



Competency-Based  
Competitive Events  
\*Written Exam\*  
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Test Number 1263  
Booklet Number \_\_\_\_\_

# Entrepreneurship Exam

Entrepreneurship Operations Event

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

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1. Frederic used to own the only pizza place in town—until a new place opened up. Even though Frederic's never been to the new pizza place, he tells everyone he meets that the new place uses inferior ingredients and has been investigated by the health department. He even leaves negative reviews of the pizza place online. Which business tort do Frederic's actions fall under?
  - A. Disparagement
  - B. Unfair competition
  - C. Copyright infringement
  - D. Wrongful interference
2. What type of intellectual property protection can a company obtain to prevent its competitors from imitating and selling a new invention it has created?
  - A. Trademark
  - B. Copyright
  - C. Patent
  - D. Lawsuit
3. Which of the following is most likely a violation of human resources regulations:
  - A. Paula has to wait 60 days to receive benefits from her new job.
  - B. Riley is fired for arriving late to her shift one time.
  - C. Luca is sent home early so his employer does not have to pay him overtime.
  - D. Devon only interviews male candidates for a managerial position.
4. Which of the following information about new employees are businesses required to report to the federal government:
  - A. Address
  - B. References
  - C. Benefits
  - D. Compensation
5. Zander owns a company that buys tea from other companies in China and sells it to grocery stores. Zander's company is a(n)
  - A. industrial user.
  - B. retailer.
  - C. producer.
  - D. wholesaler.
6. Jake is a high school soccer player who is about to begin the fall season. While he is getting ready for his first practice, he realizes that his cleats from last year are too small and that he needs to buy a new pair. The soccer specialty store near Jake's house would consider Jake to be a member of its
  - A. target market.
  - B. market segment.
  - C. industrial market.
  - D. geographic segmentation.
7. John just became a franchisee of a McDonald's instead of opening his own restaurant. He has to report to the parent company and receives all products from distributors hired by the parent company. This system ensures uniformity across all McDonald's franchises. It is also an example of a(n) \_\_\_\_\_ vertical marketing system.
  - A. contractual
  - B. corporate
  - C. administered
  - D. structured
8. A coffee producer is considering eliminating one of its channel members, a wholesaler, with which it has worked successfully for 25 years. The coffee producer blames the wholesaler firm for its poor sales in recent months when a new product was introduced and failed. Which of the following should the coffee company do first:
  - A. Begin searching for a new wholesaler
  - B. Assist the wholesaler in any way possible
  - C. Start its own horizontal distribution system
  - D. Terminate its contract with the wholesaler
9. Businesses can reinforce brand promise after a sale by
  - A. creating new advertising campaigns.
  - B. resolving any problems or complaints.
  - C. improving the company's website.
  - D. generating positive publicity.
10. Which of the following is an oligopoly:
  - A. Foodservice industry
  - B. Apparel industry
  - C. Oil industry
  - D. Computer industry
11. When government sets safety standards for the workplace, it is attempting to
  - A. control business.
  - B. minimize risks to employees.
  - C. prohibit excess standards.
  - D. modernize working environments.

12. The entrepreneurial discovery process requires knowledge and the recognition of a(n)  
A. economic crisis. C. market need.  
B. preventable accident. D. creative observation.
13. When an entrepreneur identifies a venture opportunity by noticing shifts in the economy or in a market's demographics and psychographics, the opportunity source is based on  
A. intuition. C. speculation.  
B. change. D. immobility.
14. When planning a new venture, an entrepreneur can use \_\_\_\_\_ to clarify their goals and vision.  
A. a mission statement C. a SWOT analysis  
B. financial forecasting D. competitive analysis
15. 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. Commercial bank C. Family and friends  
B. Angel investor D. Venture capitalist
16. The type of capital resources that a startup business needs to begin operating usually depends on the  
A. vendors' lead time. C. owner's preferences.  
B. location. D. industry.
17. To maximize the efficiency of complex business operations, business owners must  
A. establish standards after conducting a SWOT analysis.  
B. work with financial advisors to reduce tax liability.  
C. rely on economic indicators to develop business strategies.  
D. understand the interdependence of all business functions.
18. A business negotiates a three-year lease for \$2,250 per month, which will increase 2% per month in the second year and 3% over the second-year rate in the third year. What will the business's monthly rent be in the third year?  
A. \$2,363.85 C. \$2,323.25  
B. \$2,340.00 D. \$2,370.50
19. Which of the following terms best describes the overall procedures that guide a small business's activities by standardizing the way the business functions:  
A. Safety C. Operating  
B. Credit D. Hiring
20. Which of the following best describes a goal of effective supply chain management:  
A. Storing marketing data C. Reducing inventory  
B. Managing customer relations D. Planning promotional strategies
21. Aaron, a small-business owner, develops an exit strategy so that his company keeps growing and prospering in the marketplace after he leaves. The exit strategy is one aspect of Aaron's  
A. competitive advantage. C. management style.  
B. control system. D. continuation plan.
22. Ellen wants to step back from the day-to-day activities of running her company. She decides to take the company to another level by selling public stock. One way Ellen can stay involved in the company is by  
A. appointing a family member as president. C. arranging a tactical acquisition.  
B. serving on the board of directors. D. hiring her successor.
23. Which of the following usually reduces the amount of the premium that a business pays for insurance:  
A. Increasing the deductible from \$500 to \$1,000  
B. Purchasing insurance from a private agent  
C. Paying the premium in monthly installments  
D. Negotiating a security deposit of \$2,000

24. An important consideration when evaluating a bank is its
- A. loan turnaround time.
  - B. number of employees.
  - C. location.
  - D. plush offices.
25. A small business that accepts credit cards pays a fee of 4.25% of its total credit sales. Calculate the credit charges if the business sells \$12,500 one month.
- A. \$505.00
  - B. \$518.75
  - C. \$531.25
  - D. \$562.50
26. Which of the following financing strategies is considered a form of bootstrapping that an entrepreneur might use to help with the cost of starting a business:
- A. Using personal savings to pay for startup costs
  - B. Taking out a personal loan to initially fund the business
  - C. Bartering to exchange services with suppliers
  - D. Forming a partnership with a family member
27. Which of the following is an example of a potential cost:
- A. The cost of capital investment
  - B. The cost of installation
  - C. The cost of utilities
  - D. The cost of project failure
28. Which of the following is an example of a fixed expense:
- A. Insurance
  - B. Raw materials
  - C. Commissions
  - D. Credit card fees
29. Why would a company choose to use the survey of buyer intentions method of sales forecasting for an individual product?
- A. No outside surveys of buyer intentions are available to businesses.
  - B. Consumers know in advance what they plan to buy.
  - C. The method should be more accurate because it involves users of the product.
  - D. There are no costs involved in this method.
30. What is the base amount used for vertical analysis of items on the income statement?
- A. Net sales
  - B. Total income
  - C. Total liabilities and equity
  - D. Total assets
31. Which of the following ratios can help a business determine its overall profitability:
- A. Dividend yield
  - B. Liquidity ratio
  - C. Working capital ratio
  - D. Return on equity
32. When hiring new employees, it is important to
- A. finish hiring as quickly as possible.
  - B. communicate with your team first.
  - C. ask applicants their marital status.
  - D. request that only young people apply.
33. Evaluating an employee's performance by comparing it to the goals that were set for the job is part of a technique called
- A. positive reinforcement.
  - B. management by objectives.
  - C. rank-order technique.
  - D. affirmative action.
34. 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. Fostering hypercompetitiveness
  - C. Giving prizes for most hours worked
  - D. Engaging in meaningful dialogue
35. Select the situation in which the use of progressive discipline would be inappropriate.
- A. An employee accepts personal phone calls while at work.
  - B. An employee takes extended breaks.
  - C. An employee fails to meet their sales quota.
  - D. An employee steals goods from the business.

36. Which of the following pieces of data gives a wealth of information about a customer:
- A. A sales invoice
  - B. A trade journal
  - C. An expense report
  - D. A sales report
37. Predictive research is used by businesses when they need to
- A. forecast future business developments.
  - B. define their reasons for research.
  - C. determine the impact that one thing has on another.
  - D. gather specific data related to an identified problem.
38. Which of the following statements about market research is true:
- A. Research must be conducted and evaluated in an objective manner to obtain good results.
  - B. Research must contain primary and secondary sources of data to be reliable.
  - C. Research must be conducted using several different methods to obtain significant data.
  - D. Research must prove the original hypothesis stated to be true and accurate.
39. In the United States, the Hispanic population is an example of a \_\_\_\_\_ that marketers often target.
- A. reference group
  - B. social influence
  - C. membership group
  - D. subculture
40. Which of the following is a true statement about the marketing mix:
- A. Marketing mix elements are interrelated and work as a unit.
  - B. Promotion is the most important element in the marketing mix.
  - C. The marketing mix consists of three independent elements.
  - D. A change to one marketing mix element does not affect the other elements.
41. For industrial goods, the equivalent of a wholesaler is a(n)
- A. industrial distributor.
  - B. business partner.
  - C. producer.
  - D. retailer.
42. Gabrielle used to own the only bike shop in her neighborhood, but another shop just opened up down the street. This competition is considered a
- A. strength.
  - B. weakness.
  - C. opportunity.
  - D. threat.
43. When a business forecasts sales, it often uses statistics to measure potential sales with the various market factors that affect sales. What type of analysis is the business using to forecast sales?
- A. Correlation
  - B. Test marketing
  - C. Past sales
  - D. Relativity
44. Which of the following is an external factor that might affect sales forecasting:
- A. A social media advertising push
  - B. A new product release
  - C. Regulatory changes
  - D. Shifts in pricing strategy
45. Brian is developing a customer profile for his new dog-sitting company's target market. Which of the following questions is most relevant for developing his customer profile:
- A. What do my potential customers enjoy doing in their free time?
  - B. What challenges do my potential customers face when caring for their dog(s)?
  - C. Why did my potential customers choose to get a dog in the first place?
  - D. What are my potential customers' jobs or occupations?
46. A retail store tracks the number of customers that open the company's promotional emails and/or visit its website. The company uses these data to measure its marketing performance. Which of the following marketing metrics is the company using:
- A. Customer acquisition cost
  - B. Predictive analytics
  - C. Customer engagement patterns
  - D. Predictive revenue

47. A firm's goal was to achieve a 10% return on sales for the first quarter. If the firm's net profit was \$15,000 and its total sales for the same period was \$175,000, did the firm reach its goal?
- A. No, its return on sales was 9.5%.
  - B. No, its return on sales was 8.6%.
  - C. Yes, its return on sales was 10.2%.
  - D. Yes, its return on sales was 10.7%.
48. Deciding how to transport goods is part of which operations activity?
- A. Scheduling
  - B. Logistics
  - C. Safety and security
  - D. Maintenance and repairs
49. How can a company stop competitors from using its logo on their products?
- A. Implement knowledge management
  - B. Create a unique design
  - C. Obtain trademark protection
  - D. Purchase an insurance policy
50. When selecting vendors, you should always look for organizations that have
- A. positive testimonials and several years of experience.
  - B. the same political beliefs as you or your organization.
  - C. the smallest catalog of products or services.
  - D. higher prices than any other vendors in the area.
51. A good manager recognizes each employee's unique strengths and talents and gives employees work that suits their skills. This is because a strengths-based work culture leads to greater product/service
- A. recognition.
  - B. quality.
  - C. credibility.
  - D. publicity.
52. A potential benefit to new business owners of establishing business systems and procedures is
- A. the elimination of employee errors.
  - B. improved utility services.
  - C. less reliance on networking.
  - D. the efficient use of resources.
53. Which of the following is an example of a business appropriately using its budget to control costs:
- A. The Bingham Company hired more employees after the value of its stock dropped.
  - B. TQR, Inc. noted that its sales were 6% higher than expected during the first quarter.
  - C. When sales decreased, the Martin Company reduced its trade show efforts by 5%.
  - D. VMX Manufacturing purchased additional equipment to increase its production levels.
54. The three types of flows in supply chain management are material flow, information flow, and \_\_\_\_\_ flow.
- A. inventory
  - B. money
  - C. supply
  - D. distribution
55. By joining a community organization, such as the local chamber of commerce, an entrepreneur can network with others to
- A. improve goods and services.
  - B. obtain selling experience.
  - C. evaluate personal skills and abilities.
  - D. identify new venture opportunities.
56. Becky's boss has asked her to do research on the company's last five annual financial reports. They want to find out why the company has been losing more money this year than in previous years. What type of work is Becky's boss asking her to perform?
- A. Data normalization
  - B. Managerial accounting
  - C. Business analysis
  - D. Marketing research
57. Business process thinking is beneficial for project management because documented processes
- A. guarantee the project's success.
  - B. can be analyzed and repeated.
  - C. cannot be standardized or refined.
  - D. result in less efficient projects.
58. A company wants to implement a new automated time-tracking process. Which of the following factors is most likely to affect the design of this process:
- A. Changes in regulation
  - B. The cost of technology
  - C. Increased stress and fatigue
  - D. The company leadership

