



SAMPLE EXAM

ENTREPRENEURSHIP

THE ENTREPRENEURSHIP EXAM IS USED FOR THE
FOLLOWING EVENTS:

ENTREPRENEURSHIP SERIES

ENTREPRENEURSHIP TEAM DECISION MAKING

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

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1. Smith's Candy Company specializes in small-batch chocolates. Which of the following is an example of a brand touchpoint for Smith's Candy Company:
 - A. The brand's slogan: "Candy for the people, by the people"
 - B. A coupon for a competing brand's chocolate bars
 - C. The organizational culture of Smith's Candy Company
 - D. An online ad for the brand's chocolate

2. The economic basis for the private enterprise economic system is
 - A. competition.
 - B. the marketplace.
 - C. the profit motive.
 - D. supply and demand.

3. Abeytu sent requests for price quotes to seven different chemical companies and is waiting to review the suppliers' proposed prices before making a selection. Abeytu is conducting
 - A. competitive bidding.
 - B. blanket ordering.
 - C. forecasts.
 - D. negotiations.

4. Which of the following is an effective persuasive technique:
 - A. Speak loudly during your entire conversation.
 - B. Explain why your coworker is the wrong choice.
 - C. Cross your arms to make people feel comfortable.
 - D. Look people in the eye when speaking to them.

5. Which of the following people would make the best entrepreneur:
 - A. A risk-averse person who wants to work 9:00 a.m. to 5:00 p.m.
 - B. A person who lacks self-confidence
 - C. A risk-taker who has a strong work ethic
 - D. A person who works so hard, they make themselves sick

6. What is the primary purpose of the accounting process in business?
 - A. Determining warehousing needs
 - B. Evaluating advertising activities
 - C. Tracking financial transactions
 - D. Buying production equipment

7. Zebba's Manufacturing Company received a shipment of raw materials. These materials would appear on an income statement as
 - A. revenue.
 - B. gross profit.
 - C. cost of goods sold.
 - D. net income.

8. What do managers do to make sure the work of the business is done effectively and on time?
- A. Obtain knowledge.
 - B. Maintain power.
 - C. Supervise staff.
 - D. Delegate authority.
9. When diverse perspectives, experiences, and strengths are present in the workplace, it allows for
- A. more collaboration and sympathy.
 - B. increased company sales.
 - C. greater creativity and innovation.
 - D. higher employee salaries.
10. Deciding how to transport goods is part of which operations activity?
- A. Scheduling
 - B. Maintenance and repairs
 - C. Safety and security
 - D. Logistics
11. "Cheating the system" in entrepreneurship often leads to
- A. legal trouble.
 - B. tremendous profits.
 - C. customer loyalty.
 - D. legal immunity.
12. Before selecting new employees, retailers often perform a job
- A. application.
 - B. inquiry.
 - C. analysis.
 - D. description.
13. Which of the following is a factor that businesses should consider when evaluating employees:
- A. Work habits
 - B. Education
 - C. Hourly wages
 - D. Seniority
14. Small businesses have a positive effect on the local community because they
- A. charge interest.
 - B. pay taxes.
 - C. limit job growth.
 - D. reduce competition.

15. Production is often called a conversion process because it
- A. creates product utility.
 - B. turns resources into products.
 - C. changes failure to success.
 - D. makes inputs from outputs.
16. For a business to generate a profit, its operating costs must be _____ the gross margin.
- A. equal to
 - B. less than
 - C. similar to
 - D. greater than
17. Bedazzled Jewelry Store's sales revenue increased by 28% during the two-week period that it ran a TV commercial, which advertised discounts on its bracelets and necklaces. Based on the information provided, what can the jewelry store conclude?
- A. It is important to order additional inventory for an advertised sale to avoid stockouts.
 - B. The promotion boosted short-term sales.
 - C. The store sold more necklaces than bracelets.
 - D. The store's sales revenues will continue to increase over time.
18. The Spikeland Corporation produced a product that was unsafe for children but failed to include a warning label on the product's packaging. Several children were harmed because of the company's inaction. This is an example of which of the following torts:
- A. Defamation
 - B. Conversion
 - C. Negligence
 - D. Assault
19. Which of the following is a reason why a small business might share its financial records:
- A. To prove the business's net worth to acquire a bank loan
 - B. To show competitors why brand competition is useless
 - C. To convince a supplier to offer discounts on products purchased
 - D. To persuade a customer of the business's excellent service
20. How can government laws and regulations result in economic risk?
- A. They can make businesses less safe.
 - B. They can protect consumers.
 - C. They can reduce a business's profits.
 - D. They can result in environmental problems.
21. Why do businesses review resumes and contact the individuals provided as references?
- A. To determine training needs
 - B. To compare job descriptions
 - C. To verify accuracy of information
 - D. To obtain personal data

22. For both the customer and the seller, striking the right pricing balance makes the exchange
- A. manageable.
 - B. painful.
 - C. beneficial.
 - D. disappointing.
23. When Trish learned that her company was switching to a new computer software program, she accepted the change and worked overtime to become familiar with the new program. Trish exhibited _____ behavior.
- A. irresponsible
 - B. stubborn
 - C. passive
 - D. adaptable
24. Which of the following is an economic factor that affects business trends:
- A. Emergence of social media
 - B. An aging population
 - C. Lifestyle changes
 - D. The business cycle
25. When two parties work together to negotiate a result that is mutually beneficial, it is called a _____ outcome.
- A. lose-lose
 - B. win-lose
 - C. win-win
 - D. lose-win
26. William was having a hard time coming up with ideas to solve a problem that he was having at work. He decided to write down some things that he could do to make the problem worse. He then reviewed each negative statement and thought of ways to improve the situation. What problem-solving technique was William using?
- A. Attribute listing
 - B. Reverse brainstorming
 - C. Mind mapping
 - D. Appreciative inquiry
27. Which of the following is an appropriate action for a manager to take in documenting the solution to an employee complaint:
- A. Delegate the documentation of the solution to an employee.
 - B. Discard the file when the complaint has been resolved.
 - C. Cover all of the critical aspects of the complaint.
 - D. Write a lengthy, detailed report of the solution.
28. Which of the following makes it easier than ever for small businesses to engage in international trade:
- A. Decreasing international middle class
 - B. Language barriers
 - C. Increased regulation
 - D. Technological advances

29. Why would a bank examine a business's balance sheet?
- A. To determine whether to declare the company bankrupt
 - B. To meet its oversight responsibilities of the business community
 - C. To recognize its most profitable customers
 - D. To determine whether the company qualifies for additional credit
30. Which of the following is a disadvantage of organizing your business as a sole proprietorship:
- A. Complicated taxation
 - B. Difficulty of setting up
 - C. Responsibility for debts
 - D. No business licenses
31. Which of the following is a place-related question that a business might ask to adjust its marketing mix in response to environmental changes:
- A. What trends in technology will affect our products?
 - B. What are the costs/benefits of our channel of distribution?
 - C. Should the list price of any of our products be changed?
 - D. How much can we allocate to the budget for media costs?
32. While traveling for work, Waqas has noticed recently that there seems to be a growing push toward health and fitness. Gym memberships are common, and nearly everyone seems to follow a health blog or fitness influencer of some kind. What type of trend is Waqas noticing?
- A. Societal
 - B. Economic
 - C. Technological
 - D. Governmental
33. Tory is a new business owner offering data management services for medical records to hospitals. How can she identify what hospital administrators will expect from her service?
- A. Research each hospital's financial information.
 - B. Read patient reviews about each hospital.
 - C. Entertain hospital administrators at a sporting event.
 - D. Read about trends impacting the hospital industry.
34. Calculate a business's cash flow if it has cash receipts of \$345,675; operating expenses of \$312,480; and taxes of \$7,500.
- A. \$33,195
 - B. \$34,570
 - C. \$31,240
 - D. \$25,695
35. When developing a business plan for a new venture, an entrepreneur should include a comprehensive description of the customers the new business wants to attract in the
- A. promotional plan.
 - B. SWOT analysis.
 - C. target market overview.
 - D. corporate philosophy summary.

36. Ellen wants to step back from the day-to-day activities of running her company. She decides to take the company to another level by selling public stock. One way Ellen can stay involved in the company is by
- A. arranging a tactical acquisition.
 - B. hiring her successor.
 - C. appointing a family member as president.
 - D. serving on the board of directors.
37. In which of the following situations might a business lose money from bad debts by failing to monitor information in its budget and make necessary adjustments:
- A. Many customers are paying with personal checks.
 - B. Total cash receipts are higher than usual.
 - C. A large amount of accounts receivable are past due.
 - D. Credit card sales are growing in number.
38. A CEO wants to create a company culture that values learning and cooperation. The CEO should
- A. replace current employees with friends.
 - B. share best practices with the staff.
 - C. use a functional organizational structure.
 - D. set high sales quotas to motivate employees.
39. Which of the following statements about feasibility studies is true:
- A. The feasibility study is essentially the written business model.
 - B. The feasibility study is completed before the business plan is developed.
 - C. Each feasibility study must focus on only one potential business model.
 - D. A feasibility study is not necessary if similar businesses already exist.
40. Business owners who finance their businesses with secured loans face the risk of losing
- A. collateral offered.
 - B. full control of the business.
 - C. owner capital withdrawals.
 - D. access to cash flow.
41. To get a business up and running, a licensee must pay a licensor an initial fee of \$11,250. If the business's total startup costs are \$75,000, what percentage of the startup costs is the business paying the licensor?
- A. 18.5%
 - B. 17%
 - C. 15%
 - D. 12.5%
42. When tracking the performance of a business plan, businesses usually analyze the effectiveness of
- A. ownership structures.
 - B. staffing requirements.
 - C. operating strategies.
 - D. management objectives.

