Competency-Based
Competitive Events
Written Exam

Test Number 1344
Booklet Number _____

Entrepreneurship Exam

ENT – Entrepreneurship Series Event
ETDM – Entrepreneurship Team Decision Making Event

INSTRUCTIONS: This is a timed, comprehensive exam for the occupational area identified above. Do not open this booklet until instructed to do so by the testing monitor. You will have 90 minutes to complete all questions.

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1. Lara wants to determine whether a technology firm has enough funding to meet its obligations. She tracks the movement of money to understand the company's liquidity. Lara is analyzing the company's
   A. income statement.
   B. cash flow statement.
   C. balance sheet.
   D. earnings statement.

2. Dante, an entrepreneur, is selecting a critical banking relationship for his small business. What should he prioritize in his search?
   A. Picking the bank that most benefits the entrepreneur personally
   B. Finding a bank that provides a dedicated small business advisor
   C. Choosing the bank that offers a one-time cash incentive
   D. Selecting a bank based on which branch is closest

3. Renala is the owner of a logistics firm where managers routinely ignore safety protocols, such as allowing untrained staff to operate heavy machinery and forklifts. Which federal agency is responsible for investigating these workplace safety violations?
   A. Occupational Safety and Health Administration (OSHA)
   B. Americans with Disabilities Administration (ADA)
   C. Environmental Protection Agency (EPA)
   D. Food and Drug Administration (FDA)

4. Which of the following best describes the nature of a direct marketing channel for an entrepreneur:
   A. Selling products directly to the final consumer through a company-owned website
   B. Using a third-party logistics provider to manage customer service and returns
   C. Distributing products through a large national retail chain to reach a wider audience
   D. Selling products to a regional wholesaler that then distributes to local retailers

5. After analyzing sales data, Lin discovers that one of her company's older scented candle lines is no longer profitable. In response, her company removes the product line from the product mix. This is an example of
   A. Contraction
   B. Trading up
   C. Expansion
   D. Trading down

6. AQR Media wants to receive immediate, two-way feedback from its customers regarding a new product launch. Which communication channel would be the most effective for this PR goal?
   A. A sponsored segment on a national radio station
   B. An interactive Q&A session on social media
   C. A printed brochure mailed to residential addresses
   D. A formal press release sent to local newspapers

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7. Instead of purchasing all of its materials, a large producer of notebooks purchases a paper factory. The notebook producer is using _____ integration.
   A. backward
   B. forward
   C. horizontal
   D. side

8. Lunara Beauty is considering introducing a new product line. A cost-benefit analysis reveals that it will cost $100,000 to implement, but that the company should make around $175,000 in sales. Should Lunara Beauty introduce the new product line?
   A. Yes, because it will make around $175,000 in profit.
   B. Yes, because it will make around $75,000 in profit.
   C. No, because it will lose around $75,000.
   D. No, because it will lose around $175,000.

9. Lloyd's Closet, an online clothing store, receives and delivers products on time. Any problems within its supply chain are quickly communicated and handled. However, customers often return items for being torn, missing buttons, or being the wrong size. Lloyd's supply chain likely has a problem with
   A. communication.
   B. quality control.
   C. efficient processes.
   D. customer service and support.

10. What is the most proactive method for an entrepreneur to identify potential safety issues at work?
   A. Review the business's insurance policy.
   B. Rely on local inspections.
   C. Conduct a safety walkthrough.
   D. Wait for an employee to report an injury.

11. Ebenezer and Friends, a legal consulting firm, has noticed a trend in client feedback: while some consultants are praised for being highly knowledgeable, others are criticized for a lack of professionalism and confidence. What is the most likely source of the inconsistency?
   A. Market share
   B. Employee training
   C. Poor company reputation
   D. Sales techniques

12. Which of the following best explains why a small business owner should implement a continuation plan:
   A. To ensure the business remains operational in the event of the owner's sudden departure
   B. To fulfill the requirements for obtaining a standard business operating license
   C. To provide a legal justification for terminating underperforming employees
   D. To minimize the amount of federal income tax the business pays annually

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13. Bart and Lenore are competing for a promotion. Both have a similar skillset and work in the same department. While Bart prioritizes independent work, Lenore spends more time building relationships with her coworkers. Lenore ends up being promoted over Bart. How might Lenore's relationships have helped her get the promotion?
    A. By letting her manipulate her manager
    B. By demonstrating that she is fun and interesting
    C. By improving her reputation at work
    D. By giving her opportunities to talk badly about Bart

14. Which of the following statements is true regarding the responsibility of an entrepreneur when filing business tax returns:
    A. Entrepreneurs are exempt from filing requirements if the business records a net loss.
    B. The responsibility for filing business taxes lies solely with the bank.
    C. Entrepreneurs must accurately report income and expenses to tax authorities.
    D. Entrepreneurs must hire certified professional accountants to file their tax returns.

15. While reviewing a company's board of directors, Yuri learns that most board members have served for over 20 years, even though the company has consistently underperformed. What can Yuri reasonably conclude?
    A. The company has a history of long-term success.
    B. The company is more successful in the winter than in the summer.
    C. The company's ability to adapt to change may be limited.
    D. The company's board of directors changes frequently.

16. Why is corporate governance essential for the long-term success of a startup?
    A. It provides a system of rules and processes.
    B. It builds the company's brand recognition.
    C. It ensures that the CEO has absolute power.
    D. It decreases the business's tax obligations.

17. Garett owns a pharmacy. After analyzing his competitors, he realizes no local pharmacy has a drive-through. After implementing one in his own store, his sales go up. What key question did Garett ask when analyzing his competitors?
    A. What are they doing?
    B. What are they not doing?
    C. What makes them popular?
    D. What makes them unpopular?

18. Bart-Mart, a department store, wants to prioritize increasing its market share and creating an image of affordability. These objectives suggest it should use
    A. fixed costs.
    B. profit-oriented pricing.
    C. variable costs.
    D. sales-oriented pricing.

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19. Which of the following communication channels is specifically designed to provide an immediate incentive for a customer to make a purchase:
    A. A feature article about the company's history in a trade magazine
    B. A contact form located on the company's website
    C. Digital coupons delivered via a mobile app
    D. TV interviews with the company's CEO

20. Ringo's Lasso Depot sells discount stirrups, saddles, and other ranching equipment. While its products are used for work, the company markets to people who enjoy Western culture and horseback riding for fun. Ringo's Lasso Depot is primarily using _____ segmentation.
    A. demographic
    B. behavioral
    C. psychographic
    D. geographic

21. Albert is an intermediary for a landscaping company. His role is to connect the company to businesses in need of landscaping services. Albert himself does not buy or own the landscaping service. Albert is a(n)
    A. retailer.
    B. agent.
    C. wholesaler.
    D. consumer.

22. Erika needs to launch a new product line by next month. How can Erika most effectively coordinate human, capital, and fiscal resources to meet her deadline?
    A. Utilize credit lines to purchase and install high-capacity automated machinery.
    B. Reallocate her budget to hire temporary staff and lease additional equipment.
    C. Cut the marketing budget and put the saved money into a long-term savings account.
    D. Implement a rigorous training program to increase the productivity of current staff.

23. The purpose of external audits in a well-governed company is to
    A. set the long-term strategic vision for the company.
    B. manage day-to-day operations.
    C. provide an objective look at financial records.
    D. design specialized software for employees.

24. When an entrepreneur is obtaining insurance coverage, which step is most critical to ensure the business is protected against specific industry risks?
    A. Choosing an insurance provider based solely on its popularity with local businesses
    B. Prioritizing the lowest premium to maintain a high monthly cash flow for business operations
    C. Obtaining only the minimum coverage required by law to minimize fixed insurance costs
    D. Identifying the hazards the business faces and matching them with specific policy riders

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25. Before producing baked goods like cookies and cakes, Gordon's Bakery purchases ingredients like flour, sugar, and chocolate from a food service supplier. This is an example of which supply chain management function?
    A. Sourcing
    B. Delivering
    C. Making
    D. Returning

26. What is the most effective policy for maintaining a business's physical security?
    A. Leave secondary exits unlocked during business hours.
    B. Require identification badges for all personnel.
    C. Store high-value inventory in common areas.
    D. Provide every employee with a master key.

27. Which of the following is an example of a hazard risk for a construction company:
    A. Replacing hailstorm-damaged drywall
    B. Paying higher prices for raw lumber
    C. Violating a municipal building code
    D. Losing a bid to a faster competitor

28. Matilda is running an ideation session for her peers with the goal of generating business concepts. Her group spends most of the time listing problems with various products they are interested in, looking for ways to improve on or solve those problems. Matilda is employing
    A. reverse brainstorming.
    B. role-playing.
    C. blue-sky thinking.
    D. mind mapping.

29. A company in a frontier industry such as biotechnology would most likely be described as risk-
    A. averse.
    B. seeking.
    C. tolerant.
    D. neutral.

30. Warner Grocery sponsors a Fun Run to raise money for the high school's track team. This is an example of which type of public relations activity?
    A. Media
    B. Community
    C. Internal
    D. Crisis

31. As the owner of a sole proprietorship, Sele must pay income taxes as well as
    A. self-employment taxes.
    B. franchise taxes.
    C. corporate income taxes.
    D. double taxation on dividends.

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32. Which component of an expense control plan is most effective at promoting a business's long-term financial health?
    A. Shifting all fixed costs to variable costs
    B. Monitoring real-time spending across departments
    C. Basing future budgets primarily on historical data
    D. Regularly comparing actual to budgeted expenses

33. Humdrum's Bubblegum is selling a new line of bubblegum. Market research suggests the gum is popular with a wide audience, but customers won't go out of their way to acquire it. Humdrum should use a(n) _____ distribution strategy.
    A. exclusive
    B. direct
    C. selective
    D. intensive

34. Suni is designing a new delivery process for her local flower shop. Which of the following best represents a combination of internal and external factors that would most significantly influence the design of this business process?
    A. Suni's personal hobbies and the color and model of the delivery vehicle
    B. The font used on the shop's internal memos and the type of soil used in the greenhouse
    C. The number of delivery drivers and the customer expectations for delivery speed
    D. The historical price of all Suni's wholesale floral costs and the layout of her flower shop

35. Obadiah started a car wash business with the goal of becoming a national chain. However, he soon realized that business tax rates in his state were higher than he expected, making it difficult to grow. Obadiah would not have been taken by surprise if he had prepared a(n)
    A. 401(K).
    B. business plan.
    C. balance sheet.
    D. exit strategy.

36. Which of the following is one way a money-conscious business can provide excellent customer service:
    A. Offering free gift wrapping on all purchases
    B. Hiring a management company to train employees
    C. Greeting each customer by name
    D. Providing coffee and donuts twice a week

37. Terri wants to evaluate the customer experience of her mobile car-detailing business. Which of the following methods provides the most effective evaluation:
    A. Counting the total number of cars detailed per month
    B. Monitoring the amount of money spent on equipment
    C. Analyzing customer feedback across all touchpoints
    D. Checking the business's bank balance each quarter

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38. Dane needs a high-quality 3D printer for his custom figurine business. He will only need it until he moves his business to a new studio in one year. What should Dane do?
    A. Purchase a high-quality 3D printer
    B. Lease a high-quality 3D printer
    C. Purchase a low-quality 3D printer
    D. Lease a low-quality 3D printer

39. Landon needs to conduct a break-even analysis for his new catering business. He already knows his fixed costs and has set prices. To complete the break-even analysis, Landon must determine
    A. payment methods.
    B. the target market.
    C. variable costs.
    D. opportunity costs.

40. Blaine manages a customer service desk. Customer feedback consistently indicates that customer service representatives are rude and unhelpful. What can Blaine do to improve the customer experience?
    A. Take each customer service ticket himself
    B. Blacklist customers who leave bad reviews
    C. Train employees to be more helpful
    D. Withhold pay from problematic employees

41. GraffiTees, a graphic T-shirt shop, has a declining gross profit margin. Which of the following could be the reason why:
    A. Positive word-of-mouth has led more customers to GraffiTees.
    B. GraffiTees has recently chosen a more affordable supplier.
    C. GraffiTees just received a shipment of highly coveted T-shirts.
    D. A new graphic T-shirt company just opened down the street.

42. Which of the following questions is appropriate for determining threats:
    A. Where are we vulnerable?
    B. What niches have our competitors missed?
    C. What economic trends are beneficial to us?
    D. What are our assets?

43. Which of the following is an example of an external cause for a business process to change:
    A. A new law is passed by the government.
    B. A business shifts to a paperless filing system.
    C. A company upgrades its internal software.
    D. A new employee is hired by the company.

44. A business owner gives up a portion of their ownership to a(n) _____ in exchange for capital and professional guidance.
    A. silent partner
    B. commercial bank loan
    C. business consultant
    D. angel investor

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45. Georgina wants to strengthen the security of her company's website to protect customer credit card information. Which of the following strategies best protects against unauthorized access:
    A. Conducting business only on public Wi-Fi connections
    B. Using the same password for employee accounts
    C. Implementing a multi-factor authentication system
    D. Storing all customer data in a single folder

46. Which of the following is most likely to necessitate a formal board of directors and a more complex governance structure in a growing startup:
    A. The transition from a home-based office to a long-term commercial lease
    B. The shift of the workforce from hourly wages to annual salaries
    C. The transition from founder-funding to external venture capital investment
    D. The expansion from a localized marketing strategy to a national digital campaign

47. Which of the following methods for organizing workflow focuses on visualizing the production process by moving tasks through stages such as "To Do," "In Progress," and "Done":
    A. Centralized decision-making
    B. Top-down management
    C. Just-in-time inventory
    D. Kanban system

48. Which of the following best describes the core focus of business process thinking:
    A. Viewing a business as a series of interconnected activities that create value for customers
    B. Focusing on individual department goals to develop specialized expertise
    C. Eliminating human intervention and incorporating AI to ensure the fastest production speeds
    D. Prioritizing short-term profit margins over long-term operational workflows

49. Yun juggles many different responsibilities as a student with a full-time job. Although she does not procrastinate, she finds it hard to focus on the task at hand because she constantly thinks about how much more there is to do. How could practicing time management help Yun the most?
    A. Reducing stress
    B. Reducing the number of tasks
    C. Minimizing procrastination
    D. Adding more tasks

50. The owner of a housekeeping service would like to offer a new holiday-decoration service to their clients. A key consideration when determining the feasibility of this idea is
    A. brand equity.
    B. market saturation.
    C. timeliness.
    D. sustainability.

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51. Which of the following describes a word-of-mouth channel that entrepreneurs use to reach a targeted audience through well-known individuals:
    A. Partnering with influencers to share product reviews
    B. Placing a full-page advertisement in a local newspaper
    C. Hiring a sales team to conduct door-to-door cold calling
    D. Sending mass email blasts to purchased contact lists

52. Julius manages product development for a cheese packaging company. One of his projects, a prepackaged charcuterie board, is delayed because the company cannot manufacture the right packaging. Julius should have considered company _____ before developing the project.
    A. goals
    B. finances
    C. technology
    D. culture

53. Anya wants to start a neighborhood bakery with strong ties to the local community. Which financing method would provide capital while allowing Anya to build relationships with the community?
    A. Angel investment
    B. Crowdfunding
    C. SBA 504 loan
    D. Venture capital

54. Tori manages an agricultural research project at a renewable energy company. One of her team members suggests using innovative irrigation technology for the project, but it would be too costly. How should Tori respond?
    A. Redirect the employee to focus only on assigned tasks rather than proposing process improvements.
    B. Reject the proposal immediately to prevent the team from wasting time on unaffordable solutions.
    C. Approve a small-scale pilot of the technology and address the budget deficit at the end of the year.
    D. Acknowledge the value of the innovation but explain the budgetary constraints that prevent its use.

55. Golden Holdings is conducting an organizational SWOT and discovers the organization is understaffed in several key sectors. Where would this understaffing issue fall in Golden Holding's organizational SWOT?
    A. Weaknesses
    B. Threats
    C. Opportunities
    D. Strengths

56. Which of the following is a drawback of advertising through text messages:
    A. Most consumers won't be reachable.
    B. It may anger consumers.
    C. Most consumers don't read their texts.
    D. It is difficult to get phone numbers.

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57. Hilda's Highlights, a beauty salon chain, is collecting quantitative data on industry trends. It finds that many competitors are increasing prices while adding complementary services like massages in response to changing consumer preferences. This is an example of _____ research.
    A. causal
    B. descriptive
    C. predictive
    D. exploratory

58. Hanna earns an annual taxable income of $150,000, while Maja earns $40,000. If Hanna is required to pay a higher percentage of her income in taxes than Maja, the country is utilizing a _____ tax system.
    A. regressive
    B. flat
    C. proportional
    D. progressive

59. Rihanna is considering pursuing a new customer relationship management (CRM) project. Before she pitches it, she wants to know what investments, losses, and revenues it could generate. Rihanna should perform a
    A. product standard.
    B. break-even analysis.
    C. cost standard.
    D. cost-benefit analysis.

