COLLEGIATE DECA

SAMPLE EXAM

ENTREPRENEURSHIP

THE ENTREPRENEURSHIP EXAM IS USED FOR THE FOLLOWING EVENT:

ENTREPRENEURSHIP OPERATIONS

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. Which of the following is an effective way to implement the solution to an employee complaint and obtain immediate employee feedback:
   A. Posting a notice on the bulletin board
   B. Conducting a staff meeting
   C. Sending letters to employees at home
   D. Explaining the problem in an employee publication

2. Which of the following actions by a manager would most likely contribute to a positive work environment:
   A. Allowing employees to eat at desks
   B. Engaging in meaningful dialogue
   C. Giving prizes for most hours worked
   D. Fostering hypercompetitiveness

3. An effective team-building technique involves allowing team members to
   A. set personal goals.
   B. share responsibility.
   C. work independently.
   D. make individual decisions.

4. In a competitive market, consumers are more likely to obtain
   A. a limited assortment of products.
   B. quality products at fair prices.
   C. low quality products at high prices.
   D. unlimited financial resources.

5. Which of the following situations is an example of a business that might receive a government fine for unsafe working conditions:
   A. The WICD Corporation has unobstructed exits on all the floors of its main office building.
   B. The Tanner Corporation provides access to portable fire extinguishers throughout its facility.
   C. The HIJ Company has frayed electrical wires hanging on hooks and nails in its warehouse.
   D. The Betler Company inspects and maintains its machinery and equipment on a regular basis.

6. Which of the following is an external factor that could impact a business:
   A. Decrease in production levels
   B. Changes in advertising strategy
   C. Increase in online shopping
   D. Decrease in advertising budget

7. By looking at things from the other person's point of view and explaining why they should care about what you're saying, you are
   A. promoting benefits.
   B. stating your case.
   C. using body language.
   D. making it personal.

8. Shamir and Frieda both own salons in the same town. In a newspaper interview, Shamir presents several untrue and negative facts about Frieda's salon, and her business suffers as a result. Frieda is likely to file a tort action against Shamir for
   A. wrongful interference.
   B. defamation.
   C. appropriation.
   D. negligence.

9. Which of the following is a primary reason why businesses keep payroll records:
   A. Because some employees leave their jobs
   B. Because companies need to document wages paid
   C. Because employees want to know the amounts
   D. Because a governing agency will review the records

10. The final step in the purchasing process often involves evaluating
   A. billing methods.
   B. delivery documentation.
   C. vendor performance.
   D. negotiation skills.

11. Motives, perception, attitude, lifestyle, personality, and abilities are ___________ factors influencing consumer behavior.
   A. social
   B. economic
   C. political
   D. psychological

12. Which of the following should be done first when developing an employee evaluation procedure:
   A. Determine what skills and attributes to evaluate.
   B. Determine the employee's level of performance.
   C. Observe employees on the job.
   D. Prepare an evaluation form.

13. What type of law focuses on issues regarding the promises that businesses make with their customers, vendors, and other business partners?
   A. Constitutional
   B. Contract
   C. Patent
   D. Probate

14. Calculate the amount a business can budget to spend on new equipment if it estimates sales of $690,000 and expenses of $325,000 and designates 25% of profit for equipment purchases.
   A. $91,250
   B. $83,500
   C. $96,000
   D. $81,250

15. One of Wade's business goals is to increase customer satisfaction by 15%. What is one measure that Wade could use to assess his progress toward that goal?
    A. Number of touchpoints
    B. Cost of marketing efforts
    C. Level of employee turnover
    D. Number of product returns

16. An entrepreneur is most likely to discuss the concept for a new business with an industry expert when the entrepreneur
    A. wants to increase the business's profit margins.
    B. lacks knowledge or experience in the field.
    C. is ready to plan promotional activities.
    D. needs to obtain a commercial bank loan.

17. The founder of a startup should think about hiring employees when they are
    A. willing to hire the first person interviewed.
    B. stressed about the amount of work to do.
    C. turning down work due to limited capacity.
    D. not sure what a new employee will do.

18. Rather than continuing to advertise on TV and radio, a company decides to advertise exclusively online. As a result, the advertising budget drops by $200. This change in advertising costs from TV and radio to online advertising is an example of what type of cost?
    A. Opportunity
    B. Marginal
    C. Sunk
    D. Differential

19. Businesses that use a harvest strategy __________ spending on an established, yet declining, product to __________ profits.
    A. increase; maximize
    B. reduce; minimize
    C. increase; minimize
    D. reduce; maximize

20. Kane's manager, Linda, tells other members of the department that Kane is receiving a 6% salary increase. Linda is exhibiting unethical behavior because she is
    A. misusing company funds.
    B. refusing to be objective.
    C. revealing confidential information.
    D. expressing favoritism toward Kane.

21. What type of planning involves setting short-term goals for a new business venture?
    A. Environmental
    B. Strategic
    C. Systematic
    D. Tactical

22. What are important considerations in establishing hardware/software specifications for a business?
    A. Capabilities, compatibility, reliability, and cost
    B. User needs, mobility, delivery terms, and technical support
    C. Security, social media policies, performance, and licensing
    D. Strategic planning, training, upgrades, and cost

23. Caroline's small business offers DJ services for wedding receptions, parties, and other social events. The business's total fixed costs are $4,300, and its variable costs for a 3-hour local event are $62. Caroline currently charges $250 for 3 hours of her business's services. If she raised her price to match that of competitors who charge $325 for the same time period, what would be the difference in breakeven points for her business using the two different prices?
    A. $404
    B. $188
    C. $263
    D. $75

24. What is one of the main purposes of a business plan?
    A. To list distribution methods
    B. To develop credit policies
    C. To explain company goals
    D. To provide research facts

25. Which of the following is the major difference between the jury of executive opinion and the Delphi technique of forecasting sales:
    A. Opinions are averaged in the jury of executive opinion.
    B. Outside experts are part of the jury of executive opinion.
    C. Predictions are made secretly in the Delphi technique.
    D. Discussion can't be controlled with the Delphi technique.

26. Besides financial statements, the most important document that an entrepreneur needs to get a loan from a bank is the
    A. business plan.
    B. personnel roster.
    C. marketing plan.
    D. product description.

27. Small business owners often obtain ideas for new venture opportunities when they
    A. talk with their customers and vendors.
    B. analyze their companies' sales reports.
    C. revise their operating budgets.
    D. apply for a commercial bank loan.

28. If an entrepreneur obtains a commercial bank loan to finance a new venture, they are often required to
    A. charge the prime-interest rate.
    B. provide collateral.
    C. relinquish contracts.
    D. close savings accounts.

29. The market analysis section of a feasibility study should include a(n)
    A. organizational chart.
    B. detailed budget.
    C. description of the industry.
    D. list of technology needs.

30. Landon started a furniture manufacturing company several years ago and is considering expanding his product line to attract new customers. Landon is currently evaluating the company's existing resources to determine ways that he can apply his current capabilities to new product opportunities. What type of analysis is Landon conducting?
    A. External-focus
    B. Inside-out
    C. Cultural
    D. Competitive

31. Organizational structure, marketing activities, and financial issues are topics an entrepreneur addresses in a business plan, which provides them with
    A. assurance that their bank loan will be approved.
    B. a broad strategy to eliminate the competition.
    C. clarity and direction to actualize the idea.
    D. the knowledge that the business will be successful.

32. Regan is deciding if she is willing to give up a secure position with a well-known company so she can start a home-based business. Which of the following risks is Regan assessing:
    A. Career
    B. Physical
    C. Financial
    D. Social

33. In which of the following situations might a business need to obtain additional capital:
    A. Purchasing an adjacent property
    B. Paying employees an incentive
    C. Financing a fundraising campaign
    D. Investing in a retirement account

34. A major advantage of a sole proprietorship is
    A. ease of startup.
    B. availability of capital.
    C. sharing of decision-making.
    D. probability of success.

35. The health of the economy is an external factor affecting business. One of the indicators of the economy's health is the
    A. level of government regulation.
    B. number of orders for durable goods.
    C. changes created by technology.
    D. amount of indirect competition.

36. A business's full-time warehouse employee resigned and the business decided to hire two part-time employees to each work four hours a day, five days a week. Calculate the savings to the business for a four-week period if the full-time employee earned $650 a week and the part-time employees will be paid $12.50 an hour.
    A. $600
    B. $650
    C. $500
    D. $550

37. Which of the following is a security issue that a business might identify:
    A. Money in cash drawer
    B. Protective clothing not available
    C. Equipment in poor repair
    D. Employees not well trained

38. One way for a business to determine if it is operating in the most efficient manner is to
    A. evaluate its systems and procedures.
    B. hire an international tax consultant.
    C. develop a list of financial objectives.
    D. distribute a survey to its competitors.

39. One of the advantages of dealing with independent insurance agents is that they
    A. work for a low commission.
    B. provide limited coverage.
    C. represent several companies.
    D. charge discounted rates.

40. An effective mission statement should effectively reflect the business's
    A. specific goals.
    B. core values.
    C. touch points.
    D. ethics policies.

41. What type of financial documents are businesses usually expected to provide banks when completing an application for a loan?
    A. Cash flow statements
    B. Stock certificates
    C. Real estate deeds
    D. Equipment lists

42. Which of the following statements is true regarding stakeholder expectations:
    A. All stakeholders want to exert authority over employees.
    B. Stakeholder expectations always come second to customer needs.
    C. Each group of stakeholders has different needs and expectations.
    D. Stakeholder expectations are always financially driven.

43. How much is a business's net profit if its sales are $819.50, cost of goods is $625.00, and operating expenses are $67.50?
    A. $752.00
    B. $127.00
    C. $194.50
    D. $702.00

44. Performance standards should be
    A. informally discussed.
    B. subjective.
    C. measurable.
    D. extremely challenging.

45. Azalea, a public relations manager, is informed that her company experienced a cyberattack that has led to a massive data leak. What is the first thing Azalea should do in this situation to manage the crisis?
    A. React as soon as possible
    B. Answer media questions
    C. Take responsibility
    D. Collect information

46. A goal of many businesses that affects their pricing is
    A. stabilizing variable costs.
    B. minimizing their profits.
    C. obtaining market share.
    D. qualifying for co-op advertising funds.

47. When Mark starts a new project at work, he thinks through and plans the specific steps that he will need to take to achieve the outcomes that he desires. Mark is engaging in
    A. agile project management.
    B. goal setting.
    C. critical thinking.
    D. process thinking.

