. Because Amos frequently recommends that firm's products to his clients, his relationship with the firm may represent a(n)
    A. dysfunctional relationship.
    B. coincidence of interest.
    C. illegal relationship.
    D. conflict of interest.

55. Lugard is tracking the performance of his company's stock over the past month. The stock's moving average lines are trending up, while its relative strength line is trending down. What do these indicators suggest?
    A. The stock's value is rising faster than the broader market.
    B. The stock's value is decreasing faster than the broader market.
    C. The stock's value is decreasing, but more slowly than the broader market.
    D. The stock's value is rising, but more slowly than the broader market.

56. Henley Firm commits to reducing carbon emissions by 50% over the next five years. In its latest sustainability report, the company lists the environmental goals alongside its financial data. What is the main reason for combining this information?
    A. To provide a justification for increasing product prices
    B. To shift carbon reduction accountability to the consumer
    C. To quantify the financial risks and investment costs
    D. To satisfy federally mandated financial regulations

57. Indira, the owner of a hardware store, is conducting a benchmarking analysis to evaluate her store's financial performance against industry leaders. What is the primary strategic benefit Indira gains by performing this external comparison?
    A. It lowers the necessity for management to set annual goals.
    B. It identifies operational weaknesses and opportunities for improvement.
    C. It masks internal inefficiencies from the store's shareholders and investors.
    D. It prevents competitors from entering the same local hardware market.

58. At its core, the nature of business operations is best described as
    A. transforming resources.
    B. promoting products.
    C. hiring personnel.
    D. tracking profits.

59. A new type of combination refrigerator-oven hits the market and is very popular with consumers. How might this benefit business overall?
    A. Traditional appliance manufacturers will go out of business.
    B. The innovation will lead to the creation of a new monopoly.
    C. Consumer spending on all other goods will decrease dramatically.
    D. The innovation will lead to the creation of new companies.

60. Which of the following information sources would be the most reliable for investors:
    A. Financial statements
    B. The Wall Street Journal
    C. Letter to the shareholders
    D. Social media posts

61. Which of the following are fund managers typically responsible for:
    A. Evaluating insurance applications and analyzing risk
    B. Overseeing a company's finances and managing capital
    C. Giving loans and being knowledgeable about lending products
    D. Implementing investing strategies and overseeing portfolios

62. Shiloh is checking for fraud in a company's records. He counts how often each number (1-9) appears as the first digit in the expense reports. According to Benford's Law, which of these results would indicate that the data may have been manipulated?
    A. The number 2 appears as the first digit significantly more often than the number 8.
    B. The numbers 1 through 9 appear as the first digit with nearly equal frequency.
    C. The number 1 appears as the first digit about 30% of the time.
    D. The frequency of leading numbers decreases consistently as they move from 1 to 9.

63. The board of directors' role within a company is to
    A. manage daily operations.
    B. set the organization's overall strategic direction.
    C. conduct performance reviews for mid-level management.
    D. audit the financial statements of competitors.

64. Avery is looking to buy stocks as a long-term investment. One stock chart's relative strength line has been trending upward over the past year. What does this indicate?
    A. The stock is outperforming the market.
    B. The stock market is volatile.
    C. The stock market is stable.
    D. The stock is underperforming the market.

65. Which of the following income statement categories is determined by subtracting the cost of goods sold from the revenue:
    A. Gross profit
    B. Earnings per share
    C. Operating expenses
    D. Net income

66. Which of the following is the most significant contribution of big data analytics and artificial intelligence (AI) to financial risk management:
    A. The shift toward subjective measures over objective data for risk assessment
    B. The standardization of paper-based legal documents across the financial industry
    C. The elimination of human judgment in investment decisions
    D. The ability to run predictive models to anticipate risk exposure

67. Compliance is highly emphasized in the finance and banking industry. One reason for this is that compliance
    A. helps financial institutions remain stable.
    B. proves a bank is capable of handling money.
    C. is a form of federal punishment for banks.
    D. helps financial institutions remain volatile.

68. What is a primary benefit for a company that consistently provides accurate and transparent financial reports?
    A. It allows the company to bypass its annual independent audits.
    B. It helps the company lower its corporate tax obligations.
    C. It builds trust with investors and makes it easier to raise money.
    D. It replaces the requirement for continuous ethics training programs.

69. Jumping Bean Bounce Houses realizes that cleaning a waterslide takes more time and supplies than cleaning a standard bounce house. To account for this, it charges $100 for waterslide cleaning and $50 for bounce houses. What is the main benefit of using this activity-based costing (ABC) approach?
    A. It provides a more accurate representation of each rental's profitability.
    B. It allows the company to distribute the cleaning cost across all rentals.
    C. It lowers the total amount the company spends on cleaning supplies.
    D. It prioritizes total rental volumes over individual product profit margins.

70. One key challenge of using customer relationship management (CRM) technology is
    A. that artificial intelligence makes CRM redundant.
    B. discerning useful and superfluous information.
    C. convincing customers that CRM is useful.
    D. that it reduces opportunities for customer interaction.

71. Due to fluctuations in the global economy, market prices in a country drop significantly. At the same time, the government expands services in the public sector. Which of the following is the government likely to do in response to dropping prices:
    A. Implement price controls
    B. Decrease borrowing
    C. Increase borrowing
    D. Implement wage controls

72. Jimmie is choosing between two manufacturing options. Option A has an estimated cost of $4,500. Option B has an initial cost of $5,000, plus $1,000 over the first year, but it would generate an additional $4,000 in revenue. What is the differential cost?
    A. $1,500
    B. $2,500
    C. $1,000
    D. $500

73. Mark is a project manager tasked with hiring a new associate. Mark's friend Celia is one of the candidates for this position. While he's making final selection decisions, what should Mark prioritize?
    A. Respecting workers' rights
    B. Avoiding favoritism and bias
    C. Using resources appropriately
    D. Avoiding blaming others for errors

74. Yolanda is thinking of pursuing a career in finance. In her classes, she has enjoyed working with numbers and spreadsheets, organizing documents and bookkeeping, and working with finance equations. Which of the following career paths best fits these interests:
    A. Accounting
    B. Securities and investments
    C. Insurance
    D. Banking

75. Dominic earns 3.5% compound interest on a $950 investment. Assuming his interest will be compounded annually, what will his investment be worth in four years?
    A. $983.25
    B. $1,090.15
    C. $3,325.00
    D. $3,933.00

76. After investing $1,300 into a marketing project, Velma determines it may need to be heavily changed, which would add a projected $800 to the project budget. In this case, the $1,300 represents a(n) __________ cost.
    A. sunk
    B. differential
    C. opportunity
    D. indirect

77. To calculate the future value of an investment, you will need to know the present value, the interest rate, and the
    A. point of equilibrium.
    B. exchange rate.
    C. number of years.
    D. par value.

78. A country's political leader is ousted by a vote of non-confidence, leading to a special election and a change of power. In the global market, the value of this country's currency will likely
    A. stabilize.
    B. reset.
    C. decrease.
    D. increase.

79. Which of the following is the best example of an internal risk control measure within an organization:
    A. Requiring two employees to sign for any transaction over $10,000
    B. Purchasing liability insurance to cover potential legal claims
    C. Outsourcing the company's IT operations to a third-party vendor
    D. Adhering to government regulations regarding financial reporting

80. During a job interview, the manager asks a candidate, "Can you tell me about a time you had to handle a difficult customer and what steps you took to resolve the issue?" What type of question is the manager using?
    A. Clarifying
    B. Open
    C. Factual
    D. Closed

81. Which of the following applications best demonstrates the use of technology to monitor and control financial risk:
    A. Implementing a policy requiring two managers to approve transactions
    B. Storing important financial records in multiple warehouses
    C. Using spreadsheets to reconcile expense reports manually
    D. Employing machine learning to flag unusual financial transactions

82. A key benefit of using variance analysis in managerial accounting is that it helps
    A. identify trends in data.
    B. prevent employee errors.
    C. collect useful data.
    D. increase brand recognition.

83. To compare the financial structures of a large multinational corporation and a regional business, which financial analysis technique should an accountant use to ignore their difference in size?
    A. Leverage analysis
    B. Horizontal analysis
    C. Growth analysis
    D. Vertical analysis

84. Ahmed's company uses software that automatically flags accounting entries that may be mistaken or require further review. This has lowered risk and helped ensure compliance with regulations. This is an example of technology __________ compliance.
    A. creating problems for
    B. driving or automating
    C. reducing the need for
    D. minimizing or limiting

85. Which of the following is an example of unethical risk management:
    A. Embezzling company funds for an employee's own personal gain
    B. Installing extra lighting in a parking lot to prevent theft and injury
    C. Postponing a product launch because the safety instructions are unclear
    D. Hiding safety flaws in the fine print of a contract to avoid liability

86. Which of the following best describes the primary nature and purpose of business records:
    A. Informal personal notes used by employees to track daily tasks and schedules
    B. Log of accidents, injuries, and other mishaps occurring at a particular business or department
    C. Official, documented evidence of a company's transactions and financial activities
    D. Internal managerial opinions about different company policies and procedures

87. A key characteristic of enterprise risk management (ERM) that distinguishes it from traditional risk management is that ERM
    A. integrates risk management into an organization-wide framework.
    B. views risk solely as a negative threat to be minimized.
    C. requires that every risk be transferred to an external party.
    D. is primarily focused on identifying and mitigating financial risks.