60. A successful business coordinates its human, capital, and fiscal resources. Which of the following are examples of fiscal resources:
    A. Company executives and employees
    B. Natural gas and oil
    C. Loans and stocks
    D. Office building and supplies

61. If a jewelry company wants to charge lower prices for its products, it should use _____ materials to make them.
    A. illegal
    B. rare
    C. expensive
    D. affordable

62. What is meant by the statement, "Selling should enhance future business opportunities"?
    A. Selling should be focused solely on maximizing profit.
    B. Selling should involve seeking out exciting business ventures.
    C. Selling should be used as a method for networking.
    D. Selling should garner repeat business.

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63. Jett, a manager at a large firm, is considering promoting an employee. He pulls up documents showing the length of employment, evaluations, reprimands, and notes about their performance. Jett is making use of _____ records.
    A. payroll
    B. personnel
    C. promotional
    D. asset

64. The pharmaceutical industry is considered an oligopoly. Which of the following most likely contributes to its market structure:
    A. Low regulation and demand
    B. Low supply and demand
    C. High regulation and cost of entry
    D. High innovation and low profit

65. Miranda's Sporting Goods decides to offer a buy-one, get-one-half-off discount on sneakers to increase monthly sales. Which element of the promotional mix is represented by the discount?
    A. Sales promotion
    B. Advertising
    C. Personal selling
    D. Public relations

66. TerraPure is a startup that sells biodegradable water bottles. Which of the following groups would be most interested in TerraPure's water bottles:
    A. Local government agencies
    B. Professional athletes
    C. Environmentally conscious customers
    D. Large-scale beverage manufacturers

67. Anthony, an HR manager, receives a complaint that an employee was underpaid on their last two paychecks. If Anthony fails to resolve this discrepancy promptly, the employee will likely
    A. file a grievance.
    B. be fired.
    C. forget about the issue.
    D. be given a raise.

68. Deborah has hired a manager for her new crepe shop. However, the new manager often disregards state-mandated temperature logs and food safety labels. This is a form of _____ risk for the crepe shop.
    A. strategic
    B. compliance
    C. security
    D. financial

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69. After noticing a trend of loose door handles, Zenith Motors analyzes its production data and implements a series of changes to the assembly line to enhance vehicle durability. This ongoing process of refining and adaptation is an example of quality
    A. improvement.
    B. globalization.
    C. control.
    D. flow.

70. Which of the following indicates that a company's stock is overvalued or that investors anticipate significant growth:
    A. A negative earnings yield
    B. A high price-to-earnings ratio
    C. No price-to-earnings ratio
    D. A low price-to-earnings ratio

71. Which of the following represents a significant risk for an entrepreneur who obtains business credit with a personal guarantee:
    A. The business will be legally required to give up equity to the lender as a form of collateral.
    B. The interest expenses paid on the business credit will no longer be considered tax-deductible.
    C. The lender will assume control of daily management decisions for the company.
    D. The entrepreneur's personal assets could be seized if the business fails to repay the debt.

72. Treasure Trove, a department store chain, sells an array of pirate-themed household goods and clothing for a low price. Research indicates that customers like the store's theme and find its products to be high-quality and affordable, but often complain that their favorite items are out of stock. Treasure Trove likely has a problem with which of the following parts of the marketing mix:
    A. Place
    B. Promotion
    C. Price
    D. Product

73. Brayden is leading a software development project for his company. However, some essential members of his team don't get along. How can Brayden try to fix this?
    A. Take the team out for a meal or activity.
    B. Replace the members who are in conflict.
    C. Tell the members they have to get along.
    D. Withhold the members' pay until they improve.

74. UPM Delivery is evaluating four potential business risks. Based on the level of disruption and likelihood of occurrence, which should UPM Delivery rank as the most critical operational threat?
    A. A fleet of four delivery vans being sidelined for routine maintenance
    B. A 24-hour system-wide crash of the package tracking software
    C. A 3% increase in global jet fuel prices
    D. A major competitor launching a new app in two nearby cities

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75. Laureen's fashion company has surpassed its financial goals, and now she seeks to expand aggressively, funding the growth mainly through stock purchases. What kind of ownership model makes the most sense?
    A. Sole proprietorship
    B. Limited liability company
    C. Corporation
    D. Partnership

76. Yuzuki needs to write a proposal for a new corporate initiative. Before she begins researching data or drafting sections, her first step should be to identify the
    A. total number of copies required for the meeting.
    B. specific purpose and intended audience.
    C. correct writing style and grammar structure.
    D. most appropriate font style and size.

77. Which management strategy most effectively ensures long-term quality achievement in a business?
    A. Inspecting every product to avoid training staff
    B. Delegating quality oversight to entry-level employees
    C. Promoting a culture of continuous improvement
    D. Prioritizing production speed over consistent quality

78. Aleezah, an entrepreneur, plans to complete a business analysis. The primary focus of her analysis should be to
    A. identify business needs.
    B. hire new employees.
    C. develop a marketing plan.
    D. record daily financial transactions.

79. Riley manages a diverse sales team. When a team member expresses that Riley is too harsh when the team makes mistakes, Riley sternly explains that sometimes managing a team requires being aggressive. The team member doesn't bring it up again, but resigns soon after. Riley failed to
    A. establish control.
    B. follow the chain of command.
    C. be confident.
    D. show empathy.

80. Velvet & Vine, a new business, is beginning the process of identifying market segments. To do it successfully, the company should
    A. calculate the total costs required to open a physical location.
    B. hire a legal team to ensure the business name is registered
    C. group potential customers based on specific traits.
    D. reduce the product's price to appeal to most customers.

81. Which of the following is an effective strategy for generating new business ideas:
    A. Increasing cash flow
    B. Developing a business plan
    C. Setting tighter deadlines
    D. Organizational downsizing

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82. Bread & Butter Bakery wants to switch to a premium flour to improve the quality of its artisan loaves. What effect will this have on the price consumers pay?
    A. It will decrease.
    B. It will increase at first, then decrease.
    C. It will decrease at first, then increase.
    D. It will increase.

83. Raya owns a custom drone photography business. She scans the business environment and finds that she has no direct competitors in the area. However, she struggles to find customers who can afford her prices and soon goes out of business. What should Raya have included in her environmental scan?
    A. The economy
    B. Technology
    C. Competition
    D. The government

84. Which of the following questions applies the situation, task, action, and result (STAR) interview structure:
    A. “Can you tell me about a time when you dealt with team conflict and management?”
    B. “What do you think is the most important personality trait for someone in this position?”
    C. “Given your experience and goals, what is your salary expectation for this role?”
    D. “On a scale of one to 10, how often would you say you were on time at your previous job?”

85. Which governance practice provides the most objective oversight of a company’s financial reporting and internal accounting processes?
    A. Tasking executive management with internal financial self-assessments
    B. Centralizing all financial approval authority under the CFO
    C. Combining the CEO and board chair roles for efficiency
    D. Utilizing both internal and external audit functions

86. While assessing the startup costs of her pet furniture business, Letty estimates an additional 20% to be set aside for variable costs that cannot be predicted. This acts as her _____ fund.
    A. emergency
    B. index
    C. contingency
    D. hedge

87. Graham is a manager overseeing large technology changes in his organization. He has clearly defined the change and received approval to implement it. What should Graham do next?
    A. Analyze the results of the change for employees, stakeholders, and customers.
    B. Implement the change through top-down policy and technology changes.
    C. Spread the change via word of mouth to other employees and stakeholders.
    D. Create a plan that defines the measurement, scope, and effects of the change.

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88. Ambient Technology is using a risk matrix to evaluate potential threats, such as data breaches or power outages. By ranking each threat based on its likelihood and potential financial impact, which component of enterprise risk management is the company addressing?
    A. Risk response
    B. Event identification
    C. Objective setting
    D. Risk assessment

89. In her new executive role, Chioma must analyze how various departments within the company interact and how the organization fits into the industry. To be successful in this big picture thinking, she must primarily utilize _____ skills.
    A. operational
    B. conceptual
    C. tactical
    D. technical

90. Glinda is conducting market research to explore sales trends in the steel industry. She has surveyed suppliers, collected industry reports, and gathered consumer data. What should she do next?
    A. Analyze the data
    B. Form a hypothesis
    C. Make recommendations
    D. Formulate a research question

91. To be successful, your brand must connect with customers on both a(n) _____ and _____ level.
    A. rational; emotional
    B. artistic; financial
    C. financial; rational
    D. emotional; artistic

92. How can employees encourage a learning culture within their organizations?
    A. Increase salaries
    B. Ensure product quality
    C. Share best practices
    D. Emphasize discretion

93. Dena, a restaurant owner, notices that food waste has increased significantly over the past month. What should Dena do to address the problem?
    A. Implement a strict policy that employees must pay for any food they waste.
    B. Conduct a brainstorming session with staff to identify ways to repurpose leftovers.
    C. Dismiss the head chef to signal that waste will not be tolerated.
    D. Increase menu prices to offset the financial loss caused by the waste.

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94. Standardize, an academic tutoring company, plans to implement videoconferencing technology that tutors will use to meet with students remotely. Who are the critical stakeholders for this change?
    A. Office staff and students
    B. Managers and investors
    C. Managers and HR staff
    D. Tutors and students

95. To maintain exclusivity, a niche brand is most likely to select _____ distribution channels.
    A. fewer
    B. intensive
    C. e-commerce
    D. many

96. Loveland's Nuggets promotes its frozen chicken nuggets through commercials claiming the nuggets are high-protein and vitamin-enriched. They also distribute coupons and hold frequent sales. This type of promotion mainly seeks to
    A. remind.
    B. persuade.
    C. inform.
    D. attack.

97. Why do entrepreneurs often develop exit strategies before starting their business?
    A. Consumers prefer companies with clear exit strategies.
    B. Claiming an exit strategy when a company is founded provides tax benefits.
    C. It is illegal to start a business without declaring an exit strategy.
    D. The choice of eventual exit strategy may influence business decisions.

98. Floral Boutique decides to invest its entire marketing budget into a new virtual reality (VR) shopping platform. However, customers find the technology difficult to use and stop shopping at the store. This failure of a high-level business initiative is an example of what type of risk?
    A. Financial
    B. Strategic
    C. Operational
    D. Hazard

99. Which of the following performance measures indicates a successful financial outcome:
    A. High levels of customer satisfaction
    B. Low levels of employee morale
    C. High levels of employee turnover
    D. Low levels of innovation

100. Which of the following is a primary disadvantage for an entrepreneur who chooses to bootstrap their startup:
    A. The increase in annual interest rates
    B. The increase in personal financial risk
    C. The loss of control to outside investors
    D. The mandatory investor financial audits

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1. B

Cash flow statement. A cash flow statement summarizes a company's inflows and outflows, giving a clearer picture of their available capital and cash flows. An income or earnings statement instead summarizes profits. The balance sheet gives a snapshot of a business's finances without tracking the flow of capital.

SOURCE: FI:092 Prepare cash flow statements

SOURCE: Thompson, C. (2025, October 9). *Cash flow statements: How to prepare and read one.* Retrieved January 20, 2026, from https://www.investopedia.com/investing/what-is-a-cash-flow-statement/

2. B

Finding a bank that provides a dedicated small business advisor. A critical banking relationship involves having an advisor who understands the business and is dedicated to seeing it succeed financially. Therefore, Dante should prioritize finding a bank that provides a dedicated small business advisor, as they specialize in working with small businesses like Dante's. Choosing a bank based on a one-time cash incentive is less important than a small business advisor. While convenience is helpful, the closest bank is not always the best bank. A bank's proximity is less important than its ability to provide the specific financial services a business needs. An entrepreneur should select the bank that best benefits the business, not the entrepreneur personally.

SOURCE: FI:039 Analyze critical banking relationships

SOURCE: Kenton, W. (2026, January 6). *What is relationship banking? Advantages and disadvantages.* Retrieved January 20, 2026, from https://www.investopedia.com/terms/r/relationship-banking.asp

3. A

Occupational Safety and Health Administration (OSHA). OSHA is the federal agency that oversees workplace and employee safety. The ADA stands for the Americans with Disabilities Act and is a law, not a federal administration. The Food and Drug Administration (FDA) is the regulatory agency that enforces laws to protect consumer health. The Environmental Protection Agency (EPA) enforces laws to protect the nation's natural surroundings.

SOURCE: BL:008 Explain the nature of workplace regulations (including OSHA, ADA)

SOURCE: Farahany, A. (2023, September 15). *Workplace safety regulations: What employees need to know.* Retrieved January 14, 2026, from https://www.justiceatwork.com/workplace-safety-regulations-what-employees-need-to-know/

4. A

Selling products directly to the final consumer through a company-owned website. Direct marketing channels involve a producer selling directly to the end-user without any intermediaries. Selling products to a regional wholesaler that then distributes to local retailers describes an indirect channel involving multiple intermediaries. While logistic providers handle physical movement, direct channels are defined by the transaction and communication flow between the brand and the consumer, not just the shipping method. Selling through a retail chain is an indirect retailer channel where the store acts as an intermediary.

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

SOURCE: Kenton, W. (2025, May 25). *Direct marketing: What it is and how it works.* Retrieved January 16, 2026, from https://www.investopedia.com/terms/d/direct-marketing.asp

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5. A

Contraction. In a product mix, contraction refers to removing products from the mix, usually because it is no longer beneficial to sell them. Expansion refers to adding products to the mix. Trading up is when a company adds higher-priced products to its mix, often to bolster sales of other products and attract new customers. Trading down is when a company adds lower-priced goods to its mix, often to serve a specific market or meet competition.

SOURCE: PM:003 Explain the concept of product mix

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

6. B

An interactive Q&A session on social media. The strength of an interactive Q&A on social media is that it provides the immediate feedback that AQR Media was looking for. While press releases, brochures, and radio segments are great for spreading information, they are primarily one-way channels. Social media is unique in public relations because it allows for a two-way symmetrical flow where the organization and the public can have a real-time conversation.

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

SOURCE: Indeed. (2025, December 15). *Marketing communication channels: Strategies and examples.* Retrieved January 13, 2026, from https://www.indeed.com/career-advice/career-development/communication-channels-marketing

7. A

Backward. Backward integration refers to acquiring capabilities toward the supplier end of the supply chain. In this case, the notebook producer has acquired the capability of producing paper, meaning it no longer must buy paper from a supplier. Forward integration is the opposite—acquiring capabilities toward the distribution end of the supply chain. Horizontal integration means acquiring competing firms in the same industry. Side integration is not a standard type of supply chain integration.

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

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

8. B

Yes, because it will make around $75,000 in profit. Lunara Beauty should introduce the new product line because it will make around $75,000 in profit. This is because it costs Lunara Beauty $100,000 to implement the new product line, but it will make around $175,000 in sales. The total amount of sales ($175,000) minus the cost of production ($100,000) equals the profit ($75,000). This makes introducing the new product line a sound decision since they will be making a profit. Lunara Beauty will not lose any amount of money by introducing the new product line. Introducing the new product line will earn Lunara Beauty $75,000 in profit, not $175,000. The $175,000 figure is the total amount of sales but does not take into account the cost of production ($100,000).

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

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

9. B

Quality control. A problem with quality control is the most likely cause of many customers returning items. Lloyd's Closet communicates with its supply chain and has no problems with efficiency. There is no indication Lloyd's Closet lacks customer service or support.

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

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

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10. C

Conduct a safety walkthrough. A safety walkthrough is a proactive management tool used to identify physical hazards before they cause an accident. Waiting for an employee to report an injury is a reactive approach, not a proactive one. Insurance reviews deal with financial protection and risk transfer, not the actual identification of physical hazards in the workplace. Relying on external inspections leaves the business vulnerable to hazards that arise between visits.

SOURCE: OP:151 Identify potential safety issues

SOURCE: Emtrain. (2026). *Workplace safety hazards: How to identify and reduce risk.* Retrieved January 20, 2026, from https://emtrain.com/blog/workplace-culture/common-safety-hazards/

11. B

Employee training. Proper employee training and development helps create a consistent experience for customers. Improper training can lead to negative customer experiences. A consulting firm is not usually conducting sales with clients. A poor company reputation may make customers less likely to use the business, but it would not create inconsistent customer experiences. A company's market share has little effect on its quality of service.

