



SAMPLE EXAM

FINANCE CAREER CLUSTER

THE FINANCE CAREER CLUSTER EXAM IS USED
FOR THE FOLLOWING EVENTS:

ACCOUNTING APPLICATIONS SERIES **ACT**

BUSINESS FINANCE SERIES **BFS**

FINANCIAL CONSULTING **FCE**

FINANCIAL SERVICES TEAM DECISION MAKING **FTDM**

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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Posted online March 2026 by DECA Inc.

1. A business has added automation to its assembly line process. This addition is most likely an example of
 - A. invention.
 - B. creativity.
 - C. innovation.
 - D. problem-solving.

2. The reason why a business prepares a balance sheet is to determine its
 - A. average cash flow.
 - B. estimated annual income.
 - C. current financial situation.
 - D. future sales goal.

3. The Six Sigma model involves continuously implementing activities that
 - A. stimulate revenue and lessen decision-making.
 - B. influence regulation and decrease outputs.
 - C. improve quality and reduce inefficiencies.
 - D. promote consistency and eliminate resources.

4. Which of the following is a political factor that might be identified as part of an environmental scan:
 - A. Increasing tax rates
 - B. Changing family roles
 - C. Changing laws and regulations
 - D. Decreasing interest rates

5. High levels of investment in new plants and equipment indicate producers expect a(n)
 - A. increase in consumer spending.
 - B. decrease in consumer spending.
 - C. decrease in sales-stock ratio.
 - D. shortage of consumer goods.

6. Which of the following situations is an example of an employee taking action to increase sales:
 - A. Poppy orders additional inventory from a vendor who was offering deep discounts for a limited time.
 - B. Kevin advises a customer that shipping charges will increase 5% for orders over \$1,000.
 - C. Annabelle calls on her customers to determine if they need additional products.
 - D. Nigel increases the markup of the company's primary product from 25% to 35%.

7. Gabriel's boss just assigned him a new project. He must create a video presentation, which he has no idea how to do. He feels discouraged, but then reminds himself that this is an opportunity to learn an important new skill. This is an example of which step for maintaining a positive attitude:
 - A. Look good.
 - B. Have a sense of humor.
 - C. Think positively.
 - D. Surround yourself with positive people.

8. Ethical behavior is crucial for entrepreneurial success because
- A. investors only support unethical companies.
 - B. unethical behavior is usually more profitable.
 - C. customers expect companies to act ethically.
 - D. the public generally distrusts entrepreneurs.
9. During a job interview, what should an applicant do to be able to answer the interviewer's questions adequately?
- A. Dress appropriately.
 - B. Listen carefully.
 - C. Talk rapidly.
 - D. Respond quickly.
10. Sometimes a good decision maker will accept the risks associated with a decision because
- A. the risks will have no negative impact.
 - B. they have no way to evaluate the risks.
 - C. they don't have any information about them.
 - D. they will be able to reach an important goal.
11. When creating a cash flow statement, which of the following is included in a business's cash paid out:
- A. Ending cash balance
 - B. Sale of assets
 - C. Cash receipts
 - D. Cost of goods
12. Price indicates how much value is placed on a good, service, or resource by the
- A. seller.
 - B. merchant.
 - C. consumer.
 - D. sales manager.
13. What is the first step you should take when planning a project?
- A. Determine quality standards.
 - B. Identify the project's stakeholders.
 - C. Identify resources.
 - D. Develop a draft plan.
14. Which of the following situations is an example of an employee exhibiting unethical behavior:
- A. Scheduling a two-week vacation
 - B. Clocking out at the end of the day
 - C. Taking a day of sick leave to play golf
 - D. Working four 10-hour days to shorten the week

15. Prior to finalizing a purchase, both parties involved agree not to disclose information about the other party and sign a document. In this scenario, both parties signed a(n)
- A. kickback.
 - B. exclusive agreement.
 - C. confidentiality agreement.
 - D. labor contract.
16. Income from sales, cost of goods sold, gross profit on sales, operating expenses, and net profit or loss are all part of a(n)
- A. sales budget.
 - B. income statement.
 - C. balance sheet.
 - D. marketing plan.
17. Which of the following examples best illustrates someone practicing "not knowing":
- A. Louis doesn't look up unknown information on his phone right away.
 - B. Sandy tries driving along the back roads instead of taking the highway.
 - C. Rosa practices deep breathing and other relaxation techniques.
 - D. Parviz makes a list of all of the things that he cannot control.
18. When preparing income tax documents for clients who have placed trust in them, accountants have a responsibility to
- A. have conflicts of interest.
 - B. act in the best interests of those clients.
 - C. be as subjective as possible.
 - D. put their own interests before those of the clients.
19. A company that sells securities to the public must
- A. guarantee that securities will always be valuable.
 - B. discourage investors from asking questions.
 - C. tell investors about the risks of these securities.
 - D. avoid selling risky securities.
20. During a brainstorming session, should participants be allowed to add new ideas to the list that are based on another group member's idea?
- A. Yes; ideas that are too outrageous should be immediately modified.
 - B. No; it can be interpreted as a poor evaluation of the idea.
 - C. No; using someone else's idea is considered stealing.
 - D. Yes; other participants' ideas can trigger new ideas.
21. Some businesses try to decrease expenses and increase profits in the customer service area by
- A. improving service quality.
 - B. offering competitive services.
 - C. adding free services.
 - D. eliminating free services.

22. Budgets can be described in terms of
- A. desires, debt, and discipline.
 - B. money, maps, and management.
 - C. account books, bills, and bankruptcy.
 - D. savings, sales, and success.
23. Why are ethics especially important to those who work in finance?
- A. Ethics prevent companies from ever losing money.
 - B. Ethics challenge companies to reduce operating expenses.
 - C. Unethical behavior in finance leads to catastrophic results.
 - D. People who work in finance are naturally unethical.
24. The price of raw materials used in manufacturing a product was double what had been projected for the year. Which of the following could the business determine by analyzing its financial information:
- A. Errors in forecasting
 - B. Supply and demand
 - C. Equipment costs
 - D. Variances
25. A collection letter that a business writes to customers to encourage them to pay is an example of a(n) _____ message.
- A. persuasive
 - B. informational
 - C. aggressive
 - D. threatening
26. An important aspect of upholding ethical accounting standards involves the ability to be
- A. intolerant.
 - B. resourceful.
 - C. unconventional.
 - D. objective.
27. A group of business employees getting together to share ideas to solve problems is an example of
- A. visualizing.
 - B. concept mapping.
 - C. brainstorming.
 - D. role-playing.
28. Which of the following payment methods relies on radio frequency identification (RFID) or near field communication (NFC) technology to make secure payments:
- A. Money orders
 - B. Contactless purchasing
 - C. Wire transfers
 - D. Electronic funds transfer (EFT)

29. Management is divided into major functions, two of which are
- A. controlling and directing.
 - B. analyzing and planning.
 - C. staffing and supervising.
 - D. organizing and producing.
30. Which of the following is a technique you can use to demonstrate a positive attitude over the phone:
- A. Be informed about your business's rules.
 - B. Smile when you answer the phone.
 - C. Use a wide vocabulary in conversations.
 - D. Shut out all distractions while talking.
31. What type of information in a company's CRM system can help a company determine a customer's product preferences?
- A. Customer's address
 - B. Customer's prior purchases
 - C. Customer's preferred payment method
 - D. Customer's name
32. Allen works in an ice-cream shop that makes fresh ice cream throughout the day, and he sells it to customers as they come in. Because Allen does both jobs, he has a limited amount of time to attend to customers as well as make the ice cream. His employer decides to hire another worker who will only make the ice cream, allowing Allen to work at the counter full time. In other words, Allen's employer has decided to employ specialization by
- A. task.
 - B. time.
 - C. seniority.
 - D. day.
33. One of the benefits to you of receiving feedback on the job is that it
- A. makes you feel like a valued employee.
 - B. lets you know how you are doing.
 - C. helps you understand the supervisor.
 - D. raises your level of self-esteem.
34. What is one reason why businesses write informational messages?
- A. To explain new policies
 - B. To analyze sales proposals
 - C. To obtain positive feedback
 - D. To develop research reports
35. Natural disasters like tornadoes, earthquakes, and floods are considered _____ risks.
- A. strategic
 - B. operational
 - C. hazard
 - D. financial

36. The first task in creating a risk-management plan is
- A. identifying as many known risks as possible.
 - B. figuring out how team members will communicate.
 - C. determining how to avoid risks.
 - D. strategizing for limiting the impact of risks.
37. Cash register tape is an example of a(n)
- A. supply.
 - B. equipment.
 - C. service.
 - D. material.
38. When people desire to fit in with the crowd and just do what everyone else is doing, they are displaying
- A. herd mentality.
 - B. status quo bias.
 - C. groupthink.
 - D. risk-taking behavior.
39. Which of the following scenarios is an example of selling an idea:
- A. Leonard University provides all incoming students with a brand new computer.
 - B. Your teacher tells the class to read pages 30-45 in your textbook for homework.
 - C. The local fire department holds a popular holiday toy drive every year.
 - D. You convince your parents to give you and your siblings a weekly allowance.
40. Consumers can borrow against future income to make current purchases by making use of
- A. credit.
 - B. money orders.
 - C. interest.
 - D. certificates of deposit.
41. Talia manages a business's accounts payable, accounts receivable, inventory, and cash. Talia is responsible for
- A. the business's capital structure.
 - B. market risk management.
 - C. working capital management.
 - D. capital investment decisions.
42. An organization with a quality culture would have executive-level managers who are
- A. good at delegating all commitments for quality assurance.
 - B. able to enlist the expertise of outside contractors for quality.
 - C. committed and involved and take responsibility for quality.
 - D. flexible, indifferent, and not responsible for quality.