48. How does marketing research help a business implement the marketing concept?
    A. By preventing financial losses
    B. By identifying consumers' wants and needs
    C. By solving the business's problems
    D. By setting goals for the business

49. A company implemented new, up-to-date technology, but many employees still used the old system. This is an example of why
    A. change management should focus on people.
    B. companies should hire younger employees.
    C. change should be avoided if possible.
    D. organizations need to adapt to technology sooner.

50. The first and most basic step in business process thinking is
    A. planning the research and design phase.
    B. determining the quality of suppliers.
    C. establishing a level of vertical integration.
    D. understanding the nature of demand.

51. Which of the following is a benefit of implementing enterprise risk management (ERM):
    A. Fewer expenses related to public relations
    B. Increased confidence from company stakeholders
    C. Improved sales in previously sluggish categories
    D. Increased performance variability

52. Which of the following is an external factor that impacts corporate governance structures:
    A. Change in leadership
    B. Independent audits
    C. Segregation of duties
    D. Company code of conduct

53. What is a common thread among all direct advertising strategies?
    A. They intend to motivate the consumer to take action.
    B. They communicate with all consumers as one group with common likes and dislikes.
    C. They use a proven creative technique, with a strong headline and little copy.
    D. They try to get consumers' attention by communicating in the most unusual ways possible.

54. Corey wants a quality product that performs as it is supposed to. In other words, Corey is looking for an item that is
    A. durable.
    B. responsive.
    C. serviceable.
    D. reliable.

55. A company's board of directors frequently provides timely, accurate, and clear information about the business's anticipated risks and financial performance. What ethical principle is demonstrated in this example?
    A. Respect
    B. Accountability
    C. Fairness
    D. Transparency

56. Why is the internet considered to be a type of interactive media?
    A. Multiple computer networks cooperate together to make the internet possible.
    B. The user controls the flow of information.
    C. Many people talk on the phone while communicating online.
    D. Information travels through the internet to get to consumers.

57. A high promotional budget increases the price of a good because a business includes that amount of money in the
    A. cost of the product.
    B. expense of operating.
    C. salaries of management.
    D. investment of capital.

58. An efficient supply chain can impact customers, a business's profitability, and business operations. Which of the following is a specific impact that an efficient supply chain has on business operations:
    A. Less waste
    B. Lower prices
    C. Higher costs
    D. Higher profits

59. Which of the following elements of supply chain management involves making sure that supply chain processes happen on time, on budget, and are of quality:
    A. Purchasing/Supply
    B. Distribution/Logistics
    C. Integration
    D. Operations

60. Which of the following is an internal factor that has a significant effect on selling price:
    A. Competitors' costs
    B. Variable expenses
    C. Government regulations
    D. Social concerns

61. A sporting-goods store carries all types of tennis equipment and apparel. How closely these products relate to each other in price and end use refers to the product's
    A. consistency.
    B. depth.
    C. width.
    D. length.

62. Which of the following is a positive characteristic for the members of a corporation's board of directors to possess:
    A. Conformity
    B. Independent thinking
    C. Single-minded attitude
    D. Indecisiveness

63. A promotion that seeks to reinforce a favorable company image that is already present in customers' minds is an example of which of the following types of promotional objectives:
    A. Promotion to remind
    B. Promotion to entertain
    C. Promotion to inform
    D. Promotion to persuade

64. The majority of consumers will value product recommendations from __________ over all other forms advertising.
    A. customer reviews
    B. family and friends
    C. commercials
    D. social media influencers

65. Business process redesign is often criticized because it
    A. typically leads to minimal change.
    B. only affects specific departments.
    C. can result in a large number of layoffs.
    D. doesn't improve overall efficiency.

66. Ken is a manager for a local company. He has collected bids from several area trucking companies and is currently comparing them with the invoices of the company's current trucking service to determine which one is the best transportation vendor for the company to use. Ken is analyzing business data in relation to
    A. distribution.
    B. product management.
    C. financial resources.
    D. production.

67. Which of the following is an example of pull marketing:
    A. Targeted email marketing
    B. Search engine optimization
    C. Point-of-sale marketing
    D. TV advertising

68. To develop appealing promotional messages for a target audience, a marketer might build a profile of the typical buyer by considering demographic factors such as
    A. personalities, lifestyles, and location.
    B. lifestyles, attitudes, and income.
    C. location, attitudes, and age.
    D. age, gender, and income.

69. A food manufacturer just released a new product. The company's public relations department writes an article about the health benefits of the product and includes recipes and photos. A cooking magazine prints the article in its pages for a cost. What PR tool is this company using?
    A. Crisis management
    B. A MAT release
    C. Philanthropy
    D. A podcast

70. Which of the following best describes the relationship between learning and innovation:
    A. Learning and innovation are essentially the same.
    B. The ability to learn is essential for innovation.
    C. The ability to innovate is essential for learning.
    D. Innovation is stifled by continuous learning.

71. Which of the following factors may suggest that a product idea is impractical:
    A. High production expenses
    B. High market interest
    C. Low financial risk
    D. Low competition levels

72. The unique selling proposition “We are the most affordable gym in town” relates to the
    A. pricing strategy.
    B. guarantee.
    C. placement.
    D. sales copy.

73. A risk management program helps __________ risk, which makes it easier to organize and handle.
    A. process
    B. encourage
    C. categorize
    D. prevent

74. One reason advertising agencies develop a profile of the target audience their clients want to reach is to help the agencies
    A. develop inexpensive promotions.
    B. identify employees to work on the campaign.
    C. establish production schedules.
    D. select the most appropriate media to use.

75. The XYZ Company is creating a business model. What stage of the business life cycle is the company in?
    A. Startup
    B. Maturity
    C. Decline
    D. Growth

76. When employees use mobile devices to access work information outside of the office, they often
    A. purposely share company data with nonemployees.
    B. get viruses on their mobile devices.
    C. protect company data more than they would in the office.
    D. put company data at risk by using unsecured Wi-Fi networks.

77. SWOT analysis is especially helpful when
    A. your business is old.
    B. you have an unlimited amount of time.
    C. you have a limited amount of time.
    D. your business is young.

78. To find out what customers think about their experiences with a business, the company's management team might
    A. hire a legal consultant.
    B. hold a focus group.
    C. review the customers' sales histories.
    D. interview trainees.

79. As part of its market analysis, the O'Keefe Company estimates the potential increase in demand for its products over a set timeframe for a particular market segment. What is the O'Keefe Company attempting to analyze?
    A. The market's performance
    B. The market's profitability
    C. The market's growth rate
    D. The market's size

80. An organization diversifies its projects and maintains a healthy cash flow to protect itself against possible __________ risks inherent in its business objectives.
    A. technological
    B. strategic
    C. physical
    D. human

81. Troy has discovered an innovative technology with huge growth potential. He needs $1,000,000 in funding and expert technical advice to launch his business venture. What funding source would be best for him to pursue?
    A. Angel investor
    B. Commercial bank
    C. Venture capitalist
    D. Family and friends

82. Employees who are paid fairly for a job well done are more likely to
    A. leave the company for another job.
    B. stay engaged in their jobs and their company.
    C. feel resentment toward management.
    D. experience job dissatisfaction.

83. Rent, salaries, and advertising are all examples of
    A. variable costs.
    B. operating expenses.
    C. fixed costs.
    D. cost of goods sold.

84. Flora wants to start a new business venture but is concerned about possible risks: namely, the chance that her marriage will suffer. This is an example of a(n) __________ risk.
    A. industry
    B. financial
    C. emotional
    D. career

85. Why is it important for a business owner to invest their own personal capital into a business when applying for a business loan?
    A. It shows that the business has a positive cash flow.
    B. It demonstrates the owner's commitment.
    C. It increases the cash flow of the business.
    D. It guarantees that the loan will be paid.

86. Which of the following best describes compliance:
    A. Mary Ann does the right thing, even when no one is watching.
    B. Oscar has standards that govern his behavior.
    C. Terry fulfills the requirements of the law.
    D. Penelope follows basic principles to govern her behavior.

87. Which of the following is an economic factor that might be identified as part of an environmental scan:
    A. Increased general competition
    B. Companies going green
    C. Higher inflation rates
    D. Changing state and local laws

88. What action should a manager take first in response to an employee's complaint that they have been scheduled to work a day they had expected to have free?
    A. Tell the employee they have to work as scheduled.
    B. Gather additional information about the situation.
    C. Set a specific time to give the employee a decision.
    D. Tell the employee to work it out with their coworkers.

89. Which of the following is the basic calculation used to analyze an income statement:
    A. Sales plus operating costs
    B. Revenue plus sales
    C. Income minus expenses
    D. Assets minus liabilities

90. The final task in the financial section of a feasibility study is performing a(n)
    A. annual review.
    B. profitability analysis.
    C. estimate of revenues.
    D. organizational assessment.

91. Which of the following often is the goal of businesses that use the channel strategy of intensive distribution:
    A. Target a specific area
    B. Eliminate the middleman
    C. Saturate the market
    D. Create an upscale image

92. Which of the following statements regarding corporate governance is true:
    A. Corporate governance can benefit organizations of any size.
    B. All companies need a board of directors to perform corporate governance.
    C. Large companies are better at monitoring corporate governance.
    D. Small organizations do not need corporate governance.

93. Why would a business add higher priced products to its product mix?
    A. To reduce legal liability
    B. To enhance the image of the company
    C. To limit costs
    D. To overcome production problems

94. Which of the following kinds of paid promotion is most likely to be used to promote the entire company:
    A. Advertising
    B. Publicity
    C. Personal selling
    D. Sales promotion

95. A company needs to forecast sales for its yearly marketing plan. The business decides to use a type of forecasting in which several experts are asked for their opinions. In other words, the business is utilizing the __________ method of sales forecasting.
    A. market factor analysis
    B. test marketing
    C. jury of executive opinion
    D. salesforce opinion

96. A small restaurant wants to expand, but first it needs to raise funds. John wants to raise capital through debt financing, but his partner, Damien, isn't sure that's a good idea. What is one downside of debt financing that Damien could cite to prove his point to John?
    A. They will be required to repay the money immediately.
    B. Shareholders will own part of their business.
    C. They will need to sell stock in their business.
    D. They will have to pay interest on the borrowed amount.