59. Which of the following is a common reason why companies implement business process change:
- A. To reduce costs
  - B. To decrease profitability
  - C. To gain publicity
  - D. To attract new talent
60. A pet food manufacturing plant recently had a major power outage that prevented it from producing its products for several weeks. Because of the outage, many pet stores ran out of inventory and were unable to restock. Which of the following is most likely to occur as a result of the power outage:
- A. Increased sales of the manufacturer's pet food
  - B. Customer dissatisfaction with the manufacturer
  - C. Customer satisfaction with the manufacturer
  - D. Improved manufacturer-supplier relationship
61. A candy shop decides to source most of its candy from one supplier to decrease shipping and transportation costs. How can this supply chain decision negatively impact the shop?
- A. It increases the cost of the shop's candy products.
  - B. It exposes the shop to the risk of product unavailability.
  - C. It reduces the number of suppliers that need to be managed.
  - D. It reduces the amount of advertising that is needed.
62. A company with a small budget has lots of sensitive customer data on file. If it wants to keep this information safe, what should it do?
- A. Focus on prevention by training all employees to protect data
  - B. Hire a team of cybersecurity experts
  - C. Save money by only teaching one department to protect data
  - D. Wait until a breach occurs to develop a protection plan
63. When employees use mobile devices to access work information outside of the office, they often
- A. purposely share company data with nonemployees.
  - B. protect company data more than they would in the office.
  - C. put company data at risk by using unsecured Wi-Fi networks.
  - D. get viruses on their mobile devices.
64. Which of the following is an internal factor that impacts corporate governance structures:
- A. Segregation of duties
  - B. Regulation
  - C. Independent audits
  - D. Industry association guidelines
65. Inez runs an organic soap-making business. If she gives her soap a high price, she is most likely to attract customers who
- A. are looking for prestige.
  - B. want to save money.
  - C. like to buy from local merchants.
  - D. do their shopping online.
66. What external factor might a business consider before determining the selling price of its products?
- A. Company strategies
  - B. Desired profits
  - C. Trade practices
  - D. Economic conditions
67. A business is most likely to set sales-oriented pricing objectives when its focus is to
- A. survive during short-term financial problems.
  - B. improve its cash flow.
  - C. earn a return on investment.
  - D. be more competitive in the marketplace.
68. A salon recently added nail services to its product mix. This strategy is called
- A. alteration.
  - B. contraction.
  - C. trading up.
  - D. expansion.
69. A small health-food store carries a few lines of organic products, while a large grocery store carries a far greater number of product lines. The health-food store has a \_\_\_\_\_ product mix, while the grocery store has a \_\_\_\_\_ product mix.
- A. deep; narrow
  - B. broad; narrow
  - C. broad; consistent
  - D. narrow; broad

70. Which of the following is a benefit to businesses of offering customized services to their customers:
- A. Customized services are also considered to be standardized services.
  - B. Businesses save time by offering customized services to their customers.
  - C. Businesses charge higher prices for customized services, which can lead to higher profit margins.
  - D. By customizing their services, businesses deliver more consistent products to their customers.
71. When businesses take the time to study their competition, they can
- A. hurt their competitors' reputations.
  - B. ensure that their competitors lose sales and go out of business.
  - C. help their competition attract more customers.
  - D. learn which customer service strategies work and which don't.
72. A USP can improve the performance of a work team by
- A. creating a unique product.
  - B. building a lasting reputation.
  - C. providing a common goal.
  - D. cutting through advertising clutter.
73. A company implemented new, up-to-date technology, but many employees still used the old system. This is an example of why
- A. organizations need to adapt to technology sooner.
  - B. companies should hire younger employees.
  - C. change should be avoided if possible.
  - D. change management should focus on people.
74. Before describing a brand's personality, a business owner must
- A. listen to the customers' feedback.
  - B. select a name and tagline.
  - C. define the business's core values.
  - D. obtain a trademark for the brand.
75. A business using advertising, display, and publicity to increase sales and consumer awareness is an example of
- A. promotion.
  - B. production.
  - C. service.
  - D. operations.
76. Comparing the target market of newspapers with that of the typical radio audience shows that the newspaper readers are typically
- A. younger and better educated.
  - B. more socially mobile and older.
  - C. older and better educated.
  - D. less socially mobile and younger.
77. With their permission, Cassandra sends out a monthly electronic newsletter to previous customers to advertise her bed-and-breakfast's special events and discounted rates. This is known as
- A. publication advertising.
  - B. telemarketing.
  - C. podcast marketing.
  - D. opt-in email marketing.
78. What does a business's customers recommending the business to their friends exemplify?
- A. Providing a testimonial
  - B. Word-of-mouth communication
  - C. Verbal assertiveness
  - D. One-on-one selling
79. The primary difference between amplified word-of-mouth marketing and organic word-of-mouth marketing is that
- A. amplified is passive, and organic is interactive.
  - B. amplified is personal, and organic is nonpersonal.
  - C. amplified is goods-oriented, and organic is service-oriented.
  - D. amplified is planned, and organic is spontaneous.

80. Which of the following is an example of a business using direct marketing:
- A. An apparel retail chain developed a seasonal catalog and posted it on the company's website.
  - B. A national sporting goods store paid \$3.5 million for advertising that appeared during a televised football game.
  - C. A restaurant placed an ad in a coupon booklet that is distributed to all residents and businesses located in the community.
  - D. A niche hotel sent a personalized email message that included a coupon to a customer.
81. Scooter's Bakery is having trouble selling a certain flavor of pie. Scooter wants to offer a \$2.00 reimbursement after, not at the time of, the sale. Which sales promotion would Scooter use?
- A. Coupon
  - B. Rebate
  - C. Sweepstakes
  - D. Markdown
82. Mel, a public relations specialist, recently updated her clients' web pages to include keywords and phrases that are frequently looked up on Google. In other words, Mel utilized \_\_\_\_\_ to improve her clients' web pages.
- A. web monitoring
  - B. RSS feeds
  - C. email marketing
  - D. search engine optimization
83. Which of the following is an example of a one-way public relations activity that could be used to distribute company information directly to the target audience:
- A. Search engine optimization
  - B. Newsletters
  - C. Press conferences
  - D. Social media
84. Which of the following is a one-way public relations tool:
- A. Press releases
  - B. Sponsorship
  - C. Press conferences
  - D. Media tours
85. A water filtering company made some changes to its processes that resulted in better tasting water. This is an example of
- A. market development.
  - B. quality control.
  - C. opportunity cost.
  - D. quality improvement.
86. Francine likes the auto shop where she takes her car for an oil change because it has a comfortable waiting room with good magazines. This illustrates which important characteristic of quality service providers?
- A. Tangibles
  - B. Reliability
  - C. Responsiveness
  - D. Assurance
87. Which of the following statements regarding risk and business objectives is true:
- A. Risk management should not be considered when planning corporate strategy.
  - B. Businesses that have good corporate objectives do not need to plan for risks.
  - C. Good business plans aim to meet corporate goals while mitigating risks.
  - D. Businesses should focus primarily on mitigating risks rather than meeting goals.
88. 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. Human risk
  - B. Technology risk
  - C. Strategy risk
  - D. Financial risk
89. Which of the following is a potential risk of implementing enterprise risk management (ERM) software:
- A. Less efficient use of resources
  - B. More emphasis on risk
  - C. Standardization of reporting
  - D. Loss of data during the transfer

90. One of the challenges of implementing enterprise risk management is that employees in different departments do not have the same understanding of risks. What is a potential solution to this challenge?
- A. The company's top executives should determine the definition of risk.
  - B. Companies should use technology to standardize their language.
  - C. Employees from each department should collaborate to define risk.
  - D. Employees should readdress their definition of risk every few months.
91. Eddie is a small-business owner. Every year, he identifies potential problems that could harm his company and takes steps to prepare for them. In other words, Eddie conducts
- A. managerial accounting.
  - B. a risk assessment.
  - C. a financial calculation.
  - D. entrepreneurship.
92. Tierra owned the only coffee shop in town until a new coffee shop opened up a few blocks away. Now, she tries to offer even better products at lower prices to make sure customers come to her shop instead of the new one. What role of selling in our economy does this illustrate?
- A. Promotes competition
  - B. Affects employment
  - C. Adds utility
  - D. Helps customers determine needs
93. Ben's company recently acquired another company in its industry. Since the merger, Ben's management decisions have been influenced by the changes in his staff and the incorporation of new policies. What factor is most likely to be influencing Ben's management decisions?
- A. Structural transformations
  - B. Competition in the industry
  - C. Economic factors
  - D. Regulatory changes
94. Just as you can determine an employee's capabilities by reading their resume, you can determine a company's capabilities by reading its
- A. business plan.
  - B. balance sheet.
  - C. mission statement.
  - D. "about us" web page.
95. Which of the following is an example of a company objective that might be developed by top management:
- A. To improve the collection process
  - B. To maintain or increase market share
  - C. To maintain the billing cycle
  - D. To hold weekly sales meetings
96. Which of the following is a factor specific to a business that a retailer should understand to plan an effective marketing program:
- A. Economy
  - B. Technology
  - C. Regulations
  - D. Competition
97. In its business plan, the Holt Company has a goal to increase its royalty revenues next year from \$425,650 to \$574,627.50. Calculate the goal's increase as a percentage.
- A. 29%
  - B. 35%
  - C. 36%
  - D. 42%
98. Which of the following statements accurately describes the relationship among innovation, learning, and change:
- A. Internal and external changes trigger innovation, leading to new learning.
  - B. Innovation triggers internal and external changes, leading to new learning.
  - C. New learning triggers innovation, leading to internal and external changes.
  - D. Internal and external changes trigger new learning, leading to innovation.
99. Antonio has been tasked with helping the accounting staff at his company make the transition to a new recordkeeping software. He has been instructed to facilitate training sessions, answer employee questions, and show the staff how the new software will help make their jobs easier. Antonio is performing \_\_\_\_\_ management.
- A. inventory
  - B. change
  - C. operations
  - D. supply chain

100. Before building your company's unique selling proposition (USP), ask yourself if
- A. you already have one without realizing it.
  - B. you can afford the advertising costs.
  - C. you really need one to be successful.
  - D. there are any successful ones you can copy.



**KEY**

Test Number 1263

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DECA Inc. will impose sanctions on chapters and chartered associations for violations of this policy up to and including disqualification of competitors and chapters from further participation.

1. A  
Disparagement. Frederic is making false statements about the quality of the new pizza place's food and the cleanliness of the restaurant. He is also leaving false negative reviews of the pizza place online. This constitutes disparagement. This is not an example of unfair competition or wrongful interference. Frederic is not infringing on the new pizza place's copyright.  
SOURCE: BL:069 Identify the basic torts relating to business enterprises  
SOURCE: LaMance, K. (2018, May 2). *Business torts*. Retrieved September 30, 2021, from <https://www.legalmatch.com/law-library/article/business-torts.html>
2. C  
Patent. A company can obtain a patent to protect a new invention. Patents give the patent owner the exclusive right to sell a new invention and prevent others from imitating it. Trademarks protect the names of products and prevent other companies from using those names for their own products. Copyrights protect original works, such as music, paintings, literary works, and television. A lawsuit is not a type of intellectual property protection.  
SOURCE: BL:051 Describe methods used to protect intellectual property  
SOURCE: Brewer, T. (2019, May 16). *What are the four basic types of intellectual property rights?* Retrieved September 30, 2021, from <https://brewerlong.com/information/business-law/four-types-of-intellectual-property/>
3. D  
Devon only interviews male candidates for a managerial position. Employment law requires that employers cannot discriminate based on race, gender, age, disability, etc. If Devon does not interview any female candidates for a managerial position, he is likely violating these laws by discriminating on the basis of gender. Devon should interview candidates based on their merits rather than their genders. It is not necessarily a violation of human resources regulation to fire an employee for arriving late. It is also not illegal to send an employee home to avoid paying him overtime. Finally, employers are allowed to impose waiting periods on benefits.  
SOURCE: BL:007 Explain the nature of human resources regulations  
SOURCE: Joubert, S. (2020, September 30). *Laws and regulations every HR professional should know*. Retrieved September 30, 2021, from <https://www.northeastern.edu/graduate/blog/hr-laws-to-know/>
4. A  
Address. Federal law requires businesses to report certain information about new employees, such as their names, addresses, and Social Security numbers. Businesses obtain this information by having new employees fill out IRS Form W-4, which is used for income tax withholding purposes. Businesses are not required to report information about a new employee's references, benefits, or compensation.  
SOURCE: BL:010 Explain the nature of businesses' reporting requirements  
SOURCE: Enright, M. (2020, August 26). *New employee forms after hiring an employee*. Retrieved October 1, 2021, from <https://www.wolterskluwer.com/en/expert-insights/new-employees-forms-after-hiring-an-employee>
5. D  
Wholesaler. A wholesaler is a channel member that helps move goods between producers and retailers by buying them from producers and selling them to retailers. Zander's company is buying tea from the Chinese companies (the producers) and selling it to grocery stores (retailers). A retailer is a business that buys consumer goods or services and sells them to ultimate consumers. A producer is someone who makes or provides goods and services. An industrial user is a business that buys materials, goods, or services that will be used to make other goods or used in company operations.  
SOURCE: CM:001 Explain the nature and scope of channel management  
SOURCE: LAP-CM-001—Chart Your Channels (Channel Management)

6. A

Target market. A target market is the particular group of customers a business seeks to attract. Jake is a soccer player with a need for new cleats—he fits the target market for a soccer specialty store perfectly. A market segment is more specific—it is one of the groups into which the total target market is divided. For example, female goalkeepers and male defenders are both market segments within the larger target population of soccer players. An industrial market includes customers or potential customers who purchase items for use in the operation of a business, for resale, or for making other goods. Geographic segmentation is the division of a market on the basis of where customers are located.