88. Accounting is the process of keeping and interpreting
    A. financial records.
    B. corporate bonds.
    C. core values.
    D. current assets.

89. Seth has successfully sold car insurance to a customer. What should Seth do next to best demonstrate a customer service mindset?
    A. Put the customer on a “do not call” list.
    B. Call back the next day to encourage them to upgrade their coverage.
    C. Follow up with the customer later to confirm they are satisfied with their coverage.
    D. Reach out at least once a week to check-in.

90. Dayna owns a growing tutoring business with the primary goal of providing low-cost tutoring to her community. She is considering incorporating the business and does not want to prioritize profit. Which of the following forms of corporation would be best:
    A. “S”
    B. Nonprofit
    C. Private
    D. Public

91. Himari is an accountant for a manufacturing company tasked with cost allocation. When identifying costs, Himari classifies rental expenses as a(n) __________ cost and hourly worker salaries as a(n) __________ cost.
    A. fixed; variable
    B. direct; indirect
    C. indirect; direct
    D. variable; fixed

92. Adia, the owner of an independent bookstore, has enough capital to hire another employee or fund a new advertising campaign. To determine the most profitable course of action, Adia should perform a __________ analysis.
    A. marginal
    B. break-even
    C. competitive
    D. feasibility

93. Shawna procrastinated on writing a final paper worth 50% of her grade, and now she only has a week to do it. Although it’s only one task, the size of it intimidates her, and she doesn’t know where to start. Shawna should try
    A. cutting down.
    B. delegating.
    C. multitasking.
    D. compartmentalizing.

94. Albertson is selling a car to a young couple. Based on their conversations, he thinks the car they have picked out is overpriced and will not meet their needs. Although he is not required to, he tells them as much and helps them pick out a less expensive car that fits them better. He feels good about this decision, despite making less money. Albertson is acting based on
    A. his company’s code of ethics.
    B. laws and regulations.
    C. profit incentive.
    D. his personal code of ethics.

95. Why is effective written communication essential in a professional business environment?
    A. It allows the writer to use informal slang and emojis to be more relatable.
    B. It creates a lasting record that can be referenced later to avoid misunderstandings.
    C. It is easier and more efficient than speaking to someone in person.
    D. It ensures that the person receiving the message will agree with the writer’s opinion.

96. Which piece of U.S. federal legislation imposes requirements for publicly traded companies to certify the effectiveness of their internal controls over financial reporting?
    A. The Glass-Steagall Act
    B. The Sarbanes-Oxley Act (SOX)
    C. The Fair Credit Reporting Act (FCRA)
    D. The Clayton Antitrust Act

97. Which of the following is the best example of an employee’s role in expense control:
    A. Increasing the price of products
    B. Designing new company logos
    C. Monitoring the stock market
    D. Eliminating wasteful use of supplies

98. An office manager needs to inform the entire company that the building’s water will be shut off for maintenance next Tuesday. Which communication channel is most appropriate for this message?
    A. A text message to the CEO
    B. A verbal announcement during a lunch break
    C. A handwritten note left in the breakroom
    D. A formal company-wide email

99. A firm replaces its manual spreadsheet-based accounting process with an automated data collection system that syncs directly with bank feeds and point-of-sale terminals. Which of the following is a primary benefit of implementing this automated system:
    A. It eliminates the requirement for oversight from professional accountants.
    B. It increases data accuracy by reducing the risk of manual entry errors.
    C. It restricts access to sensitive financial records to the highest executive levels.
    D. It replaces the master budget created at the start of the fiscal year.

100. Ursula, a financial analyst, is using a spreadsheet containing 5,000 global stock records. She wants to identify only the technology companies based in the United States that have a “Buy” rating. How should Ursula filter the data?
    A. Search “Buy,” then delete every row that does not contain that word.
    B. Sort the list alphabetically by country, then highlight the technology companies.
    C. Filter by country, then manually scroll to find the technology companies.
    D. Filter by industry, then by country, and finally, by analyst rating.

1. D

Increase in value. When the Federal Reserve cuts rates, it lowers borrowing costs for businesses and consumers, which generally leads to higher corporate profits and expansion. Because an economic expansion signals growth, the stock market reacts positively, which causes stocks and mutual funds to increase in value. Lynbark's investments would not likely decrease, remain the same, or become more volatile.

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

SOURCE: Achuthan, L. (2025, April 13). *Business cycle: What it is, how to measure it, and its 4 phases.* Retrieved December 17, 2025, from https://www.investopedia.com/terms/b/businesscycle.asp

2. A

To protect its proprietary information. A non-disclosure agreement (NDA) is a legally binding contract that establishes how confidential information can be shared between parties—one that holds the information and one that receives it. In other words, an NDA is a promise not to disclose proprietary information. Many businesses use NDAs to keep employees, contractors, and partners from revealing their proprietary information. In this scenario, Corey promises not to disclose the agency's proprietary information by signing an NDA. The NDA is not about loyalty, preventing Corey from joining another company, or limiting access to confidential information. Rather, it is about preventing the unauthorized sharing of proprietary information that Corey might have access to while working with the agency.

SOURCE: EI:038 Explain ethical considerations in providing information

SOURCE: LAP-EI-038—A Fine Line (Ethical Considerations in Providing Information)

3. A

Industrial good. An industrial good is a good purchased for business operations. Since Mac received it from his company for work, it would be considered an industrial good. Because Mac did not get the laptop for his own personal use, it is not a consumer good. A laptop is a good, not a service.

SOURCE: EC:002 Distinguish between economic goods and services

SOURCE: LAP-EC-002—Get the Goods on Goods and Services (Economic Goods and Services)

4. C

Revolving. Under a revolving credit account system, the maximum amount of money that the credit user can owe is set at the time the credit account is opened. The customer could then pay off the entire amount at the end of the month or make payments over a period. Installment credit is designed to handle one total amount of credit, which is paid in installments within a certain period. The regular credit accounts are sometimes called open accounts because they allow credit users to buy at any time during a set period, usually 30 days. At the end of that time, the person or business is expected to pay the entire amount that is due for the purchases made during the period. Unlike revolving credit, there may or may not be a credit limit. Finally, budget accounts are usually a form of short-term credit. They are often set up for 60- or 90-day periods with a payment due every 30 days. If a customer does not pay the amount in full by the end of the set period, they will be subject to finance charges applying to the entire time period.

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

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

5. A

Debt-to-income (DTI) ratio analysis. The debt-to-income ratio compares a person's monthly debt payments (e.g., credit card bills, student loans) to their monthly gross income. By calculating the percentage of the customer's monthly earnings that goes toward paying debts, Alonzo is using debt-to-income ratio analysis. Trend analysis does not specifically measure the relationship between current debt and income. Benford's Law is used to detect fraud. It is not a standard tool for evaluating an individual's creditworthiness. Horizontal analysis compares financial information over sequential periods to locate growth rates. It is not the primary technique used to determine immediate loan eligibility.

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

SOURCE: Roberte, L. (2025, April 9). *Debt-to-income (DTI) ratio: What's good and how to calculate it.* Retrieved December 31, 2025, from https://www.investopedia.com/terms/d/dti.asp

6. C

Researching the popularity of a competitor's new app. An environmental scan is the process of gathering information about their surroundings, analyze that information, and determine the future impact of that information. It's important for businesses as it allows them to recognize potential opportunities and threats and adjust strategic planning and decision-making accordingly. Researching competitor activity helps a business understand the external climate so it can adjust its strategy. Counting office supplies is an internal check of physical assets, not a scan of the external environment. Reviewing employee attendance is important, but these records come from inside the company, whereas environmental scans focus on the world outside the company. The company party is a social activity aimed at the internal culture, not a strategic move to obtain business information from the environment.

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

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

7. A

Wait six months to withdraw the investment. Capital gains tax is generally lower than taxes on short-term gains, and they apply after an investment is held for more than a year. Olivio can therefore maximize his profit by leaving his investment until he can take advantage of this lower tax rate. Waiting another full year will also take advantage of capital gains tax, but Olivio does not need to wait that long. Withdrawing the investment immediately or incrementally over the next year will mean that some or all of his investment is subject to the higher tax rate.