43. Which of the following is a program some managers implement to achieve quality in all aspects of the business:
- A. Gantt chart
 - B. PERT
 - C. Theory X
 - D. Six Sigma
44. Swati receives health insurance as an employment benefit. Her monthly premium is \$575, and her employer pays 60% of the premium. How much will Swati pay each paycheck for her insurance coverage if she is paid every two weeks? (Round up to the next whole cent.)
- A. \$106.16
 - B. \$230.00
 - C. \$265.39
 - D. \$160.00
45. A good way to make numerical facts in a complex written report easy for readers to grasp is to present the facts in a(n) _____ format.
- A. technical
 - B. separate
 - C. descriptive
 - D. illustrated
46. Company A owns 100 shares of Company Z stock. Company Z pays a dividend to Company A on a quarterly basis. Company A is obligated to pay _____ taxes on those dividends.
- A. excise
 - B. sales
 - C. capital gains
 - D. income
47. Efficient operations management is an important business activity because it improves a company's ability to be
- A. flexible.
 - B. competitive.
 - C. innovative.
 - D. responsible.
48. Which of the following is the first question a new business owner should ask when determining the venture's technology needs:
- A. What software programs will help the business operate efficiently?
 - B. Where should I purchase my supplies?
 - C. Is it necessary to maintain computer hardware?
 - D. How will I legally structure my new business's technology department?
49. Harvest strategies are typically used on _____ products.
- A. digital
 - B. new
 - C. physical
 - D. outdated

50. Which of the following is an example of a business controlling expenses to increase profits:
- A. Creatively allocating funds
 - B. Expanding promotional activities
 - C. Obtaining a higher level of credit
 - D. Effectively using display space
51. Which of the following is an example of a conflict of interest that might make it difficult for a manager to be ethical:
- A. Making a decision about an employee who is a friend
 - B. Working with people from different cultures
 - C. Promoting an employee who has seniority
 - D. Organizing an event for all business employees
52. A large manufacturing plant operating at a lower per-unit cost of production than its many smaller competitors is benefiting from
- A. geographic monopoly.
 - B. higher sales prices.
 - C. economies of scale.
 - D. barriers to entry.
53. Emotional risks that many entrepreneurs face include
- A. competition and difficult suppliers.
 - B. unemployment and uncertain income.
 - C. inflation and slow market acceptance.
 - D. marital tension and family problems.
54. Actual procedures used in budgeting depend mainly upon the
- A. fiscal year.
 - B. capital outlay.
 - C. type of business.
 - D. sales budget.
55. When generating product ideas as a group, who typically guides the discussion?
- A. Innovator
 - B. Mentor
 - C. Negotiator
 - D. Facilitator
56. What is an effect of monitoring your progress while working toward a goal?
- A. It increases the likelihood that you will succeed.
 - B. It adds external pressure to accomplish tasks.
 - C. It makes your goal more challenging and time-consuming.
 - D. It encourages communication throughout the process.

57. Why is it important for entrepreneurs to talk with industry experts when developing new business concepts?
- A. The industry experts commonly enhance your confidence.
 - B. The industry experts frequently offer financial support.
 - C. The industry experts typically provide useful information.
 - D. The industry experts usually improve your management skills.
58. Which of the following is a way to save money when selecting capital resources for a new business:
- A. Look for used equipment
 - B. Apply for a loan to pay for the equipment
 - C. Buy as little equipment as possible
 - D. Purchase equipment instead of renting
59. Which of the following questions would Allison ask herself when deciding if she should hire an assistant for her growing business:
- A. Does the workload require a full-time or part-time employee?
 - B. Does this applicant meet my minimal educational requirements?
 - C. How will I recruit applicants for the job?
 - D. Can I trust this person to get the work done on time?
60. Daria is planning to open an educational toy store. She has determined the number of families with children in the area, the average family income, and typical buying patterns. Daria will include this information in which section of her business plan?
- A. Trading area analysis
 - B. Projected income and expenses
 - C. Proposed goods and services
 - D. Market analysis
61. Smooth operations, clearly defined chains of command, and measurement of performance are all goals of _____ in corporate governance.
- A. independent audits
 - B. debt management
 - C. internal control mechanisms
 - D. external control mechanisms
62. Sandra is a manager at a distribution plant. Lately, her customers have been complaining about late deliveries. Which area of the business does Sandra need to focus on to ensure on-time delivery?
- A. The sales force
 - B. Inventory control
 - C. Supply chain management
 - D. Production
63. All the individuals with needs to satisfy and the willingness to spend money to satisfy those needs compose what is called a(n)
- A. market.
 - B. corporate chain.
 - C. cooperative.
 - D. economic system.

64. Which of the following statements about bylaws is true:
- A. Their governing rules are consistent from state to state.
 - B. They are the governing rules by which a corporation operates.
 - C. They are not influenced by the board of directors.
 - D. They are also known as Articles of Incorporation.
65. A manufacturing company is required by the local government to dispose of its waste in an environmentally safe way. This is an example of how process design can be affected by _____ factors.
- A. human
 - B. technological
 - C. regulatory
 - D. natural
66. Samir has worked for the same employer for 15 years. During that time, Samir has learned a great deal and developed expertise that enables him to make a significant positive impact on business operations and outcomes. Samir's expertise is a form of
- A. innovation.
 - B. knowledge.
 - C. recruiting.
 - D. training.
67. Businesses often use direct advertising strategies because
- A. it reduces the need to include other elements in the promotional mix.
 - B. direct advertising is less expensive than other forms of promotion.
 - C. they can select and reach qualified prospects.
 - D. the promotional message reaches a larger group of people.
68. A product that is useful and performs its job well demonstrates which of the following components of quality:
- A. Value
 - B. Excellence
 - C. Customer satisfaction
 - D. Conformance to specifications
69. Agents are usually hired to perform channel functions for
- A. wholesalers.
 - B. distributors.
 - C. retailers.
 - D. producers.
70. The Shumaker Company recently altered its production process by adopting a new technology that can make finished goods three times faster than the old system. In other words, the company changed a business process to
- A. decrease employee wages.
 - B. reduce company debt.
 - C. improve performance.
 - D. increase company spending.

71. Jackman Farms wants to get a clear picture of its industry and how the business is doing within it, both internally and externally. Which business analysis tool should the business use?
- A. Balance sheet
 - B. SWOT analysis
 - C. PESTEL analysis
 - D. Financial report
72. One of the advantages of obtaining and using marketing information is that it helps business managers to
- A. predict and control risks.
 - B. train and direct employees.
 - C. review and understand regulations.
 - D. prepare documents and reports.
73. Scooter's Bakery is having trouble selling a certain flavor of pie. Scooter wants to offer a \$2.00 reimbursement after, not at the time of, the sale. Which sales promotion would Scooter use?
- A. Markdown
 - B. Rebate
 - C. Coupon
 - D. Sweepstakes
74. The least expensive way that a business can approach a marketing-research project is to start by collecting _____ data.
- A. external secondary
 - B. external primary
 - C. internal primary
 - D. internal secondary
75. One of the purposes of promotion is to _____ customers about the existence of a company or a product.
- A. remind
 - B. reassure
 - C. warn
 - D. caution
76. One of the primary goals of supply chain management is to
- A. control customer perceptions of a business.
 - B. set prices for products that maximize profits.
 - C. minimize overall value to the customer.
 - D. gain a competitive advantage in the marketplace.
77. A snack-food company donates energy bars to runners who are participating in a race to raise money for cancer research. The business is engaging in a(n)
- A. public relations activity for a charitable cause.
 - B. selling activity to support its image.
 - C. media blitz to exhibit social responsibility.
 - D. advertising campaign to improve investor relations.

78. Many companies aim for excellent corporate governance, because for many stakeholders, it is often not enough for a company to simply be profitable. The company must also
- A. increase the chance of corruption.
 - B. demonstrate social responsibility.
 - C. appoint government officers.
 - D. facilitate the lowering of capital.
79. Products that are sold to the individual(s) who will make personal use of them are being sold for
- A. eventual resale.
 - B. ultimate consumption.
 - C. industrial purposes.
 - D. promotional purposes.
80. In public relations activities, communication channels are used to
- A. target customers.
 - B. advertise an image.
 - C. provide information.
 - D. market products.
81. Businesses that price their goods and services at the same level as those charged by other comparable businesses are setting prices based on
- A. target markets.
 - B. channel members.
 - C. industry standards.
 - D. product life cycles.
82. When a business makes changes in the type and amount of services it offers, it is making strategy changes in its
- A. promotional mix.
 - B. product mix.
 - C. product line.
 - D. product item.
83. Which of the following is a first step in lessening employee resistance to a major change in a business structure:
- A. Training
 - B. Layoffs
 - C. Communication
 - D. Secrecy
84. Walmart and Target attract two different types of customers because of their pricing strategies. They have established their prices based on _____ decisions.
- A. promotional
 - B. customer
 - C. profit
 - D. place

85. Business processes help organizations by introducing
- A. people knowledge.
 - B. sales quotas.
 - C. standardization.
 - D. advertising.
86. A benefit of enterprise risk management is that it gives companies the opportunity to
- A. respond to events as they happen.
 - B. focus on risks by department.
 - C. take a reactive approach to problem-solving.
 - D. consider risks in a positive way.
87. A local discount store mails weekly flyers to customers to inform them of upcoming sales. The discount store shares the cost of producing the flyers with the product manufacturers, who benefit from the increased product visibility. This is an example of which channel management task?
- A. Promoting products
 - B. Providing marketing information
 - C. Negotiating with customers
 - D. Reducing discrepancies
88. Which of the following is a benefit of good corporate governance:
- A. It creates transparent rules and controls.
 - B. It can keep investors in the dark about a company's direction.
 - C. It promotes short-term financial viability and opportunity.
 - D. It divides the interests of shareholders and management.
89. What action might marketers take to achieve a pricing objective of getting their product into more customers' hands?
- A. Add more product features.
 - B. Raise their prices.
 - C. Lower their prices.
 - D. Offer fewer product features.
90. Promotional activities focus on pointing out the differences between competing products when a company's product is in the _____ stage of its life cycle.
- A. maturity
 - B. growth
 - C. introductory
 - D. declining
91. Businesses identify market segments by dividing consumers into groups that have
- A. inconsistent values.
 - B. unusual interests.
 - C. similar characteristics.
 - D. financial needs.