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

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

12. A

To ensure the business remains operational in the event of the owner's sudden departure. Continuation planning is designed to protect the business's future by establishing a clear transition of leadership and ownership, ensuring stability for employees, customers, and stakeholders in the event of an unexpected crisis. Continuation planning focuses on leadership transition and operational longevity rather than year-to-year tax mitigation strategies. Continuation planning is about transferring power at the ownership or executive level, not a human resources tool for employee termination. While continuation plans are a best practice for risk management, they are generally not a mandatory legal requirement for obtaining a basic business license.

SOURCE: EN:034 Explain the need for continuation planning

SOURCE: Kenton, W. (2025, May 5). *What is a business continuity plan (BCP), and how does it work?* Retrieved January 21, 2026, from https://www.investopedia.com/terms/b/business-continuity-planning.asp

13. C

By improving her reputation at work. One advantage of building relationships with others at work is an improved reputation. Although Lenore and Bart are similar in skill and experience, Lenore's reputation likely won her the promotion. The point of business relationships is not to manipulate, and this can often backfire if others discover the behavior. Although being fun and interesting are generally positive traits, it does not always translate into business success. Talking badly about others at work would be likely to damage her reputation, not improve it.

SOURCE: EI:114 Establish strategic relationships with others

SOURCE: Parsons, L. (2024, January 8). *How to build business relationships.* Retrieved January 22, 2026, from https://professional.dce.harvard.edu/blog/how-to-build-business-relationships/#Tips-for-Building-Strong-Business-Relationships

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14. C

Entrepreneurs must accurately report income and expenses to tax authorities. Filing tax returns is a legal mandate for all registered businesses. While certified professional accountants are recommended, the law allows entrepreneurs to file their own tax returns. Tax returns are not optional at any point in a business's operations. Banks manage transactions, but they do not have a legal obligation to file an entrepreneur's taxes.

SOURCE: FI:652 File business tax returns

SOURCE: IRS. (2025, September 8). *Filing and paying your business taxes.* Retrieved January 20, 2026, from https://www.irs.gov/businesses/small-businesses-self-employed/filing-and-paying-your-business-taxes

15. C

The company's ability to adapt to change may be limited. Based on the information provided, a reasonable conclusion that Yuri can draw is that the company's ability to adapt to change may be limited. This is because, upon investigation of the company's history, Yuri discovered that the company has consistently underperformed over the past 20 years. Additionally, the board of directors has remained mostly the same over that period. Therefore, it is reasonable to conclude that the company's ability to adapt to change may be limited. The company's board of directors has stayed mostly the same for over 20 years; it does not have a history of changing frequently. The company does not have a history of long-term success. There is no information regarding the company's success in the winter and summer seasons.

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

SOURCE: Analyst Prep. (2021, September 12). Factors considered in analysis of corporate governance. Retrieved January 9, 2026, from https://analystprep.com/cfa-level-1-exam/corporate-issuers/factors-considered-in-analysis-of-corporate-governance/

16. A

It provides a system of rules and processes. Corporate governance is the framework of rules and processes by which an organization is controlled. It creates accountability, transparency, and fairness, which are necessary to build trust with investors and ensure the company is managed in the best interest of everyone involved. Corporate governance creates a system of checks and balances; it does not ensure the CEO has absolute power. Corporate governance may improve reputation, but it does not build brand recognition. Corporate governance does not decrease the business's taxes. In fact, corporate governance reinforces the need to follow laws and ethical standards.

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 January 15, 2026, from https://online.law.pitt.edu/blog/corporate-governance-what-it-is-and-why-it-matters

17. B

What are they not doing? Garett discovered an opportunity by looking for something that his competitors are not already providing. His analysis did not focus on what they are already doing to make themselves popular or unpopular.

SOURCE: EN:002 Discuss entrepreneurial discovery processes

SOURCE: U.S. Small Business Administration. (2025, September 23). *Market research and competitive analysis.* Retrieved January 20, 2026, from https://www.sba.gov/business-guide/plan-your-business/market-research-competitive-analysis

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18. D

Sales-oriented pricing. Sales-oriented pricing is a good fit for a company that wants to promote a particular image and increase its market share. Setting a lower price in this would increase sales volume and contribute to these objectives at the cost of profit. Profit-oriented pricing would involve setting prices to obtain the highest profit. Fixed and variable costs have to do with business costs, not pricing.

SOURCE: PI:002 Explain factors affecting pricing decisions

SOURCE: LAP-PI-002—Make Cents (Factors Affecting Selling Price)

19. C

Digital coupons delivered via a mobile app. Sales promotion focuses on short-term incentives to encourage purchase. Coupons provide a direct and immediate financial benefit that motivates a consumer to act quickly. Feature articles are part of public relations, which aims to build long-term brand image and awareness rather than trigger an immediate sale. A contact form is a customer service or lead generation tool, not a promotional incentive designed to close a sale. Interviews are a public relations tactic used to establish credibility and thought leadership. They lack the specific call to action or incentive found in sales promotions.

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

SOURCE: Indeed. (2025, December 15). *Marketing communication channels: Strategies and examples.* Retrieved January 16, 2026, from https://www.indeed.com/career-advice/career-development/communication-channels-marketing

20. C

Psychographic. Psychographic segmentation refers to separating customers by lifestyle, especially special interests and hobbies. Since Ringo's Lasso Depot markets mainly to people who enjoy Western culture and horseback riding as a hobby, it is using psychographic segmentation. Behavioral segmentation depends on customers' specific use of a product, including their rate of use, benefits derived from the product, loyalty of the customer, and the occasion they may be buying for. Geographic segmentation depends on customers' geographic locations, while demographic segmentation depends on the physical and social characteristics of customers such as gender, status, or religion.

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

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

21. B

Agent. An agent is an intermediary that assists in the sale or promotion of goods and services without buying them. Albert is an agent who connects the landscaping company to clients, but he does not own the landscaping service. Wholesalers and retailers buy product in bulk before selling them at a markup. Consumers buy and use the product or service.

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

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

22. B

Reallocate her budget to hire temporary staff and lease additional equipment. By shifting money, bringing in extra help, and acquiring equipment, Erika is effectively coordinating human, capital, and fiscal resources to launch her new product line by next month. Implementing a training program focuses only on human resources. Purchasing and installing machinery focuses on capital and fiscal investment. Cutting the marketing budget and putting the saved money into a long-term savings account focuses strictly on fiscal resources.

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

SOURCE: Conover. (2026). *Planning and organizing: Coordinating resources.* Retrieved January 20, 2026, from https://www.conovercompany.com/planning-organizing-coordinate-resources/

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23. C

Provide an objective look at financial records. An external audit is a financial review in which independent auditors analyze a business's financial records to highlight misstatements in reporting. Hiring independent auditors ensures there is no bias when reviewing the records, providing stakeholders with a clear and accurate picture of the business's finances. The management of day-to-day operations is the responsibility of the management team. The board of directors sets the strategic vision for the company. Designing software for employees is usually done by the company's IT department.

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

SOURCE: Mathur, P. (2024, June 28). *What is an external audit: Roles, responsibilities & examples.* Retrieved January 13, 2026, from https://www.highradius.com/resources/Blog/what-is-an-external-audit/

24. D

Identifying the hazards the business faces and matching them with specific policy riders. Effective insurance coverage is based on a risk assessment. The lowest premium can leave a business financially vulnerable to high out-of-pocket costs during a claim. Popularity does not guarantee that an insurance provider is the best fit. Legal minimums often do not cover the replacement of equipment, inventory, or loss of income, leaving the business's capital at risk.

SOURCE: FI:082 Obtain insurance coverage

SOURCE: Small Business Administration. (2024, April 8). *Get business insurance.* Retrieved January 20, 2026, from https://www.sba.gov/business-guide/launch-your-business/get-business-insurance

25. A

Sourcing. Sourcing is the function of procuring goods to meet demand. In this case, Gordon's Bakery sources its ingredients from a food service supplier before it can make goods that will be sold to final consumers. Delivering is the function of getting a finished product to customers. Returning is the function of regaining value through returned products.

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

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

26. B

Require identification badges for all personnel. Requiring identification badges for all personnel allows staff to quickly identify unauthorized individuals, which is crucial for maintaining the physical security of a business's work environment. Giving everyone master access puts more keys in circulation, and the more keys in circulation, the higher the risk of theft or unauthorized entry. Keeping exits unlocked significantly compromises the security of a building. High-value items should be stored in secure, restricted-access areas, not common areas where they can easily be stolen.

SOURCE: OP:157 Establish policies and procedures to maintain physical security of the work environment

SOURCE: Business Protection Specialists. (2026). *A comprehensive guide to physical security measures.* Retrieved January 20, 2026, from https://www.securingpeople.com/physical-security-measures/

27. A

Replacing hailstorm-damaged drywall. Hazard risks are potential events or situations that can cause injury or harm to people, property, or the environment. A hailstorm damaging a construction company's drywall is a perfect example of a hazard risk for a business. Violating a municipal building code is a compliance risk. Paying higher prices for raw lumber is a financial risk. Losing a bid to a faster competitor is a strategic risk.

SOURCE: RM:056 Identify business risks

SOURCE: Kenton, W. (2025, May 10). *Business risk: Definition, factors, and examples.* Retrieved January 21, 2026, from https://www.investopedia.com/terms/b/businessrisk.asp

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28. A

Reverse brainstorming. Reverse brainstorming is a technique in which participants think of problems with existing products or processes. Role-play usually involves acting out scenarios from the perspective of consumers. Blue-sky thinking consists of coming up with ideas without realistic constraints or limitations. Mind mapping is a process for organizing related information and ideas into a visual format.

SOURCE: EN:006 Generate venture ideas

SOURCE: Indeed. (2025, November 27). *12 methods for generating ideas (with importance and uses).* Retrieved January 20, 2026, from https://uk.indeed.com/career-advice/career-development/generating-ideas

29. B

Seeking. Risk-seeking organizations look for ways to turn risk into a strategic advantage or capital. Companies in frontier industries such as biotechnology or space exploration are labeled as risk-seeking because their business model depends on high-stakes innovation. Risk-averse companies attempt to avoid risk as much as possible. Common examples of risk-averse organizations are hospitals, police departments, and fire and rescue services. Risk-tolerant organizations accept risk when necessary, but they do not seek risk. Risk-neutral organizations make decisions based on the expected value and ignore the level of risk associated.

SOURCE: SM:075 Explain the nature of risk management

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

30. B

Community. Community relations activities are designed to build goodwill between an organization and the people who live and work near it. While a press release might be written about the event, the act of sponsoring the run itself is a community-focused activity. Media relations focuses on journalists and news coverage, crisis relations focuses on fixing a problem or emergency, and internal relations focuses on discussions with employees and management, none of which involve an event sponsored by a company.

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

SOURCE: Agility PR Solutions. (2025, October 31). *Public relations activities.* Retrieved January 14, 2026, from https://www.agilitypr.com/resources/pr-glossary/public-relations-activities/

31. A

Self-employment taxes. Owners of sole proprietorships must also pay self-employment taxes. Sole proprietorships are not corporations and are not subject to corporate income taxes. Double taxation on dividends applies to C-corporations, not sole proprietorships. Franchise taxes typically apply to corporations or limited liability corporations (LLCs), but not sole proprietorships.

SOURCE: BL:009 Explain the nature of tax regulations on business

SOURCE: Daugherty, G. (2025, January 28). *Understanding small business taxes: A comprehensive guide.* Retrieved January 21, 2026, from https://www.investopedia.com/small-business-taxes-8415119

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32. D

Regularly comparing actual to budgeted expenses. Regularly comparing actual expenses to budgeted amounts helps a company quickly identify and address any discrepancies. While monitoring real-time spending is a recommended practice, it does not involve comparison to the budget. Simply monitoring is a passive activity. While variable costs provide flexibility, it is often impossible or financially inefficient to eliminate all fixed costs, making it an ineffective strategy for promoting long-term financial health. Historical budgeting fails to account for changing market conditions, inflation, or planned business expansion. Basing future budgets primarily on historical data over current data is poor budgeting and can lead to overspending, hurting a business's long-term financial health.

SOURCE: OP:029 Develop expense control plans

SOURCE: Paychex. (2026). *Cost control: Best practices for business expense management.* Retrieved January 16, 2026, from https://www.paychex.com/articles/finance/cost-control-managing-business-expenses

33. D

Intensive. Intensive distribution involves selling a product through as many retailers and wholesalers as possible to reach the most people. Humdrum's Bubblegum is a convenience product that consumers like but won't go out of their way for, so distributing to many retailers makes the most sense. Humdrum's Bubblegum does not need to maintain tight control over the product, so exclusive distribution does not make sense. Similarly, selective distribution would likely reduce sales by restricting the number of consumers exposed to the product. Direct distribution would force the business to sell its product directly, further limiting sales.

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

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

34. C

The number of delivery drivers and the customer expectations for delivery speed. This option correctly identifies both an internal and external factor that would significantly influence the design of Suni's delivery process. The internal factor is the number of delivery drivers, and the external factor is the customer expectations for delivery speed, both of which must be key considerations for Suni when designing her delivery process. Suni's personal hobbies and the delivery vehicle's color and model do not have a significant influence on the design of Suni's delivery process. Nor does the historical price of all Suni's wholesale floral costs, the layout of the flower shop, the font used on the shop's internal memos, or the type of soil used in the greenhouse.

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

SOURCE: Altenbach, V. (2024, July 18). *Which factors influence the design, execution and optimization of business processes?* Retrieved January 15, 2026, from https://www.brix.ch/en/about-us/news/which-factors-influence-the-design-and-optimisation-of-business-processes

35. B

Business plan. A business plan outlines a company's goals, marketing, financing, and more. It also includes an analysis of factors that affect the business, like the economy and the product market. Obadiah would have realized how the tax rate would affect his business if he had gone through the planning process. A 401(K) is a tax-deferred retirement plan. A balance sheet is a financial statement that captures the financial condition of a business. An exit strategy is a plan to eventually cash out of a business.

SOURCE: EN:008 Explain tools used by entrepreneurs for venture planning

SOURCE: Hayes, A. (2025, August 19). *Comprehensive guide to crafting a winning business plan.* Retrieved January 20, 2026, from https://www.investopedia.com/terms/b/business-plan.asp

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36. C

Greeting each customer by name. Providing excellent customer service generally isn't free, but learning each customer's name and greeting them individually doesn't cost a business any money. Providing coffee and donuts twice a week is an unnecessary expense. Hiring a management company to train employees is expensive; computer courses would be more cost-effective. Offering free gift wrapping on all purchases is good customer service, but it can be an expensive service.

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

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

37. C

Analyzing customer feedback across all touchpoints. Analyzing customer feedback across all touchpoints allows Terri to easily identify which areas of the process are working and which areas need improvement. Furthermore, the regular and consistent communication between Terri and her customers allows her to address any issues that arise at the very moment that they do. Counting the total number of cars detailed per month, monitoring the amount of money spent on equipment, and checking the business's bank balance each quarter are not effective methods for evaluating the customer experience.

SOURCE: PM:138 Evaluate customer experience

SOURCE: Nutshell. (2026). *What are customer touchpoints and how to identify them?* Retrieved January 15, 2026, from https://www.nutshell.com/engagement/resources/customer-touchpoints

38. B

Lease a high-quality 3D printer. Since Dane does not need a 3D printer for more than a year, he doesn't need to purchase one outright. Leasing would allow Dane to access a high-quality printer at a lower cost than purchasing. Since Dane specifically needs a high-quality printer, he should not lease or purchase a lower-quality one.

SOURCE: EN:019 Describe considerations in selecting capital resources

SOURCE: Laurence, B. (2024, May 22). *Business equipment: Buying vs. leasing.* Retrieved January 20, 2026, from https://www.nolo.com/legal-encyclopedia/business-equipment-buying-vs-leasing-29714.html

39. C

Variable costs. One of the most important considerations in break-even analysis is variable costs—recurring costs that come with manufacturing a product and change depending on how many products are produced. The target market, payment methods, and opportunity costs are not expenses that change and are not factored into the break-even analysis.

SOURCE: OP:192 Conduct break-even analysis

SOURCE: Richards, D. (2019, October 2). *How to do a breakeven analysis.* Retrieved January 13, 2026, from https://www.thebalancesmb.com/how-to-do-a-breakeven-analysis-1200834

40. C

Train employees to be more helpful. Managers can improve customer relations by setting customer-centric goals and creating a customer-centric culture. In this case, Blaine can improve the customer experience by training his customer service representatives better. It would be impractical to take each ticket himself. Blacklisting customers who leave bad reviews ignores the problem and will hurt the company's business. Withholding pay from employees in this manner is illegal.