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

SOURCE: Fernando, J. (2025, November 17). *Capital gains tax: What it is, how it works, and current rates*. Retrieved December 15, 2025, from https://www.investopedia.com/terms/c/capital_gains_tax.asp

8. B

By clearly defining the responsibilities of all members. Effective corporate governance processes clearly define the responsibilities of all organization members, making it possible to measure performance and hold individuals accountable for outcomes. Another part of effective corporate governance is establishing a system of checks and balances. Giving a single executive officer all financial power in an organization directly contradicts this practice and reduces accountability throughout an organization. For corporate governance processes to be successful, they require a specific structure, like a board of directors, with the expertise to oversee management. Removing this structure would weaken accountability throughout an organization. While ensuring that internal financial reports remain confidential is necessary for lowering risk, and risk management is a part of corporate governance, this option does not best exemplify how formal corporate governance processes increase accountability throughout an organization.

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

SOURCE: Knowledge Leader. (2025, July 14). *Ensuring performance and accountability through corporate governance.* Retrieved December 30, 2025, from https://www.knowledgeleader.com/blog/ensuring-performance-and-accountability-through-corporate-governance

9. A

Agreeing with a bank to swap variable-rate interest payments for fixed-rate payments. Entering a financial swap is a form of hedging, which is an external risk control because it uses an agreement with an outside party in the financial market to manage interest rate risk. Mandatory training is a procedure implemented within the company, classifying it as an internal control. Setting internal limits on inventory is a policy enforced by management inside the organization, making it an internal operational control. Segregation of duties is a foundational policy for minimizing fraud and error, designed within the organization's structure, making it an internal control.

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

SOURCE: Beers, B. (2025, December 14). *Reduce business risk: Internal and external strategies for companies.* Retrieved December 15, 2025, from https://www.investopedia.com/ask/answers/050115/how-can-companies-reduce-internal-and-external-business-risk.asp

10. D

Prevention. Part of a compliance department's responsibility is preventing violations of laws and internal or external regulations. In this case, Corella prevents violations by ensuring employees at the company are well aware of and prepared to follow those regulations. Corella's job is not to monitor, identify, or correct.

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 December 15, 2025, from https://www.investopedia.com/terms/c/compliancedepartment.asp

11. C

The threat of a cybersecurity breach. By using a cloud-based system to manage data, a firm increases its exposure to unauthorized access and cybersecurity breaches. Digital systems can perform complex calculations with ease. Cloud-based system typically retain historical data better than local servers. Cloud-based systems do not automatically report errors to the IRS.

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

SOURCE: GrowthForce. (2024, December 4). *Leveraging technology for advanced financial reporting.* Retrieved December 31, 2025, from https://www.growthforce.com/blog/leveraging-technology-for-advanced-financial-reporting

12. D

"You spoke loudly and clearly, but you could improve your eye contact. If you look at your audience more, your speech will be very effective." Constructive criticism is advice that is useful and intended to help or improve something. The feedback sandwich method is a common way to provide positive constructive criticism. The feedback sandwich method has three basic steps: provide a positive comment on a strength, give constructive criticism, and then repeat the positive strength – reinforcing the positive results that can be expected if the criticism is acted upon. The criticism in the correct answer is relevant, actionable, and helpful. It includes a comment on a positive strength, whereas the other alternatives are mostly negative. Finally, it reinforces the positive result that the recipient can expect if they act on the criticism.

SOURCE: EI:133 Inspire others

SOURCE: LAP-EI-133—A Force for Good (Inspiring Others)

13. B

Instability or volatility. Emerging markets are characterized by rapid changes, which can lead to immense growth and market crashes alike. High liquidity or growth would represent an advantage, not a disadvantage. Emerging markets do not necessarily rely on the stock market more than other nations, nor is reliance on the stock market necessarily a disadvantage. Increased globalization is an advantage for an emerging market, not a disadvantage.

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

SOURCE: Investopedia. (2025, September 18). *Emerging market economies: definition, growth, and key players.* Retrieved January 2, 2026, from https://www.investopedia.com/terms/e/emergingmarketeconomy.asp

14. D

Options. The derivatives market is a market where various contracts and obligations—whose value is based on underlying assets—are traded. Options are a category of derivatives giving investors the opportunity to buy or sell the rights to an asset according to contracted terms. Corporate bonds are traded on the bond market. Common stock is traded on the stock market. Treasury bills are traded in money markets.

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

SOURCE: Fernando, J. (2025, December 31). *Understanding derivatives.* Retrieved December 21, 2025, from https://www.investopedia.com/terms/d/derivative.asp

15. C

Attending a national conference for finance professionals. Professional conferences are a great opportunity for finance professionals to build a network of industry contacts as they allow individuals to engage with a diverse group of peers, mentors, and experts. Enrolling in a self-paced technical skills course helps develop skills, but it is not ideal for networking. Participating in an internal company-wide recreational club is a networking opportunity, but it does not necessarily focus on professionals in the financial industry. Local business events are key to building a network of industry contacts, so declining invitations to them would be unwise.

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

SOURCE: Donnelly, S. (2023, November 8). *11 networking in finance tips: Building your circle.* Retrieved December 26, 2025, from https://www.financealliance.io/11-networking-in-finance-tips/

16. C

bancassurance. Bancassurance is a convergence strategy in which a bank sells insurance products. Monopolization refers to one company gaining total control over an industry or market. A hostile takeover is when a company is acquired against the wishes of its management. Cutting corners is the term for when a business takes shortcuts or uses lower-quality materials or services to cut costs or increase revenue.

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

SOURCE: Banton, C. (2025, October 2). *Bancassurance explained: Benefits, operation, and global insights.* Retrieved December 23, 2025, from https://www.investopedia.com/terms/b/bancassurance.asp

17. B

Sarbanes-Oxley Act. The Sarbanes-Oxley Act of 2002 was written after several large corporations and executives got into hot water over lost records and questionable information management and accounting practices. To comply, companies must take certain steps to record and preserve information correctly. The Glass-Steagall Act is a famous banking law, but its purpose is to focus on separating commercial banking from investment banking. This is a structural change, as opposed to one based on information management. The Gramm-Leach-Bliley Act surrounds data privacy and how financial institutions handle personal information. The Dodd-Frank Act prevents systemic risks around banks and protects consumers from those risks.

SOURCE: NF:110 Discuss the nature of information management

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

18. C

Flexibility. Flexibility is a core trait of creative individuals. It is the ability to pivot, adapt to new information, and look at a problem from multiple angles. In a business or creative setting, things rarely go exactly as planned; a flexible person like Jamila can abandon an old idea and embrace a new direction without losing momentum. Ambiguity refers to things being unclear, independence refers to a desire to work alone or think for oneself, and passion describes one's intensity or drive for a project; Jamila is not demonstrating ambiguity, independence, or passion.

SOURCE: PD:012 Demonstrate appropriate creativity

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

19. D

It does not adjust for changes in activity levels. A static budget, also known as a fixed budget, is a budget that cannot be adjusted during the budgeting period. Static budgets are often used as a guideline. Static budgets excel at capturing fixed costs. Depreciation is typically accounted for in both static and flexible budgets and is not a relevant factor. Many budgets utilize historical data; the historical data are not a relevant factor.

SOURCE: FM:013 Demonstrate budgeting applications

SOURCE: Elmerraji, J. (2025, June 27). *How budgeting works for companies.* Retrieved January 7, 2026, from https://www.investopedia.com/articles/07/budgetingforcompanies.asp

20. A

Raise its prices. Nomad Noodle Bar can boost its profits by raising its prices. There is always the risk of customer fall-off when a company raises its prices, but since Nomad Noodle Bar's sales are strong, raising the price of its food should greatly boost its profits. Renovating the kitchen, expanding to another location, or spending more on ingredients will only further increase the restaurant's costs and therefore reduce its profit.

SOURCE: FI:579 Describe the need for financial information

SOURCE: FI-579—By the Numbers (The Need for Financial Information)

21. C

Nicole finds a supplier to provide the same quality tools for her landscaping company at a 15% lower price than her current supplier. When a company can acquire the same quality of supplies at a lower cost, its profit margin increases. Conversely, purchasing more expensive toppings while keeping the price of pizza the same decreases the profit margin of Bart's company. Regarding George, the act of selling an asset (an older delivery van) is not a purchasing decision that increases profit. Buying a larger quantity of an unpopular coffee brand often leads to waste and lower sales, ultimately decreasing Lanie's profit.

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

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

22. C

Form 8-K. Form 8-K is a report filed with the U.S. Securities and Exchange Commission (SEC) if a significant, nonrecurring event occurs before a 10-Q report is due. Companies are required to file an 8-K within 15 days of such an event. These events include changes in key management, acquisition of another company, introduction (or cancellation) of a product or service, and legal actions. Form 10-K is a yearly report, required by the SEC from publicly traded companies, that is often more detailed than the company's own annual report. Form 10-Q is a quarterly report, and unlike the annual 10-K report, is not required to be audited. Form 13-D is an insider ownership report filed with the SEC when an investor acquires more than 5% of a company's stock.