92. What factors should a company's logistics manager first consider when evaluating the performance of distribution channel members?
- A. Credit rating and utility costs
 - B. Utility costs and variable expenses
 - C. Cost efficiency and customer service
 - D. Customer service and insurance rates
93. What is an example of a way to manage physical risks?
- A. Make sure employees know where all of the building exits are.
 - B. Back up computer data offline and online.
 - C. Develop an evacuation plan for tornadoes.
 - D. Train multiple employees to handle important responsibilities.
94. To craft its brand promise, a business startup should consider its core values and
- A. when it plans to establish a customer loyalty program.
 - B. what it intends to provide its customers on a consistent basis.
 - C. how many employees will interact with customers on a regular basis.
 - D. how it will reward workers for dedication to the corporate brand.
95. If a manager wants to gain insight into a company's liquidity, profitability, and operational efficiency, what type of financial statement analysis should they conduct?
- A. Vertical analysis
 - B. Trend analysis
 - C. Horizontal analysis
 - D. Ratio analysis
96. The Jacobs Company wants to improve service by 15% this year. This is an example of a _____-oriented marketing objective.
- A. distribution
 - B. product
 - C. profit
 - D. promotion
97. Which of the following is an effective way to learn more about your company's target market:
- A. Talking to young people
 - B. Advertising in the newspaper
 - C. Hiring an accounting firm
 - D. Brainstorming with your staff
98. Which of the following is a benefit of debt financing when starting a business:
- A. You don't have to pay back the money if the business fails.
 - B. You have help from knowledgeable, experienced investors.
 - C. You have control over how the money is spent.
 - D. You don't need to pay interest on the money.

99. Under which of the following circumstances should the supply of employees increase:
- A. There is a high demand for customer service.
 - B. The business is in an off-season.
 - C. The business is closed for the day.
 - D. There are few customers in the store.
100. To determine if businesses that sell similar products are taking market share from a company, the company should
- A. analyze its financial data.
 - B. identify internal weaknesses.
 - C. conduct a competitive analysis.
 - D. review the marketing plan.

1. D

An online ad for the brand's chocolate. A touchpoint is any interaction between a business and a customer or potential customer. Examples of touchpoints include advertisements, publicity, word-of-mouth marketing, engagement with salespeople, interaction with the company's website, and the good itself. A brand slogan itself is not necessarily a touchpoint until a customer comes into contact with that slogan. Similarly, the organizational culture of the company is not a customer touchpoint either. A coupon for a competing brand's chocolate is not a touchpoint for Smith's Candy Company, but instead a touchpoint for the competitor.

SOURCE: CR:001 Identify company's brand promise

SOURCE: LAP-CR-001—Share the Promise (Identifying Brand Promise)

2. C

The profit motive. The profit motive is the desire to make a profit, which moves people to invest in business. It forms the economic basis for the private enterprise system. If a business did not make a profit, it would eventually cease to exist. A marketplace is any place where the buying and selling of goods and services takes place. Competition is the rivalry between two or more businesses to attract scarce customer dollars. The law of supply and demand is the economic principle stating that the supply of a good or service will increase when demand is high and decrease when demand is low.

SOURCE: EC:009 Explain the concept of private enterprise

SOURCE: LAP-EC-909—People Power (The Private Enterprise System)

3. A

Competitive bidding. Abeytu is conducting competitive bidding, which involves sending out a request for bids, reviewing proposed prices (bids), and selecting the best supplier for the job, based on cost or overall terms. Negotiating is the process of one party reaching an agreement with another party to meet specific needs or wants. To forecast means to predict something, such as sales or trends. A blanket purchase order is a special kind of purchase order normally used only for fairly inexpensive goods or services the business uses regularly. Abeytu is not forecasting, blanket ordering, or negotiating in this scenario.

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

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

4. D

Look people in the eye when speaking to them. This is an effective persuasive technique because you are using appropriate body language. Crossing your arms will not usually make people feel comfortable. You should speak in a normal tone of voice and speak a little louder to make a point. Explaining why your coworker is the wrong choice uses negativity, which often makes you look mean-spirited or insecure.

SOURCE: EI:012 Persuade others

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

5. C

A risk-taker who has a strong work ethic. Entrepreneurship requires risk-taking, a strong work ethic, and self-confidence. It often requires working much longer hours than 9:00 a.m. to 5:00 p.m. Entrepreneurs must work hard, but they are also in charge of protecting their own health. Getting sick means missing work and losing money.

SOURCE: EN:040 Explain the role requirements of entrepreneurs and owners

SOURCE: Miranda, K. (2024, August 22). *What do I need to become an entrepreneur?* Retrieved August 20, 2025, from <http://smallbusiness.chron.com/need-become-entrepreneur-2291.html>

6. C

Tracking financial transactions. Accounting is the process of keeping and interpreting financial records. The financial records include a variety of data, such as monies received from sales transactions and monies paid to others (e.g., vendors) to cover expenses. Advertising activities are elements of the business's promotional function. Warehousing refers to the storage of goods for use by the business or for resale. Employees use production equipment to make a good or to facilitate a service the business sells.

SOURCE: FI:085 Explain the concept of accounting

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

7. C

Cost of goods sold. Zebba's Manufacturing Company will use the raw materials to produce products for sale; therefore, the raw materials are accounted for in an income statement's cost of goods sold. Revenue is money coming into a business from a variety of sources. Gross profit is the amount that is left after subtracting cost of goods sold from revenue. Net income is the bottom line—the amount left after subtracting operating expenses from gross profit.

SOURCE: FI:094 Describe the nature of income statements

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

8. C

Supervise staff. Managers are responsible for accomplishing a business's goals which involves making sure work is done effectively and on time. To make sure the work is done, managers supervise staff. This involves overseeing and directing the activities of employees so they will complete the work. Managers delegate authority to others to have time to focus on management responsibilities such as supervising staff. Although managers may delegate authority, they maintain power which enables them to supervise staff. To make sure the work is done, managers share knowledge with employees.

SOURCE: HR:393 Supervise staff

SOURCE: University of Minnesota. (2024, January 17). *11 strategies to make you a more effective supervisor*. Retrieved August 20, 2025, from <https://ccaps.umn.edu/story/11-strategies-make-you-more-effective-supervisor>

9. C

Greater creativity and innovation. When diverse perspectives, experiences, and strengths are present in the workplace, it allows for greater creativity and innovation. If you fill the room with people who are all very similar, you'll get a lot of the same viewpoints and opinions. However, if you bring in a diverse group of employees, you're a lot more likely to come up with a variety of ideas and solutions. Diverse perspectives might indirectly lead to higher salaries and increased sales, but those would be a result of greater creativity and innovation. Diverse perspectives do not necessarily lead to more collaboration and sympathy.

SOURCE: EI:033 Exhibit cultural sensitivity

SOURCE: LAP-EI-033—Getting To Know You (Cultural Sensitivity)

10. D

Logistics. Logistics refers to managing the flow of goods and services from production to consumption. This includes all the people, information, and processes involved in storing and transporting goods. Scheduling is an operations activity that establishes the timetable to be followed in production. Safety and security has to do with protecting customers and employees from hazardous materials and processes. Maintenance and repairs has to do with keeping facilities and equipment in working order.

SOURCE: OP:189 Explain the nature of operations

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

11. A

Legal trouble. Businesses that are built on strong ethical principles are much less likely to find themselves in legal trouble down the road. Entrepreneurs who “cheat the system” when starting their businesses risk serious legal trouble in the future. Cheating the system in entrepreneurship does not generally lead to tremendous profits—and it definitely does not lead to legal immunity or customer loyalty.

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

SOURCE: LAP-EN-044—Ethical Excellence (Ethics in Entrepreneurship)

12. C

Analysis. A job analysis is the study of the type of duties involved in a particular job and the skills a person should possess to perform the job. Retailers conduct a job analysis before selecting new employees to hire the most qualified candidates. A job description outlines the responsibilities of a particular job. A job inquiry is a letter written by a job applicant asking about a prospective job. A job application is a form filled out by an applicant for a job.

SOURCE: HR:356 Select and hire new employees

SOURCE: Post, J. (2024, May 9). *Guide to hiring employees*. Retrieved August 21, 2025, from <https://www.businessnewsdaily.com/15752-employee-hiring-guide.html>

13. A

Work habits. One factor that businesses consider when conducting evaluations is employees' work habits or their dependability and initiative. For example, do they show up for work when scheduled, work all day, complete assigned tasks, and perform well without constant supervision? Businesses evaluate their employees' work habits in order to determine how effectively they are performing on the job and to take corrective measures if the evaluation indicates a problem. Employees' hourly wages are not a factor in the evaluation process. Seniority is a factor when considering promotions. Education is a factor when hiring new employees.

SOURCE: HR:368 Assess employee performance

SOURCE: Business Owner's Playbook. (2025). *How to measure and evaluate employee performance data*. Retrieved August 21, 2025, from <https://www.thehartford.com/business-insurance/strategy/employee-performance/measuring-data>

14. B

Pay taxes. Small businesses incur taxes to pay for the government services that community members use, such as roads, schools, trash removal, etc. Small businesses provide jobs and increase competition by giving consumers more options. Charging interest benefits the business rather than the community.

SOURCE: EC:065 Identify the impact of small business/entrepreneurship on market economies

SOURCE: Webb, C. (n.d.). *The advantages of small local businesses*. Retrieved August 21, 2025, from <http://smallbusiness.chron.com/advantages-small-local-businesses-2159.html>

15. B

Turns resources into products. Production is the process or activity of producing goods or services wanted by consumers. Production takes the business's resources (inputs) and turns them into salable products (outputs). If the products produced make a profit for the business, this could change business failure to success, but that is not the reason production is called a conversion process. Product utility is usefulness or the capability of satisfying consumers' needs, which is a desirable result of the production process.