43. How can human resources managers foster fairness in the hiring process?
- A. By refusing to interview candidates with certain backgrounds
 - B. By asking applicants to reveal their marital status
 - C. By implementing racial screening in the hiring process
 - D. By using the same hiring process for all applicants
44. Behavior that is characterized by a willingness to ignore the rights of others and exploit them to achieve personal goals is _____ behavior.
- A. offensive
 - B. passive
 - C. assertive
 - D. aggressive
45. Which of the following currencies is considered decentralized:
- A. Cryptocurrency
 - B. Swiss franc
 - C. The euro
 - D. U.S. dollar
46. Which of the following is a way for employers to prevent recordkeeping or payroll fraud:
- A. Require sales staff to observe customers on the selling floor
 - B. Divide cash-related responsibilities among different employees
 - C. Train salespeople to be familiar with prices
 - D. Provide procedures for the personal use of office supplies
47. What function of money enables a person to save their wealth until it is needed?
- A. Incentive
 - B. Unit of measure
 - C. Store of value
 - D. Medium of exchange
48. You offer to cover a coworker's shift on Saturday. When a friend asks you to hang out that night, you tell them that you have to work. Which trust-building technique are you demonstrating?
- A. Taking responsibility for your mistakes
 - B. Keeping your promises
 - C. Communicating often and openly
 - D. Not sharing confidential information
49. Joel, a car salesman, purposely adjusts his communication style to mirror the habits of his customers. He finds that customers are more comfortable talking to someone that communicates in a familiar way. In other words, Joel is
- A. tricking his customers.
 - B. building rapport.
 - C. being dishonest.
 - D. subduing his own personality.

50. Amir has a steady job, but he decides to increase his income by taking aerial photographs with his drone and selling them on his own website. His side business becomes very profitable, and he earns well over \$2,000 each month. Amir's side business is so successful that it significantly increases his
- A. unearned income.
 - B. commission.
 - C. earned income.
 - D. wages.
51. Which of the following capabilities would be most useful when using budgeting applications:
- A. Allowing overspent budgets to smoothly move through the system
 - B. Deleting files from the prior year automatically
 - C. Selecting records to audit at random
 - D. Creating unlimited scenarios to depict the impact of decisions
52. What is the first step in designing a multi-table query?
- A. Determine the criteria.
 - B. Set the correct join direction.
 - C. Pinpoint exactly what you want to know.
 - D. Locate the correct tables.
53. A flood has caused damage to a company's inventory warehouse. This is an example of what type of risk that enterprise risk management addresses?
- A. Security
 - B. Legal
 - C. Strategic
 - D. Operational
54. When individuals purchase items such as high-performance sports cars, rare collectibles, and jewelry containing large, precious gemstones, they must often pay _____ taxes.
- A. estate
 - B. gift
 - C. property
 - D. luxury
55. Which of the following is an impact of introducing compliance technology into a business:
- A. It reduces a company's overall efficiency.
 - B. It increases the likelihood of a data breach.
 - C. It replaces living specialists from a company.
 - D. It identifies patterns and trends in a company.
56. Which of the following is responsible for creating and reviewing corporate governance policies for a business:
- A. Board of accountancy
 - B. Board of managers
 - C. Board of directors
 - D. Board of elections

57. What does the “open” column of a stock table tell you?
- A. The first price at which the stock was sold on a given day
 - B. The number of shares of a stock traded in a given day
 - C. The relationship between the price of a stock and company earnings
 - D. The lowest price at which the stock was sold this year
58. Chris purchased 500 shares of microcap HRR stock. Then, he posted false information about HRR on several investment websites to hype up the stock. After driving up the price of HRR stock, Chris quickly sold all of his stock in the company and earned a large profit. The price of the stock then fell, leaving HRR investors with worthless stock. What type of investment scam did Chris commit?
- A. Ponzi scheme
 - B. Pump and dump
 - C. Phishing
 - D. Pyramid scheme
59. Two potential outcomes of using Six Sigma in finance are that it
- A. helps determine financial positioning and increases costs.
 - B. lessens inefficiencies and identifies problem areas.
 - C. decreases costs and declines the quality of work.
 - D. reduces errors and lowers customer satisfaction.
60. What type of financial firm offers multiple types of financial products using one pool of capital?
- A. Consolidated cross-product parent company
 - B. Fully integrated financial services provider
 - C. Universal bank and trust corporation
 - D. Financial holding company
61. Researchers surveyed students at a university to determine what type of credit and debit cards they most commonly use. Upon completion of the survey, all of the data were placed into a spreadsheet. Instead of observing the data as a whole, the researchers want to analyze the data of students that use Discover credit cards, and they do so by breaking the data down into a subset for further analysis. This process is known as
- A. data filtering.
 - B. a data element.
 - C. a data script.
 - D. data normalization.
62. Which of the following is a piece of information that is often added to a customer relationship management (CRM) system:
- A. Job applications
 - B. Product inventory
 - C. Sales opportunities
 - D. Budget spreadsheets

63. Spreadsheets, database applications, and other software are often used by businesses for
- A. employee recognition.
 - B. financial analysis.
 - C. staff communication.
 - D. public relations.
64. Which of the following primarily serves as an organization's conscience during decision-making:
- A. The public
 - B. Employees
 - C. Board of directors
 - D. The "C-Suite" (CEO, CFO, etc.)
65. A business can protect its digital financial data from losses associated with fire, flood, and electrical outages by
- A. installing intrusion detection systems.
 - B. implementing a manual filing system.
 - C. performing backup procedures on a regular basis.
 - D. changing passwords and encryption techniques periodically.
66. Which of the following is a common cause of disparate data structures within many large corporations' financial-information management systems?
- A. Capital structure
 - B. Channels of distribution
 - C. Mergers and acquisitions
 - D. Accounting method
67. Ben works at a popular pizzeria. His managers recently introduced a new goal of selling 200 large pizzas per weeknight. To help the shop reach this goal, Ben and his fellow associates are assigned extra duties--and offered additional pay if they meet the 200-pizza goal. After three weeks, Ben's managers announce that the shop exceeded its goal every night. Ben and his coworkers feel a sense of accomplishment and are proud of their hard work. This example demonstrates the benefits of
- A. involving employees in the achievement of organizational objectives.
 - B. leaving low-level employees out of management decisions.
 - C. setting organizational goals that are attainable and realistic.
 - D. overworking employees without compensating them for their efforts.
68. Which of the following situations is a potential external risk to a business:
- A. An employee is injured on the job.
 - B. Management delays approval for the yearly budget.
 - C. An inaccurate inventory count leads to missing products.
 - D. The inflation rate changes over time.
69. A furniture retailer located in the city of Springdale wants to know how many of its high-volume customers are located within its own city limits. What are two criteria that should be included in its database query?
- A. Purchase dates in the last year and Springdale addresses
 - B. Email address entered and purchases over \$100,000
 - C. Springdale addresses and purchases over \$100,000
 - D. Number of purchases over 10 and email address entered

70. Banyan is working on restructuring a database to reduce data redundancy and improve data integrity. In other words, Banyan is engaging in data
- A. recovery.
 - B. normalization.
 - C. elimination.
 - D. clarification.
71. Which of the following is an example of an external mechanism of corporate governance:
- A. Board of directors' policies
 - B. A company's code of conduct
 - C. A company's business objectives
 - D. Government regulations
72. To prevent unauthorized access to a computer system or network, businesses typically install
- A. debugger applications.
 - B. compression software.
 - C. spyware applications.
 - D. firewall software.
73. Which of the following is commonly used to reduce an investor's capital gains tax burden:
- A. Puttable bonds
 - B. Value stocks
 - C. Short-term investments
 - D. Capital losses
74. By reviewing an income statement to see how every line item compares to revenue, Anushka conducted a _____ analysis.
- A. SWOT
 - B. break-even
 - C. vertical
 - D. horizontal
75. Which of the following is a consequence of noncompliance in the financial industry:
- A. Audits and damaged reputation
 - B. Protection from lawsuits
 - C. Improved communication
 - D. Rule violation prevention
76. How could financial analysis applications be used to identify possible conflicts of interest?
- A. By isolating entries against authorization records for new or terminated employees
 - B. By comparing employee phone numbers and addresses to vendor information for payables
 - C. By comparing yearly volume with on-hand quantity for stock items
 - D. By comparing vendor payables posted to purchase orders

77. Which of the following would most likely influence an organization's corporate governance structure:
- A. An unexpected grant from the government is received.
 - B. A major flood damages the company's primary warehouse.
 - C. A member of the board of directors is charged with fraud.
 - D. An entry-level employee is fired for their lack of professionalism.
78. One way to build professional relationships in the finance industry is to
- A. implement a referral system.
 - B. encourage others to discuss their finances.
 - C. read about industry trends.
 - D. print new business cards for distribution.
79. What type of financial statement includes an accounting of the shareholders' equity for a company?
- A. Income statement
 - B. Balance sheet
 - C. Annual report
 - D. Cash flow statement
80. Which of the following is considered an internal control mechanism for a company:
- A. Government regulations
 - B. Separation of duties
 - C. Industry standards
 - D. Union contracts
81. Scott, a financial analyst, wants to determine whether a company has substantial short-term assets to cover its immediate liabilities without selling inventory. What liquidity ratio should he use?
- A. Acid-test
 - B. Days sales outstanding
 - C. Current
 - D. Cash
82. What is the primary responsibility of a financial planner?
- A. To provide appropriate financial guidance
 - B. To maximize their clients' tax obligation
 - C. To double a client's investment
 - D. To ensure that their clients can retire
83. Which finance career area most commonly deals with an individual's or a household's tax planning, estate planning, and retirement planning?
- A. Personal finance
 - B. Corporate finance
 - C. Government finance
 - D. Public finance

84. To calculate the future value of money, you need the present value, the length of time, and the
- A. bottom line.
 - B. wage.
 - C. interest rate.
 - D. utility.
85. Ryder has learned that his company will announce a round of layoffs in two weeks. Ryder decides to sell some of the stock options he had in the company before the news of the layoffs goes public. He tells his friends to do the same. This is an example of
- A. insider trading.
 - B. corporate fraud.
 - C. corporate espionage.
 - D. extortion.
86. If the dividend per share on a securities table is blank, it indicates that the company's stock
- A. has a net change value of zero.
 - B. does not currently pay dividends.
 - C. has a negative dividend yield.
 - D. had zero trades in the last 24 hours.
87. Which of the following is an effective way to initiate a professional relationship with a vendor:
- A. Having salespeople talk to the vendor
 - B. Giving the vendor an expensive gift
 - C. Treating the person to a round of golf
 - D. Offering jobs to people on the vendor's staff
88. With an effective customer strategy, a business can increase revenues by
- A. prioritizing new customers over existing customers.
 - B. prioritizing existing customers over new customers.
 - C. providing products and services customers want.
 - D. helping sales staff close deals at a slower pace.
89. The accounting staff at the Sun Valley Granola Company recently completed their annual review of the company's budget. The team noticed that the company spent more money on advertising and promotion in the last year than on quality control. One staff member remarked that the company had been receiving an increase in complaints from dissatisfied customers than in previous years. What function of financial information management did the company neglect in this situation?
- A. Budgeting
 - B. Policy setting
 - C. Planning
 - D. Stewardship