SOURCE: FI:274 Describe sources of securities information

SOURCE: Hayes, A. (2025, November 13). *Essential SEC filings for investors.* Retrieved December 31, 2025, from https://www.investopedia.com/articles/fundamental-analysis/08/sec-forms.asp

23. D

Disclose the connection and remove herself from the assignment. In this situation, Almaz faces a conflict of interest, or a situation in which it is impossible to be truly impartial. The ethical course of action would be to disclose her connection with the client to her supervisor and remove herself from the assignment. Liquidating or transferring her investments without informing the firm would not be transparent and would be unethical. Being transparent about her investments is crucial, but so is removing herself from the assignment. If Almaz were to stay on the assignment, there would be a conflict of interest and the appearance of impropriety, even if Almaz attempted to remain impartial.

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

SOURCE: Mason School of Business. (2026, January 2). *The importance of ethics in accounting and financial reporting.* Retrieved December 31, 2025, from https://online.mason.wm.edu/blog/the-importance-of-ethics-and-professional-standards-in-the-accounting-industry

24. C

Managerial. Managerial accounting refers to a type of accounting that involves preparing and reporting financial data to internal users who need financial information to control day-to-day operations and to make financial decisions and plans affecting the business. Financial accounting refers to a type of accounting that involves preparing and reporting financial data to external users who are not directly involved in business operations. Tax accounting refers to a specialized type of accounting primarily concerned with tax-related financial information. Forensic accounting refers to a specialized type of accounting primarily concerned with financial crimes.

SOURCE: FI:660 Explain the nature of managerial accounting

SOURCE: Gratton, P. (2025, May 16). *Managerial accounting meaning, pillars, and types.* Retrieved December 17, 2025, from https://www.investopedia.com/terms/m/managerialaccounting.asp

25. B

It increases their sense of purpose. When employees understand how their role contributes to the success of the organization, they often feel an increased sense of purpose. Having a role in achieving governance objectives does not guarantee employees will receive a promotion. It also does not permit employees to bypass more difficult tasks or remove the requirement to report unethical behavior.

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

SOURCE: Gulat, R. (2022, February 17). *When employees feel a sense of purpose, companies succeed.* Retrieved December 30, 2025, from https://www.library.hbs.edu/working-knowledge/when-employees-feel-a-sense-of-purpose-companies-succeed

26. D

The company's investor confidence decreases. When governance is poor, investors perceive the company as a high-risk investment, meaning their confidence in the company decreases. Poor governance usually results in less transparency and less financial reporting. Weak governance typically leads to a downgrade in the company's credit rating, not an upgrade.

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

SOURCE: Diligent. (2025, July 10). *Corporate governance.* Retrieved December 30, 2025, from https://www.diligent.com/resources/guides/corporate-governance

27. D

Pyramid scheme. A pyramid scheme is a fraudulent business model wherein members make money by recruiting other members, resulting in money being funneled up the pyramid of recruiters to a select few investors. Callable CD scams involve buying certificates of deposit, while predatory lending usually involves tricking consumers into bad loan agreements, and annuity scams involve signing malicious life insurance contracts.

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

SOURCE: New York State Office of the Attorney General. (n.d.). *Investment fraud.* Retrieved December 15, 2025, from https://ag.ny.gov/resources/individuals/investing-finance/investment-fraud#common

28. A

Transitioning from a private company to a public one. Transitioning from a private company to a public one subjects the organization to strict legal regulations and demands high levels of transparency for shareholders. To meet these new expectations, a more formal governance structure is necessary. Modifying marketing budgets, changing payroll frequency, and moving customer data are actions that do not require a company to reshape its governance model.

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

SOURCE: Grasses, G. (2025, March 5). *Governance structure: The secret weapon behind corporate success.* Retrieved December 26, 2025, from https://www.boardwise.io/en/blog/governance-structure-the-secret-weapon-behind-corporate-success

29. B

To ensure its governance practices are sound and any issues are addressed. Internal audits are a necessary component of corporate governance. They provide an evaluation of a company's processes to ensure they are effective, ethical, and compliant with regulations. Internal audits are not used as a tool for tax evasion, and they cannot guarantee that a company's stock price will increase in the next fiscal quarter. While internal audits can be used to investigate suspicious activity within an organization, Everest Peak Holdings conducts annual internal audits, meaning they perform them regularly, likely with the purpose of "checking up" on governance practices rather than investigating any specific suspicious activity.

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

SOURCE: Diligent. (2025, September 26). *How the internal audit contributes to effective corporate governance.* Retrieved December 30, 2025, from https://www.diligent.com/resources/blog/internal-audit-corporate-governance

30. C

It provides a single hub for customer data organization and analysis. CRM technology primarily consolidates data and processes for customer interaction in a single hub, increasing efficiency for any company that interacts with many customers. CRM technology does not usually provide employee training. Making processes more enjoyable is subjective and not a key feature of CRM technology. CRM technology might streamline customer complaints, but is not the sole method for receiving customer feedback.

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

SOURCE: Salesforce. (2025). *What is CRM (customer relationship management)?* Retrieved December 17, 2025, from https://www.salesforce.com/crm/what-is-crm/#do.

31. B

They outline decision-making processes and protect shareholder rights. Bylaws are a corporation's rulebook that defines how it operates. They provide the structure and clarity needed to keep the organization running smoothly by outlining decision-making processes, defining roles, and protecting shareholder rights. Bylaws do not list the local laws the company must follow to avoid paying federal taxes, nor do they attract new customers, increase sales, or establish dress codes and vacation request procedures.

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

SOURCE: Wilkinson Law LLC. (2025, March 26). *The significance of by-laws in corporate governance.* Retrieved December 26, 2025, from https://www.wilkinsonlawllc.com/corporate-formation/2025/03/26/the-significance-of-by-laws-in-corporate-governance/

32. D

Seeing influencers wearing the brand on social media. Social factors involve the influence of other people, such as family, friends, or celebrities (like influencers). When a teenager buys something because they want to fit in or they admire someone else who uses it, they are being influenced by a social factor. The personal belief of comfort over style is a psychological factor. It comes from the individual's internal values and personality, not from the pressure or influence of others. The allowance increase is an economic factor. It relates to how much money they have rather than their behavioral motivation. The need for footwear is simply a functional factor. Buying something because you physically need it to survive or function is different from the behavioral choices influenced by marketing and society.

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

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

33. B

Budget allocation. Financial information management is the process of utilizing data for strategic financial decision-making, such as budget allocation. Quality control is a function of operations management. Staff training falls within the human resources function, and market research is a marketing function.

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

SOURCE: Houston, M. (2024, May 8). *How to use financial data to drive business decisions.* Retrieved December 19, 2025, from https://www.forbes.com/sites/melissahouston/2024/05/08/how-to-use-financial-data-to-drive-business-decisions/

34. B

Becoming more empathetic. One major benefit of considering conflicting viewpoints is that it forces you to listen to and understand others' perspectives, making it easier to consider other viewpoints in the future. Beth is not proving her intelligence or proving otherwise wrong by listening. She is becoming more empathetic—not less.

SOURCE: EI:136 Consider conflicting viewpoints

SOURCE: LAP-EI-136—Pick a Side (Considering Conflicting Viewpoints)

35. B

Cash flow budget. Cash flow budgets are budgets designed to track the amount of cash generated during a specific period. These budgets are helpful when there is a gap between service and revenue, such as when a construction firm must purchase materials before receiving an invoice. Operating budgets include expenses and revenue generated from the day-to-day business operation, but it typically does not account for the timing of when funds are available in the bank account. A static master budget is the overall guideline for the entire year. This budget may contain the project, but it lacks the detail and ability to manage a 90-day payment delay. A flexible overhead budget adjusts variable overhead costs based on different levels of activity, but it does not track the timing of cash receipts.

SOURCE: FM:013 Demonstrate budgeting applications

SOURCE: Elmerraji, J. (2025, June 27). *How budgeting works for companies.* Retrieved January 7, 2026, from https://www.investopedia.com/articles/07/budgetingforcompanies.asp

36. C

Reevaluate the estimated time and labor for a project. By performing variance analysis, Xinyi can see that the project required more labor and time than estimated, then she can refine labor estimates for future projects. This scenario is focused on labor variance and does not provide any actionable information for equipment costs. A code of ethics is a set of rules for governing behavior. A code of ethics may guide moral conduct, but it does not directly address operational inefficiencies. The scenario does not describe any moral misconduct from employees. In this scenario, the project took longer than estimated, therefore it would be unethical and misleading to promote the company's quick service.

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

SOURCE: Solvexia. (2024, June 18). *Variance analysis: A comprehensive guide.* Retrieved December 17, 2025, from https://www.solvexia.com/blog/what-is-variance-analysis-a-frontier-for-analysis

37. D

Added to "Dividends." Payments made to shareholders from a corporation's profits are known as dividends and would be recorded under the column of the same name in the statement of shareholders' equity. They would not be recorded under "Other Losses," nor deducted from "Withdrawal of Capital" or "Opening Balance." While "Withdrawal of Capital" is used for sole proprietorships and partnerships, "Dividends" is used for corporations like Potbelly Corporation.

