COLLEGIATE DECA

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SAMPLE EXAM

FINANCE CAREER CLUSTER

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

CORPORATE FINANCE

FINANCIAL ACCOUNTING

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

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1. Carly is inventive, imaginative, and innovative. In other words, she can develop something original, see something that's “not there,” and make changes or improvements to old ways of doing things. Carly could best be described as

   A. creative.

   B. a rule-follower.

   C. independent.

   D. a troublemaker.

2. Melanie is a freelance accountant. She makes sure to avoid working with any companies with whom she has a personal connection. Melanie is being ethical by

   A. partnering with like-minded organizations.

   B. conducting a performance review.

   C. prioritizing short-term goals.

   D. avoiding a potential conflict of interest.

3. Trevor is a small-business owner who usually purchases his janitorial supplies from the store that is located across the street from his office. What is Trevor's buying behavior most likely based on?

   A. Convenience

   B. Brand insistence

   C. Product dependability

   D. Price

4. Which of the following is an example of evaluating project success:

   A. Reading customer reviews of a new product

   B. Scheduling daily, weekly, and monthly activities

   C. Asking team members how they are handling their workloads

   D. Figuring out how much money you'll need to spend on supplies

5. For an investment to yield positive results at the end of the investment period, the earnings should

   A. be documented appropriately.

   B. exceed the rate of inflation.

   C. be accrued on a debt security.

   D. grow by at least 10%.

6. Lately, Marilee has noticed that Adam has had decreased enthusiasm for his job. As a manager, Marilee may be able to motivate Adam by

   A. assigning his responsibilities to others.

   B. advising him to change his attitude.

   C. giving him a new project to work on.

   D. asking a coworker to praise him for his efforts.

7. Buying drinks from the local coffee shop is a variable expense because

   A. it is not a necessary expense.

   B. the amount spent varies from month to month.

   C. it is less costly than most other expenses.

   D. it is the easiest expense to cut from a budget.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

81. Which of the following is a reason to conduct a feasibility study:
A. Ordering office supplies
B. Hiring a new employee
C. Merging multiple businesses
D. Scheduling a meeting

82. Phil maintains a listing of the serial numbers and model numbers for every computer that his business owns. These data are considered __________ records.
    A. legal
    B. financial
    C. asset
    D. payroll

83. Since Alana's company will build an additional facility next year, she should write a business plan to
    A. place a value on the business.
    B. obtain a specific contract or agreement.
    C. assess a new product or promotion.
    D. prepare for an expansion.

84. Workers who feel they are treated fairly by the businesses for which they work usually
    A. are very productive.
    B. change jobs frequently.
    C. have morale problems.
    D. file discrimination suits.

85. Which of the following is an advantage of a sole proprietorship as a form of business ownership:
    A. Profits must be shared
    B. Unlimited liability
    C. Easy to start
    D. Limited liability

86. A business's management trainees have been given a written description of a customer-relations problem and asked to recommend solutions. What training method is this business using?
    A. Behavior modeling
    B. Case studies
    C. Role playing
    D. Assessment center

87. People who are praised for their efforts are more likely to
    A. lose their motivation.
    B. demand salary raises.
    C. become lazy on the job.
    D. continue working hard.

88. Jorge is sharing a humorous story with his audience members, who are looking at him and laughing. Jorge can assume that the audience is
    A. inspired.
    B. engaged.
    C. informed.
    D. persuaded.

89. Discouragement of time theft is one reason a company may
    A. monitor employee technology.
    B. hire an inventory manager.
    C. purchase lower quality materials.
    D. cut corners on safety precautions.

90. Which of the following is a barrier that affects economies of scale:
    A. Accounting practices
    B. Fewer competitors
    C. Input price increases
    D. Output pricing strategies

91. When analyzing a company's financial statements, using horizontal analysis is important because it
    A. differentiates financial ratios from other companies and industry standards.
    B. compares items on one financial statement in relation to each other.
    C. detects growth trends and patterns across different time periods.
    D. compares line-item data to reveal insights about profitability.

92. Which of the following is a common outcome of poor financial-information management in a finance department:
    A. Employees are able to increase their efficiency.
    B. Employees cannot understand financial statements.
    C. Employees receive information before it's needed in the department.
    D. Employees cannot correctly assess trends.

93. Which of the following is a true statement regarding the relationship between risk and business objectives:
    A. Risks help businesses determine objectives.
    B. Objectives should never be modified because of risk.
    C. The more objectives a business has, the less risk it faces.
    D. Effective business objectives are not risky.