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

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

7. A

Contractual. All franchisees have to sign contracts with the parent company, in this case McDonald's. Corporate vertical distribution systems have control over all stages of production and distribution and do not have franchising as part of the system. An example would be the grocery store Kroger. Administered vertical distribution systems do not involve contracts. Instead, a few large channel members dominate the market and obtain strong cooperation from other channel members. "Structured" vertical marketing system is a fictitious term.

SOURCE: CM:009 Explain the nature of channel strategies

SOURCE: Smyth, D. (2020, September 21). *What are the different types of contractual vertical marketing systems?* Retrieved October 21, 2021, from <https://smallbusiness.chron.com/different-types-contractual-vertical-marketing-systems-25627.html>

8. B

Assist the wholesaler in any way possible. Companies should always try to maintain stable and helpful relationships with their channel members, and dismissal of a channel member should be a last resort. Since the producer and wholesaler have had a successful relationship for years, the producer should work with that channel member first before pursuing the other alternatives. The coffee producer should only terminate the contract as a last resort. Setting up a horizontal distribution system would not get the coffee products to consumers.

SOURCE: CM:011 Evaluate channel members

SOURCE: Cox, A. (2019, November 22). *How to boost the relationship between manufacturer and distributor.* Retrieved October 1, 2021, from <https://www.verenia.com/cpq-configure-price-quote-blog/relationship-between-manufacturer-distributor>

9. B

Resolving any problems or complaints. Businesses can reinforce brand promise after a sale by resolving any problems or complaints that may arise. Even problems can turn into positive touchpoints if a business handles them correctly. Creating new advertising campaigns and generating positive publicity fall into the category of presale activities and touchpoints. Improving the company's website can be done at any time, but interaction with the site is typically a presale or during-the-sale touchpoint.

SOURCE: CR:001 Identify company's brand promise

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

10. C

Oil industry. An oligopoly is a market structure in which there are relatively few sellers, and industry leaders usually determine prices. Because oil is a scarce natural resource and is complex to process into usable products, there are fewer businesses in the oil industry than other types of industries such as the apparel, foodservice, and computer businesses.

SOURCE: EC:012 Explain the concept of competition

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

11. B

Minimize risks to employees. Government's primary concern is the safety of the worker in the workplace. It would be next to impossible to set a safety rule to cover all possible events, but minimizing risks for the worker is a possibility. It is not government's intent to control businesses or business practices. Setting safety standards does not imply that government prohibits excess standards. There is no maximum number of standards that could be set. In setting safety standards, government does not address updating or modernizing work environments. The goal is to make the workplace safe, not more pleasing or attractive.

SOURCE: EC:008 Determine the relationship between government and business

SOURCE: LAP-EC-016—Regulate and Protect (Government and Business)

12. C

Market need. A market need occurs when demand for a product is not met. Entrepreneurial discovery is the process of detecting and matching product and market opportunities with one another in a manner that satisfies the market and the business. For example, there may be a demand for a medication to treat an illness, but because the illness is a new strain, no medication is available. Therefore, a market need exists, and the scientist uses their knowledge to invent a medication to treat the illness. Entrepreneurial discovery does not require a preventable accident, economic crisis, or creative observation to begin the process.

SOURCE: EN:002 Discuss entrepreneurial discovery processes

SOURCE: Smart Specialisation Platform. (2021). *Entrepreneurial discovery process (EDP)*. Retrieved October 1, 2021, from <https://s3platform.jrc.ec.europa.eu/edp>

13. B

Change. A venture opportunity is a circumstance that presents itself as a favorable means of starting a new business. A venture opportunity often presents itself in the form of a change, such as a shift in demographics or psychographics. For example, a large market segment, the "baby boomers," is reaching retirement age. Because they have different needs (e.g., health care) and have more leisure time, there are opportunities to provide these types of goods and services. Intuition is personal insight. Speculation is a rumor or assumption. Immobility means motionless or still.

SOURCE: EN:004 Determine opportunities for venture creation

SOURCE: Mueller, S. (2020, May 30). *7+1 sources of entrepreneurial opportunity*. Retrieved October 1, 2021, from <https://medium.com/swlh/7-1-sources-of-entrepreneurial-opportunity-71611eae3abc>

14. A

A mission statement. A mission statement is a brief summary of what a business owner wants a business to be doing. When planning a new venture, entrepreneurs develop mission statements to help guide their goals and visions into reality. Using a mission statement helps entrepreneurs stay on track and focus on what they really want to do. Financial forecasting, SWOT analyses, and competitive analyses are all important tools for entrepreneurs, but they are not as directly related to clarifying goals and vision.

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

SOURCE: Chen, J. (2021, August 20). *Mission statement*. Retrieved October 1, 2021, from <https://www.investopedia.com/terms/m/missionstatement.asp>

15. D

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: Agrawal, A.J. (2016, April 21). *6 ways young entrepreneurs can finance business ideas*. Retrieved October 1, 2021, from <https://www.inc.com/aj-agrawal/6-ways-young-entrepreneurs-can-finance-business-ideas.html>

16. D

Industry. Capital resources are assets, or things of value, that a firm uses on an ongoing basis to meet its objectives. The capital resources that a business needs to get up and running depend on the type of products that the business sells. For example, a snow-ski resort needs ski-lift equipment, while a landscape business needs mowing equipment, mulch, and shrubs to efficiently operate. Location, owner's preferences, and suppliers' lead time are not always primary considerations when selecting capital resources.

SOURCE: EN:019 Describe considerations in selecting capital resources

SOURCE: Nickolas, S. (2021, July 30). *What inputs are factors of production?* Retrieved October 1, 2021, from <https://www.investopedia.com/ask/answers/032715/what-inputs-are-considered-be-factors-production.asp>

17. D

Understand the interdependence of all business functions. Business operations are all of the functions that keep a business running. Inventory management, financial activities (e.g., accounts receivable), advertising, sales, human resources management, and distribution are important functions that keep a business going. Each function involves different activities that depend on one another to meet the company's overall objectives—the business functions are interdependent. So that the company maximizes efficiency, the business owner needs to have a basic understanding about how the functions relate to one another. Reducing tax liability and establishing standards are activities that can help maximize the efficiency of complex business operations, but the owner must understand how the activities affect one another to make effective business decisions. Economic indicators are one of many factors that owners must consider when developing business strategies.

SOURCE: EN:023 Explain the complexity of business operations

SOURCE: BBC. (2021). *The interdependent nature of business*. Retrieved October 1, 2021, from <https://www.bbc.co.uk/bitesize/guides/z6sphbk/revision/1>

18. A

\$2,363.85. When businesses negotiate long-term leases, they often negotiate the amount of increase from year to year. In this example, the rent will increase 2% the second year. To calculate the monthly rent for the second year, multiply the first-year rate by the rate of increase ( $\$2,250 \times 2\%$  [or  $.02$ ] = \$45), and add that amount to the first-year rate ( $\$2,250 + \$45 = \$2,295$ ). The third year, monthly rent will increase 3% over the second year's rate of \$2,295. To calculate that amount, multiply the second-year rate by the rate of increase ( $\$2,295 \times 3\%$  [or  $.03$ ] = \$68.85), and add that amount to the second-year rate ( $\$2,295.00 + \$68.85 = \$2,363.85$ ).

SOURCE: OP:028 Negotiate lease or purchase of facility

SOURCE: Elliot, M. (2018, June 24). *How to properly calculate a rent increase*. Retrieved October 1, 2021, from <https://bhrentersalliance.org/2018/06/how-to-properly-calculate-a-rent-increase-2/>

19. C

Operating. Operating procedures are the step-by-step processes that employees follow when they perform specific work-related tasks. By developing and implementing operating procedures, managers or owners do not need to spend time answering routine questions and making routine decisions. Operating procedures provide employees with guidelines for performing their work, which can increase productivity and efficiency. Credit, safety, and hiring are types of operating procedures.

SOURCE: EN:026 Describe the use of operating procedures

SOURCE: Rush, M. (2021). *Standard operating procedures for a business*. Retrieved October 1, 2021, from <http://smallbusiness.chron.com/standard-operating-procedures-business-3228.html>

20. C

Reducing inventory. Supply chain management is the supervision of the process of getting products into the marketplace and managing the flow of goods. Reduced inventory means that products are flowing from manufacturer to customer efficiently, so reducing inventory is a goal of supply chain management. Supply chain management does not relate to managing customer relations, storing marketing data, or planning promotional strategies.

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

SOURCE: Daniel, D. (2020, November). *Supply chain management (SCM)*. Retrieved October 21, 2021, from <http://searchmanufacturingerp.techtarget.com/definition/supply-chain-management>

21. D

Continuation plan. An exit strategy is the blueprint that an entrepreneur uses to leave the company. There are many options for the business owner to consider when leaving the company, such as selling the business, executing an IPO, or taking their share of the profit. Each option requires a different course of action. Regardless of the option the owner selects, the business owner should try to make the transition as smooth as possible so that business operations are not interrupted. The exit strategy is one aspect of the continuation planning, which is the function of deciding what activities will need to be performed to keep a company prospering and the steps the company will need to take to accomplish these activities when the business owner leaves. The exit strategy is not one aspect of Aaron's control system, management style, or competitive advantage.

SOURCE: EN:034 Explain the need for continuation planning

SOURCE: Richards, D. (2020, January 3). *How to write a business exit plan*. Retrieved October 1, 2021, from <https://www.thebalance.com/writing-a-business-plan-planning-your-exit-strategy-1200841>

22. B

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

SOURCE: EN:036 Evaluate options for continued venture involvement

SOURCE: Chen, J. (2021, August 29). *Board of directors (B of D)*. Retrieved October 1, 2021, from <http://www.investopedia.com/terms/b/boardofdirectors.asp>

23. A

Increasing the deductible from \$500 to \$1,000. The deductible is the amount of loss that a business is willing to accept before the insurance company pays the remainder. As a rule, the premium becomes smaller as the deductible becomes larger. For example, the premium costs for a business with a \$1,000 deductible will be less than for a business with a \$500 deductible because the first business is willing to pay for more of the loss. Paying the premium in monthly installments and purchasing the insurance from a private agent will not reduce the amount of the premium. Businesses do not pay a security deposit when they buy insurance.

SOURCE: FI:082 Obtain insurance coverage

SOURCE: Local Government Federal Credit Union. (2021). *5 ways to lower insurance premiums*. Retrieved October 1, 2021, from <https://www.lgfcu.org/personal-finance/5-ways-to-lower-insurance-premiums>

24. A

Loan turnaround time. You will want to know the money will be there when you need it and that you will not need to postpone important activities while you wait. Large and small banks each have their advantages and disadvantages, but these are unrelated to the number of employees. The relationship with your bank and the services it can provide are far more important than its location. Plush offices are irrelevant.