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

SOURCE: Corporate Finance Institute. (2025). *Equity statement.* Retrieved December 18, 2025, from https://corporatefinanceinstitute.com/resources/accounting/equity-statement/

38. B

Stimulus control. Stimulus control involves identifying what causes you to get upset and finding healthy, practical ways to avoid those things. In this example, Lochlan identified what caused him to be upset (driving during rush hour) and found a healthy, practical way to avoid that thing (taking the bus home instead). Alternate behaviors are a technique for reacting differently to triggers, but do not involve avoiding triggers entirely. The reward technique involves rewarding yourself for effectively demonstrating self-control. Extinction is the act of withholding reinforcement to change a behavior. Lochlan did not utilize alternate behaviors, the reward technique, or extinction to develop self-control.

SOURCE: EI:025 Demonstrate self-control

SOURCE: LAP-EI-025—Control Yourself! (Demonstrating Self-Control)

39. A

Oil futures. A commodity market is a physical or virtual marketplace where individuals and companies can buy and sell raw goods (commodities) such as oil, gold, and rubber. Oil futures are a type of financial contract traded on the commodity market for oil. Preferred stock and mutual funds are securities traded in financial markets, while municipal bonds are traded in the bond market.

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

SOURCE: Hayes, A. (2025, November 5). *Commodity market.* Retrieved December 18, 2025, from https://www.investopedia.com/terms/c/commodity-market.asp

40. B

Obtaining a mortgage. Financial institutions are organizations that conduct financial transactions, such as banks, insurance companies, and investment companies. Obtaining a loan, such as a mortgage, would most likely go through a financial institution. Hiring new employees and choosing new vendors are business processes that can be conducted without the aid of financial institutions. Filing a police report would be done with the help of law enforcement.

SOURCE: FI:336 Describe the role of financial institutions

SOURCE: Horton, M. (2025, October 14). *Understanding 8 major financial institutions and their roles.* Retrieved December 17, 2025, from https://www.investopedia.com/walkthrough/corporate-finance/1/financial-institutions.aspx

41. A

Strategic. Strategic risk relates to the decisions a company makes and its ability to achieve its long-term goals, which include product positioning and market competition. Financial risk involves a company's monetary management, not the business decision to enter a new market. Hazard risk refers to insurable risks like property damage, natural disasters, or liability, which are external to the core business strategy. Compliance risk is the potential for legal sanctions, financial loss, or reputational damage from a failure to follow laws, not a failure in market strategy.

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

SOURCE: Indeed. (2025, December 11). *What is strategic risk and how to manage it: A definitive guide.* Retrieved December 12, 2025, from https://www.indeed.com/career-advice/career-development/strategy-risk

42. B

Changes to investments in the business. A company's equity statement tracks assets, investments, and withdrawals over a period. It does not estimate future earnings, investments, revenue, or costs. Changes in income are provided by the income statement.

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

SOURCE: Corporate Finance Institute. (2025). *Equity statement.* Retrieved January 2, 2026, from https://corporatefinanceinstitute.com/resources/accounting/equity-statement/

43. B

Records; interprets. Financial accounting records historical data, while managerial accounting interprets the data for business decision-making purposes. Financial data are not created by either accounting discipline; the data are created through normal business operations and utilized differently by each discipline. Both financial and managerial accounting distribute financial data; financial accounting typically distributes data externally for compliance regulations, while managerial accounting distributes data internally for decision-making.

SOURCE: FI:660 Explain the nature of managerial accounting

SOURCE: Gratton, P. (2025, May 16). *Managerial accounting meaning, pillars, and types.* Retrieved December 17, 2025, from https://www.investopedia.com/terms/m/managerialaccounting.asp

44. D

Savings account. A savings account allows you to earn interest on money you've put aside for the future. Savings accounts are generally easy to access, meaning you can deposit and withdraw money at your convenience. A checking account would allow Melissa to set aside and easily access funds, but she would likely not earn interest. Certificates of deposit (CD) and annuities would accrue interest for Melissa, but she would not be able to access the funds once invested.

SOURCE: FI:336 Describe the role of financial institutions

SOURCE: Horton, M. (2025, October 14). *Understanding 8 major financial institutions and their roles.* Retrieved December 17, 2025, from https://www.investopedia.com/walkthrough/corporate-finance/1/financial-institutions.aspx

45. B

Contraction. Economic contractions are characterized by reductions in economic indicators like GDP and hiring. Economic expansion is the opposite of a contraction; it is characterized by economic growth. Economic indicators reaching their lowest or highest points in a cycle would indicate a trough or peak.

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

SOURCE: Achuthan, L. (2025, April 13). *Business cycle: What it is, how to measure it, and its 4 phases.* Retrieved December 17, 2025, from https://www.investopedia.com/terms/b/businesscycle.asp

46. C

Front-running. Front-running occurs when a stockbroker or analyst trades stocks based on pending orders from influential clients. In this case, Ronaldo is using his client's large order to inform his trade. Shadow trading involves using insider information from one company to make trades for another company. Tipping refers to a tipper sharing insider information to a tippee, who then makes a trade. Misappropriation occurs when company outsiders like lawyers or consultants gain and use insider information for trades.

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

SOURCE: Ita, D. (2025, April 10). *What is insider trading and when is it legal?* Retrieved December 15, 2025, from https://www.investopedia.com/terms/i/insidertrading.asp#toc-how-do-insider-trading-cases-typically-unfold

47. C

Implementing a formal code of conduct. A formal code of conduct promotes a culture of integrity within an organization and directly establishes ethical standards for all employees. Creating detailed job descriptions is a practice focused on improving operations, not ethics. Scheduling town hall meetings with shareholders is a practice focused on improving communication, but it does not directly establish the ethical standards for all members of an organization. Automating financial audit processes is a practice focused on improving compliance rather than the behavior of all members of an organization.

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

SOURCE: University of Pittsburgh. (2025, October 21). *Corporate governance: What it is and why it matters.* Retrieved December 26, 2025, from https://online.law.pitt.edu/blog/corporate-governance-what-it-is-and-why-it-matters

48. C

Unpleasant work environment. Unfriendly coworkers, mean managers, noisy or unorganized workspaces, and demanding customers are all factors that can make a workspace unpleasant and stressful. Low salary refers to employees who feel they are not being paid enough and may struggle to pay their bills. Heavy/unrealistic workload refers to an employee juggling too much work at once. Non-work issues refer to stressors that have nothing to do with your job, such has elderly parents, sick children, or health problems.

SOURCE: EI:028 Explain the nature of stress management

SOURCE: LAP-EI-028—Keep Your Cool (Stress Management)

49. A

May not be able to follow through on its code of ethics. A company must account for risks that would prevent it from meeting its ethical standards to customers, stakeholders, and employees. Losing out on profit is not an ethical consequence. Risk management is not the sole basis of ethics. Poor risk management does not mean the company will begin taking advantage of customers.

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

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

50. A

Leo's supervisor was bypassed, who is responsible for daily operations. The chain of command is the formal line of authority in an organization. To keep a business running smoothly, employees should report issues to their immediate supervisor first. Bypassing this level creates clogged communication at the top and prevents the people closest to the problem from fixing it quickly. The restaurant owner is not the only person who can fix machinery; shift managers have the authority to call a repair technician as well. Servers are allowed to speak to upper management, but there are more efficient methods for daily operations. Equipment failure is an internal business matter, not a legal or criminal issue.

SOURCE: PD:252 Follow chain of command

SOURCE: LAP-PD-252—Don't Cheat the Chain (Following Chain of Command)

51. A

Provides the CFO access to valuable industry information. In this scenario, the benefit of the CFO's relationship with their contact is that the CFO receives access to valuable industry information in the form of the contact's advice and recommendations. Eliminating the need for the company to perform an external search, allowing the CFO to bypass legal regulations, or giving the company an exclusive advantage are not benefits of the CFO's relationship with their client.

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

SOURCE: Grow CFO. (2025). *How can finance leaders build stronger relationships at work?* Retrieved December 30, 2025, from https://www.growcfo.net/2023/04/12/build-stronger-relationships-the-essential-guide-for-finance-leaders/

52. C

Provides a clear sense of direction. Direction and focus are the most significant benefits of goal setting. Without goals, people often drift between tasks without a clear purpose. By setting specific targets, individuals can prioritize their time, track their progress, and stay motivated even when things get difficult. Goals provide a path, but they cannot control external factors or prevent all failures. Goals often push people to confront difficult tasks to reach a desired outcome as opposed to avoiding them. Goal setting makes work more efficient, but it does not replace the effort required to succeed.

SOURCE: PD:018 Set personal goals

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

53. A

Identify variances and improve efficiency. Cost accounting is an internal accounting process that allows companies to identify the root causes of variances and improve operational efficiency. Cost accounting is only used for internal decisions; it is not bound by government regulations, it does not gather data for external parties, and it does not reduce taxes. Cost accounting does not necessarily guarantee the elimination of liabilities, although it may be helpful in reducing them.