97. A company that processes electronic financial payments has discovered that some of its employees with drug problems have stolen customers' banking information to commit fraud. What type of business risk created this negative situation?
    A. Financial risk
    B. Technology risk
    C. Strategy risk
    D. Human risk

98. Supply chain management attempts to control which of the following business activities:
    A. Human resources and communications
    B. The buying and selling of stocks
    C. Production, shipment, and distribution of products
    D. Financial planning and managerial accounting

99. A business reviewing the prices that other businesses are charging for similar products, and the types of services they are offering to customers is an example of a business conducting a(n) __________ analysis.
    A. industry
    B. competitive
    C. technological
    D. relationship

100. Which of the following is an internal factor that a business should consider when conducting a SWOT analysis:
    A. Type of industry
    B. Amount of competition
    C. Rate of productivity
    D. Location of target market

KEY

Test Number 1339

Entrepreneurship Exam

Entrepreneurship Operations 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. B

Conducting a staff meeting. Staff meetings will enable management to interact with and get feedback from employees about the complaint. The other alternatives are effective techniques for communicating with employees, but they do not enable managers to interact with employees.

SOURCE: HR:366 Handle employee complaints and grievances

SOURCE: Wolters Kluwer. (2022, March 12). *How to effectively deal with employees' complaints.* Retrieved October 10, 2025, from https://www.wolterskluwer.com/en/expert-insights/how-to-effectively-deal-with-employees-complaints

2. B

Engaging in meaningful dialogue. Open communication is an important part of maintaining a positive work environment. Managers who engage in meaningful dialogue with their employees are fostering a positive workplace culture and saying to their team members, "You are worth my time." Fostering hypercompetitiveness and giving prizes for most hours worked may promote a culture of individualism rather than a culture of teamwork and mutual respect. Allowing employees to eat at their desks may make certain employees happy, but it would not necessarily contribute to a positive work environment. Rather, recommending employees eat in a shared space during meals would foster greater communication and camaraderie.

SOURCE: HR:403 Foster “right” environment for employees

SOURCE: Lysova, E.I., Fletcher, L., & Baroudi, S.E. (2023, July 12). *What makes work meaningful?* Retrieved October 10, 2025, from https://hbr.org/2023/07/what-makes-work-meaningful

3. B

Share responsibility. Team building is the use of cooperative efforts among employees and management to accomplish company goals and objectives. When team members share responsibility for the effort, they are more likely to work harder to achieve the goal because they are personally involved. Shared responsibility leads to a joint commitment to work together because each member shares in the ownership of the team and its accomplishments. Allowing team members to make individual decisions, work independently, and set personal goals are not effective team-building techniques.

SOURCE: EI:044 Encourage team building

SOURCE: Knight, R. (2024, August 7). *17 team building activities for in-person, remote, and hybrid teams.* Retrieved on October 9, 2025, from https://hbr.org/2024/08/17-team-building-activities-for-in-person-remote-and-hybrid-teams

4. B

Quality products at fair prices. Competition has a strong effect on businesses that results in a wide variety of products from which to choose, improved product quality, and reasonable prices. Businesses in competition would have difficulty attracting customers by offering low-quality products at high prices. Few consumers can obtain unlimited financial resources in any kind of market.

SOURCE: EC:012 Explain the concept of competition

SOURCE: LAP-EC-912—Ready, Set, Compete! (Competition)

5. C

The HIJ Company has frayed electrical wires hanging on hooks and nails in its warehouse. To protect employees and customers from harm, many governments pass laws that require businesses to follow workplace regulations. If a government agency inspects a business facility and finds that it is not following regulations, it may fine the business and or even close the building until the company fixes hazardous conditions. Frayed electrical wires present a hazard to HIJ employees because the wires may shock workers or start a fire in the building. The Tanner Corporation, The Betler Company, and the WICD Corporation are examples of businesses that are taking steps to make sure that their working environments are safe.

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

SOURCE: The Spence Law Firm, LLC. (2022, November 8). *How to identify unsafe working conditions.* Retrieved October 15, 2025, from https://www.spencelawyers.com/firm-news/how-to-identify-unsafe-working-conditions

6. C

Increase in online shopping. An increase in online shopping among customers is an environmental factor that could impact a business. It is classified as an external factor because it is not within a company's control. Advertising strategy, production levels, and advertising budget are all internal factors that a business can exercise control over. The business may modify its advertising strategy, production levels, or advertising budget in response to changes in its external environment, such as an increase in online shopping.

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

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

7. D

Making it personal. By explaining why others should care about what you're saying, you are making it personal so they are interested. Although you're the one doing the persuading, it's not about you—look at things from the other person's point of view and explain why they should care. Promoting benefits and stating your case are other steps in the persuasion process. Using body language is a technique to be more persuasive.

SOURCE: EI:012 Persuade others

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

8. B

Defamation. A tort action occurs when one party (in this case, Frieda) brings a personal suit against another party to gain money or other relief in exchange for any harm. In Frieda's case, her business suffered after Shamir's untrue accusations were printed in the newspaper. Making false statements with the intent of harming someone else (or their business) is known as defamation. Appropriation is the use of another person's likeness or any other identifying characteristic without their permission. If Shamir had used Frieda's name or picture in his advertising materials without getting her permission, that would be considered appropriation. Negligence is an unintentional tort that occurs when a party doesn't live up to their duties and causes unplanned harm to another party. Shamir intended to cause damage to Frieda's business, so this wasn't a tort of negligence. Wrongful interference occurs when a third party interferes in a contractual (or business) relationship between two other parties.

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

SOURCE: Rafii, R. (2024, December 3). *Libel, slander, and defamation laws: The basics.* Retrieved October 9, 2025, from https://www.findlaw.com/injury/torts-and-personal-injuries/defamation-law-the-basics.html

9. B

Because companies need to document wages paid. Businesses typically keep payroll records so they can document what they've paid their employees—including wages earned and deductions made. Businesses do not keep payroll records because employees might quit, a governing agency might ask to see them, or employees might ask questions about the deductions made. They keep them for documentation purposes and, if the records happen to be useful in other situations, that's an added benefit.

SOURCE: NF:001 Describe the nature of business records

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

10. C

Vendor performance. Businesses often evaluate vendor performance to decide if they want to continue buying from the vendor or if there are problems that need to be solved. If the business is satisfied with performance, it may enter into a long-term relationship with a vendor. On the other hand, evaluating performance is an effective way to eliminate vendors that do not live up to their promises. The final step in the purchasing process does not involve evaluating billing methods, negotiation skills, or delivery documentation.

SOURCE: OP:162 Evaluate vendor performance

SOURCE: American Public University. (2023, July 5). *Supply chain vs procurement: A comparison.* Retrieved October 9, 2025, from https://www.apu.apus.edu/area-of-study/business-and-management/resources/supply-chain-vs-procurement/

11. D

Psychological. Consumer behavior encompasses individuals' actions that determine what they buy and sell. Psychological, social, and personal factors all influence consumer behavior. Psychological factors include an individual's motives, perception, attitude, lifestyle, personality, abilities, and knowledge. Consumer behavior is also impacted by social factors such as opinion leaders, a person's family, reference groups, social class, and culture. Personal factors impacting consumer behavior are specific to a particular person and include demographic characteristics such as gender, age, or ethnicity. While political and economic factors may influence consumer behavior in some instances, motives, perception, attitude, lifestyle, personality, and abilities are not political or economic factors.

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

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

12. A

Determine what skills and attributes to evaluate. This is necessary before one can prepare an evaluation form or determine levels of performance necessary for completing the job successfully. It would not be worthwhile to observe employees on the job until it has been determined what is to be observed.

SOURCE: HR:368 Assess employee performance

SOURCE: Leapsome. (2025, June 3). *Expert guide to employee performance evaluations.* Retrieved October 15, 2025, from https://www.leapsome.com/blog/what-is-performance-evaluation

13. B

Contract. Contract law is an area of law that governs oral and written agreements, or promises, that involve the exchange of goods, services, money, or property. Constitutional law is a body of law that addresses issues related to the Constitution and Constitutional rights. Probate is the legal process of validating a will and distributing assets to beneficiaries. A patent protects an owner's invention from use and distribution by unauthorized individuals.

SOURCE: BL:001 Describe legal issues affecting businesses

SOURCE: Buckner, S. (2024, May 24). *Contract law.* Retrieved October 9, 2025, from https://www.findlaw.com/smallbusiness/business-contracts-forms/contract-law.html

14. A

$91,250. When businesses develop budgets, they usually prepare a capital budget that allows a certain amount of money for the purchase of new or replacement equipment. In many cases, the amount they budget is based on a percentage of profit. In this example, to calculate the amount a business can budget for new equipment, first determine the amount of profit by subtracting expenses from sales ($690,000 − $325,000 = $365,000). Then, calculate 25% of the profit ($365,000 X 25% [or 0.25] = $91,250).

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

SOURCE: LAP-FI-099—Build Your Game Plan (Developing a Company/Department Budget)

15. D

Number of product returns. An organization's balanced scorecard should include multiple business goals and measures that can be used to assess progress toward those goals. If one of those goals is to increase customer satisfaction by 15%, an effective measure of progress toward that goal is the number of product returns. As the business increases its customers' satisfaction with its goods and services, the number of product returns should decrease, because satisfied customers are happy with their purchases and less likely to return or exchange the items. Although increased marketing efforts, more touchpoints, and less employee turnover may increase customer satisfaction, they are not effective measures of the resulting customer satisfaction.

SOURCE: SM:027 Identify and benchmark key performance indicators (e.g., dashboards, scorecards)

SOURCE: Twin, A. (2025, June 17). *KPIs: What are key performance indicators? Types and examples.* Retrieved October 10, 2025, from https://www.investopedia.com/terms/k/kpi.asp

16. B

Lacks knowledge or experience in the field. When an entrepreneur discovers a business opportunity, they might need to obtain more in-depth information to develop the business idea. Industry experts are external resources from which an entrepreneur can obtain useful information and ideas when they do not have extensive knowledge or experience in the specific field. An entrepreneur may obtain a bank loan or plan promotional activities after developing and analyzing the venture concept. Increasing profit margins is an issue that entrepreneurs address after the business is open.