SOURCE: FI:039 Analyze critical banking relationships

SOURCE: Pritchard, J. (2021, April 30). *How to choose the best bank for your needs*. Retrieved October 1, 2021, from <https://www.thebalance.com/choosing-a-bank-315757>

25. C  
\$531.25. Banks and credit card companies consider a business's sales volume when setting fees. As a rule, banks charge a business a higher rate if its total sales volume is low than they charge a business whose total sales volume is high. If a business sells \$12,500 one month and is charged a fee of 4.25%, it owes the bank \$531.25 ( $\$12,500 \times 4.25\%$  [or  $.0425$ ] = \$531.25).  
SOURCE: FI:040 Make critical decisions regarding acceptance of bank cards  
SOURCE: Resendiz, J. (2021, September 9). *Credit card processing fees and costs*. Retrieved October 1, 2021, from <https://www.valuepenguin.com/what-credit-card-processing-fees-costs>
26. C  
Bartering to exchange services with suppliers. Bootstrapping refers to cost-saving measures taken to reduce business expenses and operate on as little cash as possible. Bartering to exchange services with suppliers is a way to help eliminate the cash needed to pay for essential services. Taking out a personal loan and using personal savings are examples of using startup capital to finance the cost of starting a business. Forming a partnership is a way to create funding and capital by sharing the responsibility of starting and running a business.  
SOURCE: FI:031 Explain sources of financial assistance  
SOURCE: Corporate Finance Institute. (2021). *Bootstrapping*. Retrieved October 1, 2021, from <https://corporatefinanceinstitute.com/resources/knowledge/strategy/bootstrapping/>
27. D  
The cost of project failure. Potential costs are the hidden costs that managers must think through when conducting a cost-benefit analysis—the costs of what *could* happen such as project failure. Installation and capital investment are one-time costs. Utilities are a recurring cost.  
SOURCE: FI:357 Describe the nature of cost-benefit analysis  
SOURCE: LAP-FI-357—Running the Numbers (Cost-Benefit Analysis)
28. A  
Insurance. Insurance is an example of a fixed expense, or a cost the business incurs no matter what its levels of sales or production are. Raw materials, commissions, and credit card fees are all variable expenses; they change when sales or production levels fluctuate.  
SOURCE: FI:099 Develop company's/department's budget  
SOURCE: LAP-FI-099—Build Your Game Plan (Developing a Company/Department Budget)
29. C  
The method should be more accurate because it involves users of the product. The survey of buyer intentions is a qualitative method of sales forecasting which gathers information about consumers' plans to purchase. The data gathered should be more accurate than those gathered in other ways because the information is obtained from actual users of the product. Businesses that cannot do their own surveys can purchase the results of independent or government surveys. Costs of the method can be controlled, but they cannot be eliminated. A disadvantage of the method is that consumers may not respond to questionnaires, and even if they do, there is no guarantee that they will buy what they say they will.  
SOURCE: FI:096 Forecast sales  
SOURCE: Account Learning. (2021). *9 techniques of sales forecasting*. Retrieved October 1, 2021, from <https://accountlearning.com/9-techniques-sales-forecasting/>
30. A  
Net sales. Vertical analysis is often used to show the relationship of each component to the total within a single financial statement. Net sales is the base amount used for vertical analysis of items on the income statement. Total assets is used for vertical analysis of asset amounts on the balance sheet. Total liabilities and equity is used for vertical analysis of liability or equity amounts on the balance sheet. Total income is used for vertical analysis of revenue and expense amounts on the balance sheet.  
SOURCE: FI:334 Describe types of financial statement analysis (e.g., ratio analysis, trend analysis, etc.)  
SOURCE: Thakur, M. (2021). *Vertical analysis of income statement*. Retrieved October 1, 2021, from <https://www.wallstreetmojo.com/vertical-analysis-of-income-statement/>

31. D

Return on equity. There are several profitability ratios that can help a business determine its overall profitability, including return on equity, profit margin, return on assets, and gross margin ratio. The return on equity ratio is a company's net income divided by its average stockholders' equity. This ratio is useful for illustrating how effective a company is at turning cash into greater gains for the company and for investors. A liquidity ratio measures a company's ability to pay off its short-term debts. A working capital ratio is a type of liquidity ratio. A dividend yield is a type of market prospect ratio. Investors use market prospect ratios to predict what the trend of a stock will be in the future.

SOURCE: FI:542 Monitor business's profitability

SOURCE: Bloomenthal, A. (2021, February 20). *Ratio analysis*. Retrieved October 21, 2021, from <https://www.investopedia.com/terms/r/ratioanalysis.asp>

32. B

Communicate with your team first. Before you begin the hiring process, it's a good idea to sit down with your team members and figure out the team's overall needs and wants. By doing this before you begin screening applicants, you can determine what you are really looking for in a candidate. It's not necessarily a good idea to finish hiring as quickly as possible. Rather, you should proceed through the hiring process carefully and with intention. It's illegal and unethical to ask applicants about their marital status during the hiring process or to request that only young people apply.

SOURCE: HR:353 Determine hiring needs

SOURCE: Cotter, T. (2021). *Communicating the recruitment process: Dos and don'ts*. Retrieved September 30, 2021, from <https://resources.workable.com/tutorial/communicating-recruitment-process#>

33. B

Management by objectives. The employee and the supervisor work together to set goals, or objectives, for the employee to meet during a certain time period. The employee is then evaluated on the basis of how well they met the goals. Rank-order technique ranks all employees in a department or division from best to worst. Affirmative action is an effort to create equality in the workplace through hiring, training, and promoting of members of groups that have been subjected to discrimination. Positive reinforcement is a technique in which people are given approval or rewarded for good performance.

SOURCE: HR:368 Assess employee performance

SOURCE: Hayes, A. (2021, September 5). *Management by objectives (MBO)*. Retrieved September 30, 2021, from <https://www.investopedia.com/terms/m/management-by-objectives.asp>

34. D

Engaging in meaningful dialogue. Open communication is an important part of maintaining a positive work environment. Managers that 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, requiring employees to eat in a shared space during meals would foster greater communication and comradery.

SOURCE: HR:403 Foster "right" environment for employees

SOURCE: AirMason. (2020, July 9). *9 ways to create a positive work environment*. Retrieved September 30, 2021, from <https://blog.airmason.com/creating-positive-work-environment-ideas/>

35. D

An employee steals goods from the business. Certain serious offenses, such as employee theft, may be exempt from progressive discipline. This is because a stronger penalty is warranted with the first infraction than is normally administered for other, less serious violations. Extended breaks and personal phone calls are less serious actions that can be corrected with progressive penalties. Failing to meet a sales quota is not a violation, per se. It may indicate that additional training is needed to help the salesperson meet company expectations.

SOURCE: HR:369 Explain the nature of remedial action

SOURCE: Smith, A. (2019, February 15). *One and done: When to skip progressive discipline*. Retrieved September 30, 2021, from <https://www.shrm.org/resourcesandtools/legal-and-compliance/employment-law/pages/when-to-skip-progressive-discipline.aspx>

36. A

A sales invoice. A single sales invoice (itemized statement of money owed for a good or service) can tell marketers who a customer is, what industry the customer is in, how much the customer has spent with the business this year, what method of payment the customer prefers, and much more. A trade journal gives general information about the industry. Expense reports and sales reports give data about the sales team—how much it is spending and how much it is selling.

SOURCE: IM:012 Describe the need for marketing data

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

37. A

Forecast future business developments. Businesses use predictive research to help them forecast future business developments, such as estimating future sales, predicting the growth or decline of a market, or projecting consumer tastes. Exploratory research collects data to help the business define its situation, problem, or concern and to decide which direction to take to address it. Causal research focuses on cause and effect and tests "what if" theories. Research that gathers specific data related to the business's identified situation, problem, or concern is called descriptive research.

SOURCE: IM:010 Explain the nature of marketing research

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

38. A

Research must be conducted and evaluated in an objective manner to obtain good results. Market research must be objective for companies to have accurate and unbiased data on which to base future decisions. Research may or may not include primary and secondary sources of data. While primary data are typically more up to date and relevant, secondary data can be accessed inexpensively and sometimes are sufficient to meet the needs of the research. It is not necessary for research to include both types of data. The goals of the research will determine the method(s) of research used. Research is performed to determine the validity of the hypothesis. As a result of the research, the hypothesis may be proved to be true or untrue.

SOURCE: IM:010 Explain the nature of marketing research

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

39. D

Subculture. A subculture is a culture within a culture and is often based on ethnicity, religion, or geographic location. So, while you might be an American, you might also be an Asian American, a Jewish American, a New Englander, a "farm kid," etc. The growing Hispanic population in the United States is an example of a subculture that marketers often target. The Hispanic population is not an example of a social influence, membership group, or reference group. A membership group is a social group such as a school organization, church group, neighborhood association, or sports team. A reference group is a group that someone aspires to be a part of or a group that someone wants to distance themselves from.

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

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

40. A  
Marketing mix elements are interrelated and work as a unit. The marketing mix is the combination of the four elements of marketing—product, place, promotion, and price. To be successful, businesses must use the right blend of each element. Because each marketing mix element must work together with the others to achieve the marketing goals, all of the marketing mix elements are interrelated and equally important. A change to one marketing mix element affects all of the other marketing mix elements.  
SOURCE: MP:001 Explain the concept of marketing strategies  
SOURCE: LAP-MP-002—Pick the Mix (Nature of Marketing Strategies)
41. A  
Industrial distributor. For industrial goods, the equivalent of a wholesaler is an industrial distributor. This is an intermediary that buys large quantities of goods from a producer and breaks them down into smaller portions to sell to retailers—or, sometimes, directly to industrial users. An industrial distributor might be considered a business partner but is not called such. A producer makes or provides goods or services. A retailer is a business that buys consumer goods or services and sells them to ultimate consumers.  
SOURCE: CM:003 Explain the nature of channels of distribution  
SOURCE: LAP-CM-003—Channel It (Channels of Distribution)
42. D  
Threat. A threat is any unfavorable situation in the environment surrounding a business. If Gabrielle faces a competitor who may take away some of her customers, that's definitely an unfavorable situation. A weakness is any limitation or shortcoming a business has that can keep it from achieving its objectives. An opportunity is any favorable situation in the environment surrounding a business. A strength is any resource or capability a business has that can help it gain a competitive advantage in its industry.  
SOURCE: MP:010 Conduct SWOT analysis for use in the marketing planning process  
SOURCE: LAP-MP-010—Analyze This! (SWOT Analysis)
43. A  
Correlation. A sales forecast is a prediction of sales for a specific time frame. Businesses use sales forecasts for planning purposes and to make business decisions. When developing a sales forecast, a business considers many factors, including market conditions, economic conditions, competitors, test-marketing results, past sales, etc. To obtain detailed information, a business may use statistics to compare and relate sales potential to other factors. This task in the sales forecasting process is called a correlation analysis. Relativity analysis is a fictitious term.  
SOURCE: MP:014 Forecast sales for marketing plan  
SOURCE: Tutor2u. (2021). *Correlation*. Retrieved October 1, 2021, from <https://www.tutor2u.net/business/reference/correlation>
44. C  
Regulatory changes. Many factors, both inside and outside of the organization, can affect your sales forecast. An example of an external factor is a regulatory change—a change in law or governmental policy that affects your business. Regulatory changes are external because they are outside of the control of your company. Releasing a new product, pushing social media advertising, or shifting pricing strategy are all internal because they are under the control of the company.  
SOURCE: MP:014 Forecast sales for marketing plan  
SOURCE: Nordmeyer, B. (2017, November 21). *About sales forecasting*. Retrieved October 21, 2021, from <http://smallbusiness.chron.com/sales-forecasting-66304.html>

45. B

What challenges do my potential customers face when caring for their dog(s)? One of the most important steps in developing a customer profile is determining the specific challenges that the target customers face in regards to the business's services/products. Brian should determine what challenges his potential customers face before starting his dog-sitting business so that he can tailor his services to his target market. Determining what customers do in their free time, what they do for a living, and the reasons behind their choice to get a dog may also help develop a customer profile, but determining those things is not necessarily as relevant as determining the customers' challenges in caring for their dog(s).

SOURCE: MP:031 Develop customer profile

SOURCE: Ciotti, G. (2021). *How to create customer profiles to reach your target audience*. Retrieved October 1, 2021, from <https://www.convinceandconvert.com/social-media-strategy/how-to-create-customer-profiles-to-reach-your-target-audience/>

46. C

Customer engagement patterns. Customer engagement data, such as email-open rates and social media activity, are useful for measuring marketing success when tied to purchasing behavior. This example demonstrates the use of customer engagement patterns as a marketing metric, not predictive analytics, customer acquisition cost, or predictive revenue. Predictive analytics measure purchase-related behaviors, such as the length of time between purchases or which assortment of products a customer tends to browse before making a final purchase. Customer acquisition cost is a metric that determines how much money it costs to convince a customer to make a purchase. Predictive revenue is a marketing metric that involves calculating predicted future revenues.

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

SOURCE: Bika, N. (2021, September 20). *8 smart customer engagement strategies that work*. Retrieved October 21, 2021, from <https://acquire.io/blog/customer-engagement-strategies/>

47. B

No, its return on sales was 8.6%. A firm uses a variety of measures to determine if it is meeting its marketing objectives. By measuring its level of success, the business can determine if it should make changes or if it should continue with its current action plan. One effort that a business measures is its return on sales. To determine the return on sales, divide the profit by the sales ( $\$15,000 / \$175,000 = .086 = 8.6\%$ ). The firm did not achieve its goal of 10% return on sales.

SOURCE: MP:021 Translate performance measures into financial outcomes

SOURCE: Accounting Tools. (2021, April 10). *Return on sales definition*. Retrieved October 1, 2021, from <https://www.accountingtools.com/articles/return-on-sales.html>

48. B

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

SOURCE: OP:189 Explain the nature of operations

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

49. C

Obtain trademark protection. A trademark is a symbol, design, or word used by a producer to identify a good or service that is registered with the government to prevent use by others. It is a form of legal protection that is appropriate for logos. If you have a trademarked logo, competitors cannot use it on their products. Creating a unique design won't necessarily stop competitors from using it. Implementing knowledge management will not stop competitors from using your logo. Finally, insurance does not protect your logo from use by competitors.