90. The Milton Ladder Corporation, which is publicly traded, is in the process of acquiring the Bradley Chute Company. What type of document is Milton Ladder required to file within 15 days of the acquisition?
- A. Form 4
 - B. Form 10-K
 - C. Form 10-Q
 - D. Form 8-K
91. Which of the following is an example of an indirect cost in a car manufacturing facility:
- A. Glass
 - B. Shipping
 - C. Electricity
 - D. Assembly line workers' salaries
92. External audits are different from internal audits in that external audits
- A. are conducted by someone within the company.
 - B. focus on measuring current performance.
 - C. look for areas of improvement.
 - D. focus on proving the accuracy of financial statements.
93. Which type of investment institution helps firms to raise funds by issuing securities?
- A. Investment bank
 - B. Securities exchange
 - C. Pension fund
 - D. Investment company
94. What question should finance professionals ask to provide the appropriate types and levels of service to their clients?
- A. Should I follow up with the clients?
 - B. How can I maximize my returns?
 - C. Are my goals realistic and attainable?
 - D. What are the client's expectations?
95. To reduce the risk of future legal problems, a company might require its business partners to sign a formal
- A. contract.
 - B. premium.
 - C. warrant.
 - D. invoice.
96. Last week, a man who frequents Alice's health club and goes to the same church approached her and struck up a conversation. After a bit of small talk, the man said that he would love to help Alice earn some money in the stock market. "You can trust me," the man said. "We go to the same church and the same gym. In fact, our minister and the manager of the gym just gave me a ton of money to invest for them!" The man is attempting to commit _____ fraud.
- A. private placement offering
 - B. life settlement
 - C. natural resource investing
 - D. group affinity

97. Which of the following is an uninsurable external risk to businesses:
- A. Personal injury
 - B. Natural disasters
 - C. Inventory
 - D. Tax increases
98. Which of the following is a disadvantage of enterprise risk management practices:
- A. They increase redundant processes and employee satisfaction.
 - B. They rely heavily on management estimates and inputs.
 - C. They lead to more unexpected risks.
 - D. They only identify risks a company is not aware of.
99. Catya has been Trevor's financial planner for 10 years. Because Trevor feels that Catya has his best interests in mind and keeps him updated on his investments, he told several of his friends and colleagues about Catya's expertise and recommended that they make appointments with her to discuss their financial plans. The benefit to Catya in this situation is that she
- A. gained a positive reputation through social media.
 - B. received referrals from an existing client.
 - C. earned a sizable commission from Trevor's investments.
 - D. obtained recognition from her colleagues.
100. Soren participates in the London Stock Exchange, where investors trade stock amongst themselves without involvement from the issuing companies. Which of the following best describes this type of market:
- A. Primary market
 - B. Tertiary market
 - C. Virtual market
 - D. Secondary market

1. C

Innovation. Innovation is the development of something new, such as a new product, method, strategy, or process. Innovation can also involve an improvement of something that already exists. Adding automation to an assembly line is an example of innovation because the automation is likely to improve the efficiency of the assembly line process. An invention involves creating something entirely new that did not exist prior to the invention. Creativity, which can be a part of developing innovative ideas, is the ability to generate unique ideas, approaches, and solutions. People with problem-solving skills are often able to innovate and find solutions to obstacles in their path.

SOURCE: PD:126 Explain the need for innovation skills

SOURCE: LAP-PD-126—Ideas in Action (Innovation Skills)

2. C

Current financial situation. A balance sheet is a financial statement that captures the financial condition of the business at that particular moment. It indicates what the business owns, what it owes, and its worth as of a certain date. By preparing a balance sheet, a business can determine if it has sufficient assets to cover its liabilities and still have money remaining, or if its liabilities are more than its assets. A business does not prepare a balance sheet to determine its average cash flow, estimated annual income, or future sales goal.

SOURCE: FI:093 Explain the nature of balance sheets

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

3. C

Improve quality and reduce inefficiencies. Six Sigma is a quality-management framework that involves continuously setting higher goals of perfection. Six Sigma builds upon previous goals to set higher goals in order to continuously improve the quality of the business's goods, services, or processes. The ultimate goal is to maximize outputs, reduce inefficiencies and waste, have no process or product defects, and minimize production costs. If these actions are successful, the business's profits may increase. As a quality-control framework, the primary purpose of Six Sigma is not to eliminate resources, lessen decision-making, influence regulation, or decrease outputs.

SOURCE: OP:163 Identify quality-control measures

SOURCE: Hayes, A. (2024, May 29). *What is Six Sigma? Concept, steps, examples, and certification*. Retrieved August 14, 2025, from <https://www.investopedia.com/terms/s/six-sigma.asp>

4. C

Changing laws and regulations. Environmental scanning is the process of collecting information about the environment surrounding your business. Changing laws and regulations is a political factor that might be identified as part of an environmental scan. Decreasing interest rates and increasing tax rates are both economic trends that may be identified as part of an environmental scan. Changing family roles is a society and culture trend.

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

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

5. A

Increase in consumer spending. Producers are not willing to build new plants or buy new equipment unless they feel the economy is growing and expanding. The expansion phase of a business cycle is a time of economic prosperity. When there is a shortage of consumer goods, demand has exceeded supply, and the business cycle has peaked. A decrease in consumer spending and a decrease in sales-to-stock ratio occur in a period of economic contraction.

SOURCE: EC:018 Determine the impact of business cycles on business activities

SOURCE: Santo, A. (2025, April 15). *Basic marketing fundamentals: The 7 Ps of marketing (infographic)*. Retrieved August 14, 2025, from <https://www.brafton.com/blog/content-marketing/marketing-fundamentals-101/>

6. C

Annabelle calls on her customers to determine if they need additional products. A company should communicate its business goals to its employees, so the employees understand how their work contributes to the company's growth and well-being. A sales goal is just one of many types of company goals. Sales are critical to the company's financial well-being because they generate income and profit for the company. Annabelle is taking action to increase sales because she is calling on her customers with the goal of making sales that meet their needs. Kevin is advising a customer about a policy change. Although Poppy is taking advantage of lower prices by ordering additional inventory, there is no guarantee that the inventory will sell. Increasing prices may increase the profit margin, but it doesn't result in higher sales. In fact, if the prices are too high, customers may not purchase the product, and sales may decrease.

SOURCE: MK:015 Discuss actions employees can take to achieve the company's desired results

SOURCE: LAP-MK-015—Act Now! (Employee Actions and Company Goals)

7. C

Think positively. Gabriel's behavior in this situation illustrates the step "think positively" in the list of steps to maintain a positive attitude. Gabriel found the good aspects of what seemed like a bad situation, and this allowed him to turn his problem into an opportunity. While having a sense of humor, looking good, and surrounding yourself with positive people are all important steps towards maintaining a positive attitude, they aren't shown in Gabriel's actions.

SOURCE: EI:019 Exhibit a positive attitude

SOURCE: LAP-EI-019—Opt for Optimism (Positive Attitude)

8. C

Customers expect companies to act ethically. It's never easy to win customers' trust and support—but in today's competitive market, it's harder than ever for new companies to stand out from the crowd. Customers increasingly expect the companies that they support to act in the best interest of their communities, the environment, and the world. As a result, many entrepreneurs spend valuable time and resources trying to develop ethical workplace cultures that will help them distinguish their companies from the competition. It is not true that investors only support unethical companies; many investors will only support companies that demonstrate a commitment to ethics. The public does not generally distrust entrepreneurs—and although unethical behavior may be profitable in the short term, it is unsustainable and bad for business in the long term.

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

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

9. B

Listen carefully. To answer questions adequately, an applicant should listen carefully to the interviewer. The applicant needs to understand exactly what the interviewer is asking. By listening carefully, an applicant will be able to respond with the proper information. Talking rapidly and responding quickly will not help applicants answer questions adequately. Applicants should dress appropriately for job interviews, but that will not help them answer questions unless they listen carefully and understand what is being asked.

SOURCE: PD:028 Interview for a job

SOURCE: Herrity, J. (2025, March 19). *How to make a great impression in a job interview*. Retrieved August 14, 2025, from <https://www.indeed.com/career-advice/interviewing/job-interview-tips-how-to-make-a-great-impression>

10. D

They will be able to reach an important goal. Decision makers often accept risks when the benefits of achieving the goal outweigh the cost of those risks. A good decision maker uses a systematic process to evaluate risks. Risks are analyzed and accepted based on information, not on the absence of it. All risks have the potential for a negative impact.

SOURCE: EI:091 Assess risks of personal decisions

SOURCE: LAP-EI-091—Worth the Risk (Assessing Risks of Personal Decisions)

11. D

Cost of goods. Cash paid out includes all cash payments which include costs of goods, fixed expenses, and variable expenses on a cash flow statement. Ending cash balance is determined by subtracting cash paid out from the total cash available. Cash receipts are included in the cash receipts portion of the cash flow statement. Sale of assets represent a source of cash receipts on the cash flow statement.

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

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

12. C

Consumer. The consumer uses the good, service, or resource. How much the consumer values the good, service, or resource directly influences the price set for the particular item. If consumers value an item highly, they will be willing to pay more for it. Sales managers, sellers, and merchants may set prices, but consumers decide if those prices indicate a good value.

SOURCE: EC:006 Describe the functions of prices in markets

SOURCE: Santo, A. (2025, April 15). *Basic marketing fundamentals: The 7 Ps of marketing (infographic)*. Retrieved August 14, 2025, from <https://www.brafton.com/blog/content-marketing/marketing-fundamentals-101/>

13. B

Identify the project's stakeholders. The first step is to figure out who else is involved in the project—the project's stakeholders. Identifying the project's stakeholders is the first step because you do not want to start planning any other aspects of the project without getting their input and including them in the process. Before you determine quality standards, identify resources, or develop a draft plan, you need to identify the project's stakeholders so they will be considered throughout these other steps.

SOURCE: OP:519 Plan project

SOURCE: LAP-OP-519—Plan On It! (Planning Projects)

14. C

Taking a day of sick leave to play golf. Employees usually are allowed a certain number of sick days to be used in the event of health or medical problems. Employers expect employees to use sick days for legitimate reasons. It is considered unethical for an employee to use a sick day for recreational activities or vacation. Clocking out at the end of the day is standard practice in many businesses. Employees may schedule vacation for the length of time they are entitled, which may be two weeks. Many businesses allow employees to work four 10-hour days, which amounts to a 40-hour week.