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

SOURCE: Fontanella, C. (2023, July 20). *How to build a customer-focused company, according to 10 people who did it.* Retrieved January 22, 2026, from https://blog.hubspot.com/service/customer-focus

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41. D

A new graphic T-shirt company just opened down the street. Gross profit is the difference between sales revenue and the costs related to the products sold. Increased competition often leads to declining gross profit margins because it decreases sales. A new graphic T-shirt company opening just down the street from GraffiTees increases market competition, resulting in decreased sales and a decline in GraffiTees' gross profit margin. If GraffiTees received a shipment of highly coveted T-shirts, one would expect its gross profit margin to increase as more customers roll in to purchase them, increasing the sales revenue. Similarly, if GraffiTees receives more customers because of positive word-of-mouth, one would expect its gross profit margin to increase as sales increase. Choosing a more affordable supplier often leads to a higher gross profit margin, as it reduces the costs associated with the products sold, while the sales revenue stays the same.

SOURCE: FI:542 Monitor business's profitability

SOURCE: Hayes, A. (2025, July 16). *Profitability ratios: What they are, common types, and how businesses use them.* Retrieved January 9, 2026, from https://www.investopedia.com/terms/p/profitabilityratios.asp

42. A

Where are we vulnerable? “Where are we vulnerable?” is an appropriate question for determining threats. Obstacles in a business’s path pose threats to the business. “What are our assets?” is a question for determining strengths. “What niches have our competitors missed?” and “What economic trends are beneficial to us?” are questions for determining opportunities.

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

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

43. A

A new law is passed by the government. New government laws are external factors that may cause a business’s processes to change to be compliant. Hiring new employees, shifting operational procedures, and upgrading internal software are all examples of internal causes for a business process to change.

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

SOURCE: Wilkins, J. (2026). *Business processes and change – Reasons, drivers, and considerations.* Retrieved January 15, 2026, from https://info.aiim.org/aiim-blog/business-process-change-drivers-and-considerations

44. D

Angel investor. Angel investors provide equity financing, meaning they receive a share of ownership in the business. They often also provide mentorship to help the startup succeed. A bank loan is debt financing. The bank provides money that must be repaid with interest, but they do not take ownership of the company. A business consultant provides guidance, but not capital. A silent partner typically provides capital, but not professional guidance.

SOURCE: FI:031 Explain sources of financial assistance

SOURCE: Ganti, A. (2025, August 17). *Angel investor: Definition and how it works.* Retrieved January 20, 2026, from https://www.investopedia.com/terms/a/angelinvestor.asp

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45. C

Implementing a multi-factor authentication system. Multi-factor authentication is a security system requiring users to provide two or more verification methods to access an account. This strategy best protects against unauthorized access by providing an extra layer of protection beyond a single password. Using the same password for all employee accounts is a major security risk. Storing all customer data in a single folder is also a major security risk because if that folder becomes compromised, then all the customer data in it becomes compromised. Public Wi-Fi networks are often not secure, making it easy for opportunistic hackers to access confidential information.

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

SOURCE: Twilio Inc. (2026). *Customer data protection: A marketer's guide to securing user data.* Retrieved January 15, 2026, from https://segment.com/resources/cdp/protect-customer-data/

46. C

The transition from founder-funding to external venture capital investment. External investors, such as venture capitalists, typically require formal governance structures, like a board of directors, to protect their financial interests. Wage adjustments, the change in business location, and marketing strategies are primarily operational transitions that do not impact the structure of a company's governance.

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 January 16, 2026, from https://www.boardwise.io/en/blog/governance-structure-the-secret-weapon-behind-corporate-success

47. D

Kanban system. The Kanban system is a workflow management method designed to visualize the production process by using boards or cards to track the movement of tasks. JIT is an inventory management strategy focused on reducing waste by receiving goods only as they are needed in the production process. Top-down management refers to a leadership structure where decisions are made by executives and passed down to employees. Centralized decision-making describes where authority is held within an organization's hierarchy.

SOURCE: EN:027 Explain methods/processes for organizing workflow

SOURCE: Asana. (2026). *What is Kanban? Free Kanban template, with examples.* Retrieved January 21, 2026, from https://asana.com/resources/what-is-kanban.

48. A

Viewing a business as a series of interconnected activities that create value for customers. Business process thinking involves viewing a business as a series of interconnected activities in which work flows across the entire company to deliver value to the customer. Focusing on individual department goals is an example of siloed thinking, not business process thinking. Prioritizing short-term success is not the focus of business process thinking, which aims to make a more long-term impact. Business process thinking does not focus on eliminating human intervention in a process.

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

SOURCE: Kothari, A. (2026, January 1). *Importance of process thinking in business management.* Retrieved January 15, 2026, from https://tallyfy.com/process-thinking/

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49. A

Reducing stress. One benefit of time management is the sense of control and productivity it can create, reducing stress and making it easier to focus on the task at hand. Yun does not procrastinate, so that aspect of time management is not as useful to her. Time management will not remove or add tasks, but will help Yun manage the tasks she already has.

SOURCE: PD:019 Use time-management skills

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

50. C

Timeliness. A key consideration when determining the feasibility of a business venture is whether the season is appropriate. A holiday-decoration service would only be feasible during the holiday season. Sustainability refers to the long-term environmental or social impact, which is not immediately relevant in this scenario. Brand equity refers to the perceived value of the brand name, which is not a consideration when determining the feasibility of a venture. Market saturation refers to how many similar competitors exist in the market. While market saturation should be considered, timeliness is the more essential component for this service.

SOURCE: EN:038 Determine feasibility of venture ideas

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

51. A

Partnering with influencers to share product reviews. Influencer marketing is a modern form of word-of-mouth communication where trusted individuals share personal recommendations with their audience. Newspaper advertisements are a form of traditional advertising, not word of mouth. Email blasts are a direct marketing tactic that lacks the interpersonal advocacy or referral element that defines word-of-mouth. Door-to-door cold calling is an example of direct selling, not word-of-mouth.

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

SOURCE: Indeed. (2025, December 19). *What is word-of-mouth marketing and why is it important?* Retrieved January 16, 2026, from https://www.indeed.com/career-advice/career-development/word-of-mouth

52. C

Technology. Technology is a major internal factor affecting management decisions. If Julius considered the technology available to the company, he would have realized his project was not feasible with the current equipment. The project was not stalled due to finances, company culture, or not aligning with company goals.

SOURCE: SM:028 Describe factors that influence management

SOURCE: Indeed. (2025, November 27). *The most common internal factors affecting a business.* Retrieved January 14, 2026, from https://uk.indeed.com/career-advice/career-development/internal-factors-affecting-business

53. B

Crowdfunding. Crowdfunding is the process of raising funds from a large group of people, and it allows the entrepreneur to secure funding while also building relationships with the community. Crowdfunding can be a strong marketing tool as well for a startup business. Venture capitalists typically invest in large companies with high project growth, not necessarily local bakeries. Angel investors and the SBA 504 loan are good opportunities for financing, but they do not assist the entrepreneur in building ties with the community.

SOURCE: EN:015 Describe processes used to acquire adequate financial resources for venture creation/start-up

SOURCE: Hayes, A. (2025, September 23). *Entrepreneur: What it means to be one and how to get started.* Retrieved January 21, 2026, from https://www.investopedia.com/terms/e/entrepreneur.asp

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54. D

Acknowledge the value of the innovation but explain the budgetary constraints that prevent its use. Cultivating innovation in a workplace requires encouragement of innovative ideas, so Tori should reject the idea while still encouraging innovative thinking. Rejecting the idea immediately and redirecting the employee to only focus on assigned tasks would discourage innovative thinking. Approving a small-scale pilot and addressing the budget issues later would be poor management.

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

SOURCE: Chron. (2026). *Innovation & change in business.* Retrieved January 13, 2026, from https://smallbusiness.chron.com/innovation-change-business-1501.html

55. A

Weaknesses. A SWOT analysis includes internal strengths and weaknesses and external opportunities and threats. A staffing issue inside of the company would be an example of an internal weakness, not an opportunity, strength, or threat.

SOURCE: SM:010 Conduct an organizational SWOT

SOURCE: Kenton, W. (2025, December 19). *SWOT: What is it, how it works, and how to perform an analysis.* Retrieved January 13, 2026, from https://www.investopedia.com/terms/s/swot.asp

56. B

It may anger consumers. Advertising through text messages is an effective way to reach consumers, but many consider unsolicited texts an intrusion or an annoyance. There are many ways that businesses obtain consumer phone numbers, and most consumers can be reached by and read their texts.

SOURCE: PR:007 Explain types of advertising media

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

57. B

Descriptive. Descriptive research seeks to explore specific topics within the current state of a market or industry, usually through quantitative data. Hilda's Highlights seeks to understand current industry trends through data, making this descriptive research. Exploratory research is more qualitative and less defined than descriptive research. Causal research seeks to test a cause-effect relationship within the market. Predictive research seeks to forecast future business developments.

SOURCE: IM:012 Describe the need for marketing data

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

58. D

Progressive. Progressive taxes have a more significant impact on high-income groups than low-income groups. The higher the taxable amount, the higher the tax rate. In regressive tax systems, individuals with lower incomes pay a higher percentage of their income in taxes compared to higher earners. Sales, property, and excise taxes are good examples of regressive taxes. Proportional taxes, also known as flat taxes, are the same regardless of income or wealth. The tax rate does not change in relation to the taxable amount.

SOURCE: EC:072 Describe the nature of taxes

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

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59. D

Cost-benefit analysis. A cost-benefit analysis is a process for evaluating business decisions that involves summarizing the potential outcomes of the decision. A break-even analysis is the process of determining when revenue is equal to total costs. Cost standards specify how to measure project costs, while product standards are criteria for a product's ability to meet requirements.

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

SOURCE: Hayes, A. (2025, August 27). *Cost-benefit analysis explained: Usage, advantages, and drawbacks.* Retrieved January 20, 2026, from https://www.investopedia.com/terms/c/cost-benefitanalysis.asp

60. C

Loans and stocks. Fiscal resources are the various funds and assets organizations use to meet financial goals. Loans and stocks are both examples of fiscal resources. An office building and office supplies are examples of capital resources. Company executives and employees are human resources, and natural gas and oil are natural resources.

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

SOURCE: Bean-Mellinger, B. (2018, October 26). *What are the differences in capital resource, human resource & natural resource?* Retrieved January 20, 2026, from https://smallbusiness.chron.com/differences-capital-resource-human-resource-natural-resource-60792.html

61. D

Affordable. A jewelry company that wants to charge lower prices for its products should use affordable materials to make them. If the company uses expensive materials to make its products but only sells them for lower prices, it will not turn a profit. Rare materials tend to be very expensive. Companies should never use illegal materials to make their products.

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

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

62. D

Selling should garner repeat business. The statement, "Selling should enhance future business opportunities," means that salespeople should aim to satisfy customers' needs and wants to garner repeat business. This is because over two-thirds of sales come from the repeat business of loyal customers. The statement does not imply that selling should be used to seek out exciting business ventures. It also does not imply that selling should be used as a method for networking. Selling should be focused on satisfying customers' needs and wants, not on maximizing profit. Profit comes when customers are satisfied.

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

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

63. B

Personnel. Personnel records contain information about individual employees and the actions the business has taken toward them. Asset records document the value of assets a business owns, such as furniture or machinery. Promotional records relate to marketing materials like advertisements. Payroll records specifically contain information about payments to employees and employee identifications like social security numbers.

SOURCE: NF:001 Describe the nature of business records

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

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64. C

High regulation and cost of entry. Oligopolies occur when only a few large businesses compete in the market. The pharmaceutical industry is highly regulated and difficult to break into, which naturally causes fewer businesses to compete for market share. High innovation is a possible result of oligopoly, but not a typical cause. Low supply or demand does not generally cause oligopolies to form. Similarly, low regulation and demand would not typically cause an oligopoly.

SOURCE: EC:012 Explain the concept of competition

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

65. A

Sales promotion. The primary goal of buy-one, get-one discounts or coupons is to create an immediate, short-term incentive to buy. Sales promotion involves promotional activities other than advertising, personal selling, and publicity that stimulate customer purchases. Advertising is any form of paid nonpersonal presentation of ideas, images, goods, or services. A radio ad would be an example of the advertising element, not the discount itself. Personal selling is the form of promotion that determines client needs and wants and responds through planned, personalized communication that influences purchase decisions and enhances future business opportunities. Public relations is about building a positive image or goodwill in the community.

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

SOURCE: LAP-PR-903—Spread the Word (Nature of the Promotional Mix)

66. C

Environmentally conscious customers. Environmentally conscious customers would be the most interested in TerraPure's water bottles because they are made entirely from biodegradable materials, making them much more eco-friendly than other water bottles in the market. Professional athletes, local government agencies, and large-scale beverage manufacturers do not necessarily have an interest in environmentally friendly products.

SOURCE: MP:005 Select target market

SOURCE: Investopedia. (2025, April 2). *Target market: Definition, purpose, examples, market segments.* Retrieved January 13, 2026, from https://www.investopedia.com/terms/t/target-market.asp

67. A

File a grievance. A complaint is best handled quickly and informally to avoid more series issues in the future. A serious complaint like underpaying an employee could become a formal grievance if not addressed promptly. The employee is unlikely to forget about the issue, and there is no reason for the employee to be given a raise or fired.

SOURCE: HR:366 Handle employee complaints and grievances

SOURCE: Indeed. (2026). *What is a grievance (and how do you address one)?* Retrieved January 14, 2026, from https://www.indeed.com/hire/c/info/grievance-definition

68. B

Compliance. A compliance risk occurs when a business fails to comply with regulations, which can result in fines and loss of customers. The new manager's failure to follow food safety regulations represents a compliance risk. Security risk refers to information and cybersecurity failures. Financial risk relates to financial planning and debt management. Strategic risk relates to high-level business decisions.

SOURCE: EN:010 Assess risks associated with venture

SOURCE: Indeed. (2025, December 15). *10 types of business risks and how to manage them.* Retrieved January 21, 2026, from https://www.indeed.com/career-advice/career-development/risks-business

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69. A

Improvement. Quality improvement involves an organization's willingness to change and adapt for the purpose of maintaining quality. By purposefully analyzing its performance and adjusting and refining its production processes, Zenith Motors is engaging in quality improvement. Quality control measures products against predetermined standards after the products have already been created. While quality control is part of quality management, Zenith Motors evolving its overall production processes to maintain quality is an example of quality improvement. Quality globalization and quality flow are not recognized terms in quality management.

SOURCE: QM:001 Explain the nature of quality management

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

70. B

A high price-to-earnings ratio. A high price-to-earnings ratio often indicates that a company's stock is overvalued or that investors anticipate significant growth. On the flipside, a low price-to-earnings ratio could mean that a company has no earnings or is losing money. The same could be said if a company has no price-to-earnings ratio. The earnings yield is the inverse of the price-to-earnings ratio. A negative earnings yield means that a company has negative earnings.

SOURCE: FI:334 Describe types of financial statement analysis (e.g., ratio analysis, trend analysis, etc.)

SOURCE: Fernando, J. (2025, November 12). *Price-to-earnings (P/E) ratio: Definition, formula, and examples.* Retrieved January 9, 2026, from https://www.investopedia.com/terms/p/price-earningsratio.asp#toc-pe-vs-earnings-yield

71. D

The entrepreneur's personal assets could be seized if the business fails to repay the debt. Many small business credit lines require a personal guarantee, meaning the owner is personally liable. That means that if the business fails to repay the debt, the owner's personal assets could be seized by the lender. Obtaining credit is different from seeking investors. Lenders generally want their money back with interest, not a share of ownership. Creditors do not participate in management; that power remains with the business owner. Interest payments on business loans are a deductible business expense, making it a benefit rather than a risk.

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

SOURCE: Kagan, J. (2025, September 20). *Understanding personal guarantee: Definition, role, and impact on business loans.* Retrieved January 20, 2026, from https://www.investopedia.com/terms/p/personal-guarantee.asp

72. A

Place. Customers complain that Treasure Trove is often out of stock of key products, making it inconvenient to shop there. This is a problem of place because Treasure Trove is not supplying its stores. It is unlikely that Treasure Trove has problems with price, product, or promotion since customers seem to like the other aspects of the store.

SOURCE: MP:001 Explain the concept of marketing strategies

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

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73. A

Take the team out for a meal or activity. Brayden must encourage his team to work together for the project to succeed. Activities such as a meal or social activity provide an opportunity for team building and collaboration between team members. Replacing the team members would be difficult and risky, since the members are essential to the team. Telling the members they have to get along does little to improve their work relationship. Withholding members' pay is illegal and likely to create bitterness or resentment.