SOURCE: OP:155 Establish policies to protect company information and intangibles

SOURCE: UpCounsel. (2020, October 30). *What is trademark protection?* Retrieved October 1, 2021, from <https://www.upcounsel.com/trademark-protection>

50. A

Positive testimonials and several years of experience. It is important to do your research when selecting vendors for your business. You should always look for vendors with positive testimonials and several years of experience. It is not necessary or relevant to select vendors with the same political beliefs as you or your organization. You should select vendors with large catalogs of products or services, not small catalogs. This will allow you to choose from a wide variety of products as your business grows. You should look for vendors with competitive pricing instead of vendors with the highest prices in the area.

SOURCE: OP:161 Select vendors

SOURCE: Lotich, P. (2019, August 7). *Vendor selection criteria—8 things to consider*. Retrieved September 30, 2021, from <https://thethrivingsmallbusiness.com/vendor-selection-criteria-7-things-to-consider/>

51. B

Quality. Company management often has a large impact on the quality of the company's products and services. When a manager effectively harnesses their employees' skills, products and services can be created more efficiently, more effectively, and with greater attention to quality. A strengths-based work culture does not necessarily lead to greater product/service recognition, credibility, or publicity.

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

SOURCE: Foster, J. (2017, March 16). *The impact of managers on workplace engagement and productivity*. Retrieved October 1, 2021, from <https://www.interact-intranet.com/the-impact-of-managers-on-workplace-engagement-and-productivity/>

52. D

The efficient use of resources. So they can provide a consistent, orderly way of conducting business activities, companies use different types of business systems, such as computer and technology, order processing, operating, and financial systems. By organizing business activities, employees have guidelines and procedures to help them conduct their duties. Well-organized business systems can maximize a company's resource efficiency. Efficient business systems do not necessarily improve utility services, nor do they lessen the reliance on networking. Efficient business systems may reduce the incidence of employee errors, but they cannot eliminate them.

SOURCE: EN:025 Explain the need for business systems and procedures

SOURCE: QuickBooks. (2021, February 8). *Business systems: The key to business success*. Retrieved October 1, 2021, from <https://quickbooks.intuit.com/r/accounting-taxes/business-systems/>

53. C

When sales decreased, the Martin Company reduced its trade show efforts by 5%. A budget is an estimation of income and expenses. Businesses use budgets to control their money. When a company has less income flowing into the business than anticipated, it often needs to adjust the budget by reducing expenses. One way to reduce expenses is by reducing the amount of money the business spends on trade shows. Generally, a business that experiences substantial drops in its stock value has less money flowing into the business. Hiring more employees when less income is available to pay them is not an appropriate way to control business costs. Simply noting an increase in sales is not controlling the budget. There is not enough information provided to determine if the VMX Manufacturing has the income available to purchase additional equipment; therefore, it is not possible to know if the company is controlling its expenses wisely.

SOURCE: OP:030 Use budgets to control operations

SOURCE: Sherman, F. (2021, September 14). *The uses of budgetary control*. Retrieved October 1, 2021, from <https://smallbusiness.chron.com/uses-budgetary-control-31142.html>

54. B

Money. Supply chain management deals with material flow, information flow, and money flow.

Information flows from the customer to the supplier. Material flow typically moves from the supplier to the customer. Money flows from the customer to the supplier. Inventory, supply, and distribution flow are not types of flows in supply chain management.

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

SOURCE: Pontius, N. (2021, August 17). *What is supply chain management?* Retrieved September 30, 2021, from <https://www.camcode.com/asset-tags/what-is-supply-chain-management/>

55. D

Identify new venture opportunities. An opportunity is a circumstance that presents itself as a favorable means to meet an objective. Entrepreneurs look for opportunities to start businesses, and if the opportunities are feasible, they act upon them. There are many ways to look for business opportunities such as watching trends, attending trade shows, and talking with friends, customers, and business associates. Entrepreneurs might join community organizations or trade associations to network with others with the goal of identifying new venture opportunities. Entrepreneurs do not join community organizations to obtain selling experiences, evaluate personal skills and abilities, or improve goods and services.

SOURCE: EN:031 Create processes for ongoing opportunity recognition

SOURCE: Long, J. (2017, March 23). *6 benefits of joining a professional community*. Retrieved October 1, 2021, from <https://www.entrepreneur.com/article/290983>

56. C

Business analysis. Business analysis is the investigation into the operations of a business to reveal the causes behind specific results and the effects of those results on the business. Managerial accounting is the process of identifying and analyzing financial information to help managers make informed business decisions. Becky is not recommending solutions to her boss; she is simply doing research. Therefore, she is not performing managerial accounting. Data normalization is the process of organizing data to reduce data redundancy, and marketing research is research related to a company's marketing efforts. Becky's boss is not asking her to perform either of these types of work.

SOURCE: OP:327 Discuss the nature of business analysis

SOURCE: International Institute of Business Analysis. (2021). *What is business analysis?* Retrieved September 30, 2021, from <https://www.iiba.org/professional-development/career-centre/what-is-business-analysis/>

57. B

Can be analyzed and repeated. Business process thinking means thinking about a project or an assignment in terms of the processes that will be required to complete it. One of the primary benefits of process thinking is the ability to document (and then refine and repeat) the processes that are involved in a project. By documenting a process, the process can be improved and standardized so that the best possible results are achieved. Process thinking does not guarantee a project's success, but it does improve its chances. Process thinking results in more efficient projects, not less efficient projects.

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

SOURCE: Tallyfy. (2021). *Importance of process thinking in business management*. Retrieved September 30, 2021, from <https://tallyfy.com/process-thinking/>

58. B

The cost of technology. When designing new business processes, it is important to consider the factors that will affect them. In the case of implementing a new automated time-tracking process, the cost of technology would likely be a factor. This example is not necessarily related to changes in regulation, increased stress and fatigue, or the company leadership.

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

SOURCE: Taylor, H. (2017, September 26). *Factors that affect process design*. Retrieved September 30, 2021, from <https://bizfluent.com/list-7444011-factors-affect-process-design.html>

59. A

To reduce costs. One common reason for implementing business process change is to reduce overall costs related to a certain process. Many companies also implement process change to improve performance and increase profitability—resulting in a competitive advantage over other companies. Gaining publicity and attracting new talent are not generally reasons for implementing business process change.

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

SOURCE: The Hackett Group. (2021). *Enabling business process change*. Retrieved September 30, 2021, from <https://www.thehackettgroup.com/business-process-change/>

60. B

Customer dissatisfaction with the manufacturer. Customers who are unable to purchase food for their pets are likely to be dissatisfied and frustrated with the pet food manufacturer. The lack of pet food would result in decreased sales, not increased sales. The relationship between the manufacturer and its suppliers would likely be damaged since the suppliers would lose sales and customers from the lack of pet food.

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

SOURCE: Ingram, D. (2021). *How does supply chain management affect manufacturing companies?* Retrieved September 30, 2021, from <http://smallbusiness.chron.com/supply-chain-management-affect-manufacturing-companies-75841.html>

61. B

It exposes the shop to the risk of product unavailability. One of the risks of sourcing a large amount of product from one supplier is that products may sometimes be unavailable. When a company sources a large amount of product from one supplier, it typically acquires the product for less. A reduction in advertising is generally determined by a company's business goals and is not typically impacted by changes to suppliers. Reducing the number of suppliers that need to be managed will have a positive impact since business costs are reduced.

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

SOURCE: Invest Northern Ireland. (n.d.). *Choosing suppliers for your business*. Retrieved October 21, 2021, from <https://www.nibusinessinfo.co.uk/content/choose-between-single-or-multiple-supplier-strategy>

62. A

Focus on prevention by training all employees to protect data. Keeping data safe and protected requires a company-wide focus on security. This means training all employees to use practices that protect customer and company data. This sort of training should be conducted before a breach ever occurs. Hiring a team of cybersecurity experts would be unrealistic for a company with a small budget. The company should not teach only one department to protect data as a cost-saving measure. If a breach occurs because some employees were not trained, the company will end up spending a lot more money in the long run.

SOURCE: OP:472 Define strategies to protect business' digital assets, customer data, and other protected information

SOURCE: Motta, F. (2021). *Strategies to help your business thwart cyber attacks, protect systems and secure digital assets*. Retrieved October 21, 2021, from <http://www.risbj.com/strategies-to-help-your-business-thwart-cyber-attacks-protect-systems-and-secure-digital-assets/>

63. C

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: Laverty, S. (n.d.). *What are the dangers of using unsecured WiFi?* Retrieved October 1, 2021, from <https://yourbusiness.azcentral.com/dangers-using-unsecured-wifi-24126.html>

64. A

Segregation of duties. Segregation of duties is a concept that refers to more than one person completing a task. Segregating duties helps companies avoid errors and misconduct that could be committed by one individual. Companies that institute segregation of duties are strengthening their corporate governance structures. Regulation, independent audits, and industry association guidelines are all external factors that affect corporate governance structures.

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

SOURCE: Davoren, J. (2017, November 21). *Three types of corporate governance mechanisms*. Retrieved October 21, 2021, from <https://smallbusiness.chron.com/three-types-corporate-governance-mechanisms-66711.html>

65. A  
Are looking for prestige. Different companies seek to attract different types of customers. Low prices attract customers who want to save money, while high prices attract customers looking for prestige and high quality. Higher prices are not necessarily going to attract customers who like to buy from local merchants or those who do their shopping online.  
SOURCE: PI:001 Explain the nature and scope of the pricing function  
SOURCE: LAP-PI-001—The Price Is Right (Nature of Pricing)
66. D  
Economic conditions. Most businesses consider the condition of the economy when determining the selling price of their goods and services. In times of economic growth, individuals often increase their spending; therefore, businesses may be able to charge more for their products. However, when the economy slows down, businesses reduce their prices to survive until the situation improves. Company strategies and desired profits are internal factors that affect selling price. Trade practices are business activities.  
SOURCE: PI:002 Explain factors affecting pricing decisions  
SOURCE: LAP-PI-003—Make Cents (Factors Affecting Selling Price)
67. D  
Be more competitive in the marketplace. The purpose of sales-oriented pricing objectives is to increase the total amount of income that a business generates from sales. To do this, a business may charge lower prices to increase sales volume, or it may charge higher prices to increase the dollar value of its sales. Businesses often set sales-oriented pricing objectives when they want to be more competitive in the marketplace. Businesses set profit-oriented pricing objectives when they want to improve their cash flow, earn a return on investment, or survive when they experience financial problems.  
SOURCE: PI:002 Explain factors affecting pricing decisions  
SOURCE: LAP-PI-003—Make Cents (Factors Affecting Selling Price)
68. D  
Expansion. When a business adds product items or lines to its product mix, it is using the product-mix strategy of expansion. Contraction is a product-mix strategy in which a business removes, or deletes, product items or product lines from its product mix. Alteration is a product-mix strategy in which a business makes changes to its products or product lines. Trading up is a product-mix strategy in which a business adds higher-priced product items or lines to its mix.  
SOURCE: PM:003 Explain the concept of product mix  
SOURCE: LAP-PM-003—Mix and Match (The Nature of the Product Mix)
69. D  
Narrow; broad. The health-food store has a narrow product mix and offers a limited number of product lines. Because it has fewer product lines, it can specialize effectively. The grocery store has a greater number of product lines, so its product mix is broad. Consistency refers to how closely a company's product lines are related, while depth refers to the assortment of sizes, colors, flavors, and models offered in a company's product lines.  
SOURCE: PM:003 Explain the concept of product mix  
SOURCE: LAP-PM-003—Mix and Match (The Nature of the Product Mix)
70. C  
Businesses charge higher prices for customized services, which can lead to higher profit margins. Customized services are services that are developed to meet individual customers' needs and wants. Two potential benefits of offering customized services are higher profit margins and greater customer satisfaction. However, offering customized services does not save a business time. In fact, customized services take more time, not less. Standardized services are services that are as homogeneous as possible. Customized services are by definition not standardized services. Therefore, customizing its services does not help a business deliver more consistent products to its customers.  
SOURCE: PM:036 Determine services to provide customers  
SOURCE: Lu, L. (2019, November 14). *5 benefits of using customization to give customers what they want*. Retrieved October 1, 2021, from <https://www.bluleadz.com/blog/the-power-of-customization-giving-the-customer-exactly-what-they-want>

71. D

Learn which customer service strategies work and which don't. Studying your competition may help you learn what customer service strategies work well and what you should avoid. Studying your competition will not ensure that competitors lose sales and go out of business, and it will not hurt competitors' reputations. The purpose of studying your competition is not to help the competition attract more customers.

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

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

72. C

Providing a common goal. A USP, or unique selling proposition, can improve the performance of a work team by providing a common goal--delivering on the promise the company has made. A USP can help a company build a lasting reputation and can cut through advertising clutter, but these benefits do not necessarily improve the performance of the work team. A USP doesn't create a unique product; it only communicates its benefits to customers.