SOURCE: EI:004 Demonstrate ethical work habits

SOURCE: LAP-EI-004—Work Right (Demonstrating Ethical Work Habits)

15. C

Confidentiality agreement. A confidentiality agreement is a legally binding promise not to disclose information about another party. Because both parties agreed not to disclose information about the other party in this scenario, this is an example of a confidentiality agreement. A kickback is an illegal payment or bribe paid in return for securing a contract. An exclusive agreement is an illegal agreement that forbids customers from buying goods and services from competitors. A labor contract is an agreement between a union and a company outlining the wages, fringe benefits, working conditions, and rules under which employees will work.

SOURCE: OP:246 Discuss the importance of utilizing ethical purchasing methods

SOURCE: LAP-OP-246—Quid Pro No (Ethics in Purchasing)

16. B

Income statement. An income statement is a financial summary that shows how much money the business has made or lost. It is also called a profit-and-loss statement. A balance sheet shows a firm's assets, liabilities, and owner's equity. A marketing plan is a set of procedures or strategies for attracting the target customer to the business. A sales budget is an estimate of expenditures related to sales.

SOURCE: FI:094 Describe the nature of income statements

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

17. A

Louis doesn't look up unknown information on his phone right away. Tolerating ambiguity is all about being comfortable with not knowing what will happen or what the correct action is. If you can get comfortable with the unknown, however, you won't try to fill in the blanks with wrong or incomplete information. Louis is allowing himself to accept the unknown without quickly trying to figure out the answer. Sandy's drive along back roads instead of the highway is an example of stepping out of her comfort zone rather than practicing not knowing. Parviz is doing a reality check rather than practicing not knowing. Finally, Rosa is practicing mindfulness rather than practicing not knowing.

SOURCE: EI:092 Develop tolerance for ambiguity

SOURCE: LAP-EI-092—Embrace the Unknown (Developing a Tolerance for Ambiguity)

18. B

Act in the best interests of those clients. Fiduciaries have a legal obligation to act in the best interest of their clients. Accountants are not always considered fiduciaries, but they typically are when they are performing services like tax services and business consulting. In these situations, accountants should be objective, not have conflicts of interest, and put their own interests aside in favor of their clients' interests.

SOURCE: FI:353 Explain legal considerations for accounting

SOURCE: Gratton, P. (2024, August 24). *Regulation best interest (BI): Definition, broker obligations*. Retrieved August 14, 2025, from <https://www.investopedia.com/what-is-the-sec-s-regulation-bi-best-interest-rule-4689542>

19. C

Tell investors about the risks of these securities. Companies that sell securities have to tell the truth about the securities they sell. They must be honest about their business and the risks of securities. Securities cannot be guaranteed because they always involve some degree of risk. Investors should ask questions and do research on securities; a company should not discourage them from doing so.

SOURCE: FI:356 Explain legal considerations for finance

SOURCE: Gratton, P. (2025, April 26). *Securities and exchange commission (SEC): What it is and how it works*. Retrieved August 14, 2025, from <https://www.investopedia.com/terms/s/sec.asp>

20. D

Yes; other participants' ideas can trigger new ideas. This process is called stepping-stones or triggers, and it is encouraged in brainstorming because one person's ideas can easily trigger new and different ideas. It is not considered stealing, but instead is an important part of working together to build on each other's ideas to find more ideas. Adding a stepping-stone idea to a brainstorming list is not a form of evaluating the original ideas. All ideas are considered equal in a brainstorming session, including those that are very outlandish or outrageous.

SOURCE: CO:061 Defend ideas objectively

SOURCE: Miro. (2025). *What is brainstorming?* Retrieved August 14, 2025, from <https://miro.com/brainstorming/what-is-brainstorming/>

21. D

Eliminating free services. Eliminating or reducing the number of services that are offered to customers free of charge reduces the business's expenses, which should help increase its profits. Many businesses have eliminated such free services as delivery and gift wrapping, or they offer these services for a fee. Adding free services, improving service quality, and offering competitive services are likely to increase expenses.

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

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

22. B

Money, maps, and management. Budgets can be described in terms of money, maps, and management. Budgets are about money, can be compared to maps, and are great management tools. Account books, bills, and bankruptcy; desires, debt, and discipline; and savings, sales, and success are all related to certain aspects of budgeting, but none describes its main characteristics as well as money, maps, and management.

SOURCE: FI:106 Describe the nature of budgets

SOURCE: LAP-FI-106—Money Tracks (Nature of Budgets)

23. C

Unethical behavior in finance leads to catastrophic results. Ethics are incredibly important in finance because of the damaging effects that unethical financial practices can have on companies, their employees and customers, and the economy as a whole. People who work in finance are not naturally unethical. Ethics do not necessarily challenge companies to reduce operating expenses, nor do they prevent them from ever losing money.

SOURCE: FI:355 Discuss the role of ethics in finance

SOURCE: LAP-FI-355—Money Morals (The Role of Ethics in Finance)

24. D

Variiances. Businesses analyze their financial information to determine the differences between what they had forecast and what actually happened. By doing this, they can account for those differences and improve future forecasts. In this scenario, equipment costs were not a factor. The business could not determine from its financial information whether the supply of raw materials decreased or demand increased. Forecasts are estimates based on information known at the time the forecast was made and will not be exactly what actually happens. In this scenario, therefore, the variances would not be considered forecasting errors.

SOURCE: FI:579 Describe the need for financial information

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

25. A

Persuasive. A collection letter is a type of persuasive message that many businesses write to customers who are delinquent in making payments on their accounts. The purpose of the collection letter is to persuade customers to send payment or to contact the business to make some type of arrangement. Collection letters should not be threatening or overly aggressive because they may offend customers rather than encourage them to respond immediately. Although a collection letter contains information, it is not considered to be an informational message.

SOURCE: CO:031 Write persuasive messages

SOURCE: Indeed. (2024, October 23). *Letters of collection: Tips for small businesses (with downloadable templates)*. Retrieved August 14, 2025, from <https://www.indeed.com/hire/c/info/letters-of-collection>

26. D

Objective. Accountants prepare the accounting information that businesses use to make financial decisions. Therefore, it is important for accountants to uphold the ethical standards of their profession by providing accurate, objective (unbiased) financial information. A person who uses unique processes or creativity to achieve a goal is being resourceful. Accountants need to follow the GAAP to perform their jobs rather than use unique processes. An intolerant person is prejudiced. An unconventional person is often viewed as unusual or eccentric.

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

SOURCE: Park University. (2024, September 23). *Ethical considerations in accounting: Navigating the gray areas*. Retrieved August 14, 2025, from <https://www.park.edu/blog/ethical-considerations-in-accounting/>

27. C

Brainstorming. Brainstorming is a creative thinking technique involving the identification of as many different ideas as possible during a certain time frame. Brainstorming can be done by one person but is used most often in a group setting, such as business employees getting together to share ideas in order to solve problems. Businesses often encourage employees to brainstorm to generate new approaches and solutions. Role-playing involves acting out a situation. Concept mapping involves drawing a map of your ideas so that you can see how one idea relates to another. Visualizing involves picturing something in your mind.

SOURCE: PD:012 Demonstrate appropriate creativity

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

28. B

Contactless purchasing. Contactless purchasing uses credit or debit cards that are stored electronically in someone's digital wallet. It relies on radio frequency identification (RFID) or near field communication (NFC) to make secure payments. Neither money orders, electronic funds transfer (EFT), nor wire transfers use RFID or NFC technology to make payments.

SOURCE: FI:058 Explain forms of financial exchange (cash, credit, debit, electronic funds transfer, etc.)

SOURCE: Kenton, W. (2024, April 30). *Guide to payment types, with pros and cons for each*. Retrieved August 14, 2025, from <https://www.investopedia.com/terms/p/payment.asp>

29. A

Controlling and directing. Controlling is the management function that monitors the work effort. It evaluates an organization's performance and corrects problems, if necessary. Directing is the management function that provides guidance to workers and work projects so that they can help the business meet its goals. The other management functions are staffing (finding qualified employees to perform job tasks); organizing (deciding how the work required by an organization will be divided); and planning (deciding what will be done in an organization and how it will be accomplished). Supervising, producing, and analyzing are not management functions.

SOURCE: SM:001 Explain the concept of management

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

30. B

Smile when you answer the phone. Your attitude is projected over the phone. A smile or a frown can actually be heard in your voice by the person on the other end of the line. A smile indicates a positive attitude, and a frown indicates a negative attitude. Using a wide vocabulary, being informed about the business's rules, and shutting out distractions while you are talking to a caller are all helpful in providing service, but they are not ways to demonstrate a positive attitude.

SOURCE: CO:114 Handle phone calls in a businesslike manner

SOURCE: Indeed. (2025, April 7). *An essential guide to proper phone etiquette*. Retrieved August 14, 2025, from <https://www.indeed.com/career-advice/career-development/phone-etiquette>

31. B

Customer's prior purchases. A CRM system can keep records of sales history, which can help a company determine a customer's product preferences. CRM systems also store many other types of data such as a customer's contact and payment methods. A customer's name, address, or preferred payment method provides very few clues to determine their product preferences.

SOURCE: NF:014 Monitor internal records for business information

SOURCE: Russell, K. (2024, April). *Importance of record keeping in organizational customer service*. Retrieved August 14, 2025, from <https://www.skillmaker.education/importance-of-record-keeping-in-organisational-customer-service/>

32. A

Task. Allen is only working at the counter. Because he works at the counter all the time and does not trade shifts with the new worker, he is not specializing by time or day. Seniority in this case has little to do with specialization because Allen's specific task was decided by the employer.

SOURCE: EC:014 Analyze impact of specialization/division of labor on productivity

SOURCE: LAP-EC-914—Divide and Conquer (Specialization and Division of Labor)

33. B

Lets you know how you are doing. Feedback on the job lets you know whether you are exceeding, meeting, or falling short of the business's expectations. It lets you know whether you should continue as you are or change. Only positive feedback would raise your self-esteem or make you feel valued. Feedback is not intended to help you understand your supervisor.

SOURCE: EI:003 Explain the use of feedback for personal growth

SOURCE: LAP-EI-903—Grin and Bear It (Using Feedback for Personal Growth)

34. A

To explain new policies. One of the main functions of an informational message is to provide information to readers in such a way that they understand the message. A type of written information that businesses often provide to customers is an explanation of new policies and how those policies will affect customers. For example, if a business is changing its credit policy, it wants to inform customers about the change and let them know that the change will benefit them. Research reports are an in-depth study of a specific business problem or situation. Businesses write informational messages to inform rather than to obtain feedback. Analyzing sales proposals involves reviewing information.