SOURCE: OP:017 Explain the concept of production

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

16. B

Less than. Operating costs are expenditures necessary to keep the business running. Gross margin is the monetary difference between net sales and cost of goods sold. Operating costs are subtracted from gross margin to determine net profit. Consequently, operating costs must be less than the gross margin in order for the business to realize a profit.

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

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

17. B

The promotion boosted short-term sales. Statistics are information presented in a numerical format. Businesses interpret and analyze statistics for many reasons—to identify trends, determine profitability, analyze performance, etc. An aspect of analyzing performance is evaluating the success of its promotional efforts including advertising, selling, and sales promotion. Because the jewelry store's sales revenue increased during the period that it was running a TV commercial that advertised discounted jewelry, the jewelry store can conclude that the promotion was successful in increasing short-term sales. There is not enough information provided to determine if the store sold more necklaces than bracelets during the sales promotion, if the store ran out of stock during the sales promotion, or if the store's sales revenues will increase over time.

SOURCE: NF:093 Interpret statistical findings

SOURCE: Bianca, A. (2019, February 4). *The advantages of statistics in business*. Retrieved August 21, 2025, from <https://smallbusiness.chron.com/advantages-statistics-business-18698.html>

18. C

Negligence. Negligence is behavior that drops below a reasonable level of care and harms a person or persons. This is an example of negligence because the Spikeland Corporation's careless actions caused harm to children. Defamation is the act of making negative statements about a person that harm the person's reputation or image. Assault is the act of harming another person with touch or other menacing conduct. Conversion is any unauthorized act that deprives someone of something that they rightfully own. Defamation, assault, and conversion are not demonstrated in this example.

SOURCE: BL:069 Identify the basic torts relating to business enterprises

SOURCE: Baime, E. (2014-2025). *Fundamentals of tort law*. Retrieved August 21, 2025, from <https://nationalparalegal.edu/FundamentalsTortLaw.aspx>

19. A

To prove the business's net worth to acquire a bank loan. Financial records showing the value of a business would help prove the company's net worth and could be used to acquire a bank loan. Financial records showing profits or expenses would be of little value in proving excellent service. Financial records contain private information that would not be shown to competitors or to suppliers.

SOURCE: NF:001 Describe the nature of business records

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

20. C

They can reduce a business's profits. Although government regulations are designed to protect the economy, the environment, and the consumer, they can sometimes result in economic risk. Laws or regulations that require businesses to pay for environmental cleanups or special licenses can reduce a business's profits. And, if a government agency recalls a product, it can cost a company a huge amount of money. Government laws and regulations are typically designed to make businesses safer, protect customers, and protect the environment.

SOURCE: BL:001 Describe legal issues affecting businesses

SOURCE: Davis, M. (2024, April 10). *Government regulations: Do they help businesses?* Retrieved August 21, 2025, from <https://www.investopedia.com/articles/economics/11/government-regulations.asp>

21. C

To verify accuracy of information. Businesses review, or screen, job applications/resumes to identify the best candidates to interview. Part of the screening process usually involves contacting the individuals provided as references to verify the accuracy of the information provided. By contacting references, such as former employers, businesses can find out if applicants did the type of work they said they did. Businesses do not contact the individuals listed as references to obtain personal data, determine training needs, or compare job descriptions.

SOURCE: HR:354 Screen job applications/resumes

SOURCE: Doyle, A. (2022, March 10). *A step-by-step guide to the job application process.* Retrieved August 21, 2025, from <https://www.thebalancemoney.com/job-application-process-2061600>

22. C

Beneficial. For both the customer and the seller, striking the right pricing balance makes the exchange beneficial. Of course, striking the right balance is not going to make the exchange painful or disappointing. "Manageable" implies that the exchange would be controllable or convenient—which may or may not be true.

SOURCE: MK:001 Explain marketing and its importance in a global economy

SOURCE: LAP-MK-901—Have It Your Way! (Nature of Marketing)

23. D

Adaptable. An adaptable person has the ability to adjust to changing conditions. To adjust to changes, a person must accept the fact that changes happen all the time under many types of circumstances. Once you accept that changes happen all the time, you learn to feel more comfortable when changes occur. In the example, Trish was adaptable because she understood that changes occur at work, and she took steps to adjust to the change by working overtime to become familiar with the new computer program. A stubborn person might resist change for a variety of reasons such as fear, contentment, or a lack of trust. Not only did Trish exhibit adaptable behavior, she exhibited assertive, responsible behavior by working to become familiar with the software.

SOURCE: EI:006 Demonstrate adaptability

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

24. D

The business cycle. A trend is the general direction in which people or events are moving. Many factors lead to trends, including economic factors. The business cycle refers to the periods of expansion and contraction in economic activities. Changes in the business cycle affect the way businesses operate. For example, during a period of expansion, business production levels tend to increase, the unemployment rate tends to decrease, and consumer confidence and spending tend to increase. During times of economic contraction, the opposite occurs—business production tends to decrease, the unemployment rate tends to increase, and consumer confidence and spending tend to decrease. Demographic and psychographic changes may indicate trends that affect how a business relates to its target market. Demographic factors are the physical and social characteristics (e.g., age) of a population. Lifestyle changes are psychographic factors that affect business activities. The emergence and wide-spread use of social media is a technological trend.

SOURCE: NF:013 Describe current business trends

SOURCE: Chron. (2021, May 25). *Definition of business trends*. Retrieved August 21, 2025, from <https://smallbusiness.chron.com/definition-business-trends-3399.html>

25. C

Win-win. When people collaborate, they work together. A collaborative negotiating style is most likely to create an outcome that benefits both parties. It builds lasting relationships by embracing an “everybody wins” attitude. Use of the accommodating negotiating style often results in a lose-win outcome. The combative and competitive negotiating styles are based on a win-lose attitude. Lose-lose outcomes most often occur when using the avoidance negotiating strategy.

SOURCE: EI:062 Demonstrate negotiation skills

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

26. B

Reverse brainstorming. When you are having a hard time solving a problem, you might want to try to look at your problem in different ways. The reverse brainstorming method involves finding ways to make the problem worse. After writing down negative statements, you try to generate ideas and possible solutions for your worst-case scenario. By looking at the issue in a different way, you may come up with a unique way to solve the problem. Mind mapping is a problem-solving method that involves drawing out your problem on a large sheet of paper. Appreciative inquiry is a problem-solving method that requires you to think positively about the problem. Attribute listing involves listing characteristics of something and then combining some or all of those attributes into something else.

SOURCE: PD:077 Demonstrate problem-solving skills

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

27. C

Cover all of the critical aspects of the complaint. Your objective in documenting the resolution of an employee complaint is to have proof of the way in which the problem was resolved. You should record the critical aspects of the complaint and the disposition of the problem and keep a copy in an individual's personnel file and/or in a master complaint/grievance file. This documentation, which need not be lengthy, can be quite useful, especially in case of a grievance or a lawsuit. The documentation is the manager's responsibility and should not be delegated to an employee.

SOURCE: HR:366 Handle employee complaints and grievances

SOURCE: Wolters Kluwer. (2022, March 12). *How to effectively deal with employee's complaints*. Retrieved August 21, 2025, from <https://www.wolterskluwer.com/en/expert-insights/how-to-effectively-deal-with-employees-complaints>

28. D

Technological advances. Due to the prevalence of the internet and other technologies, it is easier for businesses of any size to engage in international trade. A rising international middle class, rather than a decreasing one, makes it easier than ever for small businesses to engage in international trade. Language barriers and increased regulation do not make it easier to engage in international trade.

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

SOURCE: Suplierty. (2019, April 19). *Why international trade is really important to small businesses*. Retrieved August 21, 2025, from <https://supliertynews.com/2019/04/19/why-international-trade-is-really-important-to-small-businesses/>

29. D

To determine whether the company qualifies for additional credit. By examining the balance sheet, banks determine what a business owns as well as what it owes. If the business does not have sufficient assets, the bank will probably avoid loaning it money. Businesses, not banks, declare themselves in bankruptcy. Banks do not have oversight responsibilities of the business community. A bank would examine a company's income statement to determine profitability.

SOURCE: FI:093 Explain the nature of balance sheets

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

30. C

Responsibility for debts. A sole proprietorship is a one-person business in which the owner receives all the profits and takes all the risks. While there are many benefits to a sole proprietorship, one of the disadvantages is that the owner has all liability and responsibility for the finances of the company. Therefore, all debt is the responsibility of the business owner and can be collected from the owner's personal assets. Sole proprietorships are not difficult to set up. However, some types of sole proprietorships require business licenses. Finally, taxation is simpler for sole proprietorships than for other types of businesses because the owner's individual taxes are not separate from the business taxes.

SOURCE: BL:003 Explain types of business ownership

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

31. B

What are the costs/benefits of our channel of distribution? This is a place-related question because it addresses the way in which the business gets its products to the place(s) where consumers can buy them. Asking what trends in technology will affect products is a product-related question. Asking about changing the list price is a price-related question. Asking how much can be allocated to the media budget is a promotion-related question.

SOURCE: SM:011 Explain external planning considerations

SOURCE: Twin, A. (2024, August 9). *4 Ps of marketing: What they are & how to use them successfully*. Retrieved August 20, 2025, from <https://www.investopedia.com/terms/f/four-ps.asp>

32. A

Societal. Trends are the general direction(s) in which people or events are moving. A changing or new trend signifies changes or new views that most people may share. Societal trends are those that are significant for a society's activities or customs. In this scenario, Waqas has noticed a trend in society's perspective and embrace of health and fitness as part of everyday life. While this trend might have technological, governmental, and/or economic repercussions, a push toward health and fitness is most likely to be a societal trend.

SOURCE: EN:003 Assess global trends and opportunities for business ventures

SOURCE: Indeed. (2025, March 27). *What is a trend and how does it work? (Including examples)*. Retrieved August 20, 2025, from <https://ca.indeed.com/career-advice/career-development/what-is-trend>

33. D

Read about trends impacting the hospital industry. One way to identify what clients will expect is to read about trends impacting their specific industry. Entertaining clients helps form better relationships and goodwill, but it may not help collect much detailed information. Patient reviews and financial information about a business do not provide much information that explains what a client expects from a service provider.