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

SOURCE: Tucker, D. (2020, October 20). *9 reasons it's important to work with experts.* Retrieved October 10, 2025, from https://60secondmarketer.com/2020/10/20/9-reasons-its-important-to-work-with-experts/

17. C

Turning down work due to limited capacity. If a startup is turning down work because it doesn't have the capacity to take on new clients, then its leader should think about hiring new employees to help expand the startup's capacity. If the startup remains stagnant, it misses out on potential growth and profit opportunities. Hiring should be a strategic, well-planned decision and should not be done when the employer is stressed. Being willing to hire the first person interviewed or lacking an understanding of what the new employee will do are not reasons to hire a new employee.

SOURCE: EN:017 Explain factors to consider in determining a venture's human-resources needs

SOURCE: Boitnott, J. (2018, April 24). *5 signs it's time to hire your first employee*. Retrieved October 10, 2025, from https://www.inc.com/john-boitnott/5-signs-its-time-to-hire-your-first-employee.html

18. D

Differential. Differential cost is the difference in costs (either positive or negative) between two or more alternatives. In this scenario, one alternative (advertising on TV/radio) is more expensive than the other alternative (advertising online). The $200 price difference in the budget between the two alternatives is the differential cost. Opportunity cost is the benefit that is lost when you decide to use scarce resources for one purpose rather than for another. Sunk costs are costs that have already been incurred and thus cannot be recovered. Marginal cost is the change in cost that occurs when there is a change in output, such as producing one more unit of a good.

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

SOURCE: Beviglia, J. (2024, May 17). *What is differential cost?* Retrieved October 10, 2025, from https://www.wise-geek.com/what-is-differential-cost.htm

19. D

Reduce; maximize. Harvesting is a strategy in which a company continues to offer a declining product but reduces its costs as much as possible. Therefore, businesses that use a harvest strategy reduce spending on an established, yet declining, product to maximize profits. Harvesting is typically used toward the end of a product's life cycle when it is deemed that further investment will not boost the product's revenue. It is also used on outdated products while profits are reinvested into newer models or technologies.

SOURCE: EN:035 Describe methods of venture harvesting

SOURCE: Kenton, W. (2021, February 24). *Harvest strategy definition in marketing and investing.* Retrieved October 13, 2025, from https://www.investopedia.com/terms/h/harvest-strategy.asp

20. C

Revealing confidential information. An ethical manager does not discuss an employee's confidential information (e.g., health issues, personal problems, performance reviews, salary) with other employees. Discussing an employee's personal matters with others usually leads to distrust and morale problems among the company's employees. Linda is not necessarily expressing favoritism toward Kane if she gives other employees higher salary increases than she gives Kane. There is not enough information to determine if Linda is misusing company funds or if she is refusing to be objective in her decision-making.

SOURCE: SM:002 Explain the nature of managerial ethics

SOURCE: Duff, V. (2019, February 6). *Examples of unethical behavior in the workplace*. Retrieved October 13, 2025, from https://smallbusiness.chron.com/examples-unethical-behavior-workplace-10092.html

21. D

Tactical. Entrepreneurs and small-business owners must engage in a variety of planning activities to get a business started and to keep it running smoothly. Tactical planning is short-range planning (one year) of specific actions the business will take. Strategic planning is long-range planning (three to five years) for the company as a whole. Systematic planning involves using a set of procedures to plan activities. Environmental planning focuses on establishing goals and activities that affect the natural environment.

SOURCE: EN:007 Describe entrepreneurial planning considerations

SOURCE: Indeed. (2025, June 6). *What is tactical planning? Definition and benefits.* Retrieved October 13, 2025, from https://www.indeed.com/career-advice/career-development/tactical-planning

22. A

Capabilities, compatibility, reliability, and cost. Businesses establish specifications for selecting hardware/software systems to provide consistency and compatibilities among users; to maintain a clean, productive system/network environment; to enable the computer system to grow with evolving technology; and to provide a basis for maintaining system operability and reliability. Important considerations in establishing hardware/software specifications include user needs, capabilities, ease of use, compatibility, mobility, technical support, security, performance, cost, licensing, reliability, upgrades/updates, and training. While delivery terms, social media policies, and strategic planning may be considered at some point in establishing specifications or selecting specific hardware/software, they are not significant considerations in establishing hardware/software specifications.

SOURCE: NF:091 Establish specifications for selecting hardware/software systems

SOURCE: Wolters Kluwer. (2021, January 26). *Assessing computer needs for your business*. Retrieved October 13, 2025, from https://www.wolterskluwer.com/en/expert-insights/assessing-computer-needs-for-your-business

23. A

$404. A breakeven point is the level of sales at which revenues equal total costs. Breakeven analysis is a financial analysis whose purpose is to identify the level of sales needed to reach the breakeven point at various prices. To determine the difference in breakeven points using the two different prices, first calculate the breakeven point at each price. To determine the breakeven point at $250 for 3 hours of music, subtract the variable costs for the timeframe from the price ($250 - $62 = $188). Then, divide the fixed costs by the difference between the price and the variable costs to find the breakeven point in units ($4,300 / $188 = 22.87 three-event hours). Then, to calculate the breakeven point in dollars, multiply the breakeven point in units by the sales price per 3-hour event (22.87 X $250 = $5,718). Repeat the process to determine the breakeven point in dollars at $325 per 3-hour event ($325 - $62 = $263; $4,300 / $263 = 16.35 three-hour events; 16.35 X $325 = $5,314). Finally, subtract the breakeven point at the $325 price from the breakeven point at $250 ($5,718 - $5,314 = $404).

SOURCE: OP:192 Conduct break-even analysis

SOURCE: Ita, D. (2025, March 19). *Breakeven point: Definition, examples, and how to calculate.* Retrieved October 13, 2025, from https://www.investopedia.com/terms/b/breakevenpoint.asp

24. C

To explain company goals. A business plan is the written document that is developed before starting a business. It explains the goals and objectives of the company and how the company intends to achieve those goals. Before a business can operate successfully, it needs to have a clear understanding of what it is and what it hopes to accomplish. Without specific goals, businesses often fail. Business plans are not intended to develop credit policies, list distribution methods, or provide research facts.

SOURCE: SM:007 Explain the nature of business plans

SOURCE: U.S. Small Business Administration. (2018, December 10). *5 reasons you need a business plan.* Retrieved on October 13, 2025, from https://www.sba.gov/blog/5-reasons-you-need-business-plan

25. C

Predictions are made secretly in the Delphi technique. The major difference between the jury of executive opinion (JEO) method and the Delphi technique is in the way the predictions are expressed and gathered. Predictions are expressed openly in the JEO method, but they are made secretly in the Delphi technique. The results are averaged in both methods. An advantage of the Delphi technique is that time-consuming discussion and arguments can be prevented by using questionnaires and secret ballots. The Delphi technique includes the opinions of outside experts, but the JEO method does not.

SOURCE: FI:096 Forecast sales

SOURCE: Anaplan. (2023, July 26). *The beginner's guide to sales forecasting.* Retrieved on October 13, 2025, from https://www.anaplan.com/blog/sales-forecasting-guide/

26. A

Business plan. A good business plan demonstrates to a prospective lender that an entrepreneur has the knowledge, managerial competence, and technical capability to run a successful business. It explains in detail how the business will operate. The marketing plan, product description, and company personnel are all part of a good business plan.

SOURCE: FI:031 Explain sources of financial assistance

SOURCE: Mailchimp. (2019, November 25). *Write a successful small business plan in 7 steps.* Retrieved October 13, 2025, from https://mailchimp.com/resources/write-a-business-plan/

27. A

Talk with their customers and vendors. An opportunity is a circumstance that presents itself as a favorable means to meet an objective. Many small business owners are entrepreneurs—individuals who look for opportunities to start businesses and then take action to make the opportunities actualize. There are many ways to look for business opportunities, such as watching trends, attending trade shows, and talking with friends, customers, vendors, and business associates. Although an opportunity can present itself at any time, it doesn't usually happen while doing tasks such as analyzing sales reports or revising operating budgets. After deciding to start the business, a small-business owner might apply for a commercial bank loan to finance a new venture.

SOURCE: EN:031 Create processes for ongoing opportunity recognition

SOURCE: Freshbooks. (2024, July 17). *Small business management: An extensive guide.* Retrieved October 13, 2025, from https://www.freshbooks.com/hub/leadership/small-business-management

28. B

Provide collateral. There are many ways for entrepreneurs to obtain financing for new business ventures. One way is to obtain a loan from a commercial bank. The loan process generally involves completing a loan application and submitting a business plan to the financial institution. In most situations, a bank will require the loan applicant to put up collateral to obtain the loan. Collateral is anything of value (e.g., a car, a home) belonging to the borrower that is pledged to the lender to guarantee that the loan will be repaid. For example, if a business fails, and the borrower cannot afford to pay back the bank loan, the bank can take the borrower's belongings (collateral) as payment for the outstanding loan. Banks do not require loan applicants to close their savings accounts, relinquish contracts, or charge interest.

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

SOURCE: Hall, A. (2022, April 14). *5 ways of funding a business: How to get your piece of the pie.* Retrieved October 13, 2025, from https://www.forbes.com/sites/alanhall/2012/10/20/5-means-of-funding-a-small-business-how-to-get-your-piece-of-the-pie/#621492421cf2

29. C

Description of the industry. The market analysis section of a feasibility study should include a description of the industry. Technology needs would be listed in the technical section. The budget would be under the financial section. The organizational chart would be under the organizational section.

SOURCE: EN:038 Determine feasibility of venture ideas

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

30. B

Inside-out. An inside-out analysis involves looking at internal abilities and resources to identify venture and product opportunities. A new entrepreneur may first look at their personal abilities and resources to determine what type of business might be best for them. Landon may have started a furniture business because he was a good carpenter. Today, Landon's business is larger and has more resources, so he may determine that he has the capabilities within his business to add interior decorating or design services. Another approach to determining venture and product opportunities is by conducting an outside-in analysis. In this situation, the entrepreneur looks at external factors, such as unmet market needs, to identify opportunities. Competition and culture are other external considerations that entrepreneurs consider when identifying venture and product opportunities.