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

SOURCE: Hayes, A. (2025, February 27). *Cost accounting explained: Definitions, types, and practical examples.* Retrieved December 18, 2025, from https://www.investopedia.com/terms/c/cost-accounting.asp

54. D

Conflict of interest. Conflicts of interest occur when two parties have a relationship that gives them reasons to favor the other party unfairly. In this case, Amos's personal relationship with the representative of an investment firm may incentivize him to favor that particular firm over others that may serve his clients better. Amos's relationship is not necessarily dysfunctional or illegal. Coincidence of interest is not a typical descriptor for business or personal relationships.

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

SOURCE: Houston, R. (2025, August 6). *Your financial advisor's conflicts of interest.* Retrieved December 17, 2025, from https://smartasset.com/financial-advisor/financial-advisor-conflicts-of-interest

55. D

The stock's value is rising, but more slowly than the broader market. The upward trend of the moving average lines communicates that the stock has been rising, not decreasing. The relative strength line tracks the stock's performance relative to a benchmark like the S&P 500, so a downward-trending line suggests the stock has been underperforming relative to the rest of the market.

SOURCE: FI:275 Interpret securities table

SOURCE: Galgani, M. (2025, July 24). *How to read stock charts.* Retrieved December 18, 2025, from https://www.investors.com/how-to-invest/how-to-read-stock-charts-understanding-technical-analysis/

56. C

To quantify the financial risks and investment costs. Sustainability reporting is focused on a company's environmental, social, and economic impact. For increased transparency, companies can include financial information that quantifies the cost associated with their strategy. By quantifying these costs, companies can create actionable goals and benchmarks to align their strategy. This information is not included for the purposes of justifying product prices or to shift carbon reduction accountability. There are currently no federally mandated requirements regarding sustainability reporting.

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

SOURCE: Feeney, C. (2024, May 16). *The complete guide to sustainability reporting.* Retrieved January 5, 2026, from https://auditboard.com/blog/sustainability-reporting

57. B

It identifies operational weaknesses and opportunities for improvement. Benchmarking a company's financial performance helps identify operational weaknesses and potential areas for improvement. Benchmarking is the process of comparing one company's financial performance to industry standards or competing companies, and this comparison can highlight weaknesses in Indira's store. Benchmarking does not eliminate or lower the need for annual goals, prevent competitors from entering the same market, or mask internal inefficiencies.

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

SOURCE: The Access Group. (2024, March 10). *Financial benchmarking: How it works & why it matters.* Retrieved December 21, 2025, from https://www.theaccessgroup.com/en-gb/finance/resources/ultimate-guide-to-financial-data/financial-benchmarking/

58. A

Transforming resources. Transforming resources is the fundamental nature of operations. Whether a business makes a physical product (like a phone or a pair of shoes) or provides a service (like music lessons or haircuts), the operations department is responsible for taking inputs and changing them into an output that has value for a customer. Tracking profits is the role of accounting, promoting products is the role of marketing, and hiring personnel is the role of human resources.

SOURCE: OP:189 Explain the nature of operations

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

59. D

The innovation will lead to the creation of new companies. When new industries become successful, new companies are encouraged to form to compete in the market. Although it's possible a monopoly could form, this is not guaranteed and would not necessarily benefit business overall. Traditional appliance manufacturers will not necessarily go out of business, but they could adapt to the new market and compete with the product. Innovation does not typically lead to a drop in consumer spending across all other goods, no matter how popular.

SOURCE: EC:012 Explain the concept of competition

SOURCE: LAP-EC-012—Ready, Set, Compete! (Competition)

60. A

Financial statements. The financial statements contained in a corporation's annual report are one of the most valuable, important sources of corporate financial data. Many potential investors review the financial statements to learn more about the company's financial "health," its profitability over a specific period of time, the amount of money it has, and the way in which the company manages its money. The letter to the shareholders is narrative information from company management and is likely to skew more positive regardless of the financial state of the company. Not all information on social media is accurate or reliable, so investors should be cautious when using social media for investment guidance. The Wall Street Journal is a reputable publication but will not provide as useful of information as financial statements from the company itself.

SOURCE: FI:274 Describe sources of securities information

SOURCE: FINRA. (2025, July 8). *Using financial statements to evaluate investment opportunities.* Retrieved December 31, 2025, from https://www.finra.org/investors/insights/financial-statements-investment-opportunities

61. D

Implementing investing strategies and overseeing portfolios. Fund managers work with clients to develop profitable investment strategies and oversee their funds. Evaluating insurance applications and analyzing risk are the purview of insurance underwriters. Working with a company's finances is the responsibility of corporate finance officers. Working with loans and lending products is the responsibility of loan officers or bankers.

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

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

62. B

The numbers 1 through 9 appear as the first digit with nearly equal frequency. Benford's Law describes the frequency distribution for leading digits of numbers in datasets. In most datasets, leading digits with smaller values (1-2) tend to occur more frequently than larger values (8-9). If Shiloh observed that each number (1-9) showed up as the first digit with nearly equal frequency, then it may indicate that the data has been manipulated, since that would not comply with Benford's Law. According to Benford's Law, the number 1 shows up as the first digit about 30% of the time, the number 9 shows up as the first digit less than 5% of the time, and the number 2 shows up as the first digit more often than the number 8. Since these statements comply with Benford's Law, they do not indicate that the data has been manipulated.

SOURCE: NF:124 Demonstrate advanced database applications

SOURCE: Frost, J. (2025). *Benford's law explained with examples.* Retrieved December 31, 2025, from https://statisticsbyjim.com/probability/benfords-law/

63. B

Set the organization's overall strategic direction. In a company, the board of directors is responsible for setting the overall strategic direction of an organization. Daily operations are managed by the executive team, not the board. Boards oversee their own company's financial statements, not their competitors'. While the board does evaluate the CEO, it does not conduct performance reviews for mid-level management.

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 December 26, 2025, from https://www.investopedia.com/terms/b/boardofdirectors.asp

64. A

The stock is outperforming the market. A stock chart's relative strength line indicates its performance compared to the stock market at large. An upward trending line indicates that the stock is performing better, not worse, than the wide market. The relative strength line relates to the performance of a stock, not the volatility of the stock market.

SOURCE: FI:275 Interpret securities table

SOURCE: Invest. (2021, July 20). *A beginner's guide to reading stock charts.* Retrieved January 2, 2026, from https://www.ally.com/stories/invest/how-to-read-a-stock-chart/

65. A

Gross profit. The gross profit is determined by subtracting the cost of goods sold from the revenue. Operating expenses include all expenses associated with a business, such as employee wages/salaries, advertising, insurance, utilities, etc. The net income is a business's final profit after all expenses have been deducted and taxes have been paid. The earnings per share are calculated by dividing the company's net income by its number of outstanding shares of common stock.

SOURCE: FI:094 Describe the nature of income statements

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

66. D

The ability to run predictive models to anticipate risk exposure. Technology's primary value in risk management is its ability to process vast amounts of data and execute complex algorithms to quantify various risks that would be impossible to assess manually. Technology supports human judgment but does not eliminate the need for human oversight in financial risk management. Document standardization is an operational benefit of technology, but it does not have the most significant impact on risk management itself. Technology, especially data analytics, drives a greater reliance on objective data to reduce subjectivity in risk assessments, making this statement the opposite of its true impact.

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

SOURCE: Russo, K. (2025, June 4). *The role of AI in financial risk management.* Retrieved December 12, 2025, from https://www.netsuite.com/portal/resource/articles/financial-management/ai-financial-risk-management.shtml

67. A

Helps financial institutions remain stable. Compliance in finance refers to following laws and internal or external regulations. These regulations are put in place specifically to keep financial institutions stable, as unstable banks can lead to economic disasters. They do not make financial institutions more volatile. Compliance is an important safety mechanism, not a form of federal punishment or a way for banks to "prove" their capabilities.

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

SOURCE: Corporate Finance Institute. (2025). *Financial compliance.* Retrieved December 15, 2025, from https://corporatefinanceinstitute.com/resources/career-map/sell-side/risk-management/financial-compliance/

68. C

It builds trust with investors and makes it easier to raise money. Ethical financial reporting directly impacts the company's financial health. Investors, lenders, and other stakeholders use financial reports to assess risk; if they trust the reports, the perceived risk of doing business with the company decreases. Companies that are perceived as transparent and ethical often receive lower interest rates as well. Ethical reporting does not minimize tax obligations or replace the need for continuous ethics training. For public companies, external audits are a requirement that cannot be bypassed by ethical reporting.

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

SOURCE: Mason School of Business. (2026, January 2). *The importance of ethics in accounting and financial reporting.* Retrieved December 31, 2025, from https://online.mason.wm.edu/blog/the-importance-of-ethics-and-professional-standards-in-the-accounting-industry

69. A

It provides a more accurate representation of each rental's profitability. Activity-based costing (ABC) assigns costs to products and services through activities, rather than volume-based metrics. The advantage of ABC is that it allows companies to see more accurate profit margins for individual units (e.g., rentals). Traditional volume-based costing would distribute the cleaning cost across all units, causing low-maintenance units to subsidize high-maintenance units. ABC prioritizes individual product profit margins over total rental volumes, and it does not inherently reduce the cost of labor or supplies.