SOURCE: EI:044 Encourage team building

SOURCE: Indeed. (2025, December 16). *Team working vs. team building: Similarities and differences.* Retrieved January 14, 2026, from https://www.indeed.com/career-advice/career-development/team-building-vs-team-working

74. B

A 24-hour system-wide crash of the package tracking software. A 24-hour tracking blackout would have the most significant impact on UPM Delivery as a company. It would be highly disruptive to operations and serve as a major company failure. While rising fuel costs and competitors' actions are important, a system-wide crash is the most critical threat. Routine maintenance is not a critical operational threat.

SOURCE: RM:094 Assess business risks

SOURCE: Indeed. (2025, December 15). *10 types of business risks and how to manage them.* Retrieved January 21, 2026, from https://www.indeed.com/career-advice/career-development/risks-business

75. C

Corporation. Corporations are designed to raise capital through public investment like stocks, so it is a clear choice for Laureen's growing fashion company. Limited liability companies, partnerships, and sole proprietorships are not funded through stocks.

SOURCE: BL:006 Select form of business ownership

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

76. B

Specific purpose and intended audience. The first step of drafting any business proposal should always be to identify the specific purpose and intended audience. This information helps the writer keep their proposal succinct, professional, and relevant. Choosing the font specifics and identifying the writing style and grammar structure are actions taken during the drafting or editing process. Identifying the number of copies needed would be one of the last steps of the process.

SOURCE: CO:062 Write proposals

SOURCE: Powell, S. (2024, December 4). *Business writing.* Retrieved January 21, 2026, from https://corporatefinanceinstitute.com/resources/career/business-writing/

77. C

Promoting a culture of continuous improvement. Management's primary role in quality is to set the benchmark for quality and create an environment where every employee feels responsible for getting better. This creates a sustainable system rather than a temporary fix. Personal inspection by management is inefficient and fails to teach employees how to produce quality work themselves. Entry-level staff often lack the experience or authority to implement the changes needed for high-level quality control. Prioritizing speed over consistency usually leads to higher defect rates and lower customer satisfaction.

SOURCE: OP:020 Describe the role of management in the achievement of quality

SOURCE: The Manual. (2024). *The benefits of quality management for business success.* Retrieved January 20, 2026, from https://trainual.com/manual/quality-management

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78. A

Identify business needs. Business analysis is fundamentally about evaluating a company's performance and identifying any unmet needs. Recording daily financial transactions is a function of the accounting department. Hiring new employees is a function of the human resources department. Developing a marketing plan is a function of the marketing team.

SOURCE: OP:327 Discuss the nature of business analysis

SOURCE: Alvarez, C. (2023, February 26). *What is business analysis?* Retrieved January 13, 2026, from https://www.wgu.edu/blog/what-business-analysis2302.html

79. D

Show empathy. As a manager, Riley must adapt to different personality types and needs of his employees. Showing empathy through listening and considering the complaint might have created a better working environment and prevented the team member from leaving. Riley established control and confidence at the cost of being inflexible. Riley did not violate the chain of command.

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

SOURCE: IESE Business School. (2023). *The art of managing different personalities within your team.* Retrieved January 14, 2026, from https://www.iese.edu/standout/managing-different-personalities-team/

80. C

Group potential customers based on specific traits. Market segmentation is the process of dividing a broad audience into smaller groups with shared characteristics, such as age, location, or buying habits. Reducing the price of the product to appeal to every customer is the opposite of market segmentation. Ensuring the business name is registered and calculating the total startup costs required to open a physical location do not contribute to the success of identifying market segments.

SOURCE: MP:004 Identify market segments

SOURCE: Hayes, A. (2025, September 9). *How market segments work: Identification and example.* Retrieved January 13, 2026, from https://www.investopedia.com/terms/m/market-segment.asp

81. B

Developing a business plan. A business plan is a company's blueprint for success—it shows how the business works now and how it is intended to work in the future; the written business model. Generating new ideas and solutions is just one of the many benefits of writing a business plan. Organizational downsizing and setting tighter deadlines would impose a stricter business environment not conducive to generating new ideas. Increasing cash flow might help the business but is not related to generating new business ideas.

SOURCE: SM:013 Develop business plan

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

82. D

It will increase. Operating costs have a significant influence on a product's final selling price. A higher-quality flour is likely to increase the total cost of the product, leading to higher selling prices. The price of the bread is unlikely to decrease or fluctuate between decreasing and increasing.

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

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

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83. A

The economy. Raya went out of business because her patrons could not afford her prices. Had she realized this information, she might have changed her pricing strategy and kept the business afloat. In this case, Raya did not need to keep up with government regulations or with technology trends. Raya did scan for competition.

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

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

84. A

"Can you tell me about a time when you dealt with team conflict and management?" The STAR interview method stands for situation, task, action, and result. Asking a candidate about a specific situation they were in is a prime example of using the STAR method and allows them to answer in kind. Asking a candidate to rate their performance, give their opinion about personality traits, or negotiate a salary do not follow the STAR method.

SOURCE: HR:355 Interview job applicants

SOURCE: Indeed. (2026, July 30). *How to conduct a job interview.* Retrieved January 15, 2026, from https://www.indeed.com/hire/c/info/how-to-conduct-a-job-interview

85. D

Utilizing both internal and external audit functions. Internal and external audits provide independent verification of a company's financial health and operational compliance, which are essential for transparency and accountability in governance. Tasking only executive management with financial assessments, centralizing financial approval authority under a single position, and combining the CEO and board chair roles all reduce oversight and lack checks and balances. A well-governed company requires a diverse group of leaders to provide independent oversight and prevent a conflict of interest or high concentration of power in one individual.

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, September 11). *Corporate governance: Definition, principles, models, and examples.* Retrieved January 16, 2026, from https://www.investopedia.com/terms/c/corporategovernance.asp

86. C

Contingency. A contingency fund covers unexpected costs associated with the startup of a business. Emergency funds are savings put away for detrimental unexpected events. Hedge funds and index funds are types of investment funds.

SOURCE: EN:009 Assess start-up requirements

SOURCE: Morah, C. (2025, April 8). *How to estimate business startup costs.* Retrieved January 21, 2026, from https://www.investopedia.com/articles/pf/09/business-startup-costs.asp

87. D

Create a plan that defines the measurement, scope, and effects of the change. A formal change management process requires a clear outline of the scope, key performance indicators, and estimated effects of any organizational change before being implemented. Organizational change is not typically spread via word of mouth and should not be implemented until the outline is completed. Similarly, the change cannot be analyzed until it has been implemented.

SOURCE: SM:095 Explain the nature of change management

SOURCE: Miller, K. (2020, March 19). *5 critical steps in the change management process.* Retrieved January 14, 2026, from https://online.hbs.edu/blog/post/change-management-process

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88. D

Risk assessment. Ambient Technology is measuring and prioritizing its risks. In enterprise risk management (ERM), risk assessment is the specific step in which a company determines the likelihood and the impact of the identified risks. Objective setting occurs before risk identification; it involves defining goals (e.g., expanding into a new market) so the company knows what it is attempting to protect. Risk response is the action phase that happens after a risk assessment. It's the decision of how to handle the risk (e.g., avoid, accept, reduce). Finally, event identification is the brainstorming phase and involves simply listing what could happen.

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

SOURCE: Sentinel Africa. (2024, July 29). *5 basic principles of risk management.* Retrieved January 14, 2026, from https://sentinelafricaconsulting.com/5-basic-principles-of-risk-management/

89. B

Conceptual. Executive management must have strong conceptual and decision-making skills because they are responsible for organizational goal setting. Conceptual and interpersonal skills are the most essential skills for this level of management, with less technical skills required. Tactical skills are necessary for the implementation of these strategic goals, which are best-suited for middle management. Operational skills are required for front-line management and base-level employees.

SOURCE: SM:001 Explain the concept of management

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

90. A

Analyze the data. After collecting data, a researcher should analyze and evaluate them before forming recommendations. The researcher should have formulated a research question or hypothesis before collecting the data.

SOURCE: IM:010 Explain the nature of marketing research

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

91. A

Rational; emotional. Unless your brand's values and the ways in which they are demonstrated really connect with customers, then all of your thought and analysis, not to mention your commitment and enthusiasm, will have been for nothing. Your brand must be meaningful and connect with your customers on both a rational (thinking) and emotional (feeling) level. Customers generally appreciate artistically-pleasing and financially-reasonable businesses, but those are not necessarily levels on which companies need to connect in order to develop a successful corporate brand.

SOURCE: PM:126 Build corporate brands

SOURCE: LAP-PM-010—Build Your Corporate Brand... (The How-To's of Corporate Branding)

92. C

Share best practices. One benefit of sharing best practices within an organization is that it helps nurture a learning culture. Companies that share best practices can attract more talent, demonstrate flexibility in any business changes, and are more likely to boost employees' performance. Ensuring product quality and increasing salaries can help the organization, but they do not necessarily encourage a learning culture. Emphasizing discretion could discourage a learning culture as the policy can restrict employees from sharing learned knowledge.

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

SOURCE: Memari, E. (2021, May 12). *9 benefits of sharing best practices in an organization.* Retrieved January 15, 2026, from https://elearningindustry.com/sharing-best-practices-organization-9-benefits

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93. B

Conduct a brainstorming session with staff to identify ways to repurpose leftovers. Creative problem-solving involves looking for innovative solutions. Dismissing the head chef is a reactive management action that does not seek a creative solution to the issue. Implementing a strict policy that employees must pay for any food they waste focuses on punishment rather than identifying the real issue. Similarly, increasing menu prices treats the symptom rather than addressing the actual problem.

SOURCE: EN:029 Use creative problem-solving in business activities/decisions

SOURCE: Indeed. (2025, December 11). *10 ways to improve your creative problem-solving skills.* Retrieved January 21, 2026, from https://www.indeed.com/career-advice/career-development/improve-creative-problem-solving-skills

94. D

Tutors and students. Critical stakeholders for an organizational change are those stakeholders who are most directly affected by a change. In this case, tutors and students will directly use the videoconferencing technology, fundamentally changing how tutoring sessions are carried out. Managers, HR staff, and office staff all support the technology and the tutors, but do not directly use the technology. Investors will also not be directly impacted by the technology.

SOURCE: SM:095 Explain the nature of change management

SOURCE: Iacoviello, A. (2025, November 17). *What is change management?* Retrieved January 14, 2026, from https://www.ibm.com/think/topics/change-management

95. A

Fewer. Companies that aim to maintain exclusivity are most likely to select fewer distribution channels. Companies that aim for rapid market share growth are more likely to select distribution channels with the highest reach. This includes selecting many distribution channels, taking advantage of large online marketplaces through e-commerce, and implementing intensive distribution strategies to get products into as many retail outlets as possible.

SOURCE: CM:009 Explain the nature of channel strategies

SOURCE: Catsy. (2023). *Effective channel distribution strategies to expand customer reach.* Retrieved January 9, 2026, from https://catsy.com/blog/channel-distribution-strategies/

96. B

Persuade. Many promotions seek to persuade consumers to purchase a product through incentives, savings, and unique benefits. Loveland's chicken nuggets are promoted as nutritious and put on sale to convince consumers to buy them. Promotion that informs is used when consumers may not know much about a product. Promotion that reminds is used to create or reinforce a particular brand image. Loveland's promotions do not attack other companies or brands.

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

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

97. D

The choice of eventual exit strategy may influence business decisions. The choice of exit strategy is like an end goal for business owners, making it an important guide when navigating business structure and decision making. It is not illegal to start a business without an exit strategy. Companies do not get tax benefits for stating an exit strategy. Consumers don't generally care about a business's exit strategy unless it affects the prices they pay or the value they receive.

SOURCE: EN:037 Develop exit strategies

SOURCE: Robbins, S. (2026). *Exit strategies for your business.* Retrieved January 20, 2026, from https://www.entrepreneur.com/leadership/business-exit-strategies-for-your-business/78512

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98. B

Strategic. Strategic risks stem from poor business decisions and threaten a company's ability to achieve its overall objectives or remain competitive. When Floral Boutique invested its entire marketing budget into a risky new technology, it took a strategic risk. Hazard risks are typically unpredictable physical events like fires, floods, or workplace injuries. The VR failure was a result of a business decision, not a physical disaster. Financial risk typically refers to interest rate changes, credit defaults, or stock market crashes. While the company lost money, the source of the problem was the strategy itself. Operational risk refers to breakdowns in daily processes, such as a computer system crashing, employees making manual errors, or supply chain delays.

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

SOURCE: Temple University. (2026). *Types of risk in ERM*. Retrieved January 15, 2026, from https://compliance.temple.edu/enterprise-risk-management/types-risk-erm

99. A

High levels of customer satisfaction. Customer satisfaction is a performance measure that directly influences financial outcomes. Low customer satisfaction typically indicates that the company experiences an unsuccessful financial outcome, while high customer satisfaction generally indicates a more successful financial outcome. Companies with higher levels of employee morale are generally more likely to have successful financial outcomes than those with lower levels of employee morale. Companies with high levels of employee turnover are generally less likely to have successful financial outcomes than those with low levels of employee turnover. Companies with low levels of innovation are generally less likely to have successful financial outcomes than those with high levels of innovation.

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

SOURCE: Vance, J. (2025, January 6). *Increase profits by increasing customer satisfaction.* Retrieved January 13, 2026, from https://preferredcfo.com/insights/profits-through-customer-satisfaction

100. B

The increase in personal financial risk. Bootstrapping is a form of financing that relies on personal finances instead of outside investments. Bootstrapping has many advantages, such as retaining control in the company, but a disadvantage is the increased personal financial risk. A disadvantage of debt financing is an increase in annual interest rates. A disadvantage of venture capital or public equity financing is the obligation to provide regular financial audits to investors.

SOURCE: EN:015 Describe processes used to acquire adequate financial resources for venture creation/start-up

SOURCE: Kenton, W. (2025, August 8). *Bootstrapping your business: Strategies, benefits, and challenges.* Retrieved January 21, 2026, from https://www.investopedia.com/terms/b/bootstrapping.asp

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1. B

Cash flow statement. A cash flow statement summarizes a company's inflows and outflows, giving a clearer picture of their available capital and cash flows. An income or earnings statement instead summarizes profits. The balance sheet gives a snapshot of a business's finances without tracking the flow of capital.

SOURCE: FI:092 Prepare cash flow statements

SOURCE: Thompson, C. (2025, October 9). *Cash flow statements: How to prepare and read one.* Retrieved January 20, 2026, from https://www.investopedia.com/investing/what-is-a-cash-flow-statement/

2. B

Finding a bank that provides a dedicated small business advisor. A critical banking relationship involves having an advisor who understands the business and is dedicated to seeing it succeed financially. Therefore, Dante should prioritize finding a bank that provides a dedicated small business advisor, as they specialize in working with small businesses like Dante's. Choosing a bank based on a one-time cash incentive is less important than a small business advisor. While convenience is helpful, the closest bank is not always the best bank. A bank's proximity is less important than its ability to provide the specific financial services a business needs. An entrepreneur should select the bank that best benefits the business, not the entrepreneur personally.

SOURCE: FI:039 Analyze critical banking relationships

SOURCE: Kenton, W. (2026, January 6). *What is relationship banking? Advantages and disadvantages.* Retrieved January 20, 2026, from https://www.investopedia.com/terms/r/relationship-banking.asp

3. A

Occupational Safety and Health Administration (OSHA). OSHA is the federal agency that oversees workplace and employee safety. The ADA stands for the Americans with Disabilities Act and is a law, not a federal administration. The Food and Drug Administration (FDA) is the regulatory agency that enforces laws to protect consumer health. The Environmental Protection Agency (EPA) enforces laws to protect the nation's natural surroundings.

SOURCE: BL:008 Explain the nature of workplace regulations (including OSHA, ADA)

SOURCE: Farahany, A. (2023, September 15). *Workplace safety regulations: What employees need to know.* Retrieved January 14, 2026, from https://www.justiceatwork.com/workplace-safety-regulations-what-employees-need-to-know/

4. A

Selling products directly to the final consumer through a company-owned website. Direct marketing channels involve a producer selling directly to the end-user without any intermediaries. Selling products to a regional wholesaler that then distributes to local retailers describes an indirect channel involving multiple intermediaries. While logistic providers handle physical movement, direct channels are defined by the transaction and communication flow between the brand and the consumer, not just the shipping method. Selling through a retail chain is an indirect retailer channel where the store acts as an intermediary.

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

SOURCE: Kenton, W. (2025, May 25). *Direct marketing: What it is and how it works.* Retrieved January 16, 2026, from https://www.investopedia.com/terms/d/direct-marketing.asp

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5. A

Contraction. In a product mix, contraction refers to removing products from the mix, usually because it is no longer beneficial to sell them. Expansion refers to adding products to the mix. Trading up is when a company adds higher-priced products to its mix, often to bolster sales of other products and attract new customers. Trading down is when a company adds lower-priced goods to its mix, often to serve a specific market or meet competition.