SOURCE: EI:113 Determine stakeholder expectations

SOURCE: Business Queensland. (2023, September 20). *Improving your customer service*. Retrieved August 20, 2025, from <https://www.business.qld.gov.au/running-business/marketing-sales/customer-service/improving>

34. A

\$33,195. Cash flow is the movement of funds into and out of a business and determines the amount of cash the business has to work with at any given time. Cash flow is calculated by subtracting the amount of cash going out of the business (expenses) from the amount coming into the business (receipts). In this example, subtract the operating expenses from the cash receipts (\$345,675 - \$312,480 = \$33,195). The taxes are included in the operating expenses and not subtracted separately.

SOURCE: FI:092 Prepare cash flow statements

SOURCE: Hayes, A. (2025, June 1). *Cash flow: What it is, how it works, and how to analyze it*. Retrieved August 20, 2025, from <https://www.investopedia.com/terms/c/cashflow.asp>

35. C

Target market overview. A business plan is a detailed document that serves as a blueprint or guide for developing the business. It requires the business owner to think about many factors affecting the business, such as the customers, the competition, necessary resources, and promotional efforts. In most cases, lending institutions require entrepreneurs and potential business owners to submit a business plan when applying for a loan for the venture. One section of the business plan involves providing information about the target market, or the customers the business wants to attract. The SWOT analysis describes the business (or business owner's) strengths, weaknesses, opportunities, and threats. The promotional plan is the framework for the business's promotional activities. The corporate philosophy is often documented and provides details about the business's core values and its mission.

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

SOURCE: Williams, M. (2024, January 26). *How to do a market analysis for your business plan*. Retrieved August 20, 2025, from <https://www.wolterskluwer.com/en/expert-insights/market-analysis-for-your-business-plan>

36. D

Serving on the board of directors. By taking the company public, Ellen is beginning the IPO (initial public offering) process. IPO means that the business owner is selling stock to the public and giving up control of some or all of the business; over time, the venture becomes a public corporation. By incorporating the business, the owner is selling stock to anyone who wants to buy into the company. When a business becomes a public corporation, it must follow strict government rules and regulations, including forming a board of directors to guide the corporation. Sometimes, to stay somewhat involved in the business, the business owner (entrepreneur) will serve on the board of directors. Being a board member often makes the transition or exit process smoother. The board appoints the corporation's president or successor, so Ellen does not have total control over that activity. Tactical acquisition is a fictitious term.

SOURCE: EN:036 Evaluate options for continued venture involvement

SOURCE: Chen, J. (2025, May 17). *Board of directors: Definition and role*. Retrieved August 20, 2025, from <https://www.investopedia.com/terms/b/boardofdirectors.asp>

37. C

A large amount of accounts receivable are past due. A business's budget lists projected sales figures as well as actual numbers. A business monitors this information to identify problem areas and make necessary adjustments. If the budget figures indicate that a large amount of accounts receivable are past due, the business knows that it has a collection problem and must take steps to obtain payment. A business that fails to monitor this type of information may lose money from bad debts because it is difficult to collect old accounts. Businesses that accept credit cards and personal checks receive cash quickly and do not lose money from bad debts. If cash receipts are high, the business is not losing money.

SOURCE: OP:030 Use budgets to control operations

SOURCE: Allianz Trade. (2025). *Bad debt expense: Definition, formula, & how to be protected*. Retrieved August 20, 2025, from https://www.allianz-trade.com/en_US/insights/bad-debt-expense.html

38. B

Share best practices with the staff. Sharing best practices means maintaining and disseminating the actions and strategies that have been most successful for an organization. It helps organizations grow, and it encourages employees to value learning and cooperate with one another to achieve results. Replacing current employees with friends, setting high sales quotas, and using a functional organizational structure would not necessarily help the CEO create a company culture that values learning and cooperation.

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 August 20, 2025, from <https://elearningindustry.com/sharing-best-practices-organization-9-benefits>

39. B

The feasibility study is completed before the business plan is developed. A feasibility study can be used to determine the viability of several business alternatives, regardless of whether similar businesses already exist. The feasibility study pinpoints the strengths and weaknesses of each alternative so that the business idea that seems to have the best chance of success can be selected. After the most viable alternative is chosen, then a business plan, which is essentially the written business model for that alternative, can be developed.

SOURCE: EN:038 Determine feasibility of venture ideas

SOURCE: Investopedia. (2025, February 23). *Feasibility study: What it is, benefits, and examples*. Retrieved August 20, 2025, from <https://www.investopedia.com/terms/f/feasibility-study.asp>

40. A

Collateral offered. Secured loans require applicants to pledge assets that will be claimed as collateral by the lender if the loans are not repaid. Owners who finance their businesses with secured loans maintain their ability to control the business unless they have signed legal agreements with business partners or investors to share ownership. Secured loans do not limit or deny business owners' access to cash flow and owner capital withdrawals.

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

SOURCE: Heaslip, E. (2025). *Secured vs. unsecured business loans: What you should know about each*. Retrieved August 20, 2025, from <https://www.uschamber.com/co/run/business-financing/what-is-a-secured-business-loans>

41. C

15%. The requirements (e.g., time, money, licensing fees) to start a business differ and usually depend on the nature of the business. To determine the licensing fee's percentage of the business's total startup costs, divide the initial licensing fee by the total startup costs ($\$11,250 / 75,000 = 0.15$ or 15%).

SOURCE: EN:009 Assess start-up requirements

SOURCE: Indeed. (2025, May 28). *How to calculate a percentage (with examples)*. Retrieved August 20, 2025, from <https://www.indeed.com/career-advice/career-development/how-to-calculate-percentages>

42. C

Operating strategies. Operating strategies are the plans of action for running the business. When a business develops a business plan, it decides how the business will operate and the steps it will take to function effectively and be successful. It is important to analyze the effectiveness of these operating strategies to track the performance of the business plan to make sure the plan is successful. In some cases, businesses need to make changes to their operating strategies to improve performance. Businesses establish objectives, determine the ownership structure, and set staffing requirements in the process of preparing a business plan.

SOURCE: SM:006 Track performance of business plan

SOURCE: Sheykin, H. (2025, August 5). *Creating a clear path for improved business performance: A guide to business plan monitoring*. Retrieved August 20, 2025, from <https://finmodelslab.com/blogs/blog/how-use-business-plan-monitor-improve-performance>

43. D

Six Sigma. Six Sigma is a program that emphasizes preventing problems to achieve quality in an organization. It stresses strict measurements in design and manufacturing as well as motivating people to be highly productive. Six Sigma focuses on people working together, often in teams, to create a culture of quality that exists in the business and in the business's dealings with customers. Theory X is an authoritative, traditional view of motivation in which workers were viewed as preferring direction, having little ambition, avoiding responsibility, and wanting security. PERT, or program evaluation and review technique, is a method of planning work activities. A Gantt chart is graphic representation of a project's timeline.

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

SOURCE: Hayes, A. (2024, May 29). *What is Six Sigma? Concept, steps, examples, and certification*. Retrieved August 20, 2025, from <https://www.investopedia.com/terms/s/six-sigma.asp>

44. A

\$106.16. Health coverage is a benefit some businesses offer their employees. The amount of coverage the company pays varies from business to business. In Swati's case, her monthly premium is \$575 with 60% paid by the company. To determine Swati's portion of the coverage, multiply \$575 by 40% (or .40), which equals \$230. Multiply the monthly amount by 12 to obtain her yearly cost: $\$230 \times 12 = \$2,760$. Since Swati is paid every two weeks, she receives 26 paychecks in a year. To determine how much she pays for her insurance coverage in each paycheck, divide the yearly amount by 26: $\$2,760 / 26 = \106.16 .

SOURCE: FI:082 Obtain insurance coverage

SOURCE: Indeed. (2025, May 28). *How to calculate a percentage (with examples)*. Retrieved August 20, 2025, from <https://www.indeed.com/career-advice/career-development/how-to-calculate-percentages>

45. D

Illustrated. Graphs, charts, tables, and other kinds of illustrations are good ways to present numerical data in a written report because they make the data easy to see at a glance. When numerical data are described within the text, they may be overlooked or their significance may not be as readily apparent as when they are illustrated. Numerical facts that support the report should generally be included at the appropriate place within the text, not in a separate format. Presenting data in a technical or symbolic format may make them more difficult to understand.

SOURCE: CO:009 Prepare complex written reports

SOURCE: The Writing Center, University of North Carolina at Chapel Hill. (2025). *Figures and charts*. Retrieved August 20, 2025, from <https://writingcenter.unc.edu/tips-and-tools/figures-and-charts/>

46. D

Income. Shareholders who receive dividends on their investments are obligated to pay income taxes on those dividends. Investors pay capital gains taxes when they sell their securities, not when they earn dividends. Sales taxes are assessed on purchased items. Excise taxes are indirect taxes charged on specific goods such as gasoline and alcohol.

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

SOURCE: Murray, J. (2022, August 12). *These are all the taxes your business must pay*. Retrieved August 20, 2025, from <https://www.thebalancemoney.com/all-the-taxes-your-business-must-pay-399045>

47. B

Competitive. Operating efficiently is an important business activity because businesses want to produce and sell their goods and services at the most reasonable prices possible in order to be competitive. Controlling operating costs and offering goods and services that are in demand are ways that businesses can operate efficiently and increase their ability to compete with other companies. Operations management may affect a business's ability to be innovative, responsible, and flexible but those are not major purposes.

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

SOURCE: Wienclaw, R.A. (2021). *Operations and competition*. Retrieved August 20, 2025, from <https://www.ebsco.com/research-starters/business-and-management/operations-and-competition>

48. A

What software programs will help the business operate efficiently? The type of business influences the venture's technological needs. The technology (e.g., computer software) the business selects should help the business run efficiently. For example, a medical office needs different types of computer programs to maintain and store business information than a carpet-cleaning business. After the business owner determines the type of computer programs the venture needs, they can research vendors, costs, etc. Regardless of the type of business the owner is running, they will always need to maintain computer hardware to run the programs. The business doesn't legally structure the technology department differently from the rest of the business.