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

SOURCE: Kenton, W. (2025, August 27). *Activity-based costing explained: Method, benefits, and real-life examples.* Retrieved January 5, 2026, from https://www.investopedia.com/terms/a/abc.asp

70. B

Discerning useful and superfluous information. Customer relationship management (CRM) technology can collect amounts of data about customers and customer interactions, so it is important for human managers and decision makers to focus on information that is useful. Customers do not need to be convinced that CRM is useful. Artificial intelligence generally improves CRM processes, rather than making them redundant. CRM technology typically increases opportunities for customer interaction.

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

SOURCE: Hargrave, M. (2025, May 3). *CRM (customer relationship management): Elements, benefits, and technology.* Retrieved December 17, 2025, from https://www.investopedia.com/terms/c/customer_relation_management.asp

71. C

Increase borrowing. Price drops are often accompanied by lower wages and profits, and therefore lower taxes. Since the government is increasing spending while likely receiving less revenue, it is likely to borrow money to fund its spending. Decreasing borrowing would deprive the government of more money. Wage and price controls are typically implemented to mitigate crises such as high inflation, rather than to lower prices.

SOURCE: EC:008 Determine the relationship between government and business

SOURCE: LAP-EC-008—Regulate and Protect (Government and Business)

72. A

$1,500. Differential cost refers to the difference in cost between two options. In this case, option A is $4,500, while option B is $5,000 + $1,000, or $6,000. $6,000 - $4,500 = $1,500. The additional $4,000 in estimated revenue would not be factored into differential cost.

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

SOURCE: Accounting For Management. (2023, July 10). *Differential, opportunity and sunk costs.* Retrieved December 18, 2025, from https://www.accountingformanagement.org/differential-opportunity-and-sunk-costs/

73. B

Avoiding favoritism and bias. Mark should prioritize avoiding favoritism (preferential treatment) and bias (prejudice). As a manager, it is important to be fair (impartial) and treat people the way they deserve to be treated. Mark may be tempted to hire Celia because they are friends, but he should be cognizant of his blind spots and consider what would be fair and beneficial to the project and team as a whole. While respecting workers' rights, avoiding blaming others for errors, and using resources appropriately are common ethical dilemmas in project management, they are not being demonstrated in this scenario with Mark and Celia.

SOURCE: OP:675 Describe the role of ethics in project management

SOURCE: LAP-OP-675—Projects With Principles (Ethics in Project Management)

74. A

Accounting. Careers in accounting often involve working with financial documents and transactions and involve spreadsheets, finance equations, and bookkeeping. Careers in banking involve more customer service and managing credit or cash accounts. Insurance careers tend to involve risk assessment and analysis. A career in securities and investments typically involves market analysis, trading, and managing assets.

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

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

75. B

$1,090.15. To determine how much Dominic's investment will be worth in four years, calculate the future value of his investment. The formula used to find the future value of money is Future Value = Present Value X (1 + Interest Rate) ^ Number of Years. Therefore, the future value of Dominic's investment is 950 X (1 + .035) ^4. To solve this equation, raise 1 + .035 to the fourth power. Then multiply this product by the original investment (950 X 1.1475), which gives the correct answer of $1,090.15.

SOURCE: FI:238 Calculate the time value of money

SOURCE: Croome, S. (2025, April 22). *Understanding the time value of money.* Retrieved January 5, 2026, from https://www.investopedia.com/articles/03/082703.asp

76. A

Sunk. Sunk costs are costs that cannot be recouped or reversed. Since $1,300 was already invested into the project, it represents a sunk cost. Differential cost is the difference between the costs of two different options. Opportunity cost is value of an alternate investment or allocation. Indirect costs are expenses that can't easily be traced to one item or activity.

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

SOURCE: DeBenedetti, J. (2025). *Types of costs in management accounting.* Retrieved January 2, 2026, from https://smallbusiness.chron.com/types-costs-management-accounting-80540.html

77. C

number of years. The formula used to find the future value of money is Future Value = Present Value X (1 + Interest Rate) ^ Number of Years. The number of years indicates the length of time the investment is accruing interest and is essential to calculating the future value of money. The point of equilibrium is the point at which the quantity of a product that buyers want to buy is equal to the quantity that sellers are willing to sell at a certain price. The exchange rate is the value of a particular currency in relation to another. The par value is value of an original bond amount that is to be repaid at maturity.

SOURCE: FI:238 Calculate the time value of money

SOURCE: Croome, S. (2025, April 22). *Understanding the time value of money.* Retrieved January 5, 2026, from https://www.investopedia.com/articles/03/082703.asp

78. C

Decrease. Global markets tend to prefer stability, so an unexpected election is likely to reduce the value of a country's currency, at least temporarily. It is less likely to increase a currency's value. Currency does not reset on the global market. Political uncertainty is usually a marker of instability, rather than stability.

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

SOURCE: Lioudis, N. (2024, February 24). *How global events affect the forex market.* Retrieved December 18, 2025, from https://www.investopedia.com/articles/forex/11/international-events-affect-forex.asp

79. A

Requiring two employees to sign for any transaction over $10,000. Internal controls are the processes, policies, and procedures that a company establishes to detect and prevent errors and fraud, thereby managing operational and financial risks. Purchasing insurance is a form of risk financing or transfer, rather than an internal control measure. Outsourcing is a form of risk transfer or sharing, where responsibility and control for a function are handed over to an external party. It is not an internal risk control measure. Adhering to government regulations is part of compliance, which is a key objective of risk management, but the regulation itself is an external factor that the control must address, not the internal control itself.

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

SOURCE: Kenton, W. (2025, August 2). *Understanding internal controls: Essentials and their importance.* Retrieved December 12, 2025, from https://www.investopedia.com/terms/i/internalcontrols.asp

80. B

Open. An open-ended question is designed to encourage a full, meaningful answer using the subject's own knowledge and feelings. Unlike a closed-ended question that can be answered with a simple yes or no, this question starts with "Can you tell me about…" which forces the candidate to provide a detailed story and demonstrate their problem-solving skills. Factual questions look for a specific piece of data or a right/wrong answer, and clarifying questions are used to clear up a point that was previously mentioned.

SOURCE: CO:058 Ask relevant questions

SOURCE: Birt, J. (2025, December 11). *15 types of questions (With definitions and examples).* Retrieved January 8, 2026, from https://www.indeed.com/career-advice/career-development/types-of-questions

81. D

Employing machine learning to flag unusual financial transactions. Machine learning automates the continuous identification of anomalies (potential fraud, errors) that human review might miss. Using spreadsheets to manually reconcile expense reports describes using technology as a tool, but not as the core risk control mechanism. Implementing a policy requiring two managers to approve all transactions is a non-technological internal control. Similarly, storing important financial records in multiple warehouses is a non-technological risk control.

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

SOURCE: Ismail, F. (2025, March 7). *How technology is transforming financial risk management.* Retrieved December 15, 2025, from https://youngandright.ae/blogs/how-technology-is-transforming-financial-risk-management

82. A

Identify trends in data. Variance analysis is the process of comparing forecasted performance with actual performance. This comparison allows businesses to plan and budget more effectively. Variance analysis is performed after data have already been collected, and it is not beneficial in increasing brand recognition or preventing employee errors.

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

SOURCE: Solvexia. (2024, June 18). *Variance analysis: A comprehensive guide.* Retrieved December 17, 2025, from https://www.solvexia.com/blog/what-is-variance-analysis-a-frontier-for-analysis

83. D

Vertical analysis. A vertical analysis examines portions of the income statement as percentages of revenue, which allows for a comparison between two differently sized companies. A horizontal analysis compares financial data from a single company over time and is not used for comparing two companies. Leverage analysis focuses on debt-to-equity ratios, and growth analysis focuses on the rate of change; neither of these provide accurate representations of a company's financial health compared with another.

SOURCE: FM:014 Demonstrate financial analysis applications

SOURCE: Liberto, D. (2025, June 18). *Financial analysis: Definition, importance, types, and examples.* Retrieved January 6, 2026, from https://www.investopedia.com/terms/f/financial-analysis.asp

84. B

Driving or automating. Compliance often involves reducing risk and ensuring consistency. Technology has therefore played an important role in automating processes prone to error or risk. Automating compliance tasks does not reduce the need for compliance, nor does it minimize, limit, or create problems for compliance.

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

SOURCE: Janczur, P. (2025, October 21). *Regulatory technology (RegTech): The key to simplifying complex challenges.* Retrieved December 15, 2025, from https://www.future-processing.com/blog/regulatory-technology-regtech/

85. D

Hiding safety flaws in the fine print of a contract to avoid liability. Hiding a product's safety flaws in the fine print uses deception to shift the risk to the customer; it is a form of unethical risk management. An employee embezzling company funds for their own gain is an individual act, not a company's risk management strategy. Delaying a product launch because the safety instructions are unclear and installing extra lighting to prevent theft are examples of ethical risk management.