SOURCE: EN:004 Determine opportunities for venture creation

SOURCE: Indeed. (2025, June 6). *Inside-out vs. outside-in strategy: Benefits and differences.* Retrieved October 13, 2025, from https://www.indeed.com/career-advice/career-development/inside-out-vs-outside-in-strategy

31. C

Clarity and direction to actualize the idea. A business plan is a detailed document that serves as a blueprint or guide to use to develop the business. As the entrepreneur works on the business plan, they must consider many factors affecting the business, such as the customers, the competition, necessary resources, and promotional efforts. By considering all these factors, the entrepreneur is obtaining clarity and direction so that they can make the business idea a reality. To obtain a loan, many lenders require an entrepreneur to submit a business plan with the loan application, but it does not ensure that the bank will approve the loan. The business plan does not provide knowledge that the business will succeed. Although the business plan is a guide to obtain a share of the market, it does not provide a strategy to eliminate the competition, which is unethical and illegal in some countries.

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

SOURCE: Hayes, A. (2025, April 7). *Brand equity: Definitions, importance, effect on profit margins, and examples.* Retrieved October 13, 2025, from https://www.investopedia.com/terms/b/brandequity.asp

32. A

Career. When starting a new business, there is always a risk--the possibility of loss or failure. There are different types of risk, such as financial, social, physical, and career. When an entrepreneur leaves a successful career with a reputable company to start a business, there is the risk that the entrepreneur may lose their ability to go back to the career if the new venture fails. If a venture fails and the entrepreneur has not kept up with technological advancements, professional development, or licensing credentials, the entrepreneur may find it difficult to resume their career. Because starting a business can be time-consuming and stressful, the entrepreneur may experience social risk (loss of close relationships) or physical risk (health issues related to mental stress), but neither is illustrated in this example. Financial risk is the possibility of losing assets.

SOURCE: EN:010 Assess risks associated with venture

SOURCE: Scott, J. (2025, March 27). *When to take risks in your career: A strategic guide to growth.* Retrieved October 29, 2025, from https://www.jaredscottspeaks.com/post/when-to-take-risks-in-your-career

33. A

Purchasing an adjacent property. One reason why a business might obtain additional capital is to take advantage of expansion opportunities. If an adjacent property becomes available, the business might want to purchase it to expand its facility. A business might not have sufficient cash on hand to buy an adjacent property, which would result in the need to obtain additional capital. A business would not obtain additional capital to invest in a retirement account, pay employees an incentive, or finance a fundraising campaign.

SOURCE: FI:043 Determine financing needed for business operations

SOURCE: Comerica. (2025, April 2). *How to raise capital for your business: Useful options and strategies.* Retrieved October 13, 2025, from https://www.comerica.com/insights/business-finance/how-to-raise-capital-for-your-business-useful-options-and-strategies.html

34. A

Ease of startup. This kind of ownership has the least red tape. The owner does not have a partner or others to rely on to make decisions. Many new sole proprietorships fail in the first few years. A partnership would combine the financial resources of two or more parties, while a corporation provides the best option for raising capital.

SOURCE: BL:006 Select form of business ownership

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

35. B

Number of orders for durable goods. There are a number of economic indicators that are used to evaluate the state of the economy. They include the number of orders for durable goods, the gross domestic product, industrial production levels, rate of inflation, number of new jobs, and number of housing starts. The level of government regulation is not tied to the economy's health. Changes created by technology may contribute to the health of the economy but do not serve as a measure. The amount of indirect competition is not a factor.

SOURCE: SM:011 Explain external planning considerations

SOURCE: Thangavelu, P. (2025, March 18). *Top 10 U.S. economic indicators.* Retrieved October 13, 2025, from https://www.investopedia.com/articles/personal-finance/020215/top-ten-us-economic-indicators.asp

36. A

$600. Many small businesses control expenses by hiring part-time employees at an hourly rate rather than salaried full-time employees. The advantage to the business is the same number of employees working during a given time period but for less wages. To calculate the savings in this situation, first determine the payroll expense for the full-time employee by multiplying the weekly salary by four weeks ($650 X 4 = $2,600). Then, determine the payroll expense for one part-time employee by multiplying the number of hours worked each day by five days to find the number of hours worked each week (4 X 5 = 20). Then, multiply that number by the hourly rate to determine the weekly pay ($12.50 X 20 = $250). Multiply the weekly pay by four weeks ($250 X 4 = $1,000) and the four-week total by the two part-time employees ($1,000 X 2 = $2,000). Determine the savings by subtracting the part-time payroll from the full-time payroll ($2,600 - $2,000 = $600).

SOURCE: OP:029 Develop expense control plans

SOURCE: Tetakawi. (2023, August 1). *How to calculate payroll expenses.* Retrieved October 13, 2025, from https://insights.tetakawi.com/how-to-calculate-payroll-expenses

37. A

Money in cash drawer. Security issues are problem areas that might threaten the security of the business or its property. An example of a security issue might be the amount of money the business keeps in the cash drawer. If the business routinely keeps large sums of money on hand, this is a risk factor that may affect the security of the business. Identifying the issue and taking steps to limit the amount of money in the cash drawer will make the business more secure and less likely to be robbed. Equipment in poor repair, employees not well trained, and protective clothing not available are safety issues rather than security issues.

SOURCE: OP:154 Identify potential security issues

SOURCE: Securitas. (2025, January 23). *The 5 biggest security risks for businesses.* Retrieved on October 13, 2025, from https://www.securitasinc.com/news-insights/blog/the-5-biggest-security-risks-for-businesses/

38. A

Evaluate its systems and procedures. A procedure is a step-by-step process for performing a specific task. A company must conduct many tasks to keep the business running. To make sure that the business is operating efficiently, it may evaluate its procedures to see if it should make improvements in order to reach its various goals. A business would not distribute a survey to competitors or hire an international tax consultant to determine if it is operating in the most efficient manner.

SOURCE: OP:022 Establish efficient operating systems

SOURCE: Jenkins, A. (2022, November 16). *What is business efficiency & how can you improve it?* Retrieved October 15, 2025, from https://www.netsuite.com/portal/resource/articles/financial-management/business-efficiency.shtml

39. C

Represent several companies. An advantage of dealing with independent agents is that they represent several insurance companies and can shop around for the best coverage and lowest rates. Different insurance companies charge different rates for comparable coverage depending on a variety of factors, such as size of the business, location, etc. Independent agents representing several companies know which company will be best suited to their clients' needs. Independent agents also sell various types of insurance and can handle all of a business's insurance needs. Independent insurance agents do not work for low commissions, charge discounted rates, or provide limited coverage.

SOURCE: FI:082 Obtain insurance coverage

SOURCE: Tuovila, A. (2025, April 5). *Independent agent: What it is and what they do.* Retrieved October 13, 2025, from https://www.investopedia.com/terms/i/independent-agent.asp

40. B

Core values. A mission statement is a brief summary that defines the purpose of the organization. A mission statement reflects the philosophies, ideologies, beliefs, and priorities of the organization's owner(s)—all of which make up the business's core values. The business's goals, ethics policies, and touch points are based on the business's core values.

SOURCE: SM:009 Define business mission

SOURCE: Quain, S. (2019, March 10). *9 characteristics of an effective mission statement.* Retrieved October 13, 2025, from https://smallbusiness.chron.com/9-characteristics-effective-mission-statement-18142.html

41. A

Cash flow statements. A cash flow statement is a financial summary with estimates as to when, where, and how much money will flow into and out of a business. It is one of the financial documents that banks expect a business to provide when applying for a loan. Many times, a bank will request copies of cash flow statements from previous years to determine if the business consistently has sufficient cash to cover operating expenses and repay debts, such as a new loan. If a bank wanted collateral to guarantee the loan, it might ask the business to provide equipment lists or real estate deeds. These are assets that the business might use to obtain a secured loan. Stock certificates are given to stockholders as proof that they own a share of the business.

SOURCE: FI:033 Complete loan application package

SOURCE: Camberato, J. (2023, December 8). *What do business lenders look for in your application?* Retrieved October 13, 2025, from https://www.forbes.com/councils/forbesfinancecouncil/2023/12/08/what-do-business-lenders-look-for-in-your-application/

42. C

Each group of stakeholders has different needs and expectations. Stakeholders are people who are affected by a project's or business's success or failure. The needs and expectations of different groups of stakeholders depend on the individual perspectives of those stakeholders. Stakeholder expectations are not always financially driven. Not all stakeholders necessarily want to exert authority over employees; furthermore, employees *are* stakeholders. Stakeholder expectations do not always come second to customer needs; customers *are* stakeholders, and their expectations are considered alongside other stakeholders.

SOURCE: EI:113 Determine stakeholder expectations

SOURCE: Pandey, S. (2022, May 24). *How to manage expectations during your project?* Retrieved October 13, 2025, from https://www.projectcentral.com/blog/manage-expectations/

43. B

$127.00. Net profit is the money remaining after operating expenses are subtracted from gross profit, the difference between the cost and the selling price. Thus, by subtracting the cost and the operating expenses from the selling price, the net profit is determined ($625.00 + $67.50 = $692.50; $819.50 - $692.50 = $127.00).

SOURCE: FI:102 Interpret financial statements

SOURCE: Kenton, W. (2025, June 26). *How gross, operating, and net profit differ.* Retrieved October 13, 2025, from https://www.investopedia.com/terms/p/profit.asp

44. C

Measurable. When an organization is developing performance standards, it should ensure that those standards are measurable so that they can actually be used to evaluate performance. Performance standards should be objective rather than subjective. They also should be clearly stated in writing rather than informally discussed. Finally, performance standards should be realistic rather than extremely challenging.

SOURCE: PD:256 Establish performance standards to meet organizational goals

SOURCE: U.S. Office of Personnel Management. (2025). *Developing performance standards.* Retrieved October 13, 2025, from https://www.opm.gov/policy-data-oversight/performance-management/reference-materials/articles/developing-performance-standards/

45. D

Collect information. Crisis management is a public relations (PR) strategy that involves the ongoing management, planning, and coordination of resources in the event that undesirable circumstances occur. In this situation, the first thing Azalea should do is to collect information. When managing a crisis, it is important for PR professionals to first collect all of the information they can and fact-check it to properly evaluate the threat and determine the initial cause. Taking responsibility, reacting as soon as possible, and answering media questions are steps that PR professionals should take after they collect information.

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

SOURCE: Forbes. (2022, April 14). *13 golden rules of PR crisis management.* Retrieved October 13, 2025, from https://www.forbes.com/sites/forbesagencycouncil/2017/06/20/13-golden-rules-of-pr-crisis-management/

46. C

Obtaining market share. Marketers may use selling price to obtain a share of the market, to enlarge the share they already have, or to maintain that share. Businesses with profit-oriented pricing try to maximize their profits by setting prices that will bring in the maximum amount of profit in the shortest time. Variable costs cannot be stabilized since by their nature they fluctuate with changes in sales. Cooperative advertising is funds provided to retailers by the producers of goods to help pay the retailers' advertising expenses and is not dependent on prices.