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

SOURCE: U.S. Bank. (2025). *How to identify what technology is needed for your small business*. Retrieved August 20, 2025, from <https://www.usbank.com/financialiq/manage-your-business/starting-a-business/identify-technology-needed-for-small-business.html>

49. D

Outdated. Harvest strategies typically involve a reduction of investments in a product that is considered outdated or redundant. Businesses do this to better allocate their resources and “harvest” the maximum profits by focusing on newer or more lucrative investments. Harvest strategies are not typically used on a specific type of product, such as physical or digital. When to use a harvest strategy depends on the quality of the product itself and if it warrants termination or disinvestment.

SOURCE: EN:035 Describe methods of venture harvesting

SOURCE: Kenton, W. (2021, February 24). *Harvest strategy definition in marketing and investing*. Retrieved August 20, 2025, from <https://www.investopedia.com/terms/h/harvest-strategy.asp>

50. D

Effectively using display space. Controlling expenses is important to a business because it is one way of increasing profits. Display space is an expense because it is an area in a business that must be paid for but which can increase sales volume per square foot if used effectively. Display space that is spread out, unorganized, or unattractive tends to discourage customers from buying. However, that same space can increase sales if it is organized and consolidated into an appealing area and contains the type of items that customers will be encouraged to buy. Businesses not only save money by using less space but increase profits because the displays generate additional sales. Expanding promotional activities, creatively allocating funds, and obtaining a higher level of credit will not help a business to control expenses.

SOURCE: OP:029 Develop expense control plans

SOURCE: Business Queensland. (2024, August 9). *Manage and reduce your business costs*. Retrieved August 20, 2025, from <https://www.business.qld.gov.au/running-business/finance/improve-performance/costs>

51. A

Making a decision about an employee who is a friend. Managers might encounter a conflict of interest if they are unable to be objective when making decisions about employees. For example, if they are friends with an employee, they might not want to give that person a negative performance evaluation even though it is justified. In those situations, managers should remove themselves to be ethical and allow a manager who is not a friend of the employee to conduct the evaluation. Promoting an employee who has seniority, working with people from different cultures, and organizing an event for all business employees are not examples of a conflict of interest that might make it difficult for a manager to be ethical.

SOURCE: SM:002 Explain the nature of managerial ethics

SOURCE: Ethics Unwrapped (2025). *Conflict of interest*. Retrieved August 20, 2025, from <https://ethicsunwrapped.utexas.edu/glossary/conflict-of-interest>

52. C

Economies of scale. A larger firm can often use its personnel, equipment, and plant more efficiently, resulting in economies of scale. Economies of scale can be a barrier to entry, but in this case there are many small competitors, indicating that entry is not a hurdle. A geographic monopoly results from a plant's location, not from its size. Lower per-unit cost of production can benefit a large manufacturing plant by resulting in lower sales prices, not higher ones.

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

SOURCE: Kenton, W. (2025, May 30). *Economies of scale: What are they and how are they used?* Retrieved August 20, 2025, from <https://www.investopedia.com/terms/e/economiesofscale.asp>

53. D

Marital tension and family problems. Unfortunately, entrepreneurs face a number of emotional risks, including marital tension and family problems. Starting a new business is time-consuming and emotionally draining. As a result, many entrepreneurs have difficulty dividing their time and attention between their businesses and their families, which can create stress for everyone involved. Other risks that entrepreneurs face include industry risks (e.g., difficult suppliers), market risks (e.g., competition, slow market acceptance), product risks, financial risks (e.g., uncertain income, inflation), management risks, and career risks (e.g., unemployment).

SOURCE: EN:010 Assess risks associated with venture

SOURCE: Indeed. (2025, February 20). *12 pros and cons of being an entrepreneur*. Retrieved August 20, 2025, from <https://www.indeed.com/career-advice/finding-a-job/pros-and-cons-of-being-entrepreneur>

54. C

Type of business. Different industries require different budgeting strategies. The larger the business, the more complicated is the budgeting process required. The sales budget predicts sales for a specific period. Capital outlay refers to the amount of cash needed at a particular time such as the opening of a new business. The fiscal year is the time period for which the budget is planned.

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

SOURCE: Schmidt, J. (2025). *Types of budgets: Key methods & their pros and cons*. Retrieved August 20, 2025, from <https://corporatefinanceinstitute.com/resources/fpa/types-of-budgets-budgeting-methods/>

55. D

Facilitator. A facilitator's primary role is to objectively guide the discussion, keep the group on track, and record the group's ideas. A negotiator is an individual who takes part in the negotiation process. Negotiation is the process of persuading or influencing someone to take a certain course of action to achieve a desired outcome. A mentor is an experienced worker who helps new employees adjust to their work environment. An innovator is an individual who creates a new product, strategy, or process.

SOURCE: EN:006 Generate venture ideas

SOURCE: Indeed. (2025, March 28). *What is a meeting facilitator? (Plus roles and how-to guide)*. Retrieved August 20, 2025, from <https://ca.indeed.com/career-advice/career-development/meeting-facilitator>

56. A

It increases the likelihood that you will succeed. The more often you monitor progress while working toward a goal, the more likely you will be to achieve it. Monitoring goal progress keeps you accountable and aware of where you are. Monitoring progress does not necessarily add external pressure to accomplish tasks, encourage communication, or make a goal more challenging and time-consuming.

SOURCE: PD:257 Monitor progress in achieving organizational goals

SOURCE: Adobe. (2022, March 18). *Business goal tracking*. Retrieved August 20, 2025, from <https://business.adobe.com/blog/basics/goal-tracking>

57. C

The industry experts typically provide useful information. Industry experts have in-depth knowledge about a specific field. Experts often know about the trends, processes, new products, and new technologies that affect the industry. These experts often provide entrepreneurs with useful information as they develop the ideas for their new ventures. Talking with industry experts doesn't always improve your management skills or enhance your confidence. Industry experts might know where you can obtain financial support, but they do not always offer it themselves.

SOURCE: EN:012 Assess the need to use external resources for concept development

SOURCE: Silverlight Research. (2025, January 14). *What do industry experts do: Unlocking the value of specialised knowledge*. Retrieved August 20, 2025, from <https://www.silverlightresearch.com/blog/what-do-industry-experts-do-unlocking-the-value-of-specialised-knowledge?lang=man>

58. A

Look for used equipment. One way to save money while obtaining capital resources for a new business is to purchase used equipment. Used equipment can be heavily discounted and can still function just as effectively as new equipment. Buying as little equipment as possible is not necessarily realistic because having the right equipment is an important aspect of business success. Purchasing equipment is costlier than renting equipment. Finally, applying for a loan will not necessarily help a new business save money.

SOURCE: EN:019 Describe considerations in selecting capital resources

SOURCE: Keystone Equipment Finance Corp. (2024, May 20). *The pros and cons of purchasing used equipment*. Retrieved August 20, 2025, from <https://www.keystoneefc.com/blog/pros-cons-purchasing-used-equipment>

59. A

Does the workload require a full-time or part-time employee? A business owner considers many factors when determining if they should hire an employee. An important factor to consider is the nature of the work that the owner needs to have done—bookkeeping, purchasing, ad placement, etc. The owner must also consider how often certain tasks are performed (e.g., weekly, monthly). After determining what skills are needed, the owner must decide if there is enough work for a full-time employee or if a part-time employee could handle the workload. The business owner recruits applicants after determining the necessary skills and approximate workload. Therefore, the business owner cannot answer the remaining questions until they determine the type and amount of work they need the employee to do.

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

SOURCE: Allegiance Staffing. (2020, August 18). *When should I hire additional employees?* Retrieved August 20, 2025, from <https://www.allegiancestaffing.com/blog/hire-additional-employees/>

60. D

Market analysis. The market analysis includes a description of the target market and the buying behavior of potential customers. The trading area analysis includes local demographic, geographic, and economic data. Proposed goods and services specifies types of goods and services to be offered, potential suppliers, and inventory policies. Projected income and expenses lists projected sales and expenses.

SOURCE: SM:013 Develop business plan

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

61. C

Internal control mechanisms. Internal control mechanisms involved in corporate governance include oversight of management, independent internal audits, and the segregation of duties. Internal control mechanisms are designed to ensure smooth day-to-day operations, clarify the chain of command, and measure organizational performance. These are not goals of external control mechanisms, which generally seek to manage debt, comply with legal regulations, and handle other issues outside the company.

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. (2024, September 12). *Corporate governance: Definition, principles, models, and examples*. Retrieved August 20, 2025, from <https://www.investopedia.com/terms/c/corporategovernance.asp>

62. C

Supply chain management. Supply chain management is a career area in which employees supervise the complete process of getting products into the marketplace—a career field in which employees are responsible for the flow of goods from the manufacturer to the end user. Inventory control is the tracking of the amount, the kind, and the value of inventory that a business has on hand. The sales force sells the products and services but is not necessarily responsible for delivery. Production is the process of creating goods and services, but is not responsible for delivery.

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

SOURCE: Fernando, J. (2025, August 16). *Understanding supply chain management (SCM) and its importance*. Retrieved August 20, 2025, from <https://www.investopedia.com/terms/s/scm.asp>

63. A

Market. A market may be an industrial market composed of businesses or a consumer market composed of individuals. A cooperative is a business that is both owned and operated by its customers. A corporate chain consists of a number of similar stores owned and managed by a central corporate organization. An economic system is the organized way in which a country handles its economic decisions and solves its economic problems.

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

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

64. B

They are the governing rules by which a corporation operates. Bylaws refer to the governing rules by which a corporation operates. When a corporation is formed, the board of directors determines the bylaws by creating a single document encompassing all the rules. Bylaws can also be put in place by a society to regulate its citizens and maintain civility. To that end, the governing rules established by bylaws may vary, as corporations are regulated by states. Articles of Incorporation are different than bylaws. Articles of Incorporation are filed to establish a corporation, whereas bylaws are created by a board of directors after a company is formed.