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

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

86. C

Official, documented evidence of a company's transactions and financial activities. Business records are documents containing information about a business's operations and finances—what it has done with its resources and opportunities. They serve as the memory of the company. To be useful, they must be accurate, objective, and permanent. Business records include receipts, invoices, bank statements, and payroll records. While employees do take notes, business records refer to formal documents that have legal and financial weight. An incident log is a record of accidents, injuries, and other mishaps occurring at a particular business or department. While an incident log is an example of a business record, it is not the primary purpose of the records. Business records must be based on facts and data, not personal feelings or opinions.

SOURCE: NF:001 Describe the nature of business records

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

87. A

Integrates risk management into an organization-wide framework. The essence of ERM is its enterprise-wide scope, meaning it provides a holistic and integrated view of all risks. Traditional risk management was often siloed; ERM, in contrast, addresses all risk types, including operational, strategic, and hazard risks, not just financial ones. A core concept of ERM is that risk has both a negative side and a positive side, which should be managed to enhance strategic value. Risk transfer is just one strategy; ERM includes other controls like avoidance, mitigation, and acceptance, and does not require transferring every risk.

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

SOURCE: Morgan, L. (2025, July 29). *Traditional vs. enterprise risk management: How do they differ?* Retrieved December 12, 2025, from https://www.techtarget.com/searchcio/feature/Traditional-vs-enterprise-risk-management-How-do-they-differ

88. A

Financial records. Accounting is the process of keeping and interpreting financial records. Current assets are assets with continually changing value, such as cash or inventory. Corporate bonds are bonds issued by corporations to fund operating expenses. Core values are brand values, beliefs, or qualities that a corporate brand stands for and is built around.

SOURCE: FI:354 Explain the role of finance in business

SOURCE: LAP-FI-354—Money Matters (Role of Finance)

89. C

Follow up with the customer later to confirm they are satisfied with their coverage. Following up suggests to the customer that you have a customer service mindset and care about their continued satisfaction. However, reaching out at least once a week to check-in is excessive and likely to irritate the customer. Similarly, Seth would also risk irritating the customer by immediately calling the following day to try selling them something else. Putting the customer on a "do not call" list without them asking is an example of poor customer service.

SOURCE: CR:004 Demonstrate a customer service mindset

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

90. B

Nonprofit. A nonprofit is unique in that its primary goal is something other than profit. This perfectly fits with Dayna's goal of helping her community. Private, public, and subchapter corporations all prioritize profits.

SOURCE: BL:003 Explain types of business ownership

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

91. C

Indirect; direct. In cost accounting, direct costs are costs attributed to a product or service and indirect costs are costs that cannot be readily assigned to an item. Variable costs are costs that vary with the levels of output, and fixed costs are costs that do not change based on output. Rental expenses would be a fixed indirect cost because the cost does not vary and it cannot be tied to one product or service. Hourly worker salaries are considered direct labor and would be a fixed direct cost.

SOURCE: FI:663 Discuss the nature of cost allocation

SOURCE: Corporate Finance Institute. (2024, August 12). *Cost allocation.* Retrieved December 20, 2025, from https://corporatefinanceinstitute.com/resources/accounting/cost-allocation/

92. A

Marginal. A marginal analysis is a decision-making process used to evaluate the costs and benefits of a change in business activity. Marginal analyses are performed by subtracting the marginal costs from the marginal benefits and can be useful when determining resource allocation. A break-even analysis is the process of determining the level at which revenues equal total costs. A feasibility analysis is the process of examining such factors as demand, costs, competition, capital investment required, and potential profit of a product or service to determine how it will fit into the company's product mix. A competitive analysis is the process of comparing a business's income statement with that of its competitors to see how it is doing by industry standards

SOURCE: FI:659 Describe marginal analysis techniques and applications

SOURCE: Hayes, A. (2025, June 24). *Marginal analysis in business and microeconomics, with examples.* Retrieved December 17, 2025, from https://www.investopedia.com/terms/m/marginal-analysis.asp

93. D

Compartmentalizing. Compartmentalization is the process of breaking down a task into smaller subtasks, making it more manageable and less overwhelming. Shawna cannot cut down her workload because the paper is a significant portion of her grade. Shawna should not try multitasking. Shawna cannot delegate someone else to write her essay—that would be cheating.

SOURCE: EI:077 Manage commitments in a timely manner

SOURCE: LAP-EI-077—Commit to It! (Managing Commitments in a Timely Manner)

94. D

His personal code of ethics. Since Albertson is not required to make an ethical decision, he chooses to do so based on his personal code of ethics. Neither his company's code of ethics nor the law force him to make this decision. Profit incentive would suggest he should have sold them the more expensive car to make more money.

SOURCE: EC:106 Explain the nature of business ethics

SOURCE: LAP-EC-106—On the Up and Up (Business Ethics)

95. B

It creates a lasting record that can be referenced later to avoid misunderstandings. The primary importance of written communication is accountability and clarity. Unlike a conversation, which can be forgotten or misremembered, a well-written email or report provides a paper trail. If a project deadline or a price is disputed, both parties can look back at the written document to find the facts. This reduces errors and keeps the business running smoothly. Good communication ensures a message is understood, but it cannot force someone to agree with the content. Writing a clear, professional message often takes more time than a quick face-to-face conversation, but the quality of the information is usually higher. Using informal language is actually a sign of ineffective workplace communication, as it can appear unprofessional or be misinterpreted.

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

SOURCE: Indeed. (2025, December 16). *A complete guide to effective written communication.* Retrieved January 7, 2026, from https://www.indeed.com/career-advice/career-development/written-communication

96. B

The Sarbanes-Oxley Act (SOX). The Sarbanes-Oxley Act is a legal mandate for public companies to establish, maintain, and report on their internal controls over financial reporting. The FCRA regulates how consumer credit information is used. The Glass-Steagall Act (largely repealed) separated commercial and investment banking activities. Its focus was on structural risk in the financial system, not the internal reporting controls of all public companies. The Clayton Antitrust Act strengthens antitrust law by prohibiting specific illegal competitive practices. It does not impose requirements for publicly traded companies to certify the effectiveness of their internal controls over financial reporting.

SOURCE: RM:043 Discuss legal considerations affecting risk management

SOURCE: Kenton, W. (2025, May 8). *Sarbanes-Oxley Act: What it does to protect investors.* Retrieved December 15, 2025, from https://www.investopedia.com/terms/s/sarbanesoxleyact.asp

97. D

Eliminating wasteful use of supplies. Eliminating wasteful use of supplies is a direct way for employees to control expenses. Expense control isn’t just a job for the accounting department; it involves every staff member being mindful of operating costs. By reducing waste, employees help lower the company’s expenses, which directly increases the company’s profit. Increasing prices is a marketing or management decision aimed at increasing revenue, not controlling internal expenses. Designing logos is a creative or marketing task, and monitoring the stock market is a finance or executive task.

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

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

98. D

A formal company-wide email. A company-wide email is the most appropriate channel because the information is official, non-urgent, and affects everyone. Email provides a paper trail that employees can refer back to for the specific date and time, ensuring no one forgets the details. The private text is too informal and fails to reach the rest of the staff who need the information. The handwritten note is unreliable and could be easily lost. Finally, the verbal announcement is informal and ineffective for logistics. In a noisy environment, details like are easily misheard or forgotten.

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

SOURCE: Honey, M. (2025, September 30). *How to pick the most effective communication channels at work.* Retrieved January 7, 2026, from https://slack.com/blog/collaboration/pick-communication-channels-at-work

99. B

It increases data accuracy by reducing the risk of manual entry errors. Using an automated data collection process reduces the risk of human errors such as typos or transposed numbers. It does not eliminate the need for professional accountants; accountants are still required for oversight and reconciliation. Automated systems often allow for wider access, not narrower, allowing departments to see their budgets in real time. Automated data collection does not replace the need for a master budget.

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

SOURCE: GrowthForce. (2024, December 4). *Leveraging technology for advanced financial reporting.* Retrieved December 31, 2025, from https://www.growthforce.com/blog/leveraging-technology-for-advanced-financial-reporting

100. D

Filter by industry, then by country, and finally, by analyst rating. Data filtering is the process of narrowing down the most relevant information from a large dataset using specific criteria. The most efficient data filtering technique Ursula can use to achieve her goal is to filter first by industry, then by country, then by analyst rating. These three steps will gradually narrow down the spreadsheet to contain only the most relevant information to Ursula. Sorting the list alphabetically by country, then highlighting the technology companies, would be far too time-consuming. Searching for “Buy” might pick up unrelated text in other columns, leaving some irrelevant information remaining. Filtering by country, then manually scrolling to find the technology companies, is also a far too time-consuming strategy.

SOURCE: NF:124 Demonstrate advanced database applications

SOURCE: Astera. (2024, May 10). *Data filtering: A comprehensive guide to techniques, benefits, and best practices.* Retrieved December 31, 2025, from https://www.astera.com/type/blog/data-filtering/