94. How does analysis of standard costs differ from analysis of a budget?
    A. A budget analysis provides an overview, while a standard cost analysis shows the details of variances.
    B. A budget analysis is conducted by all staff involved in setting the budget, while a standard cost analysis is conducted by a departmental manager.
    C. A budget analysis deals with quality and quantity considerations, while a standard cost analysis deals with quantity considerations.
    D. A budget analysis shows forecasted amounts, while a standard cost analysis shows actual costs.

95. Which of the following statements about internal control mechanisms in corporate governance is true:
    A. They have objectives such as debt management and legal compliance.
    B. They can be imposed on organizations in the form of union contracts.
    C. They are controlled by those outside an organization.
    D. They monitor an organization's progress and activities.

96. In which of the following situations would a firm use cost-analysis applications:
    A. To predict sales volume for a certain period of time
    B. To assess income changes over a certain period of time
    C. To determine the number of delinquent accounts
    D. To evaluate the amount of money associated with inventory storage

97. Which of the following is an example of what happens during the contraction stage of the business cycle:
    A. Companies steadily grow their production and profits.
    B. Recession bottoms out and the business cycle restarts.
    C. Production and prices reach their limit.
    D. GDP declines for two consecutive quarters.

98. Haruko is a risk-adverse investor living on a fixed income. In which financial market should he invest?
    A. Money market
    B. Capital market
    C. Spot market
    D. Insurance market

99. Which of the following is a way in which activity-based costing enhances the costing process:
    A. It expands the number of cost pools used to assemble overhead costs.
    B. It accumulates all costs in one company-wide pool.
    C. It assigns overhead and direct costs to related products and services.
    D. It transfers overhead costs from low-volume products to high-volume products.

100. Retirement accounts and real estate are examples of
    A. intangible assets.
    B. garnishments.
    C. derivatives.
    D. tax shelters.