SOURCE: CO:039 Write informational messages

SOURCE: Shribman, M. (2023, November 20). *A guide for mastering the art of business communication*. Retrieved August 14, 2025, from <https://www.forbes.com/councils/forbesbusinesscouncil/2023/11/20/a-guide-for-mastering-the-art-of-business-communication/>

35. C

Hazard. Hazard risks are potential events or situations that can cause injury or harm to people, property, or the environment. Most hazard risks can only cause business losses, not gains. Types of hazard risks include natural disasters, like tornadoes, earthquakes, floods, blizzards, hurricanes, and wildfires. Operational risks are the possible events and situations that can result from employee actions, core processes, and daily business activities. Strategic risks often concern the overall business environment, economic or political issues, or the company's objectives. Financial risks are possible events or situations that directly influence a company's cash flow.

SOURCE: EC:011 Determine factors affecting business risk

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

36. A

Identifying as many known risks as possible. The first task in creating a risk-management plan is identifying as many known risks as possible. After that, project managers can determine how to avoid those risks or limit their potential impact. Figuring out how team members will communicate is a task for the communications plan.

SOURCE: OP:001 Develop project plan

SOURCE: LAP-OP-001—Chart Your Course (Developing a Project Plan)

37. A

Supply. Supplies are industrial goods that are constantly being purchased and used up in the operation of a business. Materials are industrial goods that become part of the finished product after they have been processed. Equipment is industrial goods used in the operation of a business, but not used in the actual production of a good or service. Cash register tape is a tangible good rather than an intangible service.

SOURCE: EC:002 Distinguish between economic goods and services

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

38. A

Herd mentality. When people just follow others without thinking, they are demonstrating herd mentality. Status quo bias refers to a preference to maintain the status quo and the view that a change from it is a loss. Risk-taking behavior refers to risky activities one might participate in. Groupthink refers to a process that occurs when bad decisions are made by a group because the group's members fear expressing opinions or suggesting ideas that others may disagree with.

SOURCE: EI:134 Challenge the status quo

SOURCE: LAP-EI-134—Unfollow the Crowd (Challenging the Status Quo)

39. D

You convince your parents to give you and your siblings a weekly allowance. This is an example of idea selling because it involves convincing another party to go along with an idea or proposal. A teacher assigning homework, a fire department hosting a toy drive, and a university providing students with computers are not examples of idea selling because they do not involve convincing other people to buy into an idea.

SOURCE: EI:108 "Sell" ideas to others

SOURCE: LAP-EI-108—Do They Buy It? ("Selling" Ideas to Others)

40. A

Credit. Credit is the arrangement by which businesses or individuals can purchase now and pay later. Money orders are purchased at banks, post offices, or stores to be used as checks. Certificates of deposit are savings certificates. Interest is the fee lenders charge borrowers for the use of credit.

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

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

41. C

Working capital management. An organization's finance function is responsible for managing the business's working capital and making capital investment decisions for the company. Working capital is the difference between a business's current assets and current liabilities. Working capital management focuses on the company's current balance of assets and liabilities and involves the management of accounts payable and receivable, inventory, and cash. Working capital management involves decisions made for the short-term—one year or less. Capital investment decisions determine which projects the business will invest in, how the investment(s) will be financed, and whether or not to pay dividends to the company's shareholders. The business's capital structure consists of the mix of debt and equity financing used to finance investments and projects. Market risk is the risk of financial loss due to the decreased value of an investment, and market risk management involves using financial instruments to manage exposure to market risk. Capital investment decisions, the business's capital structure, and market risk management are typically long-term in nature. Talia is not responsible for capital investment decisions, the business's capital structure, or market risk management.

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

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

42. C

Committed and involved and take responsibility for quality. Executive-level managers are both committed and involved. They take responsibility for quality and do not delegate that responsibility. This is a characteristic shared by organizations with a quality culture. The alternatives remove the responsibility for quality from the executive-level manager and delegate it to others.

SOURCE: OP:019 Describe crucial elements of a quality culture

SOURCE: Hayes, A. (2024, May 29). *What is Six Sigma? Concept, steps, examples, and certification*. Retrieved August 14, 2025, from <https://www.investopedia.com/terms/s/six-sigma.asp>

43. D

By using the same hiring process for all applicants. Human resources professionals can foster fairness in the hiring process by using the same process consistently, meaning that all applications and interviews are handled in the same manner. Asking applicants to reveal their marital status, implementing racial screening, and refusing to interview candidates with certain backgrounds are all illegal business practices that do not foster fairness.

SOURCE: HR:411 Explain the role of ethics in human resources management

SOURCE: LAP-HR-411—Moral Mediators (Ethics in Human Resources Management)

44. D

Aggressive. Aggressive behavior is characterized by a willingness to ignore the rights of others and exploit them to achieve personal goals. Offensive behavior is unpleasant or displeasing. Assertive behavior is characterized by respect for personal rights as well as for the rights of others. Passive behavior is characterized by a failure to exercise personal rights and a lack of respect for personal needs.

SOURCE: EI:008 Use appropriate assertiveness

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

45. A

Cryptocurrency. Cryptocurrencies are not tied to any country so they are considered to be decentralized. Currencies that are controlled by a country are considered centralized currencies. The euro is controlled by several European countries. The U.S. dollar is the official currency of the United States. The Swiss franc is the official currency of Switzerland.

SOURCE: FI:059 Identify types of currency (paper money, coins, banknotes, government bonds, treasury notes, etc.)

SOURCE: Investopedia. (2024, September 9). *Currency: What it is, how it works, and how it relates to money*. Retrieved August 14, 2025, from <https://www.investopedia.com/terms/c/currency.asp>

46. B

Divide cash-related responsibilities among different employees. Employers generally divide up cash-related responsibilities among employees so that one employee checks the records of another. This reduces the possibility that a dishonest employee can steal by changing the cash records. Training salespeople to be familiar with prices is a technique that helps reduce price-ticket switching. Providing procedures for the personal use of office supplies will help reduce pilferage. Requiring sales staff to observe customers on the selling floor will help prevent shoplifting.

SOURCE: OP:013 Explain routine security precautions

SOURCE: David, S.B. (2024, August 6). *10 types of payroll fraud and how to prevent them*. Retrieved August 14, 2025, from <https://www.papayaglobal.com/blog/10-types-of-payroll-fraud-and-how-to-prevent-them/>

47. C

Store of value. Money serves as a store of value because it enables individuals to save or store their wealth (in the form of money) easily and compactly. Money serves as a medium of exchange when it is used to obtain goods and services. When it is used to express the value or worth of something, money serves as a unit of measure. Money can also act as an incentive. An incentive is a motivator—something that encourages individuals to behave in a particular way.

SOURCE: FI:060 Describe functions of money (medium of exchange, unit of measure, store of value)

SOURCE: Banton, C. (2024, August 20). *Market dynamics: Definition and examples*. Retrieved August 14, 2025, from <https://www.investopedia.com/terms/m/market-dynamics.asp>

48. B

Keeping your promises. Perhaps the most important thing you can do to build trust is to keep your promises. If you don't do what you say you'll do, it's difficult for others to count on you. If you promise to cover a coworker's shift, you can build trust by keeping your promise. Communicating often and openly, not sharing confidential information, and taking responsibility for your mistakes are other techniques used to build trust.

SOURCE: EI:128 Build trust in relationships

SOURCE: LAP-EI-128—Trust in Me (Building Trust in Relationships)

49. B

Building rapport. One of the most effective ways to build rapport is by mirroring—matching your communication style to that of your audience. Customers generally feel more comfortable when salespeople communicate in ways that are familiar to them. Mirroring is not dishonest or a way to trick customers—it is simply a communication strategy. Joel is not necessarily subduing his own personality in this example; rather, he is matching his communication style to that of his customers.

SOURCE: CO:084 Employ communication styles appropriate to target audience

SOURCE: Dupree, D. (2024, June 18). *How to use sales mirroring to build stronger customer relationships*. Retrieved August 14, 2025, from <https://www.salesforce.com/blog/mirroring-in-sales/>

50. C

Earned income. Since Amir is making a substantial amount of money each month, it would be considered earned income and is subject to taxes. Unearned income refers to money made from interest, rents, dividends or transfer payments. Commission is earned income made from set fees or a percentage of sales paid to an employee or contractor. Wages refer to payment exchanged for hours worked.

SOURCE: FI:061 Describe sources of income and compensation

SOURCE: Silver, C. (2024, November 19). *The ultimate guide to financial literacy for adults*. Retrieved August 14, 2025, from <https://www.investopedia.com/guide-to-financial-literacy-4800530>

51. D

Creating unlimited scenarios to depict the impact of decisions. When using budgeting applications, users can benefit by creating a variety of "what-if" scenarios in order to develop the most realistic budget. Automatic deletion of files would be a disadvantage since the prior year's budget is used in developing the future budget. An audit trail should be maintained on all data entries rather than audits occurring at random. An effective budgeting application would set limits on how much over budget an account can go and flag the overage so that steps can be taken to handle the situation.

SOURCE: FM:013 Demonstrate budgeting applications

SOURCE: Najjar, D. (2025). *10 ways to improve your budgeting & forecasting*. Retrieved August 15, 2025, from <https://www.accountingdepartment.com/blog/ten-ways-to-improve-your-budgeting-forcasting>

52. C

Pinpoint exactly what you want to know. To create a successful multi-table query, the first step is figuring out exactly what question you want the database to answer. If you aren't exactly sure what you want to know, the database cannot provide you with the information you need. Determining the criteria for the query, locating the correct tables, and setting the correct join direction are all important steps to take before creating the query, but none of them will be successful unless the exact question has been determined first.

SOURCE: NF:124 Demonstrate advanced database applications

SOURCE: Custom Guide. (2025). *Create a multiple table query*. Retrieved August 15, 2025, from <https://www.customguide.com/access/create-a-multiple-table-query>

53. D

Operational. Enterprise risk management (ERM) is an organization-wide strategy to identify, assess, and prepare for potential dangers and hazards that may harm or interfere with an organization's finances, operations, and objectives. ERM addresses several types of risk, including operational, security, strategic, legal, financial, and compliance risk. This scenario is an example of operational risk, which threatens the day-to-day activities required for a company to operate. Security risk threatens a company's physical or digital assets, such as inadequate controls over sensitive customer information stored on network servers. Strategic risk threatens a company's long-term plan. Legal risk threatens a company if it faces a lawsuit or penalty of any sort.