SOURCE: PI:002 Explain factors affecting pricing decisions

SOURCE: Hayes, A. (2025, July 8). *Market share: What it is and formula.* Retrieved October 13, 2025, from https://www.investopedia.com/terms/m/marketshare.asp

47. D

Process thinking. This type of thinking focuses on the step-by-step processes that will contribute to achieving a specific goal. Since every outcome is a result of at least one process (and usually multiple processes), process thinking is an excellent way to plan ahead for maximum success. Mark is demonstrating process thinking in this example—not necessarily agile project management, critical thinking, or goal setting. Agile project management involves making continuous improvements to a project over time. Critical thinking is the act of reflecting on and processing information in an objective manner to form a judgment. Goal setting involves determining objectives that you would like to accomplish in a set amount of time.

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

SOURCE: Pitagorsky, G. (2016, August 3). *The importance of process thinking.* Retrieved October 13, 2025, from https://www.projecttimes.com/articles/the-importance-of-process-thinking

48. B

By identifying consumers' wants and needs. The marketing concept is a philosophy of conducting business that is based on the belief that all business activities should be aimed toward satisfying consumer wants and needs while achieving company goals. Marketing research helps the business implement the marketing concept by providing it with information about what consumers want, need, and are likely to buy. Marketing research cannot solve a business's problems or prevent financial losses. The business sets its own goals which may or may not be based on marketing-research information.

SOURCE: IM:010 Explain the nature of marketing research

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

49. A

Change management should focus on people. Most of the benefits from change management cannot occur simply because of a technological change. Change management should be focused on helping people change how they do their jobs. Hiring younger employees is not related to this example. Change should not be avoided, because it is necessary and the only way to continue to be successful in a changing world. Finally, adapting to technology sooner would not necessarily have made the change more successful.

SOURCE: SM:095 Explain the nature of change management

SOURCE: Miller, K. (2020, March 19). *5 steps in the change management process.* Retrieved October 13, 2025, from https://online.hbs.edu/blog/post/change-management-process

50. D

Understanding the nature of demand. The main goal of business process thinking is to find and implement more efficient ways to produce a good or service. To accomplish this, a business must first understand the demand for its product and estimate future demand. This is a crucial component of business process thinking because it lays the foundation for all procedures. Vertical integration is an important component of business processes, but it is not the primary step, nor is it the most basic. Understanding the nature of demand and the product itself comes first in business process thinking. Planning a research and design (R&D) phase and determining the quality of suppliers are operations that can be incorporated into business processes, but they are not primary steps in business process thinking.

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

SOURCE: Landau, P. (2021, September 7). *A quick guide to business process mapping.* Retrieved October 13, 2025, from https://www.projectmanager.com/blog/business-process-mapping

51. B

Increased confidence from company stakeholders. Companies that implement enterprise risk management (ERM) are more likely to enjoy confidence from their shareholders and other stakeholders. ERM sends a strong signal to shareholders that the organization is taking risk management seriously. ERM can provide assurance to management, the board of directors, and shareholders that all possible steps are being taken to manage and prevent risk. Improved sales and decreased expenses in public relations are not guaranteed when implementing ERM. Ideally, ERM would result in less performance variability—meaning that the organization's performance would remain consistently high.

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

SOURCE: Hayes, A. (2025, April 10). *Enterprise risk management (ERM): What it is and how it works.* Retrieved October 13, 2025, from https://www.investopedia.com/terms/e/enterprise-risk-management.asp

52. B

Independent audits. An independent audit is an examination of a business's financial records or operations by an outside organization or institution. Segregation of duties is a concept that refers to more than one person being responsible for different aspects of completing a task. Segregating duties is a mechanism that is implemented within the company. A change in leadership and a company's code of conduct would be internal factors that impact corporate governance structures.

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

SOURCE: Davoren, J. (2017, November 22). *Three types of corporate governance mechanisms*. Retrieved October 13, 2025, from https://smallbusiness.chron.com/three-types-corporate-governance-mechanisms-66711.html

53. A

They intend to motivate the consumer to take action. This is a key difference between direct strategies and other types of advertising or promotion. Direct advertising strategies try to make the consumer do something immediately: pick up the phone, go online, drive to the mall, etc. Its immediacy and strong persuasiveness distinguish effective direct advertising strategies from other types of communication. Creative techniques vary widely among different direct advertising strategies and are determined by such factors as the objectives, the product being advertised, and the budget. Direct advertising strategies are effective because they communicate with consumers on a more individual basis, not as one large group. Some direct strategies get consumers' attention through the use of unusual copy and graphics. However, some of the most effective direct strategies are also more straightforward—for example, letters with long copy and few, if any, graphics. What works varies from situation to situation, product to product.

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

SOURCE: Sparklight Business. (2022, November 3). *Basic principles of advertising.* Retrieved October 14, 2025, from https://business.sparklight.com/the-wire/marketing/advertising/basic-principles-advertising

54. D

Reliable. A reliable product is one that performs as it is supposed to. The longer the amount of time between breakdowns, the more reliable a product is considered to be. A serviceable product is one that can be maintained or repaired. The easier it is to do so, the more serviceable the product is considered to be. A durable product is one that performs its purpose for a long period of time. The longer the period of time before the product fails, the more durable the product is considered to be. Responsiveness involves the level of promptness and willingness with which a service is provided.

SOURCE: QM:001 Explain the nature of quality management

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

55. D

Transparency. Transparency involves maintaining open and honest communications, which establishes trustworthiness. When the company's board of directors provides timely, accurate, and clear information, it is being transparent about the status and performance of the company. Transparency is an important component of a well-governed company. Fairness is the ability to make judgments and act without favoritism or self-interest. Accountability is accepting responsibility for decisions. Respect is honoring the rights, freedoms, views, and property of others. Fairness, accountability, and respect are important elements of corporate governance, but they are not demonstrated in this example.

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 14, 2025, from https://www.investopedia.com/terms/c/corporategovernance.asp

56. B

The user controls the flow of information. With the click or touch of a button, people who access the internet have control over which sites they want to visit and what they want to read. While people certainly can carry on multiple conversations over the phone and online at the same time, this is not a reason why the internet is considered to be interactive. Just because information travels through an advertising medium (e.g., the internet) to get to customers does not mean that it is interactive. For example, radio is passive because the listener cannot choose what songs are played. Computer networks do communicate with each other to make the transmission of information over the Internet possible, but the internet is interactive because users make the ultimate decision of what that information will be.

SOURCE: PR:007 Explain types of advertising media

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

57. A

Cost of the product. Most companies have promotional budgets. The amount of money spent on an advertising campaign is built into the cost of the product, which is the total amount of money spent to manufacture the goods. Therefore, the higher the promotional budget, the higher the price of the goods. Operating expenses are all of the expenditures necessary to keep the business running. The salaries of management are included in operating expenses. Capital investment is the funds the business has reinvested in the business.

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

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

58. A

Less waste. A supply chain is the process of making and selling a product or service through the use of a network of individuals, companies, resources, technologies, and activities. When done efficiently, supply chains can have a positive impact on customers, a business's profitability and cash flow, and business operations. A specific impact that an efficient supply chain has on business operations is that it leads to less waste. Other impacts on business operations include less confusion, less duplication, and improved efficiencies, among others. Higher profits and lower costs are impacts an efficient supply chain has on a business's profitability. Lower prices are an impact an efficient supply chain can have on customers, as are better customer experience, faster delivery times, etc. Higher costs are not a desired impact of an efficient supply chain for customers, a business's profitability, or business operations.

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

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

59. C

Integration. Members of a well-integrated supply chain have open lines of communication and are able to complete supply chain processes on time, within budget, and matching quality objectives. Integration in supply chain management involves ensuring that all supply chain members are working toward collective goals and participate in the free flow of information. Operations involves the day-to-day activities and processes in the supply chain and monitors such things as inventory levels, for example. Purchasing/Supply involves managing sources, materials, and prices that are required for the supply chain to create profit, maintain quality, and stay cost-effective. Distribution/Logistics focuses on the shipments and transportation of goods throughout the supply chain.

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

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

60. B

Variable expenses. Variable expenses are business costs that change according to changes in sales volume. Variable expenses have a significant effect on selling price because businesses need to charge enough for their products to cover costs and still earn a profit. If a business's variable expenses increase, it may need to raise the selling price to remain profitable. Social concerns, competitors' costs, and government regulations are external factors that affect selling price.

SOURCE: PI:002 Explain factors affecting pricing decisions

SOURCE: Investopedia. (2022, June 27). *Marketing essentials.* Retrieved October 14, 2025, from https://www.investopedia.com/marketing-essentials-4689814

61. A

Consistency. Product consistency refers to how closely a company's product lines are related in terms of the product's end use, methods of distribution and production, target market, and price range. Width or breadth refers to the number of product lines carried by a company. Depth or length refers to the number of products and the assortment of sizes, colors, and models offered in the product lines.

SOURCE: PM:003 Explain the concept of product mix

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

62. B

Independent thinking. It is important for members of a corporation's board of directors to be able to think independently. This involves questioning current policies and proposed actions so that the board as a whole acts in the best interests of the corporation and its shareholders. Board members should also be open-minded and willing to listen to suggestions and different opinions so they can make informed, thoughtful decisions. Conformity often involves following or agreeing with others to “fit in” with the group. Conformity, indecisiveness, and a single-minded attitude can lead to decision-making practices that do not look out for the best interests of the corporation and its shareholders.

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

SOURCE: Duenas, C. (2022, October 18). *Four characteristics of an effective board.* Retrieved October 14, 2025, from https://www.praxonomy.com/blog/4-characteristics-of-an-effective-board/

63. A

Promotion to remind. Some companies need to remind customers of their existence. Usually in this case, the promotions try to build an image of the company or organization rather than try to sell an individual product. Reminder promotions seek to reinforce a favorable company image that is already present in customers' minds. Persuasive promotions are designed to stimulate some sort of action in customers. Promotions that inform customers communicate important information about products and/or educate customers on how to use products to their fullest advantage. Companies do not typically promote products with the sole purpose of entertainment.