SOURCE: PM:003 Explain the concept of product mix

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

6. B

An interactive Q&A session on social media. The strength of an interactive Q&A on social media is that it provides the immediate feedback that AQR Media was looking for. While press releases, brochures, and radio segments are great for spreading information, they are primarily one-way channels. Social media is unique in public relations because it allows for a two-way symmetrical flow where the organization and the public can have a real-time conversation.

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

SOURCE: Indeed. (2025, December 15). *Marketing communication channels: Strategies and examples.* Retrieved January 13, 2026, from https://www.indeed.com/career-advice/career-development/communication-channels-marketing

7. A

Backward. Backward integration refers to acquiring capabilities toward the supplier end of the supply chain. In this case, the notebook producer has acquired the capability of producing paper, meaning it no longer must buy paper from a supplier. Forward integration is the opposite—acquiring capabilities toward the distribution end of the supply chain. Horizontal integration means acquiring competing firms in the same industry. Side integration is not a standard type of supply chain integration.

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

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

8. B

Yes, because it will make around $75,000 in profit. Lunara Beauty should introduce the new product line because it will make around $75,000 in profit. This is because it costs Lunara Beauty $100,000 to implement the new product line, but it will make around $175,000 in sales. The total amount of sales ($175,000) minus the cost of production ($100,000) equals the profit ($75,000). This makes introducing the new product line a sound decision since they will be making a profit. Lunara Beauty will not lose any amount of money by introducing the new product line. Introducing the new product line will earn Lunara Beauty $75,000 in profit, not $175,000. The $175,000 figure is the total amount of sales but does not take into account the cost of production ($100,000).

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

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

9. B

Quality control. A problem with quality control is the most likely cause of many customers returning items. Lloyd's Closet communicates with its supply chain and has no problems with efficiency. There is no indication Lloyd's Closet lacks customer service or support.

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

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

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10. C

Conduct a safety walkthrough. A safety walkthrough is a proactive management tool used to identify physical hazards before they cause an accident. Waiting for an employee to report an injury is a reactive approach, not a proactive one. Insurance reviews deal with financial protection and risk transfer, not the actual identification of physical hazards in the workplace. Relying on external inspections leaves the business vulnerable to hazards that arise between visits.

SOURCE: OP:151 Identify potential safety issues

SOURCE: Emtrain. (2026). *Workplace safety hazards: How to identify and reduce risk.* Retrieved January 20, 2026, from https://emtrain.com/blog/workplace-culture/common-safety-hazards/

11. B

Employee training. Proper employee training and development helps create a consistent experience for customers. Improper training can lead to negative customer experiences. A consulting firm is not usually conducting sales with clients. A poor company reputation may make customers less likely to use the business, but it would not create inconsistent customer experiences. A company's market share has little effect on its quality of service.

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

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

12. A

To ensure the business remains operational in the event of the owner's sudden departure. Continuation planning is designed to protect the business's future by establishing a clear transition of leadership and ownership, ensuring stability for employees, customers, and stakeholders in the event of an unexpected crisis. Continuation planning focuses on leadership transition and operational longevity rather than year-to-year tax mitigation strategies. Continuation planning is about transferring power at the ownership or executive level, not a human resources tool for employee termination. While continuation plans are a best practice for risk management, they are generally not a mandatory legal requirement for obtaining a basic business license.

SOURCE: EN:034 Explain the need for continuation planning

SOURCE: Kenton, W. (2025, May 5). *What is a business continuity plan (BCP), and how does it work?* Retrieved January 21, 2026, from https://www.investopedia.com/terms/b/business-continuity-planning.asp

13. C

By improving her reputation at work. One advantage of building relationships with others at work is an improved reputation. Although Lenore and Bart are similar in skill and experience, Lenore's reputation likely won her the promotion. The point of business relationships is not to manipulate, and this can often backfire if others discover the behavior. Although being fun and interesting are generally positive traits, it does not always translate into business success. Talking badly about others at work would be likely to damage her reputation, not improve it.

SOURCE: EI:114 Establish strategic relationships with others

SOURCE: Parsons, L. (2024, January 8). *How to build business relationships.* Retrieved January 22, 2026, from https://professional.dce.harvard.edu/blog/how-to-build-business-relationships/#Tips-for-Building-Strong-Business-Relationships

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14. C

Entrepreneurs must accurately report income and expenses to tax authorities. Filing tax returns is a legal mandate for all registered businesses. While certified professional accountants are recommended, the law allows entrepreneurs to file their own tax returns. Tax returns are not optional at any point in a business's operations. Banks manage transactions, but they do not have a legal obligation to file an entrepreneur's taxes.

SOURCE: FI:652 File business tax returns

SOURCE: IRS. (2025, September 8). *Filing and paying your business taxes.* Retrieved January 20, 2026, from https://www.irs.gov/businesses/small-businesses-self-employed/filing-and-paying-your-business-taxes

15. C

The company's ability to adapt to change may be limited. Based on the information provided, a reasonable conclusion that Yuri can draw is that the company's ability to adapt to change may be limited. This is because, upon investigation of the company's history, Yuri discovered that the company has consistently underperformed over the past 20 years. Additionally, the board of directors has remained mostly the same over that period. Therefore, it is reasonable to conclude that the company's ability to adapt to change may be limited. The company's board of directors has stayed mostly the same for over 20 years; it does not have a history of changing frequently. The company does not have a history of long-term success. There is no information regarding the company's success in the winter and summer seasons.

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

SOURCE: Analyst Prep. (2021, September 12). Factors considered in analysis of corporate governance. Retrieved January 9, 2026, from https://analystprep.com/cfa-level-1-exam/corporate-issuers/factors-considered-in-analysis-of-corporate-governance/

16. A

It provides a system of rules and processes. Corporate governance is the framework of rules and processes by which an organization is controlled. It creates accountability, transparency, and fairness, which are necessary to build trust with investors and ensure the company is managed in the best interest of everyone involved. Corporate governance creates a system of checks and balances; it does not ensure the CEO has absolute power. Corporate governance may improve reputation, but it does not build brand recognition. Corporate governance does not decrease the business's taxes. In fact, corporate governance reinforces the need to follow laws and ethical standards.

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 January 15, 2026, from https://online.law.pitt.edu/blog/corporate-governance-what-it-is-and-why-it-matters

17. B

What are they not doing? Garett discovered an opportunity by looking for something that his competitors are not already providing. His analysis did not focus on what they are already doing to make themselves popular or unpopular.

SOURCE: EN:002 Discuss entrepreneurial discovery processes

SOURCE: U.S. Small Business Administration. (2025, September 23). *Market research and competitive analysis.* Retrieved January 20, 2026, from https://www.sba.gov/business-guide/plan-your-business/market-research-competitive-analysis

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18. D

Sales-oriented pricing. Sales-oriented pricing is a good fit for a company that wants to promote a particular image and increase its market share. Setting a lower price in this would increase sales volume and contribute to these objectives at the cost of profit. Profit-oriented pricing would involve setting prices to obtain the highest profit. Fixed and variable costs have to do with business costs, not pricing.

SOURCE: PI:002 Explain factors affecting pricing decisions

SOURCE: LAP-PI-002—Make Cents (Factors Affecting Selling Price)

19. C

Digital coupons delivered via a mobile app. Sales promotion focuses on short-term incentives to encourage purchase. Coupons provide a direct and immediate financial benefit that motivates a consumer to act quickly. Feature articles are part of public relations, which aims to build long-term brand image and awareness rather than trigger an immediate sale. A contact form is a customer service or lead generation tool, not a promotional incentive designed to close a sale. Interviews are a public relations tactic used to establish credibility and thought leadership. They lack the specific call to action or incentive found in sales promotions.

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

SOURCE: Indeed. (2025, December 15). *Marketing communication channels: Strategies and examples.* Retrieved January 16, 2026, from https://www.indeed.com/career-advice/career-development/communication-channels-marketing

20. C

Psychographic. Psychographic segmentation refers to separating customers by lifestyle, especially special interests and hobbies. Since Ringo's Lasso Depot markets mainly to people who enjoy Western culture and horseback riding as a hobby, it is using psychographic segmentation. Behavioral segmentation depends on customers' specific use of a product, including their rate of use, benefits derived from the product, loyalty of the customer, and the occasion they may be buying for. Geographic segmentation depends on customers' geographic locations, while demographic segmentation depends on the physical and social characteristics of customers such as gender, status, or religion.

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

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

21. B

Agent. An agent is an intermediary that assists in the sale or promotion of goods and services without buying them. Albert is an agent who connects the landscaping company to clients, but he does not own the landscaping service. Wholesalers and retailers buy product in bulk before selling them at a markup. Consumers buy and use the product or service.

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

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

22. B

Reallocate her budget to hire temporary staff and lease additional equipment. By shifting money, bringing in extra help, and acquiring equipment, Erika is effectively coordinating human, capital, and fiscal resources to launch her new product line by next month. Implementing a training program focuses only on human resources. Purchasing and installing machinery focuses on capital and fiscal investment. Cutting the marketing budget and putting the saved money into a long-term savings account focuses strictly on fiscal resources.

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

SOURCE: Conover. (2026). *Planning and organizing: Coordinating resources.* Retrieved January 20, 2026, from https://www.conovercompany.com/planning-organizing-coordinate-resources/

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23. C

Provide an objective look at financial records. An external audit is a financial review in which independent auditors analyze a business's financial records to highlight misstatements in reporting. Hiring independent auditors ensures there is no bias when reviewing the records, providing stakeholders with a clear and accurate picture of the business's finances. The management of day-to-day operations is the responsibility of the management team. The board of directors sets the strategic vision for the company. Designing software for employees is usually done by the company's IT department.

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

SOURCE: Mathur, P. (2024, June 28). *What is an external audit: Roles, responsibilities & examples.* Retrieved January 13, 2026, from https://www.highradius.com/resources/Blog/what-is-an-external-audit/

24. D

Identifying the hazards the business faces and matching them with specific policy riders. Effective insurance coverage is based on a risk assessment. The lowest premium can leave a business financially vulnerable to high out-of-pocket costs during a claim. Popularity does not guarantee that an insurance provider is the best fit. Legal minimums often do not cover the replacement of equipment, inventory, or loss of income, leaving the business's capital at risk.

SOURCE: FI:082 Obtain insurance coverage

SOURCE: Small Business Administration. (2024, April 8). *Get business insurance.* Retrieved January 20, 2026, from https://www.sba.gov/business-guide/launch-your-business/get-business-insurance

25. A

Sourcing. Sourcing is the function of procuring goods to meet demand. In this case, Gordon's Bakery sources its ingredients from a food service supplier before it can make goods that will be sold to final consumers. Delivering is the function of getting a finished product to customers. Returning is the function of regaining value through returned products.

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

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

26. B

Require identification badges for all personnel. Requiring identification badges for all personnel allows staff to quickly identify unauthorized individuals, which is crucial for maintaining the physical security of a business's work environment. Giving everyone master access puts more keys in circulation, and the more keys in circulation, the higher the risk of theft or unauthorized entry. Keeping exits unlocked significantly compromises the security of a building. High-value items should be stored in secure, restricted-access areas, not common areas where they can easily be stolen.

SOURCE: OP:157 Establish policies and procedures to maintain physical security of the work environment

SOURCE: Business Protection Specialists. (2026). *A comprehensive guide to physical security measures.* Retrieved January 20, 2026, from https://www.securingpeople.com/physical-security-measures/

27. A

Replacing hailstorm-damaged drywall. Hazard risks are potential events or situations that can cause injury or harm to people, property, or the environment. A hailstorm damaging a construction company's drywall is a perfect example of a hazard risk for a business. Violating a municipal building code is a compliance risk. Paying higher prices for raw lumber is a financial risk. Losing a bid to a faster competitor is a strategic risk.

SOURCE: RM:056 Identify business risks

SOURCE: Kenton, W. (2025, May 10). *Business risk: Definition, factors, and examples.* Retrieved January 21, 2026, from https://www.investopedia.com/terms/b/businessrisk.asp

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28. A

Reverse brainstorming. Reverse brainstorming is a technique in which participants think of problems with existing products or processes. Role-play usually involves acting out scenarios from the perspective of consumers. Blue-sky thinking consists of coming up with ideas without realistic constraints or limitations. Mind mapping is a process for organizing related information and ideas into a visual format.

SOURCE: EN:006 Generate venture ideas

SOURCE: Indeed. (2025, November 27). *12 methods for generating ideas (with importance and uses).* Retrieved January 20, 2026, from https://uk.indeed.com/career-advice/career-development/generating-ideas

29. B

Seeking. Risk-seeking organizations look for ways to turn risk into a strategic advantage or capital. Companies in frontier industries such as biotechnology or space exploration are labeled as risk-seeking because their business model depends on high-stakes innovation. Risk-averse companies attempt to avoid risk as much as possible. Common examples of risk-averse organizations are hospitals, police departments, and fire and rescue services. Risk-tolerant organizations accept risk when necessary, but they do not seek risk. Risk-neutral organizations make decisions based on the expected value and ignore the level of risk associated.

SOURCE: SM:075 Explain the nature of risk management

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

30. B

Community. Community relations activities are designed to build goodwill between an organization and the people who live and work near it. While a press release might be written about the event, the act of sponsoring the run itself is a community-focused activity. Media relations focuses on journalists and news coverage, crisis relations focuses on fixing a problem or emergency, and internal relations focuses on discussions with employees and management, none of which involve an event sponsored by a company.

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

SOURCE: Agility PR Solutions. (2025, October 31). *Public relations activities.* Retrieved January 14, 2026, from https://www.agilitypr.com/resources/pr-glossary/public-relations-activities/

31. A

Self-employment taxes. Owners of sole proprietorships must also pay self-employment taxes. Sole proprietorships are not corporations and are not subject to corporate income taxes. Double taxation on dividends applies to C-corporations, not sole proprietorships. Franchise taxes typically apply to corporations or limited liability corporations (LLCs), but not sole proprietorships.

SOURCE: BL:009 Explain the nature of tax regulations on business

SOURCE: Daugherty, G. (2025, January 28). *Understanding small business taxes: A comprehensive guide.* Retrieved January 21, 2026, from https://www.investopedia.com/small-business-taxes-8415119

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32. D

Regularly comparing actual to budgeted expenses. Regularly comparing actual expenses to budgeted amounts helps a company quickly identify and address any discrepancies. While monitoring real-time spending is a recommended practice, it does not involve comparison to the budget. Simply monitoring is a passive activity. While variable costs provide flexibility, it is often impossible or financially inefficient to eliminate all fixed costs, making it an ineffective strategy for promoting long-term financial health. Historical budgeting fails to account for changing market conditions, inflation, or planned business expansion. Basing future budgets primarily on historical data over current data is poor budgeting and can lead to overspending, hurting a business's long-term financial health.

SOURCE: OP:029 Develop expense control plans

SOURCE: Paychex. (2026). *Cost control: Best practices for business expense management.* Retrieved January 16, 2026, from https://www.paychex.com/articles/finance/cost-control-managing-business-expenses

33. D

Intensive. Intensive distribution involves selling a product through as many retailers and wholesalers as possible to reach the most people. Humdrum's Bubblegum is a convenience product that consumers like but won't go out of their way for, so distributing to many retailers makes the most sense. Humdrum's Bubblegum does not need to maintain tight control over the product, so exclusive distribution does not make sense. Similarly, selective distribution would likely reduce sales by restricting the number of consumers exposed to the product. Direct distribution would force the business to sell its product directly, further limiting sales.

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

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

34. C

The number of delivery drivers and the customer expectations for delivery speed. This option correctly identifies both an internal and external factor that would significantly influence the design of Suni's delivery process. The internal factor is the number of delivery drivers, and the external factor is the customer expectations for delivery speed, both of which must be key considerations for Suni when designing her delivery process. Suni's personal hobbies and the delivery vehicle's color and model do not have a significant influence on the design of Suni's delivery process. Nor does the historical price of all Suni's wholesale floral costs, the layout of the flower shop, the font used on the shop's internal memos, or the type of soil used in the greenhouse.

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

SOURCE: Altenbach, V. (2024, July 18). *Which factors influence the design, execution and optimization of business processes?* Retrieved January 15, 2026, from https://www.brix.ch/en/about-us/news/which-factors-influence-the-design-and-optimisation-of-business-processes

35. B

Business plan. A business plan outlines a company's goals, marketing, financing, and more. It also includes an analysis of factors that affect the business, like the economy and the product market. Obadiah would have realized how the tax rate would affect his business if he had gone through the planning process. A 401(K) is a tax-deferred retirement plan. A balance sheet is a financial statement that captures the financial condition of a business. An exit strategy is a plan to eventually cash out of a business.