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

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

73. D

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: Prosci Inc. (2021). *Why change management*. Retrieved October 21, 2021, from <https://www.prosci.com/resources/articles/why-change-management>

74. C

Define the business's core values. Core values are the beliefs or qualities that a brand stands for and is built around. Brand personality is the projection of a brand that encompasses its values and emotional connections with consumers. Before a business owner can describe the brand's personality, they must determine the brand's core values because the brand personality projects those values. After defining the brand's personality, the business owner can then select a name and seek legal protection for the brand name by registering a trademark with the government. And, after the brand is established, the business owner should continuously listen to the customers' feedback to evaluate the brand and make changes as necessary.

SOURCE: PM:126 Build corporate brands

SOURCE: LAP-PM-126—Build Your Corporate Brand... (The How-To's of Corporate Branding)

75. A

Promotion. Promotion is the communication activities that inform potential customers about goods, services, images, and/or ideas to achieve a desired outcome. Promotional activities include advertising, display, and publicity. Operations are the day-to-day activities necessary to keep a business functioning. Production is the process or activity of producing goods and services wanted by consumers. A service is an intangible good that can be sold, such as a haircut.

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

SOURCE: LAP-PR-002—Razzle Dazzle (Nature of Promotion)

76. C

Older and better educated. The newspaper target market also tends to have higher incomes. Radio is more attractive to a younger audience. Social mobility describes movements within social rankings, with the pattern usually being upward. This concept is not used in comparing the promotional merits of newspapers and radio.

SOURCE: PR:007 Explain types of advertising media

SOURCE: LAP-PR-003—Ad-quipping Your Business (Types of Advertising Media)

77. D

Opt-in email marketing. Cassandra sends electronic promotional messages to former customers with their permission. This is known as opt-in email marketing. Telemarketing is an advertising medium that utilizes phone service to promote a product, either by phoning prospective customers or providing a number for them to call. A podcast is a digital recording that is distributed over the internet and downloaded to a computer or mobile device for playback. Publication advertising is advertising in printed materials such as newspapers and magazines.

SOURCE: PR:007 Explain types of advertising media

SOURCE: LAP-PR-003—Ad-quipping Your Business (Types of Advertising Media)

78. B

Word-of-mouth communication. This is promotion and publicity for a business provided by customers who tell others of their satisfaction with the business. Therefore, customers recommending the business to their friends is an example of word-of-mouth communication. In many cases, these recommendations lead to additional sales because people tend to believe their friends and take their advice. A testimonial is a statement by an identified user of a product proclaiming the benefits received from the use of the product. Verbal assertiveness is a confident attitude that involves the use of words. Recommending a business to friends is not an example of one-on-one selling.

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

SOURCE: Mosley, M. (2017, June 25). *Why is word of mouth marketing so important?* Retrieved October 21, 2021, from <https://www.socialmediatoday.com/marketing/why-word-mouth-marketing-so-important>

79. D

Amplified is planned, and organic is spontaneous. Word-of-mouth promotion involves customers telling others about their satisfaction with a business and its goods and/or services. Amplified word-of-mouth promotion involves the use of planned efforts (campaigns) in which the business provides specific information to customers (activists) to pass along to their friends, family, and business contacts. On the other hand, organic word-of-mouth promotion occurs naturally. Because customers are satisfied with the business and its products, they tell others about their satisfaction in the course of normal, interpersonal conversation. Both forms of word-of-mouth marketing are interactive. Passive behavior is conduct in which people fail to exercise their own rights and to respect their own needs.

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

SOURCE: Act! (2020, October 14). *Word-of-mouth marketing: How to create an impactful strategy.* Retrieved September 30, 2021, from <https://www.act.com/blog/en/word-of-mouth-marketing-strategy/>

80. D

A niche hotel sent a personalized email message that included a coupon to a customer. Direct marketing involves communicating messages directly to the customers or potential customers who are most likely to act upon the message content or offer. A form of direct marketing is direct email, which is a promotional medium that comes to customers' computers. Businesses often use their customers' sales history to determine what they are most likely to buy and customize promotional messages based on the customers' preferences. A television ad and a coupon booklet are forms of nonpersonal communication. Although catalogs are often sent as direct mail to customers, posting the catalog on a website is a form of nonpersonal communication.

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

SOURCE: Pollick, M. (2021). *What is direct marketing?* Retrieved October 1, 2021, from <https://www.wisageek.com/what-is-direct-marketing.htm>

81. B

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

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

SOURCE: Inc.com. (2020, February 6). *Rebates.* Retrieved October 1, 2021, from <http://www.inc.com/encyclopedia/rebates.html>

82. D

Search engine optimization. Search engine optimization, or SEO, is a valuable tool for public relations. SEO involves using keywords and phrases on a company's web pages so that search engines like Google can easily find them and use them as search results. RSS is a technology that allows individuals to receive updates from their favorite websites as they are posted. Many people subscribe to RSS feeds to get updates from websites without having to constantly search for new information. Email marketing involves sending promotional emails to customers. Web monitoring is not generally a term used to describe a public relations strategy.

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

SOURCE: Moz. (2021, July 28). *The beginner's guide to SEO*. Retrieved October 1, 2021, from <https://moz.com/beginners-guide-to-seo>

83. B

Newsletters. Newsletters are one-way communications from the company to its target audience that contain important information about the company. They can be sent via email or through regular mail. Search engine optimization is a tactic used to boost an organization's ability to be discovered through search engine tools. It is not a direct way of distributing information to the target audience; rather, it is a strategy that can be employed in many types of PR content. Press conferences and social media are not one-way public relations activities; rather, they are interactive.

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

SOURCE: Queensland Government. (2020, June 8). *Public relations tools and activities*. Retrieved October 1, 2021, from <https://www.business.qld.gov.au/running-business/marketing-sales/marketing-promotion/pr/tools-activities>

84. A

Press releases. Press releases are written information provided to the media to obtain publicity. A press release is a one-way tool because it does not offer interactivity between the marketers and the receivers. Sponsorship is an agreement that allows a company to pay a fee to a team, event, etc., for the right to affiliate itself with that team, event, etc. Press conferences are meetings to which a business or group invites members of the media in order to make an announcement. Media tours occur when a company spokesperson travels to key cities to introduce a new product. Sponsorships, press conferences, and media tours are all interactive public relations tools.

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

SOURCE: Prowly. (2021). *Press release definition—What exactly is a press release, anyway?* Retrieved October 21, 2021, from <https://prowly.com/magazine/what-is-a-press-release-definition/>

85. D

Quality improvement. Quality improvement involves using a systematic approach to increase the levels of excellence in relation to a process, good, or service. Taking action to create better tasting water is improving the quality of the end product—water. Quality control is ensuring the degree of excellence of a good or service. After making the improvements, the company will need to ensure that its products meet the new standards of excellence by implementing different quality-control activities. Opportunity cost is the benefit that is lost when you decide to use scarce resources for one purpose rather than another. Market development is the activities that a business implements to increase its target market.

SOURCE: QM:001 Explain the nature of quality management

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

86. A

Tangibles. A comfortable waiting room with good magazines is an example of a service provider having quality tangibles—a characteristic that customers are looking for. Reliability means that the service is consistently well performed. Responsiveness means that the service provider provides the service willingly and promptly. Assurance means that the customer finds the service provider to be knowledgeable and trustworthy.

SOURCE: QM:001 Explain the nature of quality management

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

87. C

Good business plans aim to meet corporate goals while mitigating risks. Effective strategic plans focus equally on meeting corporate goals and planning for potential risks. Businesses that have good corporate objectives should still plan for potential risks since risks can seriously harm a company's ability to meet its objectives. Risk management and goal achievement should both be priorities when planning corporate strategy. Businesses should focus equally on meeting goals and mitigating risks.

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

SOURCE: Moore, A. (2016, November 16). *Risk management—Alignment to the business objectives*. Retrieved October 21, 2021, from <https://www.linkedin.com/pulse/risk-management-alignment-business-objectives-andrew-moore/>

88. A

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. (2021, May 9). *Identifying and managing business risks*. Retrieved October 1, 2021, from <http://www.investopedia.com/articles/financial-theory/09/risk-management-business.asp>

89. D

Loss of data during the transfer. When a company switches to an ERM software system, there is the potential for data to be lost during the transfer/conversion process. However, the increased emphasis on risk and standardization of reporting are benefits of implementing ERM software rather than potential risks. ERM software generally increases efficiency of resource use rather than decreasing it.

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

SOURCE: Horvath, I. (2021, July 17). *Benefits of enterprise risk management*. Retrieved October 1, 2021, from <https://www.invensislearning.com/blog/enterprise-risk-management-benefits/>

90. C

Employees from each department should collaborate to define risk. A challenge to implementing enterprise risk management (ERM) is that people in various departments have different definitions and understandings of risk. Employees need to be on the same page for ERM to be successful, so a group of employees from across the organization should collaborate to form a common definition of risk. Technology will not necessarily help companies standardize their language. Top executives should not necessarily be the ones determining the definition of risk, because these definitions might not be shared or understood by other employees. Finally, readdressing the definition of risk every few months would not necessarily be a solution to the issue at hand unless employees from each department are involved.

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

SOURCE: Hayes, A. (2021, June 2). *Enterprise risk management (ERM)*. Retrieved October 21, 2021, from <https://www.investopedia.com/terms/e/enterprise-risk-management.asp>

91. B

A risk assessment. A risk assessment is a process used by businesses to identify potential hazards that could threaten the company's livelihood. Managerial accounting is the process of analyzing and interpreting financial data to help a company achieve its goals. A financial calculation is any calculation involving financial information. Eddie is not conducting managerial accounting or financial calculations in this example. Even though Eddie is an entrepreneur, he is specifically conducting a risk assessment in this example.

SOURCE: RM:094 Assess business risks

SOURCE: Next Insurance. (2018, January 24). *Small business risk assessment & how to reduce business risks*. Retrieved October 1, 2021, from <https://www.next-insurance.com/blog/small-business-risk-assessment/>

92. A

Promotes competition. Two coffee shops striving to provide products for the lowest prices and best values in town are competing with each other. This illustrates how selling promotes competition in our economy. Selling also affects employment, adds utility, and helps customers determine needs, but these are not illustrated in this situation.

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

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

93. A

Structural transformations. There are many factors that influence management decisions. Mergers and acquisitions are examples of structural transformations that can significantly influence a manager's decision-making. Competition in the industry, economic factors, and regulatory changes are also influential factors, but they are not demonstrated in this example.

SOURCE: SM:028 Describe factors that influence management

SOURCE: Ingait-Cole, P. (2019, April 26). *Factors influencing changes in strategic management*. Retrieved October 21, 2021, from <https://smallbusiness.chron.com/factors-influencing-changes-strategic-management-70223.html>

94. A

Business plan. A company's business plan shows how the business works now and how it is intended to work in the future, which can show you the current and forecasted capabilities of a company. A balance sheet is a financial statement that captures the financial condition of a company at a particular moment. A mission statement is a brief summary of what a business owner wants a business to be doing but does not touch on actual performance. The "about us" page on a company's website normally describes the company history and pertinent owners/managers/employees.

SOURCE: SM:007 Explain the nature of business plans

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

95. B

To maintain or increase market share. This is an overall objective for the entire company that would be set by top management. Deciding to hold weekly sales meetings, do a better job of collecting past-due bills, or to keep the billing up to date are specific objectives that might be set by department managers.

SOURCE: SM:008 Develop company goals/objectives

SOURCE: Root, G.N. (2019, January 29). *10 most important business objectives*. Retrieved October 1, 2021, from <http://smallbusiness.chron.com/10-important-business-objectives-23686.html>

96. D

Competition. Competition is different for each business. Knowing who your competitors are gives you the opportunity to offer advantages they do not provide. Learning who your competitors are (their strengths and their weaknesses) will be basic to planning your competitive advantage and marketing strategies. Technology, the economy, and regulations are factors that affect all businesses.

SOURCE: SM:011 Explain external planning considerations

SOURCE: Pahwa, A. (2021, July 15). *Business competition: Definition, types, importance & examples*. Retrieved October 1, 2021, from <https://www.feedough.com/business-competition/>

97. B

35%. Companies track their business plans to determine if they are meeting their various business goals. In the financial section of the business plan, the company describes its various methods of generating revenue, such as sales, investments, and royalty fees. To determine the percentage of increase for royalty revenues that the Holt Company hopes to achieve, subtract this year's royalty revenues from next year's projected royalty revenues to provide the projected increase in dollars ( $\$574,627.50 - \$425,650.00 = \$148,977.50$ ). Then, divide the projected increase in dollars by the current year's royalty revenues to obtain the projected increase percentage of royalty revenue ( $\$148,977.50 / \$425,650.00 = .35 = 35\%$ ).