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 19, 2025, from <https://www.investopedia.com/terms/e/enterprise-risk-management.asp>

54. D

Luxury. Governments increase their revenues by charging taxes on nonessential, often very expensive goods and services, such as high-end automobiles, rare collectibles, and jewelry. This type of tax is called a luxury tax. An individual who receives a certain amount of money as a gift may be required to pay a gift tax. Property taxes are paid on buildings (e.g., homes) and land. A person who inherits some or all of a deceased person's assets pays an estate tax, which is based on the net value of the assets or estate.

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

SOURCE: Kagan, J. (2024, August 7). *What is a luxury tax? Definition, how it works, and example*. Retrieved August 19, 2025, from https://www.investopedia.com/terms/l/luxury_tax.asp

55. D

It identifies patterns and trends in a company. Introducing compliance technology into a business has several positive impacts. This includes identifying patterns and trends in a company, which can lead to a more competent risk assessment. Compliance technology cannot and should not replace living specialists in a company. For example, a computer can analyze information and draw conclusions from it, but it is up to the specialist to determine what to do with these conclusions. Compliance technology will improve a company's overall efficiency, not reduce it. Compliance technology increases the protection of a company's private data and information and decreases the likelihood of a data breach.

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

SOURCE: Cial. (2025, January 15). *How technology is impacting the future of compliance*. Retrieved August 19, 2025, from <https://en.cialdnb.com/blog/future-of-compliance>

56. C

Board of directors. A corporation's board of directors is responsible for approving and reviewing the corporate governance policies of the business. These corporate governance policies specify the guidelines and rules by which a corporation is directed and run. The boards of elections are local organizations that help run local elections. The board of accountancy regulates accounting practices. A board of managers runs day-to-day operations in a business and would typically not be involved in creating and reviewing corporate governance policies.

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 19, 2025, from <https://www.investopedia.com/terms/c/corporategovernance.asp>

57. A

The first price at which the stock was sold on a given day. A stock table provides valuable information to investors. In the "open" column of a stock table, you can see the first price at which a certain stock was sold on a certain day when the markets open. The lowest price at which a stock was sold this year can be found in the "52-week low" column. The number of shares traded in a given day can be found in the "volume" column. The relationship between the price of a stock and company earnings can be found in the "P/E ratio" column.

SOURCE: FI:275 Interpret securities table

SOURCE: Seth, S. (2024, November 22). *Technical analysis for stocks: Beginner's overview*. Retrieved August 19, 2025, from <https://www.investopedia.com/articles/active-trading/102914/technical-analysis-strategies-beginners.asp>

58. B

Pump and dump. Pump and dump is an investment scam that takes place mostly online. It typically involves scammers who buy a small stock and then hype it up to other investors, causing its price to rise. The scammers sell when the price is high, leaving the victims to deal with the rapid price decline afterwards. A pyramid scheme is an illegal form of multi-level marketing in which emphasis is placed on collecting initial fees from as many people as possible. A Ponzi scheme is an investment scam that lures in new investors by promising high rates of return with little to no risk. Phishing is an online identity-theft scam that fools its victims into believing they are submitting sensitive, personal information (such as credit card numbers or bank passwords) to a legitimate website.

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

SOURCE: U.S. Securities and Exchange Commission. (n.d.). *Pump and dump schemes*. Retrieved August 19, 2025, from <https://www.investor.gov/protect-your-investments/fraud/types-fraud/pump-dump-schemes>

59. B

Lessens inefficiencies and identifies problem areas. Six Sigma's primary focuses are to reduce variation, lessen defects, and improve quality. When applied to financial information, some of the potential outcomes (or benefits) of using Six Sigma are that it reduces errors and inefficiencies, identifies problem areas, decreases costs, increases customer satisfaction, improves the quality of work, and even helps determine financial positioning. A decline in the quality of work, lowered customer satisfaction, and increased costs are not the targeted outcomes of using Six Sigma in finance.

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

SOURCE: Kenton, W. (2025, April 17). *Lean Six Sigma: Definition, principles, and benefits*. Retrieved August 19, 2025, from <https://www.investopedia.com/terms/l/lean-six-sigma.asp>

60. B

Fully integrated financial services provider. There are several different types of financial firms that offer integrated financial services. A fully integrated financial services provider offers multiple types of financial products (e.g., loans, insurance, trust services) using one pool of capital. A universal bank is a corporate entity that offers banking products directly to customers but also sells other financial products, especially insurance, through subsidiaries. Each subsidiary has its own pool of capital. A financial holding company, also known as a parent company, owns most or all of the shares of individually incorporated subsidiaries that engage in different types of financial activities. Like subsidiaries of a universal bank, each subsidiary of a financial holding company has its own pool of capital. Universal bank and trust corporations and consolidated cross-product parent companies are fictitious terms.

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

SOURCE: Horton, M. (2023, September 19). *Different types of financial institutions*. Retrieved August 19, 2025, from <https://www.investopedia.com/ask/answers/061615/what-are-major-categories-financial-institutions-and-what-are-their-primary-roles.asp>

61. A

Data filtering. Data filtering is the process of selecting a smaller part of a data set and using that subset for examination or analysis. Because the researchers wanted to analyze the data of students that use Discover credit cards, they used data filtering. Data normalization is the organization of data to appear similar across all records and fields, and it increases the cohesion of said data. A data element is the fundamental data structure in a data processing system. A data script is a language used to describe and influence binary data formats as types.

SOURCE: NF:124 Demonstrate advanced database applications

SOURCE: Indeed. (2025, July 26). *What is data filtering? (Plus benefits and example)*. Retrieved August 19, 2025, from <https://www.indeed.com/career-advice/career-development/what-is-data-filtering>

62. C

Sales opportunities. A customer relationship management system is software that provides businesses with information about their customers and potential customers. CRM systems are used to store information such as sales opportunities so that employees can turn these opportunities into buying customers. CRM systems do not typically include job applications, product inventory, or budget spreadsheets because these aspects of the business are not related to customers.

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

SOURCE: CRM. (2025). *What is CRM (customer relationship management)?* Retrieved August 19, 2025, from <https://www.salesforce.com/crm/what-is-crm/>

63. B

Financial analysis. Technology such as spreadsheets, databases, and other software applications have made it easier for companies to perform financial analysis. Companies use these technologies to analyze their financial performance, create budgets, predict future incomes and expenses, and review their overall financial health. Companies do not generally use these technologies for employee recognition, staff communication, or public relations.

SOURCE: FM:014 Demonstrate financial analysis applications

SOURCE: Liberto, D. (2025, May 13). *Financial analysis: Definition, importance, types, and examples*. Retrieved August 19, 2025, from <https://www.investopedia.com/terms/f/financial-analysis.asp>

64. C

Board of directors. The board of directors guides the organization during the decision-making process so that the organization continues to accomplish its mission in an efficient and ethical way. It would not be appropriate for the C-Suite, an organization's employees, or the public to act as an organization's conscience during decision-making.

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

SOURCE: Chen, J. (2024, September 12). *Corporate governance: Definition, principles, models, and examples*. Retrieved August 19, 2025, from <https://www.investopedia.com/terms/c/corporategovernance.asp>

65. C

Performing backup procedures on a regular basis. Backing up the computer system and storing the backup information off-site can reduce financial losses due to uncontrollable circumstances such as electrical outages or fire. Businesses that do not perform backup procedures on a regular basis may lose the data for good or take a lot of time and money to replace if a disaster harms its computer systems. Computer systems help make businesses operate more efficiently than manual systems do. Different types of intrusion detection systems (e.g., firewalls) are designed to protect the business's computer systems from unauthorized access. Passwords and encryption are additional techniques used to secure access to computer information.

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

SOURCE: Solarwinds. (2025). *What is IT risk management?* Retrieved August 19, 2025, from <https://www.solarwinds.com/resources/it-glossary/it-risk-management>

66. C

Mergers and acquisitions. Mergers and acquisitions commonly handicap large corporations' financial-information management systems because of disparate data structures. Even though two companies may become one as a result of a merger or acquisition, the two companies' historical financial data may be incompatible or housed in different data structures, making a merge of the data difficult. Channels of distribution, the company's capital structure, and the accounting method that the company uses do not commonly cause disparate data structures within financial-information management systems.

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

SOURCE: Kenton, W. (2025, May 31). *What is risk management in finance, and why is it important?* Retrieved August 19, 2025, from <https://www.investopedia.com/terms/r/riskmanagement.asp>

67. A

Involving employees in the achievement of organizational objectives. A company's employees play a large role in achieving organizational goals. Without the effort and commitment of employees, organizational goals are unlikely to be met. This example demonstrates the benefits of involving employees in the achievement of organizational objectives. By involving and incentivizing the shop's employees, the pizzeria was able to exceed its goals. This example does not demonstrate leaving low-level employees out of management decisions or overworking employees without compensating them. It's important to set goals that are attainable and realistic, but this example best demonstrates the benefits of involving employees in the achievement of company goals.

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

SOURCE: Forbes. (2025, January 13). *How to align employee goals and company strategy: 18 leadership tips.* Retrieved August 19, 2025, from <https://www.forbes.com/councils/forbescoachescouncil/2025/01/13/how-to-align-employee-goals-and-company-strategy-18-leadership-tips/>

68. D

The inflation rate changes over time. Inflation is an external, macroeconomic phenomenon that can have a major impact on companies and the economy as a whole. Inflation can pose risks to businesses by altering the habits of consumers and devaluing the business's liquid assets. An injured employee, an inaccurate inventory count, and budget delays are all examples of internal risks to a business.

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

SOURCE: Beers, B. (2022, November 28). *How companies can reduce internal and external business risk.* Retrieved August 19, 2025, from <https://www.investopedia.com/ask/answers/050115/how-can-companies-reduce-internal-and-external-business-risk.asp>

69. C

Springdale addresses and purchases over \$100,000. When running a query in a database, you must apply criteria so the database knows which entries to retrieve. These criteria should align with the questions that the query is meant to answer. Because the furniture retailer is interested in high-volume customers in Springdale, the criteria should match up with that. Springdale addresses and purchases over \$100,000 will pull up the information that the retailer needs to know. Purchase dates in the last year, email address entered, and number of purchases over 10 will not provide the information that the retailer is seeking.