SOURCE: EN:008 Explain tools used by entrepreneurs for venture planning

SOURCE: Hayes, A. (2025, August 19). *Comprehensive guide to crafting a winning business plan.* Retrieved January 20, 2026, from https://www.investopedia.com/terms/b/business-plan.asp

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36. C

Greeting each customer by name. Providing excellent customer service generally isn't free, but learning each customer's name and greeting them individually doesn't cost a business any money. Providing coffee and donuts twice a week is an unnecessary expense. Hiring a management company to train employees is expensive; computer courses would be more cost-effective. Offering free gift wrapping on all purchases is good customer service, but it can be an expensive service.

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

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

37. C

Analyzing customer feedback across all touchpoints. Analyzing customer feedback across all touchpoints allows Terri to easily identify which areas of the process are working and which areas need improvement. Furthermore, the regular and consistent communication between Terri and her customers allows her to address any issues that arise at the very moment that they do. Counting the total number of cars detailed per month, monitoring the amount of money spent on equipment, and checking the business's bank balance each quarter are not effective methods for evaluating the customer experience.

SOURCE: PM:138 Evaluate customer experience

SOURCE: Nutshell. (2026). *What are customer touchpoints and how to identify them?* Retrieved January 15, 2026, from https://www.nutshell.com/engagement/resources/customer-touchpoints

38. B

Lease a high-quality 3D printer. Since Dane does not need a 3D printer for more than a year, he doesn't need to purchase one outright. Leasing would allow Dane to access a high-quality printer at a lower cost than purchasing. Since Dane specifically needs a high-quality printer, he should not lease or purchase a lower-quality one.

SOURCE: EN:019 Describe considerations in selecting capital resources

SOURCE: Laurence, B. (2024, May 22). *Business equipment: Buying vs. leasing.* Retrieved January 20, 2026, from https://www.nolo.com/legal-encyclopedia/business-equipment-buying-vs-leasing-29714.html

39. C

Variable costs. One of the most important considerations in break-even analysis is variable costs—recurring costs that come with manufacturing a product and change depending on how many products are produced. The target market, payment methods, and opportunity costs are not expenses that change and are not factored into the break-even analysis.

SOURCE: OP:192 Conduct break-even analysis

SOURCE: Richards, D. (2019, October 2). *How to do a breakeven analysis.* Retrieved January 13, 2026, from https://www.thebalancesmb.com/how-to-do-a-breakeven-analysis-1200834

40. C

Train employees to be more helpful. Managers can improve customer relations by setting customer-centric goals and creating a customer-centric culture. In this case, Blaine can improve the customer experience by training his customer service representatives better. It would be impractical to take each ticket himself. Blacklisting customers who leave bad reviews ignores the problem and will hurt the company's business. Withholding pay from employees in this manner is illegal.

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

SOURCE: Fontanella, C. (2023, July 20). *How to build a customer-focused company, according to 10 people who did it.* Retrieved January 22, 2026, from https://blog.hubspot.com/service/customer-focus

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41. D

A new graphic T-shirt company just opened down the street. Gross profit is the difference between sales revenue and the costs related to the products sold. Increased competition often leads to declining gross profit margins because it decreases sales. A new graphic T-shirt company opening just down the street from GraffiTees increases market competition, resulting in decreased sales and a decline in GraffiTees' gross profit margin. If GraffiTees received a shipment of highly coveted T-shirts, one would expect its gross profit margin to increase as more customers roll in to purchase them, increasing the sales revenue. Similarly, if GraffiTees receives more customers because of positive word-of-mouth, one would expect its gross profit margin to increase as sales increase. Choosing a more affordable supplier often leads to a higher gross profit margin, as it reduces the costs associated with the products sold, while the sales revenue stays the same.

SOURCE: FI:542 Monitor business's profitability

SOURCE: Hayes, A. (2025, July 16). *Profitability ratios: What they are, common types, and how businesses use them.* Retrieved January 9, 2026, from https://www.investopedia.com/terms/p/profitabilityratios.asp

42. A

Where are we vulnerable? “Where are we vulnerable?” is an appropriate question for determining threats. Obstacles in a business’s path pose threats to the business. “What are our assets?” is a question for determining strengths. “What niches have our competitors missed?” and “What economic trends are beneficial to us?” are questions for determining opportunities.

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

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

43. A

A new law is passed by the government. New government laws are external factors that may cause a business’s processes to change to be compliant. Hiring new employees, shifting operational procedures, and upgrading internal software are all examples of internal causes for a business process to change.

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

SOURCE: Wilkins, J. (2026). *Business processes and change – Reasons, drivers, and considerations.* Retrieved January 15, 2026, from https://info.aiim.org/aiim-blog/business-process-change-drivers-and-considerations

44. D

Angel investor. Angel investors provide equity financing, meaning they receive a share of ownership in the business. They often also provide mentorship to help the startup succeed. A bank loan is debt financing. The bank provides money that must be repaid with interest, but they do not take ownership of the company. A business consultant provides guidance, but not capital. A silent partner typically provides capital, but not professional guidance.

SOURCE: FI:031 Explain sources of financial assistance

SOURCE: Ganti, A. (2025, August 17). *Angel investor: Definition and how it works.* Retrieved January 20, 2026, from https://www.investopedia.com/terms/a/angelinvestor.asp

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45. C

Implementing a multi-factor authentication system. Multi-factor authentication is a security system requiring users to provide two or more verification methods to access an account. This strategy best protects against unauthorized access by providing an extra layer of protection beyond a single password. Using the same password for all employee accounts is a major security risk. Storing all customer data in a single folder is also a major security risk because if that folder becomes compromised, then all the customer data in it becomes compromised. Public Wi-Fi networks are often not secure, making it easy for opportunistic hackers to access confidential information.

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

SOURCE: Twilio Inc. (2026). *Customer data protection: A marketer's guide to securing user data.* Retrieved January 15, 2026, from https://segment.com/resources/cdp/protect-customer-data/

46. C

The transition from founder-funding to external venture capital investment. External investors, such as venture capitalists, typically require formal governance structures, like a board of directors, to protect their financial interests. Wage adjustments, the change in business location, and marketing strategies are primarily operational transitions that do not impact the structure of a company's governance.

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 January 16, 2026, from https://www.boardwise.io/en/blog/governance-structure-the-secret-weapon-behind-corporate-success

47. D

Kanban system. The Kanban system is a workflow management method designed to visualize the production process by using boards or cards to track the movement of tasks. JIT is an inventory management strategy focused on reducing waste by receiving goods only as they are needed in the production process. Top-down management refers to a leadership structure where decisions are made by executives and passed down to employees. Centralized decision-making describes where authority is held within an organization's hierarchy.

SOURCE: EN:027 Explain methods/processes for organizing workflow

SOURCE: Asana. (2026). *What is Kanban? Free Kanban template, with examples.* Retrieved January 21, 2026, from https://asana.com/resources/what-is-kanban.

48. A

Viewing a business as a series of interconnected activities that create value for customers. Business process thinking involves viewing a business as a series of interconnected activities in which work flows across the entire company to deliver value to the customer. Focusing on individual department goals is an example of siloed thinking, not business process thinking. Prioritizing short-term success is not the focus of business process thinking, which aims to make a more long-term impact. Business process thinking does not focus on eliminating human intervention in a process.

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

SOURCE: Kothari, A. (2026, January 1). *Importance of process thinking in business management.* Retrieved January 15, 2026, from https://tallyfy.com/process-thinking/

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49. A

Reducing stress. One benefit of time management is the sense of control and productivity it can create, reducing stress and making it easier to focus on the task at hand. Yun does not procrastinate, so that aspect of time management is not as useful to her. Time management will not remove or add tasks, but will help Yun manage the tasks she already has.

SOURCE: PD:019 Use time-management skills

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

50. C

Timeliness. A key consideration when determining the feasibility of a business venture is whether the season is appropriate. A holiday-decoration service would only be feasible during the holiday season. Sustainability refers to the long-term environmental or social impact, which is not immediately relevant in this scenario. Brand equity refers to the perceived value of the brand name, which is not a consideration when determining the feasibility of a venture. Market saturation refers to how many similar competitors exist in the market. While market saturation should be considered, timeliness is the more essential component for this service.

SOURCE: EN:038 Determine feasibility of venture ideas

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

51. A

Partnering with influencers to share product reviews. Influencer marketing is a modern form of word-of-mouth communication where trusted individuals share personal recommendations with their audience. Newspaper advertisements are a form of traditional advertising, not word of mouth. Email blasts are a direct marketing tactic that lacks the interpersonal advocacy or referral element that defines word-of-mouth. Door-to-door cold calling is an example of direct selling, not word-of-mouth.

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

SOURCE: Indeed. (2025, December 19). *What is word-of-mouth marketing and why is it important?* Retrieved January 16, 2026, from https://www.indeed.com/career-advice/career-development/word-of-mouth

52. C

Technology. Technology is a major internal factor affecting management decisions. If Julius considered the technology available to the company, he would have realized his project was not feasible with the current equipment. The project was not stalled due to finances, company culture, or not aligning with company goals.

SOURCE: SM:028 Describe factors that influence management

SOURCE: Indeed. (2025, November 27). *The most common internal factors affecting a business.* Retrieved January 14, 2026, from https://uk.indeed.com/career-advice/career-development/internal-factors-affecting-business

53. B

Crowdfunding. Crowdfunding is the process of raising funds from a large group of people, and it allows the entrepreneur to secure funding while also building relationships with the community. Crowdfunding can be a strong marketing tool as well for a startup business. Venture capitalists typically invest in large companies with high project growth, not necessarily local bakeries. Angel investors and the SBA 504 loan are good opportunities for financing, but they do not assist the entrepreneur in building ties with the community.

SOURCE: EN:015 Describe processes used to acquire adequate financial resources for venture creation/start-up

SOURCE: Hayes, A. (2025, September 23). *Entrepreneur: What it means to be one and how to get started.* Retrieved January 21, 2026, from https://www.investopedia.com/terms/e/entrepreneur.asp

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54. D

Acknowledge the value of the innovation but explain the budgetary constraints that prevent its use. Cultivating innovation in a workplace requires encouragement of innovative ideas, so Tori should reject the idea while still encouraging innovative thinking. Rejecting the idea immediately and redirecting the employee to only focus on assigned tasks would discourage innovative thinking. Approving a small-scale pilot and addressing the budget issues later would be poor management.

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

SOURCE: Chron. (2026). *Innovation & change in business.* Retrieved January 13, 2026, from https://smallbusiness.chron.com/innovation-change-business-1501.html

55. A

Weaknesses. A SWOT analysis includes internal strengths and weaknesses and external opportunities and threats. A staffing issue inside of the company would be an example of an internal weakness, not an opportunity, strength, or threat.

SOURCE: SM:010 Conduct an organizational SWOT

SOURCE: Kenton, W. (2025, December 19). *SWOT: What is it, how it works, and how to perform an analysis.* Retrieved January 13, 2026, from https://www.investopedia.com/terms/s/swot.asp

56. B

It may anger consumers. Advertising through text messages is an effective way to reach consumers, but many consider unsolicited texts an intrusion or an annoyance. There are many ways that businesses obtain consumer phone numbers, and most consumers can be reached by and read their texts.

SOURCE: PR:007 Explain types of advertising media

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

57. B

Descriptive. Descriptive research seeks to explore specific topics within the current state of a market or industry, usually through quantitative data. Hilda's Highlights seeks to understand current industry trends through data, making this descriptive research. Exploratory research is more qualitative and less defined than descriptive research. Causal research seeks to test a cause-effect relationship within the market. Predictive research seeks to forecast future business developments.

SOURCE: IM:012 Describe the need for marketing data

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

58. D

Progressive. Progressive taxes have a more significant impact on high-income groups than low-income groups. The higher the taxable amount, the higher the tax rate. In regressive tax systems, individuals with lower incomes pay a higher percentage of their income in taxes compared to higher earners. Sales, property, and excise taxes are good examples of regressive taxes. Proportional taxes, also known as flat taxes, are the same regardless of income or wealth. The tax rate does not change in relation to the taxable amount.

SOURCE: EC:072 Describe the nature of taxes

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

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59. D

Cost-benefit analysis. A cost-benefit analysis is a process for evaluating business decisions that involves summarizing the potential outcomes of the decision. A break-even analysis is the process of determining when revenue is equal to total costs. Cost standards specify how to measure project costs, while product standards are criteria for a product's ability to meet requirements.

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

SOURCE: Hayes, A. (2025, August 27). *Cost-benefit analysis explained: Usage, advantages, and drawbacks.* Retrieved January 20, 2026, from https://www.investopedia.com/terms/c/cost-benefitanalysis.asp

60. C

Loans and stocks. Fiscal resources are the various funds and assets organizations use to meet financial goals. Loans and stocks are both examples of fiscal resources. An office building and office supplies are examples of capital resources. Company executives and employees are human resources, and natural gas and oil are natural resources.

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

SOURCE: Bean-Mellinger, B. (2018, October 26). *What are the differences in capital resource, human resource & natural resource?* Retrieved January 20, 2026, from https://smallbusiness.chron.com/differences-capital-resource-human-resource-natural-resource-60792.html

61. D

Affordable. A jewelry company that wants to charge lower prices for its products should use affordable materials to make them. If the company uses expensive materials to make its products but only sells them for lower prices, it will not turn a profit. Rare materials tend to be very expensive. Companies should never use illegal materials to make their products.

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

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

62. D

Selling should garner repeat business. The statement, "Selling should enhance future business opportunities," means that salespeople should aim to satisfy customers' needs and wants to garner repeat business. This is because over two-thirds of sales come from the repeat business of loyal customers. The statement does not imply that selling should be used to seek out exciting business ventures. It also does not imply that selling should be used as a method for networking. Selling should be focused on satisfying customers' needs and wants, not on maximizing profit. Profit comes when customers are satisfied.

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

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

63. B

Personnel. Personnel records contain information about individual employees and the actions the business has taken toward them. Asset records document the value of assets a business owns, such as furniture or machinery. Promotional records relate to marketing materials like advertisements. Payroll records specifically contain information about payments to employees and employee identifications like social security numbers.

SOURCE: NF:001 Describe the nature of business records

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

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64. C

High regulation and cost of entry. Oligopolies occur when only a few large businesses compete in the market. The pharmaceutical industry is highly regulated and difficult to break into, which naturally causes fewer businesses to compete for market share. High innovation is a possible result of oligopoly, but not a typical cause. Low supply or demand does not generally cause oligopolies to form. Similarly, low regulation and demand would not typically cause an oligopoly.

SOURCE: EC:012 Explain the concept of competition

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

65. A

Sales promotion. The primary goal of buy-one, get-one discounts or coupons is to create an immediate, short-term incentive to buy. Sales promotion involves promotional activities other than advertising, personal selling, and publicity that stimulate customer purchases. Advertising is any form of paid nonpersonal presentation of ideas, images, goods, or services. A radio ad would be an example of the advertising element, not the discount itself. Personal selling is the form of promotion that determines client needs and wants and responds through planned, personalized communication that influences purchase decisions and enhances future business opportunities. Public relations is about building a positive image or goodwill in the community.

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

SOURCE: LAP-PR-903—Spread the Word (Nature of the Promotional Mix)

66. C

Environmentally conscious customers. Environmentally conscious customers would be the most interested in TerraPure's water bottles because they are made entirely from biodegradable materials, making them much more eco-friendly than other water bottles in the market. Professional athletes, local government agencies, and large-scale beverage manufacturers do not necessarily have an interest in environmentally friendly products.

SOURCE: MP:005 Select target market

SOURCE: Investopedia. (2025, April 2). *Target market: Definition, purpose, examples, market segments.* Retrieved January 13, 2026, from https://www.investopedia.com/terms/t/target-market.asp

67. A

File a grievance. A complaint is best handled quickly and informally to avoid more series issues in the future. A serious complaint like underpaying an employee could become a formal grievance if not addressed promptly. The employee is unlikely to forget about the issue, and there is no reason for the employee to be given a raise or fired.

SOURCE: HR:366 Handle employee complaints and grievances

SOURCE: Indeed. (2026). *What is a grievance (and how do you address one)?* Retrieved January 14, 2026, from https://www.indeed.com/hire/c/info/grievance-definition

68. B

Compliance. A compliance risk occurs when a business fails to comply with regulations, which can result in fines and loss of customers. The new manager's failure to follow food safety regulations represents a compliance risk. Security risk refers to information and cybersecurity failures. Financial risk relates to financial planning and debt management. Strategic risk relates to high-level business decisions.