KEY

Test Number 1338

Finance Exam

Corporate Finance Event
Financial Accounting Event

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

1. A

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

SOURCE: PD:012 Demonstrate appropriate creativity

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

2. D

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

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

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

3. A

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

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

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

4. A

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

SOURCE: OP:521 Evaluate project success

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

5. B

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

SOURCE: FI:062 Explain the time value of money

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

6. C

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

SOURCE: EI:059 Motivate team members

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

7. B

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

SOURCE: FI:066 Develop personal budget

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

8. D

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

SOURCE: EC:002 Distinguish between economic goods and services

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

9. D

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

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

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

10. B

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

SOURCE: CO:094 Prepare simple written reports

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

11. A

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

SOURCE: EC:016 Explain the nature of global trade

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

12. A

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

SOURCE: CR:010 Handle customer/client complaints

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

13. C

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

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

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

14. D

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

SOURCE: NF:149 Describe data mining tools and techniques

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

15. D

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

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

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

16. C

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

SOURCE: OP:164 Utilize quality control methods at work

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

17. D

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

SOURCE: BL:072 Explain the nature of agency relationships

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

18. D

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

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

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

19. B

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

SOURCE: FI:065 Set financial goals

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

20. D

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

SOURCE: EI:012 Persuade others

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

21. A

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

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

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

22. A

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

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

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

23. D

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

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

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

24. A

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

SOURCE: EC:072 Describe the nature of taxes

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

25. C

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

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

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

26. A

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

SOURCE: NF:124 Demonstrate advanced database applications

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

27. A

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

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

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

28. B

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

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

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

29. B

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

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

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

30. A

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

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

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

31. A

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

SOURCE: RM:043 Discuss legal considerations affecting risk management

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

32. B

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

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

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

33. D

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

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

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

34. C

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

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

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

35. C

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

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

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

36. D

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

SOURCE: FI:659 Describe marginal analysis techniques and applications

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

37. D

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

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

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

38. D

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

SOURCE: FM:014 Demonstrate financial analysis applications

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

39. C

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

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

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

40. D

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

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

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

41. A

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

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

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

42. A

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

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

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

43. B

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

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

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

44. A

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

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

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

45. A

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

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

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

46. C

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

SOURCE: FI:336 Describe the role of financial institutions

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

47. B

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

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

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

48. D

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

SOURCE: FI:238 Calculate the time value of money

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

49. C

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

SOURCE: RM:043 Discuss legal considerations affecting risk management

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

50. A

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

SOURCE: FM:013 Demonstrate budgeting applications

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

51. A

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

SOURCE: FI:238 Calculate the time value of money

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

52. D

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

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

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

53. B

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

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

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

54. B

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

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

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

55. B

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

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

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

56. D

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

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

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

57. D

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

SOURCE: FI:274 Describe sources of securities information

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

58. A

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

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

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

59. A

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

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

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

60. D

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

SOURCE: FI:663 Discuss the nature of cost allocation

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

61. B

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

SOURCE: FI:660 Explain the nature of managerial accounting

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

62. A

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

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

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

63. C

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

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

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

64. B

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

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

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

65. A

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

SOURCE: FI:275 Interpret securities table

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

66. B

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

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

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

67. A

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

SOURCE: FM:014 Demonstrate financial analysis applications

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

68. A

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

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

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

69. C

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

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

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

70. D

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

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

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

71. D

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

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

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

72. A

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

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

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

73. C

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

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

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

74. C

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

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

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

75. A

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

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

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

76. C

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

SOURCE: FI:336 Describe the role of financial institutions

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

77. A

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

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

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

78. A

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

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

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

79. B

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

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

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

80. D

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

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

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

81. C

Merging multiple businesses. Expansions, mergers, or acquisitions are examples of large business endeavors that would require feasibility studies. These studies can be both costly and time-consuming, so businesses would not likely conduct them for activities such as ordering office supplies, hiring a new employee, or scheduling a meeting.

SOURCE: EN:038 Determine feasibility of venture ideas

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

82. C

Asset. Asset records include details regarding a business's furniture, equipment, and other items that enable the business to operate. The records include details such as asset descriptions, serial numbers, model numbers, and insurance policies covering particular assets. Legal records include contracts, agreements, intellectual property records, leases, work orders, etc. Financial records deal with money coming into a business and money paid out by the business. Payroll records contain details such as employee pay, deductions, identification numbers, and hours worked.

SOURCE: NF:001 Describe the nature of business records

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

83. D

Prepare for an expansion. A company that hopes to expand its product line, office space, or workforce can prepare for the change by planning ahead. Building a new facility is certainly an expansion that warrants a business plan. Writing a business plan forces the company to analyze the effectiveness of new products or promotions. If business owners want to sell the company, they can use the process of writing a business plan to help them set a value. To snag a valuable client account, companies can write a business plan to describe how successful they intend to be.

SOURCE: SM:007 Explain the nature of business plans

SOURCE: LAP-SM-007—Plan Now, Succeed Later (Nature of Business Plans)

84. A

Are very productive. Employees' perceptions of the way in which they are valued by their employers affect their morale, their loyalty to the business, and thus their productivity. These workers are loyal to the business and stay with it, have high morale, and have no need to file discrimination lawsuits. Their high productivity enables the business to be more competitive and to increase its profits.

SOURCE: HR:367 Ensure equitable opportunities for employees

SOURCE: Long, M. (2025). *What is employee productivity.* Retrieved October 21, 2025, from https://www.simpplr.com/glossary/employee-productivity/

85. C

Easy to start. A sole proprietorship is easier to start because any individual can choose to start a business. Limited liability is an advantage of corporations. Profits must be shared among partners and with stockholders of a corporation. Unlimited liability is a disadvantage of sole proprietorships because the owner is personally responsible for all debts incurred by the business.

SOURCE: BL:006 Select form of business ownership

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

86. B

Case studies. Case studies are an instructional method that involves giving trainees a written description of an organizational problem, and the trainees are asked to determine the problem and potential solutions. This is done individually, and group discussion follows to analyze the various responses. Assessment centers are an off-site instructional method involving the use of a variety of instructional methods, assessment by a group of trained assessors, and review of strengths and weaknesses. Role playing is an instructional method in which trainees are presented a situation and are given roles to play, but no script is involved. Behavior modeling is an instructional method in which trainees are given a specific model of behavior, told the consequences of failure to perform in that manner, provided opportunities to practice the behavior, and evaluated using the behavior.

SOURCE: HR:363 Explain the nature of management/supervisory training

SOURCE: Safety Mentor. (2022, July 29). *Benefits of using case studies in training.* Retrieved October 21, 2025, from https://www.safetymentor.com/blog/benefits-of-using-case-studies-in-training

87. D

Continue working hard. People who are praised for their efforts are more likely to continue working hard because they know that their work is noticed and appreciated. People who receive praise are not more likely to demand salary raises, become lazy on the job, or lose their motivation.