SOURCE: SM:006 Track performance of business plan

SOURCE: SkillsYouNeed. (2021). *Percentage change \ Increase and decrease*. Retrieved October 1, 2021, from <https://www.skillsyouneed.com/num/percent-change.html>

98. D

Internal and external changes trigger new learning, leading to innovation. Both internal and external changes trigger the need for companies to learn and adapt to new situations and trends, resulting in innovation. The other alternatives incorrectly describe the relationship among innovation, learning, and change.

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

SOURCE: Innovation Management. (2021). *Managing change & innovation*. Retrieved October 1, 2021, from <http://www.innovation-management.org/managing-change-and-innovation.html>

99. B

Change. Change management is a set of strategies designed to ensure that changes in an organization are smoothly and thoroughly implemented. By helping the accounting staff make the transition to a new software, Antonio is engaging in change management. He is not performing inventory management, operations management, or supply chain management.

SOURCE: SM:095 Explain the nature of change management

SOURCE: Prosci. (2021). *What is change management?* Retrieved October 1, 2021, from <https://www.prosci.com/resources/articles/what-is-change-management>

100. A

You already have one without realizing it. Before building your company's unique selling proposition (USP), ask yourself if you already have one without realizing it. If so, and it works, there's no reason to change it; actually, changing it could confuse your customers and hurt your business. However, if the USP is not working, it's time to get started on a new one. Every business needs a good USP to be successful, whether or not it spends a lot of money on advertising. A good USP is one of a kind, not copied from another company.

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

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



**KEY**

Test Number 1263

# Entrepreneurship Exam

Entrepreneurship Operations Event

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This comprehensive exam was developed by the MBA Research Center exclusively for DECA's 2021-2022 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 prerequisite, career-sustaining, specialist, manager, and owner levels. A descriptive test key, including question sources and answer rationale, has been provided to the DECA chartered association advisor.



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1. A  
Disparagement. Frederic is making false statements about the quality of the new pizza place's food and the cleanliness of the restaurant. He is also leaving false negative reviews of the pizza place online. This constitutes disparagement. This is not an example of unfair competition or wrongful interference. Frederic is not infringing on the new pizza place's copyright.  
SOURCE: BL:069 Identify the basic torts relating to business enterprises  
SOURCE: LaMance, K. (2018, May 2). *Business torts*. Retrieved September 30, 2021, from <https://www.legalmatch.com/law-library/article/business-torts.html>
2. C  
Patent. A company can obtain a patent to protect a new invention. Patents give the patent owner the exclusive right to sell a new invention and prevent others from imitating it. Trademarks protect the names of products and prevent other companies from using those names for their own products. Copyrights protect original works, such as music, paintings, literary works, and television. A lawsuit is not a type of intellectual property protection.  
SOURCE: BL:051 Describe methods used to protect intellectual property  
SOURCE: Brewer, T. (2019, May 16). *What are the four basic types of intellectual property rights?* Retrieved September 30, 2021, from <https://brewerlong.com/information/business-law/four-types-of-intellectual-property/>
3. D  
Devon only interviews male candidates for a managerial position. Employment law requires that employers cannot discriminate based on race, gender, age, disability, etc. If Devon does not interview any female candidates for a managerial position, he is likely violating these laws by discriminating on the basis of gender. Devon should interview candidates based on their merits rather than their genders. It is not necessarily a violation of human resources regulation to fire an employee for arriving late. It is also not illegal to send an employee home to avoid paying him overtime. Finally, employers are allowed to impose waiting periods on benefits.  
SOURCE: BL:007 Explain the nature of human resources regulations  
SOURCE: Joubert, S. (2020, September 30). *Laws and regulations every HR professional should know*. Retrieved September 30, 2021, from <https://www.northeastern.edu/graduate/blog/hr-laws-to-know/>
4. A  
Address. Federal law requires businesses to report certain information about new employees, such as their names, addresses, and Social Security numbers. Businesses obtain this information by having new employees fill out IRS Form W-4, which is used for income tax withholding purposes. Businesses are not required to report information about a new employee's references, benefits, or compensation.  
SOURCE: BL:010 Explain the nature of businesses' reporting requirements  
SOURCE: Enright, M. (2020, August 26). *New employee forms after hiring an employee*. Retrieved October 1, 2021, from <https://www.wolterskluwer.com/en/expert-insights/new-employees-forms-after-hiring-an-employee>
5. D  
Wholesaler. A wholesaler is a channel member that helps move goods between producers and retailers by buying them from producers and selling them to retailers. Zander's company is buying tea from the Chinese companies (the producers) and selling it to grocery stores (retailers). A retailer is a business that buys consumer goods or services and sells them to ultimate consumers. A producer is someone who makes or provides goods and services. An industrial user is a business that buys materials, goods, or services that will be used to make other goods or used in company operations.  
SOURCE: CM:001 Explain the nature and scope of channel management  
SOURCE: LAP-CM-001—Chart Your Channels (Channel Management)

6. A

Target market. A target market is the particular group of customers a business seeks to attract. Jake is a soccer player with a need for new cleats—he fits the target market for a soccer specialty store perfectly. A market segment is more specific—it is one of the groups into which the total target market is divided. For example, female goalkeepers and male defenders are both market segments within the larger target population of soccer players. An industrial market includes customers or potential customers who purchase items for use in the operation of a business, for resale, or for making other goods. Geographic segmentation is the division of a market on the basis of where customers are located.

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

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

7. A

Contractual. All franchisees have to sign contracts with the parent company, in this case McDonald's. Corporate vertical distribution systems have control over all stages of production and distribution and do not have franchising as part of the system. An example would be the grocery store Kroger. Administered vertical distribution systems do not involve contracts. Instead, a few large channel members dominate the market and obtain strong cooperation from other channel members. "Structured" vertical marketing system is a fictitious term.

SOURCE: CM:009 Explain the nature of channel strategies

SOURCE: Smyth, D. (2020, September 21). *What are the different types of contractual vertical marketing systems?* Retrieved October 21, 2021, from <https://smallbusiness.chron.com/different-types-contractual-vertical-marketing-systems-25627.html>

8. B

Assist the wholesaler in any way possible. Companies should always try to maintain stable and helpful relationships with their channel members, and dismissal of a channel member should be a last resort. Since the producer and wholesaler have had a successful relationship for years, the producer should work with that channel member first before pursuing the other alternatives. The coffee producer should only terminate the contract as a last resort. Setting up a horizontal distribution system would not get the coffee products to consumers.

SOURCE: CM:011 Evaluate channel members

SOURCE: Cox, A. (2019, November 22). *How to boost the relationship between manufacturer and distributor.* Retrieved October 1, 2021, from <https://www.verenia.com/cpq-configure-price-quote-blog/relationship-between-manufacturer-distributor>

9. B

Resolving any problems or complaints. Businesses can reinforce brand promise after a sale by resolving any problems or complaints that may arise. Even problems can turn into positive touchpoints if a business handles them correctly. Creating new advertising campaigns and generating positive publicity fall into the category of presale activities and touchpoints. Improving the company's website can be done at any time, but interaction with the site is typically a presale or during-the-sale touchpoint.

SOURCE: CR:001 Identify company's brand promise

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

10. C

Oil industry. An oligopoly is a market structure in which there are relatively few sellers, and industry leaders usually determine prices. Because oil is a scarce natural resource and is complex to process into usable products, there are fewer businesses in the oil industry than other types of industries such as the apparel, foodservice, and computer businesses.

SOURCE: EC:012 Explain the concept of competition

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

11. B

Minimize risks to employees. Government's primary concern is the safety of the worker in the workplace. It would be next to impossible to set a safety rule to cover all possible events, but minimizing risks for the worker is a possibility. It is not government's intent to control businesses or business practices. Setting safety standards does not imply that government prohibits excess standards. There is no maximum number of standards that could be set. In setting safety standards, government does not address updating or modernizing work environments. The goal is to make the workplace safe, not more pleasing or attractive.

SOURCE: EC:008 Determine the relationship between government and business

SOURCE: LAP-EC-016—Regulate and Protect (Government and Business)

12. C

Market need. A market need occurs when demand for a product is not met. Entrepreneurial discovery is the process of detecting and matching product and market opportunities with one another in a manner that satisfies the market and the business. For example, there may be a demand for a medication to treat an illness, but because the illness is a new strain, no medication is available. Therefore, a market need exists, and the scientist uses their knowledge to invent a medication to treat the illness. Entrepreneurial discovery does not require a preventable accident, economic crisis, or creative observation to begin the process.

SOURCE: EN:002 Discuss entrepreneurial discovery processes

SOURCE: Smart Specialisation Platform. (2021). *Entrepreneurial discovery process (EDP)*. Retrieved October 1, 2021, from <https://s3platform.jrc.ec.europa.eu/edp>

13. B

Change. A venture opportunity is a circumstance that presents itself as a favorable means of starting a new business. A venture opportunity often presents itself in the form of a change, such as a shift in demographics or psychographics. For example, a large market segment, the "baby boomers," is reaching retirement age. Because they have different needs (e.g., health care) and have more leisure time, there are opportunities to provide these types of goods and services. Intuition is personal insight. Speculation is a rumor or assumption. Immobility means motionless or still.

SOURCE: EN:004 Determine opportunities for venture creation

SOURCE: Mueller, S. (2020, May 30). *7+1 sources of entrepreneurial opportunity*. Retrieved October 1, 2021, from <https://medium.com/swlh/7-1-sources-of-entrepreneurial-opportunity-71611eae3abc>

14. A

A mission statement. A mission statement is a brief summary of what a business owner wants a business to be doing. When planning a new venture, entrepreneurs develop mission statements to help guide their goals and visions into reality. Using a mission statement helps entrepreneurs stay on track and focus on what they really want to do. Financial forecasting, SWOT analyses, and competitive analyses are all important tools for entrepreneurs, but they are not as directly related to clarifying goals and vision.

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

SOURCE: Chen, J. (2021, August 20). *Mission statement*. Retrieved October 1, 2021, from <https://www.investopedia.com/terms/m/missionstatement.asp>

15. D

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: Agrawal, A.J. (2016, April 21). *6 ways young entrepreneurs can finance business ideas*. Retrieved October 1, 2021, from <https://www.inc.com/aj-agrawal/6-ways-young-entrepreneurs-can-finance-business-ideas.html>

16. D  
Industry. Capital resources are assets, or things of value, that a firm uses on an ongoing basis to meet its objectives. The capital resources that a business needs to get up and running depend on the type of products that the business sells. For example, a snow-ski resort needs ski-lift equipment, while a landscape business needs mowing equipment, mulch, and shrubs to efficiently operate. Location, owner's preferences, and suppliers' lead time are not always primary considerations when selecting capital resources.  
SOURCE: EN:019 Describe considerations in selecting capital resources  
SOURCE: Nickolas, S. (2021, July 30). *What inputs are factors of production?* Retrieved October 1, 2021, from <https://www.investopedia.com/ask/answers/032715/what-inputs-are-considered-be-factors-production.asp>
17. D  
Understand the interdependence of all business functions. Business operations are all of the functions that keep a business running. Inventory management, financial activities (e.g., accounts receivable), advertising, sales, human resources management, and distribution are important functions that keep a business going. Each function involves different activities that depend on one another to meet the company's overall objectives—the business functions are interdependent. So that the company maximizes efficiency, the business owner needs to have a basic understanding about how the functions relate to one another. Reducing tax liability and establishing standards are activities that can help maximize the efficiency of complex business operations, but the owner must understand how the activities affect one another to make effective business decisions. Economic indicators are one of many factors that owners must consider when developing business strategies.  
SOURCE: EN:023 Explain the complexity of business operations  
SOURCE: BBC. (2021). *The interdependent nature of business*. Retrieved October 1, 2021, from <https://www.bbc.co.uk/bitesize/guides/z6sphbk/revision/1>
18. A  
\$2,363.85. When businesses negotiate long-term leases, they often negotiate the amount of increase from year to year. In this example, the rent will increase 2% the second year. To calculate the monthly rent for the second year, multiply the first-year rate by the rate of increase ( $\$2,250 \times 2\%$  [or  $.02$ ] = \$45), and add that amount to the first-year rate ( $\$2,250 + \$45 = \$2,295$ ). The third year, monthly rent will increase 3% over the second year's rate of \$2,295. To calculate that amount, multiply the second-year rate by the rate of increase ( $\$2,295 \times 3\%$  [or  $.03$ ] = \$68.85), and add that amount to the second-year rate ( $\$2,295.00 + \$68.85 = \$2,363.85$ ).  
SOURCE: OP:028 Negotiate lease or purchase of facility  
SOURCE: Elliot, M. (2018, June 24). *How to properly calculate a rent increase*. Retrieved October 1, 2021, from <https://bhrentersalliance.org/2018/06/how-to-properly-calculate-a-rent-increase-2/>
19. C  
Operating. Operating procedures are the step-by-step processes that employees follow when they perform specific work-related tasks. By developing and implementing operating procedures, managers or owners do not need to spend time answering routine questions and making routine decisions. Operating procedures provide employees with guidelines for performing their work, which can increase productivity and efficiency. Credit, safety, and hiring are types of operating procedures.  
SOURCE: EN:026 Describe the use of operating procedures  
SOURCE: Rush, M. (2021). *Standard operating procedures for a business*. Retrieved October 1, 2021, from <http://smallbusiness.chron.com/standard-operating-procedures-business-3228.html>
20. C  
Reducing inventory. Supply chain management is the supervision of the process of getting products into the marketplace and managing the flow of goods. Reduced inventory means that products are flowing from manufacturer to customer efficiently, so reducing inventory is a goal of supply chain management. Supply chain management does not relate to managing customer relations, storing marketing data, or planning promotional strategies.  
SOURCE: OP:303 Discuss the nature of supply chain management  
SOURCE: Daniel, D. (2020, November). *Supply chain management (SCM)*. Retrieved October 21, 2021, from <http://searchmanufacturingerp.techtarget.com/definition/supply-chain-management>

21. D

Continuation plan. An exit strategy is the blueprint that an entrepreneur uses to leave the company. There are many options for the business owner to consider when leaving the company, such as selling the business, executing an IPO, or taking their share of the profit. Each option requires a different course of action. Regardless of the option the owner selects, the business owner should try to make the transition as smooth as possible so that business operations are not interrupted. The exit strategy is one aspect of the continuation planning, which is the function of deciding what activities will need to be performed to keep a company prospering and the steps the company will need to take to accomplish these activities when the business owner leaves. The exit strategy is not one aspect of Aaron's control system, management style, or competitive advantage.