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

SOURCE: Wolters Kluwer. (2024, April 15). *What are corporate bylaws?* Retrieved August 20, 2025, from <https://www.wolterskluwer.com/en/expert-insights/bylaws>

65. C

Regulatory. Because the manufacturing company is required by local government to dispose of its waste safely, the company must design its waste disposal process to abide by the regulations. This is an example of regulatory factors affecting business process design. Human factors affecting process design include stress, employee morale, and fatigue. Technological factors that can affect process design include the cost of any equipment or hardware that is necessary for the process. The term “natural factors” is not usually used to describe factors affecting process design.

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

SOURCE: Management Study Guide. (2025, April 3). *Factors affecting job design*. Retrieved April 3, 2025, from <https://www.managementstudyguide.com/factors-affecting-job-design.htm/>

66. B

Knowledge. Knowledge is an intangible combination of human experiences, insights, and intuitions that provide structure for interpreting and reacting to the world around you. Knowledge is the result of long-term learning that has been retained and then applied to practical situations. Innovation is the creation of new or more effective products, processes, services, technologies, or ideas. Training involves teaching or developing a specific skill. While Samir's expertise may be the result of training, his expertise itself is a form of knowledge. Recruiting entails seeking out and attracting qualified potential employees.

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

SOURCE: Taylor, J. (2022, March 2). *What is the relationship between learning and knowledge?* Retrieved August 20, 2025, from <https://greatminds.org/aha-blog/what-is-the-relationship-between-learning-and-knowledge>

67. C

They can select and reach qualified prospects. By possessing the means to qualify potential customers, businesses can reduce waste in terms of sending promotional messages to uninterested parties. As a result, the businesses can focus their efforts on developing a customer base that is most likely to buy. Direct advertising is not necessarily less expensive than other forms of promotion. Direct advertising messages generally reach a select target audience that varies in size. Promotional mix refers to the combination of communication channels that a business uses to send its messages to consumers. Use of direct advertising strategies does not necessarily mean businesses do not need to use other promotional methods to reach customers.

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

SOURCE: Planful. (2025). *15 attributes of a contemporary marketing plan*. Retrieved August 20, 2025, from <https://planful.com/blog/what-are-the-key-attributes-of-a-contemporary-marketing-plan/>

68. B

Excellence. A product that is useful and performs its job well demonstrates excellence. Excellence is an important characteristic of a quality product. Value refers to whether a customer considers a product to be worth the money spent on it. Conformance to specifications refers to whether a product meets predetermined quality standards. Customer satisfaction refers to whether a product meets customer wants and needs.

SOURCE: QM:001 Explain the nature of quality management

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

69. D

Producers. Agents perform many functions for producers, such as selling, storing, grading, etc., without actually taking title to the goods they handle. The producer can concentrate on production and pass other responsibilities on to the agent. Agents may sell to retailers, wholesalers, or distributors.

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

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

70. C

Improve performance. Companies choose to change business processes for a variety of reasons, including to improve performance, reduce costs, and increase profitability. In this example, The Shumaker Company altered a business process to improve the company's overall performance, not to reduce company debt, decrease employee wages, or increase company spending.

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

SOURCE: Russo, K. (2025, February 17). *What is business process improvement? The 6 types of BPI explained*. Retrieved August 20, 2025, from <https://www.netsuite.com/portal/resource/articles/financial-management/business-process-improvements-bpi.shtml>

71. B

SWOT analysis. A SWOT analysis is a marketing tool that investigates a business's strengths, weaknesses, opportunities, and threats in an organized fashion. It includes internal and external factors associated with the business. A financial report is a document containing information related to the overall income and expenses of a business. A PESTEL analysis focuses only on external factors—political, economic, social, technological, environmental, and legal. A balance sheet is a financial statement that captures the financial condition of the business at that particular moment.

SOURCE: OP:327 Discuss the nature of business analysis

SOURCE: Kenton, W. (2025, May 28). *How to perform a SWOT analysis*. Retrieved August 21, 2025, from <https://www.investopedia.com/terms/s/swot.asp>

72. A

Predict and control risks. Marketing information is all of the marketing-related data available from inside and outside the business. It includes information about past situations and what is happening now. By obtaining and using marketing information, business managers can predict the risks that might occur in the future and take steps to control those risks. For example, if current marketing information indicates that one product is losing popularity, a business can modify the product or repackage it to be more appealing. As a result, the business might avoid losing customers, which is a future risk. Managers often use marketing information to prepare documents and reports, but that is not an advantage of obtaining and using the information. Business managers do not obtain and use marketing information to train and direct employees, or to review and understand regulations.

SOURCE: IM:012 Describe the need for marketing data

SOURCE: Indeed. (2025, July 26). *A definitive guide to marketing information management*. Retrieved August 20, 2025, from <https://www.indeed.com/career-advice/career-development/marketing-information-management>

73. B

Rebate. A rebate is a return of part of the price a customer pays for a good or service after the sale, usually offered by the product's manufacturer. A coupon is a certificate that discounts a good or service when redeemed. A sweepstakes is a game of chance in which a customer wins a prize. A markdown is a reduction in the selling price of goods at the point of sale.

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

SOURCE: Hayes, A. (2024, June 3). *Rebate: Definition, types, examples, vs. discount*. Retrieved August 20, 2025, from <https://www.investopedia.com/terms/r/rebate.asp>

74. D

Internal secondary. Internal secondary data are data available from the business's own records. The business's own employees can gather these data that already belong to the business, and the business will not have to hire outside researchers. Internal primary data are data gathered from inside the firm specifically for the research project. External primary data are data gathered outside the firm specifically for the research project. External secondary data are data gathered by other firms for other reasons.

SOURCE: IM:010 Explain the nature of marketing research

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

75. A

Remind. Some companies need to remind customers that they and their products exist. Promotion might be used to reassure customers about a problem product, but customers would already be aware of its existence. A business would want the customer to be attracted to the product, not warned or cautioned about it.

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

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

76. D

Gain a competitive advantage in the marketplace. Supply chain management involves supervising the complete process of getting products into the marketplace, from production to purchase by an end consumer. Two of the main goals of supply chain management are maximizing the value that is provided to the customer and gaining a competitive advantage in the marketplace by moving goods effectively and efficiently. Setting prices and controlling customer perceptions are not primary goals of supply chain management.

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

SOURCE: Fernando, J. (2025, August 20). *Understanding supply chain management (SCM) and its importance*. Retrieved August 20, 2025, from <https://www.investopedia.com/terms/s/scm.asp>

77. A

Public relations activity for a charitable cause. The purpose of the public relations function is to establish goodwill between the business and its various publics. One way for a business to build goodwill with the community is by participating in charitable events. This might involve providing financial support, goods (e.g., energy bars), or volunteers for the event. A media blitz is an intense effort to communicate information through all possible channels. There is not enough information provided to determine if event organizers used media blitz to publicize the race. The snack-food company is not engaging in a selling activity or an advertising campaign. These activities are not part of the public relations business function.

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

SOURCE: Hayes, A. (2025, August 4). *Public relations (PR): Definition, types, and real-world examples*. Retrieved August 20, 2025, from <https://www.investopedia.com/terms/p/public-relations-pr.asp>

78. B

Demonstrate social responsibility. A company's corporate governance is the system by which directors handle their responsibility toward shareholders. The company's main responsibility toward shareholders is to be profitable—but many stakeholders want companies to be socially responsible, too. Corporate social responsibility is the duty of businesses to contribute to the well-being of society, such as through environmental awareness and ethical behavior. Corporate governance can facilitate the raising (not lowering) of capital, and it should not increase the chance of corruption. Appointing government officers is not a responsibility of companies.

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

SOURCE: Chen, J. (2024, September 12). *Corporate governance: Definition, principles, models, and examples*. Retrieved August 20, 2025, from <https://www.investopedia.com/terms/c/corporategovernance.asp>

79. B

Ultimate consumption. These are products sold for personal use, rather than for use by a business. Products sold for resale are usually sold to intermediaries to sell to their customers. Products sold for promotional purposes are display or advertising items used by businesses. Products sold for industrial purposes are purchased by business and industry to use in making other products or in the operation of the business.

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

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

80. C

Provide information. A communication channel is a path or means used to provide information to others. Public relations activities are ways of providing information to others. For example, press conferences and press releases are ways of providing information to the media in the hopes that the media will publish or broadcast the information so it is available to the general public. However, there is no guarantee that the media will publish or broadcast the information. As a result, businesses use other techniques to market products, advertise an image, and target customers.

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

SOURCE: Birt, J. (2025, June 6). *7 essential channels of communication in the workplace*. Retrieved August 20, 2025, from <https://www.indeed.com/career-advice/career-development/channels-of-communication>

81. C

Industry standards. The industry in which the business operates helps to determine a company's pricing objectives. Certain industries have traditional markup percentages that are used by all businesses in the industry. For example, in the hardware industry, the traditional markup is 50% based on cost. Therefore, hardware stores usually price their goods and services at the same level. Businesses that price their goods and services at the same level as those charged by other comparable businesses are not setting prices based on product life cycles, channel members, or target markets.

SOURCE: PI:002 Explain factors affecting pricing decisions

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

82. B

Product mix. The product mix includes all the different goods and services that a company makes or sells. A product line is a group of closely related products manufactured or sold by a business. Promotional mix is the combination of the different types of promotion a business uses. A product item is a specific model or brand of a product.

SOURCE: PM:003 Explain the concept of product mix

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

83. C

Communication. A key initial step in change management is communication, rather than being secretive about upcoming changes. While every employee is likely to respond to change a bit differently, the best way to alleviate employees' fears, concerns, and resistance in such a situation is to communicate with them early and often. If employees feel like they are being kept in the dark, they are likely to think the worst. Layoffs are likely to cause more concern and resistance versus less. Training could be helpful in managing change, but employees first need to know about upcoming changes that may require training.