SOURCE: EI:059 Motivate team members

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

88. B

Engaged. By looking at the speaker and laughing while he tells a humorous story, the audience is showing that they are engaged in the presentation. There is no indication that the audience is informed, inspired, or persuaded.

SOURCE: CO:025 Make oral presentations

SOURCE: LAP-CO-025—Well Said! (Making Oral Presentations)

89. A

Monitor employee technology. Discouragement of time theft (loss of productivity that occurs when employees spend time on personal matters instead of job tasks) is one reason a company may monitor employee technology. It would not be reasonable to combat time theft by cutting corners on safety precautions, purchasing lower-quality materials, or hiring an inventory manager.

SOURCE: OP:190 Discuss the role of ethics in operations

SOURCE: LAP-OP-190—Above Board (Ethics in Operations)

90. C

Input price increases. Economies of scale are a condition that occurs when a business's input increases by a certain percentage (e.g., 50%), which results in a larger percentage increase of output (e.g., 100%), causing the cost of each unit that is produced to decrease. A barrier to economies of scale occurs when the cost of the resources that the business needs to produce the goods increases. When resource costs increase, the cost to produce each unit also increases. Fewer competitors, accounting practices, and pricing strategies do not directly affect a business's actual production activities in relation to the economies of scale.

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

SOURCE: Kenton, W. (2025, June 17). *Economies of scale: What are they and how are they used?* Retrieved October 21, 2025, from https://www.investopedia.com/terms/e/economiesofscale.asp

91. C

Detects growth trends and patterns across different time periods. Financial statement analysis is the process of analyzing a company's financial statements for decision-making purposes and to evaluate business performance and value. The three main types of financial statement analysis are horizontal, vertical, and ratio. Horizontal analysis compares historical data with the purpose of detecting growth trends and patterns across different time periods. Vertical analysis compares items on one financial statement in relation to each other. Vertical analysis helps analysts see the compositions of different categories of financial statements. Ratio analysis compares line-item data to reveal insights about a company's profitability, liquidity, solvency, and operational efficiency. Benchmarking, which is used with both ratio and vertical analysis, computes financial statements or financial ratios and compares them with other companies and industry standards.

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

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

92. D

Employees cannot correctly assess trends. When financial information is poorly managed, employees are hindered from correctly assessing their performance and trends. It also takes a long time to access requested information, thereby delaying use of the information and decreasing employee efficiency. Employees' inability to understand financial statements is not an outcome.

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

SOURCE: Hanson, A. (2025, September 26). *How inaccurate financial data can impact your business growth*. Retrieved October 21, 2025, from https://accountants.sva.com/biz-tips/difficulties-and-solutions-for-inaccurate-financial-data

93. A

Risks help businesses determine objectives. When businesses are determining their objectives, they must consider risks related to these objectives and ensure that these risks are manageable. Objectives should be modified because of risk. If a new risk threatens a business objective, it should be changed to accommodate that risk. Business objectives almost always have at least some risk associated with them. Finally, the number of objectives is not necessarily related to the amount of risk.

SOURCE: RM:044 Discuss the relationship between risk and business objectives

SOURCE: McGhiey, M. (2024, June 27). *4 steps to make risk management a bridge to business success*. Retrieved October 21, 2025, from https://riskandinsurance.com/4-steps-to-make-risk-management-a-bridge-to-business-success/

94. A

A budget analysis provides an overview, while standard cost analysis shows the details of variances. When employees analyze a budget, they can determine overall variances in their projections; however, they cannot determine the causes (or the details) of the variances in projections. That information is provided by analyzing standard costs to determine whether too much money was paid for materials, too much time was spent on labor, materials were wasted, or the amount of inputs required differed from projections. This helps businesses pinpoint problems. Both budgets and standard costs deal with projected or forecasted amounts, quality and quantity considerations, and all staff involved in setting the projections.

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

SOURCE: Averkamp, H. (2025). *What is a standard cost?* Retrieved October 21, 2025, from https://www.accountingcoach.com/blog/what-is-a-standard-cost

95. D

They monitor an organization's progress and activities. Internal control mechanisms in corporate governance are the foremost set of controls for an organization, as they monitor the organization's progress and activities. When things go wrong, internal control mechanisms take corrective action to help maintain the larger internal control fabric. External control mechanisms are controlled by those outside an organization, while internal control mechanisms are controlled by those inside an organization. External control mechanisms serve the objectives of entities like regulators and governments, and include debt management and legal compliance. Objectives for internal control mechanisms include smooth operations and performance measurement systems. External control mechanisms can be imposed on organizations by external stakeholders in the forms of union contracts or regulatory guidelines.