SOURCE: EN:010 Assess risks associated with venture

SOURCE: Indeed. (2025, December 15). *10 types of business risks and how to manage them.* Retrieved January 21, 2026, from https://www.indeed.com/career-advice/career-development/risks-business

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69. A

Improvement. Quality improvement involves an organization's willingness to change and adapt for the purpose of maintaining quality. By purposefully analyzing its performance and adjusting and refining its production processes, Zenith Motors is engaging in quality improvement. Quality control measures products against predetermined standards after the products have already been created. While quality control is part of quality management, Zenith Motors evolving its overall production processes to maintain quality is an example of quality improvement. Quality globalization and quality flow are not recognized terms in quality management.

SOURCE: QM:001 Explain the nature of quality management

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

70. B

A high price-to-earnings ratio. A high price-to-earnings ratio often indicates that a company's stock is overvalued or that investors anticipate significant growth. On the flipside, a low price-to-earnings ratio could mean that a company has no earnings or is losing money. The same could be said if a company has no price-to-earnings ratio. The earnings yield is the inverse of the price-to-earnings ratio. A negative earnings yield means that a company has negative earnings.

SOURCE: FI:334 Describe types of financial statement analysis (e.g., ratio analysis, trend analysis, etc.)

SOURCE: Fernando, J. (2025, November 12). *Price-to-earnings (P/E) ratio: Definition, formula, and examples.* Retrieved January 9, 2026, from https://www.investopedia.com/terms/p/price-earningsratio.asp#toc-pe-vs-earnings-yield

71. D

The entrepreneur's personal assets could be seized if the business fails to repay the debt. Many small business credit lines require a personal guarantee, meaning the owner is personally liable. That means that if the business fails to repay the debt, the owner's personal assets could be seized by the lender. Obtaining credit is different from seeking investors. Lenders generally want their money back with interest, not a share of ownership. Creditors do not participate in management; that power remains with the business owner. Interest payments on business loans are a deductible business expense, making it a benefit rather than a risk.

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

SOURCE: Kagan, J. (2025, September 20). *Understanding personal guarantee: Definition, role, and impact on business loans.* Retrieved January 20, 2026, from https://www.investopedia.com/terms/p/personal-guarantee.asp

72. A

Place. Customers complain that Treasure Trove is often out of stock of key products, making it inconvenient to shop there. This is a problem of place because Treasure Trove is not supplying its stores. It is unlikely that Treasure Trove has problems with price, product, or promotion since customers seem to like the other aspects of the store.

SOURCE: MP:001 Explain the concept of marketing strategies

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

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73. A

Take the team out for a meal or activity. Brayden must encourage his team to work together for the project to succeed. Activities such as a meal or social activity provide an opportunity for team building and collaboration between team members. Replacing the team members would be difficult and risky, since the members are essential to the team. Telling the members they have to get along does little to improve their work relationship. Withholding members' pay is illegal and likely to create bitterness or resentment.

SOURCE: EI:044 Encourage team building

SOURCE: Indeed. (2025, December 16). *Team working vs. team building: Similarities and differences.* Retrieved January 14, 2026, from https://www.indeed.com/career-advice/career-development/team-building-vs-team-working

74. B

A 24-hour system-wide crash of the package tracking software. A 24-hour tracking blackout would have the most significant impact on UPM Delivery as a company. It would be highly disruptive to operations and serve as a major company failure. While rising fuel costs and competitors' actions are important, a system-wide crash is the most critical threat. Routine maintenance is not a critical operational threat.

SOURCE: RM:094 Assess business risks

SOURCE: Indeed. (2025, December 15). *10 types of business risks and how to manage them.* Retrieved January 21, 2026, from https://www.indeed.com/career-advice/career-development/risks-business

75. C

Corporation. Corporations are designed to raise capital through public investment like stocks, so it is a clear choice for Laureen's growing fashion company. Limited liability companies, partnerships, and sole proprietorships are not funded through stocks.

SOURCE: BL:006 Select form of business ownership

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

76. B

Specific purpose and intended audience. The first step of drafting any business proposal should always be to identify the specific purpose and intended audience. This information helps the writer keep their proposal succinct, professional, and relevant. Choosing the font specifics and identifying the writing style and grammar structure are actions taken during the drafting or editing process. Identifying the number of copies needed would be one of the last steps of the process.

SOURCE: CO:062 Write proposals

SOURCE: Powell, S. (2024, December 4). *Business writing.* Retrieved January 21, 2026, from https://corporatefinanceinstitute.com/resources/career/business-writing/

77. C

Promoting a culture of continuous improvement. Management's primary role in quality is to set the benchmark for quality and create an environment where every employee feels responsible for getting better. This creates a sustainable system rather than a temporary fix. Personal inspection by management is inefficient and fails to teach employees how to produce quality work themselves. Entry-level staff often lack the experience or authority to implement the changes needed for high-level quality control. Prioritizing speed over consistency usually leads to higher defect rates and lower customer satisfaction.

SOURCE: OP:020 Describe the role of management in the achievement of quality

SOURCE: The Manual. (2024). *The benefits of quality management for business success.* Retrieved January 20, 2026, from https://trainual.com/manual/quality-management

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78. A

Identify business needs. Business analysis is fundamentally about evaluating a company's performance and identifying any unmet needs. Recording daily financial transactions is a function of the accounting department. Hiring new employees is a function of the human resources department. Developing a marketing plan is a function of the marketing team.

SOURCE: OP:327 Discuss the nature of business analysis

SOURCE: Alvarez, C. (2023, February 26). *What is business analysis?* Retrieved January 13, 2026, from https://www.wgu.edu/blog/what-business-analysis2302.html

79. D

Show empathy. As a manager, Riley must adapt to different personality types and needs of his employees. Showing empathy through listening and considering the complaint might have created a better working environment and prevented the team member from leaving. Riley established control and confidence at the cost of being inflexible. Riley did not violate the chain of command.

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

SOURCE: IESE Business School. (2023). *The art of managing different personalities within your team.* Retrieved January 14, 2026, from https://www.iese.edu/standout/managing-different-personalities-team/

80. C

Group potential customers based on specific traits. Market segmentation is the process of dividing a broad audience into smaller groups with shared characteristics, such as age, location, or buying habits. Reducing the price of the product to appeal to every customer is the opposite of market segmentation. Ensuring the business name is registered and calculating the total startup costs required to open a physical location do not contribute to the success of identifying market segments.

SOURCE: MP:004 Identify market segments

SOURCE: Hayes, A. (2025, September 9). *How market segments work: Identification and example.* Retrieved January 13, 2026, from https://www.investopedia.com/terms/m/market-segment.asp

81. B

Developing a business plan. A business plan is a company's blueprint for success—it shows how the business works now and how it is intended to work in the future; the written business model. Generating new ideas and solutions is just one of the many benefits of writing a business plan. Organizational downsizing and setting tighter deadlines would impose a stricter business environment not conducive to generating new ideas. Increasing cash flow might help the business but is not related to generating new business ideas.

SOURCE: SM:013 Develop business plan

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

82. D

It will increase. Operating costs have a significant influence on a product's final selling price. A higher-quality flour is likely to increase the total cost of the product, leading to higher selling prices. The price of the bread is unlikely to decrease or fluctuate between decreasing and increasing.

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

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

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83. A

The economy. Raya went out of business because her patrons could not afford her prices. Had she realized this information, she might have changed her pricing strategy and kept the business afloat. In this case, Raya did not need to keep up with government regulations or with technology trends. Raya did scan for competition.

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

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

84. A

"Can you tell me about a time when you dealt with team conflict and management?" The STAR interview method stands for situation, task, action, and result. Asking a candidate about a specific situation they were in is a prime example of using the STAR method and allows them to answer in kind. Asking a candidate to rate their performance, give their opinion about personality traits, or negotiate a salary do not follow the STAR method.

SOURCE: HR:355 Interview job applicants

SOURCE: Indeed. (2026, July 30). *How to conduct a job interview.* Retrieved January 15, 2026, from https://www.indeed.com/hire/c/info/how-to-conduct-a-job-interview

85. D

Utilizing both internal and external audit functions. Internal and external audits provide independent verification of a company's financial health and operational compliance, which are essential for transparency and accountability in governance. Tasking only executive management with financial assessments, centralizing financial approval authority under a single position, and combining the CEO and board chair roles all reduce oversight and lack checks and balances. A well-governed company requires a diverse group of leaders to provide independent oversight and prevent a conflict of interest or high concentration of power in one individual.

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, September 11). *Corporate governance: Definition, principles, models, and examples.* Retrieved January 16, 2026, from https://www.investopedia.com/terms/c/corporategovernance.asp

86. C

Contingency. A contingency fund covers unexpected costs associated with the startup of a business. Emergency funds are savings put away for detrimental unexpected events. Hedge funds and index funds are types of investment funds.

SOURCE: EN:009 Assess start-up requirements

SOURCE: Morah, C. (2025, April 8). *How to estimate business startup costs.* Retrieved January 21, 2026, from https://www.investopedia.com/articles/pf/09/business-startup-costs.asp

87. D

Create a plan that defines the measurement, scope, and effects of the change. A formal change management process requires a clear outline of the scope, key performance indicators, and estimated effects of any organizational change before being implemented. Organizational change is not typically spread via word of mouth and should not be implemented until the outline is completed. Similarly, the change cannot be analyzed until it has been implemented.

SOURCE: SM:095 Explain the nature of change management

SOURCE: Miller, K. (2020, March 19). *5 critical steps in the change management process.* Retrieved January 14, 2026, from https://online.hbs.edu/blog/post/change-management-process

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88. D

Risk assessment. Ambient Technology is measuring and prioritizing its risks. In enterprise risk management (ERM), risk assessment is the specific step in which a company determines the likelihood and the impact of the identified risks. Objective setting occurs before risk identification; it involves defining goals (e.g., expanding into a new market) so the company knows what it is attempting to protect. Risk response is the action phase that happens after a risk assessment. It's the decision of how to handle the risk (e.g., avoid, accept, reduce). Finally, event identification is the brainstorming phase and involves simply listing what could happen.

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

SOURCE: Sentinel Africa. (2024, July 29). *5 basic principles of risk management.* Retrieved January 14, 2026, from https://sentinelafricaconsulting.com/5-basic-principles-of-risk-management/

89. B

Conceptual. Executive management must have strong conceptual and decision-making skills because they are responsible for organizational goal setting. Conceptual and interpersonal skills are the most essential skills for this level of management, with less technical skills required. Tactical skills are necessary for the implementation of these strategic goals, which are best-suited for middle management. Operational skills are required for front-line management and base-level employees.

SOURCE: SM:001 Explain the concept of management

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

90. A

Analyze the data. After collecting data, a researcher should analyze and evaluate them before forming recommendations. The researcher should have formulated a research question or hypothesis before collecting the data.

SOURCE: IM:010 Explain the nature of marketing research

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

91. A

Rational; emotional. Unless your brand's values and the ways in which they are demonstrated really connect with customers, then all of your thought and analysis, not to mention your commitment and enthusiasm, will have been for nothing. Your brand must be meaningful and connect with your customers on both a rational (thinking) and emotional (feeling) level. Customers generally appreciate artistically-pleasing and financially-reasonable businesses, but those are not necessarily levels on which companies need to connect in order to develop a successful corporate brand.

SOURCE: PM:126 Build corporate brands

SOURCE: LAP-PM-010—Build Your Corporate Brand... (The How-To's of Corporate Branding)

92. C

Share best practices. One benefit of sharing best practices within an organization is that it helps nurture a learning culture. Companies that share best practices can attract more talent, demonstrate flexibility in any business changes, and are more likely to boost employees' performance. Ensuring product quality and increasing salaries can help the organization, but they do not necessarily encourage a learning culture. Emphasizing discretion could discourage a learning culture as the policy can restrict employees from sharing learned knowledge.

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

SOURCE: Memari, E. (2021, May 12). *9 benefits of sharing best practices in an organization.* Retrieved January 15, 2026, from https://elearningindustry.com/sharing-best-practices-organization-9-benefits

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93. B

Conduct a brainstorming session with staff to identify ways to repurpose leftovers. Creative problem-solving involves looking for innovative solutions. Dismissing the head chef is a reactive management action that does not seek a creative solution to the issue. Implementing a strict policy that employees must pay for any food they waste focuses on punishment rather than identifying the real issue. Similarly, increasing menu prices treats the symptom rather than addressing the actual problem.

SOURCE: EN:029 Use creative problem-solving in business activities/decisions

SOURCE: Indeed. (2025, December 11). *10 ways to improve your creative problem-solving skills.* Retrieved January 21, 2026, from https://www.indeed.com/career-advice/career-development/improve-creative-problem-solving-skills

94. D

Tutors and students. Critical stakeholders for an organizational change are those stakeholders who are most directly affected by a change. In this case, tutors and students will directly use the videoconferencing technology, fundamentally changing how tutoring sessions are carried out. Managers, HR staff, and office staff all support the technology and the tutors, but do not directly use the technology. Investors will also not be directly impacted by the technology.

SOURCE: SM:095 Explain the nature of change management

SOURCE: Iacoviello, A. (2025, November 17). *What is change management?* Retrieved January 14, 2026, from https://www.ibm.com/think/topics/change-management

95. A

Fewer. Companies that aim to maintain exclusivity are most likely to select fewer distribution channels. Companies that aim for rapid market share growth are more likely to select distribution channels with the highest reach. This includes selecting many distribution channels, taking advantage of large online marketplaces through e-commerce, and implementing intensive distribution strategies to get products into as many retail outlets as possible.

SOURCE: CM:009 Explain the nature of channel strategies

SOURCE: Catsy. (2023). *Effective channel distribution strategies to expand customer reach.* Retrieved January 9, 2026, from https://catsy.com/blog/channel-distribution-strategies/

96. B

Persuade. Many promotions seek to persuade consumers to purchase a product through incentives, savings, and unique benefits. Loveland's chicken nuggets are promoted as nutritious and put on sale to convince consumers to buy them. Promotion that informs is used when consumers may not know much about a product. Promotion that reminds is used to create or reinforce a particular brand image. Loveland's promotions do not attack other companies or brands.

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

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

97. D

The choice of eventual exit strategy may influence business decisions. The choice of exit strategy is like an end goal for business owners, making it an important guide when navigating business structure and decision making. It is not illegal to start a business without an exit strategy. Companies do not get tax benefits for stating an exit strategy. Consumers don't generally care about a business's exit strategy unless it affects the prices they pay or the value they receive.

SOURCE: EN:037 Develop exit strategies

SOURCE: Robbins, S. (2026). *Exit strategies for your business.* Retrieved January 20, 2026, from https://www.entrepreneur.com/leadership/business-exit-strategies-for-your-business/78512

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98. B

Strategic. Strategic risks stem from poor business decisions and threaten a company's ability to achieve its overall objectives or remain competitive. When Floral Boutique invested its entire marketing budget into a risky new technology, it took a strategic risk. Hazard risks are typically unpredictable physical events like fires, floods, or workplace injuries. The VR failure was a result of a business decision, not a physical disaster. Financial risk typically refers to interest rate changes, credit defaults, or stock market crashes. While the company lost money, the source of the problem was the strategy itself. Operational risk refers to breakdowns in daily processes, such as a computer system crashing, employees making manual errors, or supply chain delays.

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

SOURCE: Temple University. (2026). *Types of risk in ERM*. Retrieved January 15, 2026, from https://compliance.temple.edu/enterprise-risk-management/types-risk-erm

99. A

High levels of customer satisfaction. Customer satisfaction is a performance measure that directly influences financial outcomes. Low customer satisfaction typically indicates that the company experiences an unsuccessful financial outcome, while high customer satisfaction generally indicates a more successful financial outcome. Companies with higher levels of employee morale are generally more likely to have successful financial outcomes than those with lower levels of employee morale. Companies with high levels of employee turnover are generally less likely to have successful financial outcomes than those with low levels of employee turnover. Companies with low levels of innovation are generally less likely to have successful financial outcomes than those with high levels of innovation.

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

SOURCE: Vance, J. (2025, January 6). *Increase profits by increasing customer satisfaction.* Retrieved January 13, 2026, from https://preferredcfo.com/insights/profits-through-customer-satisfaction

100. B

The increase in personal financial risk. Bootstrapping is a form of financing that relies on personal finances instead of outside investments. Bootstrapping has many advantages, such as retaining control in the company, but a disadvantage is the increased personal financial risk. A disadvantage of debt financing is an increase in annual interest rates. A disadvantage of venture capital or public equity financing is the obligation to provide regular financial audits to investors.

SOURCE: EN:015 Describe processes used to acquire adequate financial resources for venture creation/start-up

SOURCE: Kenton, W. (2025, August 8). *Bootstrapping your business: Strategies, benefits, and challenges.* Retrieved January 21, 2026, from https://www.investopedia.com/terms/b/bootstrapping.asp

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