SOURCE: SM:095 Explain the nature of change management

SOURCE: ASQ. (2025). *What is change management?* Retrieved August 20, 2025, from <https://asq.org/quality-resources/change-management>

84. B

Customer. Walmart and Target try to appeal to different markets. Walmart sells products at discount prices, while Target sells its products at regular or elevated prices. Profit decisions are based on the product's profitability and return on investment. Promotional decisions involve the creation and stimulation of demand for products by informing people about them. Place decisions involve shipping, handling, and storing of items and determining when and where they will be available.

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

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

85. C

Standardization. Business processes create standardization, or the organization of work so that it is always done in the same way. This increases efficiency and reduces the risk of errors or inconsistencies. Advertising is any paid form of nonpersonal presentation of ideas, goods, or services. While there can be business processes within advertising, business processes do not lead to advertisements themselves. People knowledge is an awareness and recognition of different people and cultures and is not necessarily created by business processes. While business processes can help determine sales quotas, they do not specifically introduce them to a business.

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

SOURCE: Kothari, A. (2025, May 25). *Importance of process thinking in business management*. Retrieved August 20, 2025, from <https://tallyfy.com/process-thinking/>

86. D

Consider risks in a positive way. Enterprise risk management focuses on both the downside and the upside of risks. Businesses must take risks to be successful, so utilizing an effective enterprise risk management program gives them the opportunity to take advantage of these risks in the most effective, strategic, and calculated way. In this way, risk leads to increased growth and opportunity. Taking a reactive approach to problem-solving, responding to events as they happen, and focusing on risks by department are components of traditional risk management and are not always beneficial.

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

SOURCE: Hayes, A. (2025, April 10). *Enterprise risk management (ERM): What it is and how it works*. Retrieved August 20, 2025, from <https://www.investopedia.com/terms/e/enterprise-risk-management.asp>

87. A

Promoting products. Promoting a product, especially a new one, can be expensive. When a producer sells its products through intermediaries, the costs and responsibilities associated with product promotion can be shared. Retailers often assume a large portion of promotion responsibilities. Think about your local supermarkets and discount stores—most likely, they produce weekly flyers featuring a variety of products available or on sale. These retailers may share expenses with some of the products' manufacturers. Shared promotion activities within the channel can lower channel members' individual costs while producing the same results. This example does not demonstrate the channel management tasks of providing marketing information, negotiating with customers, or reducing discrepancies.

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

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

88. A

It creates transparent rules and controls. Corporate governance refers to the system of rules and processes by which a company is controlled and directed. Good corporate governance creates transparent rules and controls for a company and guides leadership. It also aligns the interests of a company's stakeholders, which can include shareholders, senior management, customers, suppliers, lenders, the government, and the community. In addition, good corporate governance helps build trust with investors and gives them a clear idea of a company's direction. Good corporate governance promotes long-term financial viability and opportunity, rather than short-term.

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

SOURCE: Chen, J. (2024, September 12). *Corporate governance: Definition, principles, models, and examples*. Retrieved August 20, 2025, from <https://www.investopedia.com/terms/c/corporategovernance.asp>

89. C

Lower their prices. Price, the amount of money a firm asks for in exchange for its products, is an element of the marketing mix. If marketers want to get a product into more customers' hands, they might lower the price. Asking a higher price would likely not help them achieve this objective. Offering more or fewer product features would be part of the product element of the marketing mix, not the price element.

SOURCE: MP:001 Explain the concept of marketing strategies

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

90. A

Maturity. The maturity stage exists when the product is well established and competition is increasing. The product life cycle begins with the introductory stage that involves the introduction of a new product to the market. Growth follows introduction, and competing products enter the market. The declining stage occurs when sales are dropping as newer products are entering the market. The promotional mix must be adjusted for each phase of the product's life cycle.

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

SOURCE: LAP-PR-003—Spread the Word (Nature of the Promotional Mix)

91. C

Similar characteristics. Market segmentation is the division of a total market into smaller, more specific groups. The basis of the division is similar characteristics that are geographic, demographic, or psychographic in nature. Some of the groups or segments have unusual interests, but not all of them do. Most people have financial needs, so this characteristic is too broad to consider for market segmentation purposes. When dividing a group by psychographics, the segment has similar rather than inconsistent values.

SOURCE: MP:004 Identify market segments

SOURCE: Hoenig, H. (2025, June 12). *Understanding market segmentation: A comprehensive guide*. Retrieved August 21, 2025, from <https://www.investopedia.com/terms/m/marketsegmentation.asp>

92. C

Cost efficiency and customer service. Channel members must be able to meet a company's standards in terms of costs (e.g., delivery charges) and customer services (e.g., responsiveness in solving problems or answering questions). A logistics manager often considers a channel member's credit rating to make sure that the member is in a stable financial position. However, utility costs, variable expenses, and insurance are not generally the first considerations.

SOURCE: CM:011 Evaluate channel members

SOURCE: LibreTexts. (n.d.). *17.4: Managing the distribution channel*. Retrieved August 21, 2025, from [https://biz.libretexts.org/Bookshelves/Marketing/Principles_of_Marketing_\(OpenStax\)/03%3A_Product_Promotion_Price_and_Place/17%3A_Distribution-Delivering_Customer_Value/17.04%3A_Managing_the_Distribution_Channel](https://biz.libretexts.org/Bookshelves/Marketing/Principles_of_Marketing_(OpenStax)/03%3A_Product_Promotion_Price_and_Place/17%3A_Distribution-Delivering_Customer_Value/17.04%3A_Managing_the_Distribution_Channel)

93. A

Make sure employees know where all of the building exits are. Building risks are the most common type of physical risk. To manage this risk, it's important to make sure employees know how to quickly exit the building in case of an emergency. Training multiple employees to handle important responsibilities is a way to protect against the risk of illness. Backing up computer data offline and online is a way to manage technological risks. Developing an evacuation plan for tornadoes is an example of managing a location risk.

SOURCE: RM:056 Identify business risks

SOURCE: Davis, M. (2024, September 27). *Identifying and managing business risks*. Retrieved August 21, 2025, from <https://www.investopedia.com/articles/financial-theory/09/risk-management-business.asp>

94. B

What it intends to provide its customers on a consistent basis. A business startup should base its brand promise on its core values and what it needs to consistently deliver to customers in order to shape their perceptions in positive ways. The business's brand promise establishes customers' expectations for the quality and consistency of their experiences with the business, so it is important to consider whether the brand promise is something that the business is realistically capable of giving to every customer. The number of employees who will interact with customers, the business's plans for a customer loyalty program, and its reward system for dedicated workers are details that a business might consider when branding itself, but they are not details that need to be considered when developing a brand promise.

SOURCE: PM:126 Build corporate brands

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

95. D

Ratio analysis. Ratio analysis is a quantitative method that compares line-item data from a company's financial statements to show insights surrounding liquidity, solvency, profitability, and operational efficiency. It calculates statistical relationships through the use of ratio metrics, such as P/E ratios and earnings per share. Vertical analysis looks at the vertical effects line items have on other parts of the business as well as the business's proportions. The use of vertical analysis makes it easier to understand the relationship between single items on a balance sheet and the bottom line, which is typically expressed as a percentage. Horizontal analysis reviews a company's financial statements by comparing historical data to detect growth trends across different time periods. Trend analysis, which is another common name for horizontal analysis, tries to predict stock price movements based on trend data.

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

SOURCE: Kenton, W. (2021, December 2). *Financial statement analysis: Techniques for balance sheet, income & cash flow*. Retrieved August 21, 2025, from <https://www.investopedia.com/terms/f/financial-statement-analysis.asp>

96. B

Product. A marketing objective is a specific, measurable goal or desired outcome. Businesses set many types of marketing objectives, such as sales, promotion, profit, distribution, and product. When a business states that it wants to improve its service by a specific increment, it is setting a product-oriented marketing objective. A business's promotional objectives are the goals associated with promotion, which is the marketing function that communicates information about products, images, or ideas to customers or clients.

SOURCE: MP:015 Set marketing goals and objectives

SOURCE: Quain, S. (2025). *Difference between product orientation and production orientation*. Retrieved August 21, 2025, from <https://smallbusiness.chron.com/difference-between-product-orientation-production-orientation-16004.html>

97. D

Brainstorming with your staff. Brainstorming with your staff can be an effective way to learn more about your company's target market. Members of your staff are customers as well! They might provide insight into wants, needs, values, etc. Talking to young people may be an effective way to conduct target-market research—but your target market may not be young people! Advertising in the newspaper and hiring an accounting firm will not help you learn more about your target market.

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

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

98. C

You have control over how the money is spent. One of the biggest benefits of debt financing is the ability to control how the financing is spent. When you take out a business loan, you are in control of what you do with the money. When you obtain equity financing, however, the investors that are helping you start your business have primary control over business decisions. Some of the downsides of debt financing include interest payments and the need to pay the money back even if the business fails. Help from experienced investors is a benefit of equity financing, not debt financing.

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

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

99. A

There is a high demand for customer service. It's the basic law of supply and demand: The supply of employees should always meet or exceed the demand for their services for a business to prevent long customer waits and poor service. If there are only a few customers in the store, it is actually okay for the supply of employees to go down because it will still be possible to meet customer service needs. It makes sense that when the business is closed, there will be fewer employees at work. During off-seasons (e.g., winter in the lawn care industry), it is acceptable to have a small supply of employees to take care of service demands.

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)

100. C

Conduct a competitive analysis. A company conducts a competitive analysis to examine its competitors' activities. By examining its competitors, the company can determine its competitors' strengths and weaknesses, and determine the company's opportunities and threats in the marketplace. If the analysis shows that a competitor is taking market share from the company, the company should examine its weaknesses, so it can take corrective action to gain back market share. Analyzing internal financial data will not provide a company with specific information about its competitors. Because the marketplace is constantly changing, reviewing the marketing plan may not reveal current information about competitors.

SOURCE: MP:012 Conduct competitive analysis

SOURCE: U.S. Small Business Administration. (2025, June 16). *Market research and competitive analysis*. Retrieved August 21, 2025, from <https://www.sba.gov/business-guide/plan-your-business/market-research-competitive-analysis>