SOURCE: NF:124 Demonstrate advanced database applications

SOURCE: GCF Global. (n.d.). *Designing a multi-table query*. Retrieved August 19, 2025, from <https://edu.gcfglobal.org/en/access/designing-a-multitable-query/1/>

70. B

Normalization. Data normalization is the process of reorganizing and restructuring a database to reduce data redundancy and improve data integrity. Normalization seeks to get rid of nonconforming data and improve the usability of the database. This process is not referred to as data recovery, elimination, or clarification.

SOURCE: NF:124 Demonstrate advanced database applications

SOURCE: Geeks For Geeks. (2025, July 23). *What is data normalization and why is it important?* Retrieved August 19, 2025, from <https://www.geeksforgeeks.org/dbms/what-is-data-normalization-and-why-is-it-important/>

71. D

Government regulations. External mechanisms are controls that come from outside of the organization. An example is government regulations that are imposed upon a company. Internal mechanisms come from within an organization. A board of directors' policies, a company's business objectives, and a company's code of conduct are all internal mechanisms of control.

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 19, 2025, from <https://www.investopedia.com/terms/c/corporategovernance.asp>

72. D

Firewall software. Firewalls are computer programs that secure and protect computer networks from unauthorized users. Spyware is a type of software that gathers information about a user's computer activity (e.g., browsing history) without their knowledge. Debugger applications help identify and correct computer-programming errors. Compression software reduces the size of an electronic file, which reduces storage space and increases the speed of transmission.

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

SOURCE: NordLayer. (2025). *What is a software firewall?* Retrieved August 19, 2025, from <https://nordlayer.com/learn/firewall/software/>

73. D

Capital losses. An investor's capital gains are their earnings from the appreciation of investments. Most federal governments collect taxes from investors on these capital gains. One way to reduce an investor's capital gains tax burden is to subtract their capital losses (money that they have lost from the depreciation of investments) from the capital gains. They would only pay taxes on the difference, if it is positive. If their capital losses are greater than the capital gains, then they wouldn't pay any capital gains tax at all. Long-term, rather than short-term, investments help investors reduce their capital gains tax burden, especially in the United States where long-term capital gains are taxed at a lower rate than short-term capital gains. Puttable bonds and value stocks typically have no impact on an investor's capital gains taxes.

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

SOURCE: Tax Foundation. (2025). *Capital gains tax*. Retrieved August 19, 2025, from <https://taxfoundation.org/taxedu/glossary/capital-gains-tax/>

74. C

Vertical. A vertical analysis is a financial analysis technique that reviews line items (such as those found on an income statement) as a proportion of revenue. In other words, analysis occurs by looking up and down (vertically) a financial document. A horizontal analysis is a financial analysis technique that looks at the year-over-year (YoY) change in each line item—looking left and right (horizontally) to conduct analyses. A SWOT analysis is a marketing tool that investigates a business's strengths, weaknesses, opportunities, and threats. A break-even analysis is the process of determining the level at which revenues equal total costs.

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

SOURCE: Vipond, T. (2015-2025). *Analyzing financial statements: Key metrics and methods*. Retrieved August 19, 2025, from <https://corporatefinanceinstitute.com/resources/accounting/analysis-of-financial-statements/>

75. A

Audits and damaged reputation. Noncompliance refers to when a business or organization fails to fulfill its compliance requirements and responsibilities. There are several consequences a business may face for noncompliance, including audits, damaged reputation, financial penalties, suspension or termination of the business, and even imprisonment. A company that is guilty of noncompliance is susceptible to audits, which will draw closer inspection of a business's processes and financials. In addition, noncompliance can hurt customer and investor confidence and can make lenders wary of providing financing to the business, all of which can hurt the business's reputation. Rule violation prevention, protection from lawsuits, and improved communication are benefits of compliance in the finance industry.

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

SOURCE: Paychex. (2025, August 18). *Consequences and financial penalties: The hidden cost of non-compliance for your business*. Retrieved August 19, 2025, from <https://www.paychex.com/articles/human-resources/non-compliance-protecting-your-business>

76. B

By comparing employee phone numbers and addresses to vendor information for payables. A conflict of interest is a situation in which it is impossible to be truly impartial. It would prevent someone from performing their duties and responsibilities objectively. To spot probable conflicts of interest, businesses can use their financial analysis applications to cross check employee data with those of vendors. The other examples can be used to analyze financial data for other purposes.

SOURCE: FM:014 Demonstrate financial analysis applications

SOURCE: Segal, T. (2025, April 22). *What is a conflict of interest?* Retrieved August 19, 2025, from <https://www.investopedia.com/terms/c/conflict-of-interest.asp>

77. C

A member of the board of directors is charged with fraud. An organization's board of directors is designed to hold the company accountable for its actions and steer the organization clear of ethical pitfalls. If a member of a company's board of directors is charged with fraud or another crime, the company would most likely take immediate action to replace that member. A major flood, the firing of an entry-level employee, or an unexpected grant from the government would not influence a company's corporate governance structure.

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 19, 2025, from <https://www.investopedia.com/terms/c/corporategovernance.asp>

78. A

Implement a referral system. A referral is a recommendation given to an individual or business by another individual or business. For example, satisfied clients may refer their friends, family, or colleagues to their financial planners for financial advice. This is one way that businesspeople working in the finance industry can build professional relationships. A financial planner may implement a referral system or program to encourage clients or associates to provide referrals. A referral system might involve giving a free consultation or discount to a client who has provided the financial planner with a lucrative referral. Reading about industry trends and printing new business cards are not actions that build professional relationships. The finance professional must take action on the trends they have researched and distribute the business cards to others to begin building professional relationships. Because financial information is personal and confidential, people are usually selective with whom they share their information.

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

SOURCE: Referral Hero. (2023, January 13). *Referral systems: Everything you need to know*. Retrieved August 19, 2025, from <https://referralhero.com/blog/referral-systems>

79. B

Balance sheet. The balance sheet gives a summary of a company's financial health at a specific point in time. It contains two major sections: a listing of the company's assets and a listing of its liabilities. The liabilities section also indicates the shareholders' equity, which is the value of all the outstanding stock owned by shareholders. Shareholders' equity is determined by subtracting the liabilities from the assets. The income statement, also known as the profit-and-loss statement, shows a company's profitability over a specific period of time. The cash flow statement tracks the money that comes into and flows out of a company. An annual report is not a type of financial statement, but it does contain financial statements, along with a good deal of other information about the company.

SOURCE: FI:274 Describe sources of securities information

SOURCE: Fernando, J. (2025, June 7). *Balance sheet: Explanation, components, and examples*. Retrieved August 19, 2025, from <https://www.investopedia.com/terms/b/balancesheet.asp>

80. B

Separation of duties. Internal controls are accounting and auditing processes used by a company to ensure proper financial reporting, prevent fraud, and make sure the company is complying with laws and regulations. Separation of duties is a common internal control a company may use, as it ensures no single individual is in charge of authorizing and recording a financial transaction. Union contracts, government regulations, and industry standards are examples of external controls—any influence from outside a company that impacts how it operates.

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

SOURCE: Kenton, W. (2025, August 2). *Understanding internal controls: Essentials and their importance*. Retrieved August 19, 2025, from <https://www.investopedia.com/terms/i/internalcontrols.asp>

81. A

Acid-test. An acid-test ratio determines whether a company has substantial short-term assets to cover its immediate liabilities without selling inventory. It does so by measuring the company's ability to meet its short-term obligations with its most liquid assets. The ratio therefore excludes inventories from its current assets, as inventory may not be converted to cash quickly. A current ratio measures a company's ability to meet current liabilities out of current assets. A cash ratio removes many current assets when considering a business's ability to meet its short-term goals, as it only looks at assets that are already liquid. A days sales outstanding ratio refers to the average number of days it takes a company to collect payment after making a sale.

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

SOURCE: Hayes, A. (2025, April 8). *Understanding liquidity ratios: Types and their importance*. Retrieved August 19, 2025, from <https://www.investopedia.com/terms/l/liquidityratios.asp>

82. A

To provide appropriate financial guidance. Financial planners are responsible for helping their clients achieve their financial goals by providing sound advice and suggesting appropriate financial products—such as investments, insurance, saving and budgeting, etc. Although financial planning involves using financial tools to grow the client's wealth, the financial planner cannot guarantee that the client's investment will double in value or that the client will generate enough investment income to retire at a certain age. A financial planner will work to minimize a client's tax obligation rather than maximize it.

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

SOURCE: Gratton, P. (2025, February 25). *What does a financial advisor do?* Retrieved August 19, 2025, from <https://www.investopedia.com/articles/personal-finance/050815/what-do-financial-advisers-do.asp>

83. A

Personal finance. Personal finance is centered around meeting personal financial goals and involves managing money, saving, and investing. As an industry, it provides financial services to individuals or households and offers suggestions for financial and investment opportunities. Financial position, adequate position, tax planning, investment and accumulation goals, retirement planning, and estate planning all fall under personal finance. The other two main finance career areas are corporate finance and public finance. Corporate finance refers to providing funds for a business's activities, as corporate finance managers typically balance risk and profitability, study and forecast economic trends, manage funds, and work to maximize stock value, among other things. Public finance (or government finance) centers around the financial dealings of states and public entities and focuses on the role of the government in the economy.

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

SOURCE: Ita, D. (2025, May 13). *Popular careers in the financial sector*. Retrieved August 19, 2025, from <https://www.investopedia.com/articles/financial-careers/08/financial-career-options-professionals.asp>

84. C

Interest rate. The future value of money is calculated by the equation $FV = PV \times (1 + i)^n$ where "FV" is future value, "PV" is present value, "i" is the interest rate, and "n" is the period of time. The bottom line is the net income of a business or the net result of a project or event. Utility and wage are business terms that are not relevant to the calculation of the time value of money.

SOURCE: FI:238 Calculate the time value of money

SOURCE: Fernando, J. (2025, June 15). *Time value of money: What it is and how it works*. Retrieved August 19, 2025, from <https://www.investopedia.com/terms/t/timevalueofmoney.asp>

85. A

Insider trading. Insider trading occurs when a company's owners, directors, or key management trade its stock. Insider trading is illegal when those individuals make trades based on information that has not been disclosed to the public. Corporate fraud involves deception purposely carried out so that a company can secure an unfair or unlawful gain. Corporate espionage involves spying on a competitor or theft of a competitor's proprietary information. Extortion involves using force to obtain another person's or company's property or money.