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

SOURCE: Chen, J. (2025, September 11). *Corporate governance: Definition, principles, models, and examples*. Retrieved October 21, 2025, from https://www.investopedia.com/terms/c/corporategovernance.asp

96. D

To evaluate the amount of money associated with inventory storage. To maintain profitability, a firm must evaluate its costs in relation to its various business functions, which include purchasing, marketing, human resources, and operations. Businesses often analyze the various costs associated with carrying products. For example, a temperature-sensitive product may require special warehousing accommodations, which increases the costs associated with storing the product. Businesses use accounts receivable applications to determine the number of delinquent accounts. Income reports summarize income changes. Businesses use budgeting applications to estimate sales volume.

SOURCE: FM:014 Demonstrate financial analysis applications

SOURCE: Hayes, A. (2025, August 27). *Cost-benefit analysis explained: Usage, advantages, and drawbacks.* Retrieved October 21, 2025, from https://www.investopedia.com/terms/c/cost-benefitanalysis.asp

97. D

GDP declines for two consecutive quarters. The four stages of the business cycle are expansion, peak, contraction (or recession), and trough. A contraction is the length of time between a peak and a trough, when economic activity is on the way down. During this time, unemployment numbers are high, the market experiences prolonged price declines, and gross domestic product (GDP) is below 2% or declines for two straight quarters. This leads to a trough, which is when the recession phase bottoms out and restarts the business cycle. A trough rebounds into the expansion phase, which is the length of time between a trough and a peak. During expansion, companies are steadily growing their production and profits, unemployment is low, and the stock market is performing well. This leads to a peak, which occurs when production and prices have reached their limit. This is often when companies are expanding recklessly, prices are becoming too high, and investors are overconfident. With no more room left for growth, a peak leads to a recession period.

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

SOURCE: Achuthan, L. (2025, April 13). *Business cycle: What it is, how to measure it, and its 4 phases*. Retrieved October 21, 2025, from https://www.investopedia.com/terms/b/businesscycle.asp

98. A

Money market. The money market is a segment of the financial market that is used as a means of borrowing and lending in the short term. It uses financial instruments with high liquidity. Money market investments are seen as safe and conservative, which makes them well suited for a risk-averse investor such as Haruko. The capital market involves individuals and institutions who trade financial securities. It includes the stock market and bond market. Capital markets have higher risk and lead to higher rewards over longer periods of time. The insurance market involves insurers and the insured meeting to transfer risk in exchange for payments. It would not be suited for Haruko's situation. Finally, in the spot market, transactions are settled in cash immediately at current market prices. The spot market is complex and usually used by hedge funds and corporate investors, rather than individuals such as Haruko.

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

SOURCE: Hayes, A. (2025, August 17). *Financial markets: Role in the economy, importance, types, and examples.* Retrieved October 21, 2025, from https://www.investopedia.com/terms/f/financial-market.asp

99. A

It expands the number of cost pools used to assemble overhead costs. Activity-based costing (ABC) is a costing method that assigns overhead and indirect costs to related products and services. Essentially, ABC first assigns costs to activities that are the real cause of overhead and then assigns costs of those activities only to the products or services that actually demand the activities. One way in which ABC enhances the costing process is by expanding the number of cost pools used to assemble overhead costs. Rather than accumulating all costs in one company-wide pool, it pools costs by activity. ABC transfers overhead costs from high-volume products to low-volume products, thus raising the unit cost of low-volume products.

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

SOURCE: Kenton, W. (2025, August 27). *Activity-based costing explained: Method, benefit, and real-life example*. Retrieved October 21, 2025, from https://www.investopedia.com/terms/a/abc.asp

100. D

Tax shelters. Tax shelters are methods of minimizing taxable income. For example, the government does not tax the income that an employee places in an employer-sponsored retirement program until the employee withdraws the money from their account. In other words, this portion of the employee's income is tax-deferred. Homeowners minimize their tax obligation when they write off their interest on their mortgages as tax deductions on their tax returns. Garnishment is a court-ordered action in which a portion of an employee's salary is transferred to a third party. Alimony and child support are examples of garnishments. Real estate is a tangible asset. Derivatives are securities that function as tools for trading underlying assets.

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

SOURCE: Kagan, J. (2025, August 23). *Tax shelter: Definition, examples, and legal issues.* Retrieved October 22, 2025, from https://www.investopedia.com/terms/t/taxshelter.asp