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

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

64. B

Family and friends. Recent studies show that upwards of 90% of consumers believe recommendations from friends and family over any other form of advertisement. While customer reviews can be effective word-of-mouth tools, studies indicate that customers will require multiple positive reviews to reach a high level of trust in a company or product. Social media influencers and commercials can also be effective marketing tools, but they do not possess the same levels of trust from consumers.

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

SOURCE: McMillen, J. (2025, August 20). *Word-of-mouth marketing: Building a strategy that really works.* Retrieved October 14, 2025, from https://www.yotpo.com/resources/word-of-mouth-marketing/

65. C

Can result in a large number of layoffs. Business process redesign (BPR) is a complete overhaul of a company's key business processes and procedures. The goal of BPR is to improve overall efficiency, which is often done by reducing costs and expenses, improving quality, and sharpening management. Because reducing costs is a key component of BPR, it can lead to a large number of layoffs or the elimination of certain aspects of a business. BPR often aims to eliminate unproductive departments of a business operation, but it can reach into every department or division, depending on the scale of the redesign. BPR is implemented to improve overall efficiency and leads to massive changes.

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

SOURCE: Hayes, A. (2022, December 6). *Business process redesign (BPR)*. Retrieved October 14, 2025, from https://www.investopedia.com/terms/b/business-process-redesign.asp

66. A

Distribution. The function of business that involves the moving, storing, locating, and transferring ownership of goods and services is distribution. Companies should continuously analyze the areas of distribution (i.e., ordering, receiving, storing, and shipping) to ensure that each area is performing in the most efficient, and cost efficient, manner. Companies often analyze transportation services to compare rates and services. If a company finds that one company provides equal or better transportation services for less money, it might consider changing transportation vendors. Product management is a marketing function. Financial resources are sources of money such as sales income, investments, and loans. Production is the process of producing goods and services.

SOURCE: OP:327 Discuss the nature of business analysis

SOURCE: Picincu, A. (2020, July 29). *Distribution process management*. Retrieved October 14, 2025, from https://smallbusiness.chron.com/distribution-process-management-67041.html

67. B

Search engine optimization. Pull marketing draws customers to the product and encourages them to seek it out. Push marketing, which is the opposite of pull marketing, brings the brand or product to customers. Pull marketing is also known as inbound marketing, while push marketing is known as outbound or direct response marketing. Examples of pull marketing include search engine optimization (SEO), social media, and cross-promotion. Examples of push marketing include targeted emailing, point-of-sale marketing, and TV advertising.

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

SOURCE: Indeed. (2025, June 6). *What are pull marketing strategies? (Types and examples).* Retrieved October 14, 2025, from https://www.indeed.com/career-advice/career-development/pull-marketing-strategies

68. D

Age, gender, and income. To attract the target market, marketers must create images that appeal to the audience. One technique that marketers use to create a connection with their customers is to build a customer profile of the typical buyer. Although the profile depicts a fictitious person, it provides a frame of reference for the promotion. Developers consider many factors when creating a buyer profile, including demographics. Demographics are the physical and social characteristics of the market and include considerations such as age, gender, and income. The profile may also include information about the typical buyer's location, which is a geographical factor. Psychographics, which include considerations such as lifestyles, attitudes, and personalities, are also factors that influence the profile's makeup.

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

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

69. B

A MAT release. MAT releases are articles PR teams generate for placement in print or online publications. A food manufacturer might submit an article that features recipes involving their product. Podcasts are digital audio files that can be used for public relations activities. Crisis management is the process PR departments use to deal with a sudden negative emergency. A MAT release of this type would likely not be considered philanthropy.

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

SOURCE: Turgeon, V. (2024, January 19). *What is a MAT release?* Retrieved October 14, 2025, from https://www.brandpoint.com/blog/what-is-a-mat-release/

70. B

The ability to learn is essential for innovation. Organizations with a focus on learning are places where people expand their knowledge, develop new ways of thinking, and obtain new skills. Learning is essential for innovation, which is the creation or discovery of something new, such as a new product, strategy, or process. The ability to innovate is not necessarily essential for learning. Innovation is not stifled by continuous learning. Learning and innovation are not essentially the same.

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

SOURCE: Steelcase. (2025, October 14). *Creating the link between learning and innovation.* Retrieved October 14, 2025, from https://www.steelcase.com/research/articles/creating-link-learning-innovation-learning-principles

71. A

High production expenses. After a business generates many product ideas, it "weeds out" the ideas that are not practical for the business to pursue. High production costs, low market demand, and brand compatibility may be factors that the business considers impractical. Low financial risk and low competition may indicate that the idea is worth pursuing, and it is doable.

SOURCE: PM:129 Determine initial feasibility of product idea

SOURCE: Indeed. (2025, July 24). *What is dynamic marketing? (And how to implement it).* Retrieved October 14, 2025, from https://www.indeed.com/career-advice/career-development/dynamic-marketing

72. A

Pricing strategy. This unique selling proposition (USP) relates to the pricing strategy—the gym's marketers are highlighting its unique benefit as being the most affordable gym in town. Placement refers to where a product is distributed. Guarantee refers to an assurance that marketers give that customers will like the product. Sales copy refers to words used in the selling process.

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

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

73. C

Categorize. A risk management plan helps separate risks into categories, which helps them be properly organized and easier to manage. Risk management programs do not necessarily encourage, prevent, or process risk.

SOURCE: RM:045 Develop a risk management program

SOURCE: Thakur, M. (2023, July 10). *Project risk management plan.* Retrieved October 15, 2025, from https://www.educba.com/project-risk-management-plan

74. D

Select the most appropriate media to use. A profile of the target audience provides a broad picture of a group of people. A profile usually contains information about age, gender, occupation, income, marital status, etc. Advertising agencies can use this information to select the media that will reach the target audience. For example, radio more effectively reaches certain audiences than TV or newspapers. Understanding the target audience helps with media selection, which also leads to the best use of the client's advertising dollars. Agencies do not develop a profile of the target audience to develop inexpensive promotions, establish production schedules, or identify employees to work on the campaign.

SOURCE: MP:031 Develop customer profile

SOURCE: Adobe for Business. (2025, September 16). *What is audience targeting? Definition, benefits, and examples.* Retrieved October 15, 2025, from https://business.adobe.com/blog/basics/audience-targeting

75. A

Startup. Businesses go through life cycles, which includes everything from their creation to their decline. The startup stage is characterized by research and development, including determining the type of business, how the company will be run, what products or services it intends to sell, etc. Developing a business model is key during the startup stage. The growth stage is where companies distinguish themselves from their competition, as owners look to grow and expand. The maturity stage is when the company is established in the market with a strong management team, and sees consistent annual growth. The decline stage is when the company sees consistent drops in revenue.

SOURCE: FI:339 Describe the financial needs of a business at different stages of its development

SOURCE: Hargrave, M. (2025, April 29). *Life cycle: Definition in business, types, and examples.* Retrieved October 15, 2025, from https://www.investopedia.com/terms/l/lifecycle.asp

76. D

Put company data at risk by using unsecured Wi-Fi networks. Many employees work outside of the office or access their work email from mobile devices. While these employees do not usually knowingly put company data at risk by sharing it with others, they often connect via unsecured Wi-Fi networks. This can allow company data to get into the wrong hands and put the company at risk. Employees will not often get viruses on their mobile devices by using them outside of the office.

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

SOURCE: Buxton, O. (2024, September 16). *Public Wi-Fi: A guide to the risks and how to stay safe.* Retrieved October 15, 2025, from https://us.norton.com/blog/privacy/public-wifi

77. C

You have a limited amount of time. SWOT analysis is especially helpful when you have a limited amount of time. SWOT is a relatively quick way to get to the heart of the matter when it comes to strategic planning. When you have a limited amount of time available to make a decision, a simple SWOT analysis can help you organize vital information in a way that makes your top priorities more clear. Although you can conduct a SWOT analysis when your business is young or old, or when you have an unlimited amount of time, it is especially helpful when time is short.

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

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

78. B

Hold a focus group. A focus group is a group of people formed for the purpose of discussing a specific topic. A customer focus group can provide information to help a business determine what it is doing right, what it needs to improve upon, and what customers need and want from the business. Reviewing the customers' sales histories provides important information about their buying habits, but does not provide information about how they view their experiences with the company. Hiring a market research consultant might help the company evaluate customers' experiences but a legal consultant would not help. Because trainees are new and still learning about the company, they may not have enough knowledge to provide input about customers' experiences.

SOURCE: PM:138 Evaluate customer experience

SOURCE: Fessenden, T. (2022, July 31). *Focus groups 101.* Retrieved October 15, 2025, from https://www.nngroup.com/articles/focus-groups-definition/

79. C

The market's growth rate. A market analysis is a systematic study of the market. The growth rate of a potential market is an important consideration when conducting a market analysis. If data indicate that the market is expected to grow, then it is possible that there could be a greater demand for the business's products in the future, so the business must take steps to prepare to meet the needs of the growing market. If market growth is expected to decline, the business needs to know so it can make changes and perhaps try to identify a new market. Market size is the number of possible buyers in a given market at a given time. Profitability is the degree or level of profit of a business or a product. A business does not evaluate a market's performance, but its potential to buy.

SOURCE: MP:009 Conduct market analysis (market size, area, potential, etc.)

SOURCE: Vation Ventures, LLC. (2024). *Market growth: Definition, explanation, and use cases.* Retrieved October 15, 2025, from https://www.vationventures.com/glossary/market-growth-definition-explanation-and-use-cases

80. B

Strategic. Strategic risks are possible events and situations that can affect the execution of an organization's long-term plan. However, not all strategic risks are inherently bad, and many of them are related to a company's objectives (e.g., a bank takes a risk when offering a loan). To protect itself against strategic risks, an organization might diversify its projects and maintain a healthy cash flow. Physical risks (such as a fire or explosion), human risks (such as embezzlement), and technological risks (such as a power outage) are not inherent to business objectives and often require more action than diversification of projects and maintenance of a healthy cash flow.

SOURCE: RM:056 Identify business risks

SOURCE: Davis, M. (2024, September 27). *Identifying and managing business risks*. Retrieved October 15, 2025, from https://www.investopedia.com/articles/financial-theory/09/risk-management-business.asp

81. C

Venture capitalist. Venture capitalists typically are willing to invest large amounts of money and provide expert guidance for innovative technologies with great growth potential. Angel investors often provide expert guidance to new ventures, but they typically have less money to invest. Family and friends are not likely to have large amounts of money to invest or the expertise needed to develop new technologies. Commercial banks are typically reluctant to invest in new technologies and do not provide expert technical advice.