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

SOURCE: U.S. Securities and Exchange Commission. (n.d.). *Insider trading*. Retrieved August 19, 2025, from <https://www.investor.gov/introduction-investing/investing-basics/glossary/insider-trading>

86. B

Does not currently pay dividends. The dividend per share indicates the annual dividend payment per share, and a blank indicates the company does not currently pay out dividends. A negative dividend would suggest that shareholders pay dividends to the company, which typically does not occur. The number of trades that have occurred in the last 24 hours is the trading volume listed on a securities table. Net change refers to the dollar value change in a stock price from previous day's closing price and is represented as a positive or negative value in the net change column on a securities table.

SOURCE: FI:275 Interpret securities table

SOURCE: Chen, J. (2024, August 5). *Dividend per share (DPS) definition and formula*. Retrieved August 19, 2025, from <https://www.investopedia.com/terms/d/dividend-per-share.asp>

87. C

Treating the person to a round of golf. Something as simple as four hours of golf gives you the opportunity to get to know a vendor better. It gives you an opportunity to learn the person's interests and to talk business in a casual environment. Giving the vendor an expensive gift might be construed as a bribe. Although having salespeople talk to the vendor is helpful, it doesn't foster a professional relationship with you. Offering jobs to people on the vendor's staff would create conflict rather than helping to build a positive, professional relationship.

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

SOURCE: Indeed. (2025, July 24). *12 ways to build positive business relationships*. Retrieved August 19, 2025, from <https://www.indeed.com/career-advice/career-development/business-relationship>

88. C

Providing products and services customers want. Customer relationship management (CRM) refers to the strategies, processes, technology, and people a business uses to build, maintain, and maximize the long-term value of customer relationships. A strong CRM strategy uses several pieces of information about customers and market trends to help the company better market and sell their products and services while meeting customers' needs. An effective CRM strategy can increase a business's revenues because CRM helps businesses identify customers' needs, thus making it easier to provide products and services that are exactly what customers want. CRM strategies can help businesses retain their existing customers and discover new ones, not prioritize one group over the other. CRM can help businesses increase revenues by helping its sales staff close deals faster, not slower.

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

SOURCE: CRM. (2025). *What is CRM (customer relationship management)?* Retrieved August 19, 2025, from <https://www.salesforce.com/crm/what-is-crm/>

89. D

Stewardship. Financial stewardship involves ensuring that a company's financial resources are allocated appropriately and ethically to fulfill the company's mission. In this situation, the Sun Valley Granola Company failed to engage in financial stewardship because it spent more money promoting its products than ensuring that its products were high-quality. There is not enough information given in this example to determine whether the company neglected to plan, budget, or set policies.

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

SOURCE: Kingswood Learn. (2025). *Definition and significance of financial stewardship*. Retrieved August 19, 2025, from <https://www.kingswoodlearn.com/mod/page/view.php?id=268>

90. D

Form 8-K. Publicly traded companies are required to provide information about their finances to the Securities and Exchange Commission (SEC) every quarter. For the first three quarters of the fiscal year, publicly traded companies file 10-Q reports that focus on the company's financial situation for that period of time. At the end of the fourth quarter of each fiscal year, each company is required to file a Form 10-K, which is similar to an annual report. It includes detailed information about the company, its competitors, risks it faces, legal proceedings that the company is involved in, and audited financial statements. In addition to these standard, routine documents, a company is also required to file a Form 8-K, also known as a current report if a significant, nonrecurring event occurs before a 10-Q or 10-K is due. Events might include changes in key management, introduction of a new product, legal actions, or the acquisition of another company. Form 4 tells you when insiders are buying or selling the company's stock.

SOURCE: FI:274 Describe sources of securities information

SOURCE: Kenton, W. (2024, August 18). *SEC form 8-K: Definition, what it tells you, filing requirements*. Retrieved August 19, 2025, from <https://www.investopedia.com/terms/1/8-k.asp>

91. C

Electricity. Indirect costs are those that are not associated with one particular business activity and cannot easily be assigned to specific cost objects. Because electricity is used for many purposes in a car manufacturing facility, it is considered an indirect cost. Glass is not an indirect cost because it goes toward specific products. Shipping costs, too, can be easily allocated to a particular product or business activity. Because the workers on an assembly line are contributing their efforts toward a particular product, their salaries can also be considered direct costs. Some employees' salaries are considered indirect, depending on the nature of their jobs.

SOURCE: FI:663 Discuss the nature of cost allocation

SOURCE: Kenton, W. (2025, August 11). *Direct costs explained: Definitions, examples, & types (guide)*. Retrieved August 19, 2025, from <https://www.investopedia.com/terms/d/directcost.asp>

92. D

Focus on proving the accuracy of financial statements. An external audit looks at the accuracy of a company's financial statements as well as any other practices that could confirm the truthfulness of budget statements. Internal audits focus on a specific area of a company, measure current performance, and look for areas of improvement. Internal audits are conducted by someone within the company on the company's behalf, while external audits are usually conducted by a third party.

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

SOURCE: PWC. (2023, February 27). *Understanding audit types: Key differences between external and internal audits*. Retrieved August 19, 2025, from <https://jobs-au.pwc.com/au/en/three-differences-between-external-audit-and-internal-audit-grad>

93. A

Investment bank. Investment banks locate outside sources of money for firms. In most cases, investment banks help these businesses to raise funds by issuing securities in the form of stocks or bonds. An investment company pools investors' funds and invests those funds based on the needs of the investors. Investment companies are also often referred to as "mutual funds." Like mutual funds, pension funds pool investors' contributions. However, investors in a particular pension fund are typically employed by one employer. A securities exchange creates investment opportunities for investors and access to funds for businesses. Investment banks help businesses to issue and sell their securities on a securities exchange.

SOURCE: FI:336 Describe the role of financial institutions

SOURCE: Hargrave, M. (2025, August 6). *Investment bank: What is it, how it works, major examples*. Retrieved August 19, 2025, from <https://www.investopedia.com/terms/i/investmentbank.asp>

94. D

What are the client's expectations? To provide the level of service that their clients desire, finance professionals need to understand and know the level of service and communication that their clients expect. To build long-term client relationships, finance professionals should participate in ongoing communication with clients, which includes following up with clients to answer questions and resolve problems. Answering questions about personal career goals and personal financial returns are not directly related to providing the appropriate levels of service to clients.

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

SOURCE: Jarrell, M. (2024, May 16). *10 questions all financial advisors should ask*. Retrieved August 19, 2025, from <https://www.investopedia.com/articles/financial-advisors/080415/7-questions-all-financial-advisors-need-ask.asp>

95. A

Contract. A contract is an agreement between two or more parties stating that one party is to do something in return for something provided by the other party. By putting the terms of an agreement or business arrangement in a written contract that both parties sign, the business reduces the risk of misunderstanding about what is expected and what will be provided. When agreements are not documented and a problem occurs, legal action may be required, which can be costly to the business. An invoice is a bill. A premium is a fee for an insurance policy. A warrant is a legal document issued by authorities that requires an individual or business to take a certain action.

SOURCE: RM:043 Discuss legal considerations affecting risk management

SOURCE: Buckner, S. (2024, May 24). *Common business contracts*. Retrieved August 19, 2025, from <https://www.findlaw.com/smallbusiness/business-contracts-forms/common-business-contracts.html>

96. D

Group affinity. Group affinity fraud typically involves a scammer who either claims or actually is a member of the investor's group. In this case, the man is a member of the same health club and attends the same church as Alice. Because the scammer is a member of the same group, investors may falsely believe they can trust the scammer, especially if the scammer has lured in a few well-respected group members (like the minister or the gym manager) to buy into the scam early on. Natural resource investing fraud occurs when a scammer convinces investors to put money in fraudulent energy investments. Investors are tempted by the scammer's promise of a fast, easy return. Private placement offering fraud involves convincing investors to buy nonexistent stock from businesses. Life settlement fraud occurs when a scammer purchases a large life insurance policy from the insured for an unreasonably small amount of money. This usually occurs when the insured person needs money to pay necessities such as medicine and medical care before death.

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

SOURCE: U.S. Securities and Exchange Commission. (2025). *Affinity fraud*. Retrieved August 19, 2025, from <https://www.investor.gov/protect-your-investments/fraud/types-fraud/affinity-fraud>

97. D

Tax increases. Businesses cannot control when and by how much a government may increase taxes, which are uninsurable. A business's inventory is insurable. Liability insurance can be purchased to transfer the business's risks related to the potential injuries of its employees and customers. Natural disasters such as fire, tornados, and earthquakes are insurable risks.

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

SOURCE: Kagan, J. (2021, October 26). *Uninsurable risk: Definition and examples*. Retrieved August 19, 2025, from <https://www.investopedia.com/terms/u/uninsurable-risk.asp>

98. B

They rely heavily on management estimates and inputs. Enterprise risk management (ERM) is an organization-wide strategy to identify, assess, and prepare for potential dangers and hazards that may harm or interfere with an organization's finances, operations, and objectives. A disadvantage of ERM is that it relies heavily on management estimates and inputs, which sometimes can be very difficult to accurately predict. ERM identifies risk that a company has been exposed to in the past, and is thus limited in identifying future risk that a company is not yet aware of. ERM benefits a business because it leads to less unexpected risks and greater employee satisfaction, while reducing or even eliminating redundant processes.

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 19, 2025, from <https://www.investopedia.com/terms/e/enterprise-risk-management.asp>

99. B

Received referrals from an existing client. When clients such as Trevor are happy with a financial planner's services, they are likely to recommend or refer the financial professional to their friends, family, and colleagues. Trevor could also give Catya the contact information of his friends and colleagues so that she can follow up with them. The benefit to Catya is that she increases her client base and earning potential. There isn't enough information provided to determine if Trevor used social media to communicate with his friends and colleagues about Catya, if Catya earned a sizeable commission from Trevor's investments, or if Catya obtained recognition from her colleagues.

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

SOURCE: Anthony, C. (2024, May 9). *5 traits of successful financial advisors*. Retrieved August 19, 2025, from <https://www.investopedia.com/articles/fa-profession/092416/5-traits-successful-financial-advisors-have.asp>

100. D

Secondary market. The secondary market is where investors are able to trade securities after companies have sold their offerings on the primary market. The secondary market is often called the "stock market" and includes the London Stock Exchange, New York Stock Exchange, and Nasdaq. Primary markets are where companies sell securities to the public for the first time. A virtual market is where products are purchased and sold electronically, with no physical interaction between buyer and seller. Tertiary market can refer to a smaller market.

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

SOURCE: Beers, B. (2025, April 25). *Primary market vs. secondary market: What's the difference?* Retrieved August 19, 2025, from <https://www.investopedia.com/investing/primary-and-secondary-markets/>