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

SOURCE: Forbes Financial Council. (2024, July 18). *20 unconventional funding ideas for businesses.* Retrieved October 20, 2025, from https://www.forbes.com/councils/forbesfinancecouncil/2024/07/18/20-unconventional-funding-ideas-for-businesses/

82. B

Stay engaged in their jobs and their company. It may seem appealing to underpay workers while a new company gets on its feet—but it sure isn't ethical! Employees who are paid fairly for a job well done are more likely to stay engaged in their jobs and on board with their company's mission. Workers who aren't paid well, on the other hand, probably won't stick around for long—forcing the company to go through the expensive process of recruiting all over again. Underpaid workers are also likely to feel resentment toward management and experience serious job dissatisfaction.

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

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

83. B

Operating expenses. Operating expenses are the costs of running a business. They may be variable or fixed but do not include the costs of items purchased for resale, or the cost of goods sold. Fixed costs are business costs that are not affected by changes in sales volume. An example is rent. Variable costs are business costs that change according to changes in sales volume. An example would be increased salary expense due to the hiring of more salespeople.

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

SOURCE: Kenton, W. (2025, October 14). *Operating expense (OpEx): Definition, examples, and tax implications.* Retrieved October 20, 2025, from https://www.investopedia.com/terms/o/operating_expense.asp

84. C

Emotional. Entrepreneurs must anticipate several risks when starting a new venture: financial, career, industry, market, emotional, etc. Emotional risks, such as marital strain and family issues, are based upon the entrepreneur's feelings, values, and personal (rather than professional) topics.

SOURCE: EN:010 Assess risks associated with venture

SOURCE: Sherman, F. (2019, February 5). *Risks of starting a new business*. Retrieved October 20, 2025, from https://smallbusiness.chron.com/risks-starting-new-business-4195.html

85. B

It demonstrates the owner's commitment. An owner's equity (an owner's personal financial investment in a business) is a key financial used to evaluate a business's loan worthiness. When a business owner is willing to invest their own funds, it shows the owner's commitment to work hard to make the business successful. When a business owner doesn't invest any personal funds, banks are reluctant to finance the venture. Personal investment in a business cannot guarantee that loans will be paid. Collateral refers to assets that can act as a form of repayment to the bank such as equipment and real estate. An investment of personal capital is not proof that a business has a positive cash flow, nor does it increase it.

SOURCE: FI:034 Explain loan evaluation criteria used by lending institutions

SOURCE: Kriss, R. (2025, September 3). *Business loan requirements: 7 things you'll need to qualify.* Retrieved October 20, 2025, from https://www.nerdwallet.com/article/small-business/how-to-qualify-for-small-business-loans

86. C

Terry fulfills the requirements of the law. Compliance is fulfilling the requirements of the law. Standards that govern your behavior are ethical principles. The basic principles that govern your behavior refers to ethics. Doing the right thing, even when no one is watching describes integrity.

SOURCE: SM:002 Explain the nature of managerial ethics

SOURCE: LAP-SM-002—Great Power, Great Responsibility (Nature of Managerial Ethics)

87. C

Higher inflation rates. Environmental scanning is the process of collecting information about the environment surrounding your business. Higher inflation rates are an economic factor that might be identified as part of an environmental scan. Increased general competition is a competition trend that may be identified during an environmental scan. Changing state and local laws are a political/governmental factor that might be identified. Companies going green is a society and culture trend.

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

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

88. B

Gather additional information about the situation. A manager should try to get the whole story behind an employee's complaint and identify the actual problem before taking other action. In this case, there is an obvious misunderstanding that needs to be addressed. The manager might then set a time at which they will make a decision. Telling the employee they must work or to solve the problem with the help of coworkers would not be acceptable ways of handling the complaint.

SOURCE: HR:366 Handle employee complaints and grievances

SOURCE: Indeed. (2024, November 4). *Employee complaints: Properly listening to team members.* Retrieved October 21, 2025, from https://www.indeed.com/hire/c/info/employment-complaints

89. C

Income minus expenses. The basic calculation used to analyze an income statement is “income minus expenses.” All the money a business earns minus all of its expenses gives an exact picture of how well the company is doing financially. If the outcome is positive, the business has a profit. If the outcome is negative, the business has a loss. Revenue, sales, and assets are included in a business’s income. Liabilities and operating costs are included in a business’s expenses.

SOURCE: FI:094 Describe the nature of income statements

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

90. B

Profitability analysis. The final task in the financial section of a feasibility study is performing a profitability analysis to determine if the venture can break even and when it will start making a profit. An annual review is a general business term that could relate to anything and is not typically used in a feasibility study. Owners/Managers must estimate revenues before they can perform a profitability analysis. They assess organizational issues in the organizational section of the feasibility study.

SOURCE: EN:038 Determine feasibility of venture ideas

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

91. C

Saturate the market. An intensive distribution strategy involves making a product available in all possible locations to make it easy for customers to buy. Products that most consumers buy on a regular basis usually are available everywhere because the goal is to saturate the market with the products. By saturating the market, the business often increases sales because products are always accessible. Exclusive distribution may create an upscale image and may target a specific area. Intensive distribution is not intended to eliminate the middleman.

SOURCE: CM:009 Explain the nature of channel strategies

SOURCE: Indeed. (2025, June 6). *What is intensive distribution? Definition and examples*. Retrieved October 20, 2025, from https://www.indeed.com/career-advice/career-development/intensive-distribution

92. A

Corporate governance can benefit organizations of any size. While small organizations might not have to follow the same regulations or take the same type of structured approach, they can still benefit from corporate governance. They do not, however, necessarily need a board of directors. Large companies are not necessarily better at monitoring corporate governance.

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

SOURCE: Chen, J. (2025, September 11). *Corporate governance: Definition, principles, models, and examples*. Retrieved October 20, 2025, from https://www.investopedia.com/terms/c/corporategovernance.asp

93. B

To enhance the image of the company. When a company decides to add a higher priced product or line to its product mix, it is using a trading-up product-mix strategy. In this way, the company can upgrade its image from one level to another. The use of alteration strategies can help a business limit its costs. A contraction strategy is used when production has become a problem. Reducing legal liability is another reason to use the contraction strategy.

SOURCE: PM:003 Explain the concept of product mix

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

94. A

Advertising. Advertising is any paid form of nonpersonal presentation of ideas, images, goods, or services. It can be used to promote products or any kind of business. Publicity is a nonpersonal form of promotion that is not paid for by the company or individual that receives it. Sales promotion is promotional activities other than advertising, personal selling, and publicity that communicate information about goods, services, images, or ideas to achieve a desired outcome. Personal selling is the form of promotion that uses planned, personalized communication to influence purchase decisions and enhance future business opportunities. Both sales promotion and personal selling would be more likely to be used in promoting products.

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

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

95. C

Jury of executive opinion. The jury of executive opinion is a qualitative sales forecasting method that gathers opinions from company executives (or other experts) to help predict sales. Under the salesforce opinion method, salespeople make sales estimates for their territories for a specific time period. The test marketing method involves introducing products to a geographic area for a limited time and studying sales results. The market factor analysis method involves studying factors that may impact sales such as the economy, the legal environment, and current trends.

SOURCE: MP:014 Forecast sales for marketing plan

SOURCE: Diversification. (2025, October 12). *Jury of executive opinion.* Retrieved October 21, 2025, from https://diversification.com/term/jury-of-executive-opinion

96. D

They will have to pay interest on the borrowed amount. A downside of acquiring capital through debt financing is that the borrower must pay interest on the money borrowed. This means that John and Damien will end up owing more than the amount of money they initially borrowed. In equity financing, stocks are sold to shareholders and those shareholders own a stake in the company. Damien and John would not be required to repay the money immediately.

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

SOURCE: Chen, J. (2025, May 8). *How does debt financing work?* Retrieved October 20, 2025, from https://www.investopedia.com/terms/d/debtfinancing.asp

97. D

Human risk. A problem caused by employees is considered a human risk. Drug abuse is a major human risk that employers must deal with and that can lead to employee absence, theft, and fraud. Technology risks involve power outages and failure of devices such as computers, phones, routers, satellites, etc. Strategy risks are risks related to or caused by an organization's business objectives. Financial risk typically refers to risks associated with a company's capital structure and financing, such as exposure to loan default or the inability to collect returns on an investment.

SOURCE: RM:056 Identify business risks

SOURCE: Davis, M. (2024, September 27). *Identifying and managing business risks.* Retrieved October 20, 2025, from https://www.investopedia.com/articles/financial-theory/09/risk-management-business.asp

98. C

Production, shipment, and distribution of products. Supply chain management is a career area in which employees supervise the complete process of getting products into the marketplace—including the production, shipment, and distribution of products. Supply chain management does not specifically oversee the buying and selling of stocks, human resources, communications, financial planning, or managerial accounting; however, each of these business practices influences supply chain management in its own unique way.

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

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

99. B

Competitive. A competitive analysis involves examining the competitive environment to find out what competitors are doing. When conducting a competitive analysis, a business usually reviews the prices that competitors are charging for similar products. A business also wants to find out the types of services that competitors are offering to customers. The goal is to find out what the competition is doing to be able to compete effectively. For example, a business might reduce prices on certain products if it discovers that most competitors are selling the products at a lower price. A technological analysis involves reviewing the current technology that is available. An industry analysis involves examining the industry as a whole rather than individual competitors. Relationship analysis involves reviewing the relationship that exists between the business and its customers.

SOURCE: MP:012 Conduct competitive analysis

SOURCE: White, C. (2025, April 11). *What is a competitive analysis – And how do you conduct one?* Retrieved October 21, 2025, from https://blog.hubspot.com/marketing/competitive-analysis-kit

100. C

Rate of productivity. A business conducts a SWOT analysis to identify its internal strengths and weaknesses as well as the external threats and opportunities. An important factor to consider is the business's rate of productivity. Depending on how the rate of productivity compares to other businesses in the same industry, productivity may be a strength or a weakness. A high rate of productivity is a strength, while a mediocre or low rate of productivity is a weakness. It is important for a business to consider its rate of productivity because high productivity may help the business take advantage of external opportunities. If the business finds that its productivity is low, it can take steps to correct the problem. The type of industry, the location of the target market, and the amount of competition are external factors that a business might consider when conducting a SWOT analysis.

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

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