SOURCE: EN:034 Explain the need for continuation planning

SOURCE: Richards, D. (2020, January 3). *How to write a business exit plan*. Retrieved October 1, 2021, from <https://www.thebalance.com/writing-a-business-plan-planning-your-exit-strategy-1200841>

22. B

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

SOURCE: EN:036 Evaluate options for continued venture involvement

SOURCE: Chen, J. (2021, August 29). *Board of directors (B of D)*. Retrieved October 1, 2021, from <http://www.investopedia.com/terms/b/boardofdirectors.asp>

23. A

Increasing the deductible from \$500 to \$1,000. The deductible is the amount of loss that a business is willing to accept before the insurance company pays the remainder. As a rule, the premium becomes smaller as the deductible becomes larger. For example, the premium costs for a business with a \$1,000 deductible will be less than for a business with a \$500 deductible because the first business is willing to pay for more of the loss. Paying the premium in monthly installments and purchasing the insurance from a private agent will not reduce the amount of the premium. Businesses do not pay a security deposit when they buy insurance.

SOURCE: FI:082 Obtain insurance coverage

SOURCE: Local Government Federal Credit Union. (2021). *5 ways to lower insurance premiums*. Retrieved October 1, 2021, from <https://www.lgfcu.org/personal-finance/5-ways-to-lower-insurance-premiums>

24. A

Loan turnaround time. You will want to know the money will be there when you need it and that you will not need to postpone important activities while you wait. Large and small banks each have their advantages and disadvantages, but these are unrelated to the number of employees. The relationship with your bank and the services it can provide are far more important than its location. Plush offices are irrelevant.

SOURCE: FI:039 Analyze critical banking relationships

SOURCE: Pritchard, J. (2021, April 30). *How to choose the best bank for your needs*. Retrieved October 1, 2021, from <https://www.thebalance.com/choosing-a-bank-315757>

25. C  
\$531.25. Banks and credit card companies consider a business's sales volume when setting fees. As a rule, banks charge a business a higher rate if its total sales volume is low than they charge a business whose total sales volume is high. If a business sells \$12,500 one month and is charged a fee of 4.25%, it owes the bank \$531.25 ( $\$12,500 \times 4.25\%$  [or  $.0425$ ] = \$531.25).  
SOURCE: FI:040 Make critical decisions regarding acceptance of bank cards  
SOURCE: Resendiz, J. (2021, September 9). *Credit card processing fees and costs*. Retrieved October 1, 2021, from <https://www.valuepenguin.com/what-credit-card-processing-fees-costs>
26. C  
Bartering to exchange services with suppliers. Bootstrapping refers to cost-saving measures taken to reduce business expenses and operate on as little cash as possible. Bartering to exchange services with suppliers is a way to help eliminate the cash needed to pay for essential services. Taking out a personal loan and using personal savings are examples of using startup capital to finance the cost of starting a business. Forming a partnership is a way to create funding and capital by sharing the responsibility of starting and running a business.  
SOURCE: FI:031 Explain sources of financial assistance  
SOURCE: Corporate Finance Institute. (2021). *Bootstrapping*. Retrieved October 1, 2021, from <https://corporatefinanceinstitute.com/resources/knowledge/strategy/bootstrapping/>
27. D  
The cost of project failure. Potential costs are the hidden costs that managers must think through when conducting a cost-benefit analysis—the costs of what *could* happen such as project failure. Installation and capital investment are one-time costs. Utilities are a recurring cost.  
SOURCE: FI:357 Describe the nature of cost-benefit analysis  
SOURCE: LAP-FI-357—Running the Numbers (Cost-Benefit Analysis)
28. A  
Insurance. Insurance is an example of a fixed expense, or a cost the business incurs no matter what its levels of sales or production are. Raw materials, commissions, and credit card fees are all variable expenses; they change when sales or production levels fluctuate.  
SOURCE: FI:099 Develop company's/department's budget  
SOURCE: LAP-FI-099—Build Your Game Plan (Developing a Company/Department Budget)
29. C  
The method should be more accurate because it involves users of the product. The survey of buyer intentions is a qualitative method of sales forecasting which gathers information about consumers' plans to purchase. The data gathered should be more accurate than those gathered in other ways because the information is obtained from actual users of the product. Businesses that cannot do their own surveys can purchase the results of independent or government surveys. Costs of the method can be controlled, but they cannot be eliminated. A disadvantage of the method is that consumers may not respond to questionnaires, and even if they do, there is no guarantee that they will buy what they say they will.  
SOURCE: FI:096 Forecast sales  
SOURCE: Account Learning. (2021). *9 techniques of sales forecasting*. Retrieved October 1, 2021, from <https://accountlearning.com/9-techniques-sales-forecasting/>
30. A  
Net sales. Vertical analysis is often used to show the relationship of each component to the total within a single financial statement. Net sales is the base amount used for vertical analysis of items on the income statement. Total assets is used for vertical analysis of asset amounts on the balance sheet. Total liabilities and equity is used for vertical analysis of liability or equity amounts on the balance sheet. Total income is used for vertical analysis of revenue and expense amounts on the balance sheet.  
SOURCE: FI:334 Describe types of financial statement analysis (e.g., ratio analysis, trend analysis, etc.)  
SOURCE: Thakur, M. (2021). *Vertical analysis of income statement*. Retrieved October 1, 2021, from <https://www.wallstreetmojo.com/vertical-analysis-of-income-statement/>

31. D

Return on equity. There are several profitability ratios that can help a business determine its overall profitability, including return on equity, profit margin, return on assets, and gross margin ratio. The return on equity ratio is a company's net income divided by its average stockholders' equity. This ratio is useful for illustrating how effective a company is at turning cash into greater gains for the company and for investors. A liquidity ratio measures a company's ability to pay off its short-term debts. A working capital ratio is a type of liquidity ratio. A dividend yield is a type of market prospect ratio. Investors use market prospect ratios to predict what the trend of a stock will be in the future.

SOURCE: FI:542 Monitor business's profitability

SOURCE: Bloomenthal, A. (2021, February 20). *Ratio analysis*. Retrieved October 21, 2021, from <https://www.investopedia.com/terms/r/ratioanalysis.asp>

32. B

Communicate with your team first. Before you begin the hiring process, it's a good idea to sit down with your team members and figure out the team's overall needs and wants. By doing this before you begin screening applicants, you can determine what you are really looking for in a candidate. It's not necessarily a good idea to finish hiring as quickly as possible. Rather, you should proceed through the hiring process carefully and with intention. It's illegal and unethical to ask applicants about their marital status during the hiring process or to request that only young people apply.

SOURCE: HR:353 Determine hiring needs

SOURCE: Cotter, T. (2021). *Communicating the recruitment process: Dos and don'ts*. Retrieved September 30, 2021, from <https://resources.workable.com/tutorial/communicating-recruitment-process#>

33. B

Management by objectives. The employee and the supervisor work together to set goals, or objectives, for the employee to meet during a certain time period. The employee is then evaluated on the basis of how well they met the goals. Rank-order technique ranks all employees in a department or division from best to worst. Affirmative action is an effort to create equality in the workplace through hiring, training, and promoting of members of groups that have been subjected to discrimination. Positive reinforcement is a technique in which people are given approval or rewarded for good performance.

SOURCE: HR:368 Assess employee performance

SOURCE: Hayes, A. (2021, September 5). *Management by objectives (MBO)*. Retrieved September 30, 2021, from <https://www.investopedia.com/terms/m/management-by-objectives.asp>

34. D

Engaging in meaningful dialogue. Open communication is an important part of maintaining a positive work environment. Managers that 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, requiring employees to eat in a shared space during meals would foster greater communication and comradery.

SOURCE: HR:403 Foster "right" environment for employees

SOURCE: AirMason. (2020, July 9). *9 ways to create a positive work environment*. Retrieved September 30, 2021, from <https://blog.airmason.com/creating-positive-work-environment-ideas/>

35. D

An employee steals goods from the business. Certain serious offenses, such as employee theft, may be exempt from progressive discipline. This is because a stronger penalty is warranted with the first infraction than is normally administered for other, less serious violations. Extended breaks and personal phone calls are less serious actions that can be corrected with progressive penalties. Failing to meet a sales quota is not a violation, per se. It may indicate that additional training is needed to help the salesperson meet company expectations.

SOURCE: HR:369 Explain the nature of remedial action

SOURCE: Smith, A. (2019, February 15). *One and done: When to skip progressive discipline*. Retrieved September 30, 2021, from <https://www.shrm.org/resourcesandtools/legal-and-compliance/employment-law/pages/when-to-skip-progressive-discipline.aspx>

36. A

A sales invoice. A single sales invoice (itemized statement of money owed for a good or service) can tell marketers who a customer is, what industry the customer is in, how much the customer has spent with the business this year, what method of payment the customer prefers, and much more. A trade journal gives general information about the industry. Expense reports and sales reports give data about the sales team—how much it is spending and how much it is selling.

SOURCE: IM:012 Describe the need for marketing data

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

37. A

Forecast future business developments. Businesses use predictive research to help them forecast future business developments, such as estimating future sales, predicting the growth or decline of a market, or projecting consumer tastes. Exploratory research collects data to help the business define its situation, problem, or concern and to decide which direction to take to address it. Causal research focuses on cause and effect and tests "what if" theories. Research that gathers specific data related to the business's identified situation, problem, or concern is called descriptive research.

SOURCE: IM:010 Explain the nature of marketing research

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

38. A

Research must be conducted and evaluated in an objective manner to obtain good results. Market research must be objective for companies to have accurate and unbiased data on which to base future decisions. Research may or may not include primary and secondary sources of data. While primary data are typically more up to date and relevant, secondary data can be accessed inexpensively and sometimes are sufficient to meet the needs of the research. It is not necessary for research to include both types of data. The goals of the research will determine the method(s) of research used. Research is performed to determine the validity of the hypothesis. As a result of the research, the hypothesis may be proved to be true or untrue.

SOURCE: IM:010 Explain the nature of marketing research

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

39. D

Subculture. A subculture is a culture within a culture and is often based on ethnicity, religion, or geographic location. So, while you might be an American, you might also be an Asian American, a Jewish American, a New Englander, a "farm kid," etc. The growing Hispanic population in the United States is an example of a subculture that marketers often target. The Hispanic population is not an example of a social influence, membership group, or reference group. A membership group is a social group such as a school organization, church group, neighborhood association, or sports team. A reference group is a group that someone aspires to be a part of or a group that someone wants to distance themselves from.

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

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

40. A

Marketing mix elements are interrelated and work as a unit. The marketing mix is the combination of the four elements of marketing—product, place, promotion, and price. To be successful, businesses must use the right blend of each element. Because each marketing mix element must work together with the others to achieve the marketing goals, all of the marketing mix elements are interrelated and equally important. A change to one marketing mix element affects all of the other marketing mix elements.

SOURCE: MP:001 Explain the concept of marketing strategies

SOURCE: LAP-MP-002—Pick the Mix (Nature of Marketing Strategies)

41. A

Industrial distributor. For industrial goods, the equivalent of a wholesaler is an industrial distributor. This is an intermediary that buys large quantities of goods from a producer and breaks them down into smaller portions to sell to retailers—or, sometimes, directly to industrial users. An industrial distributor might be considered a business partner but is not called such. A producer makes or provides goods or services. A retailer is a business that buys consumer goods or services and sells them to ultimate consumers.

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

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

42. D

Threat. A threat is any unfavorable situation in the environment surrounding a business. If Gabrielle faces a competitor who may take away some of her customers, that's definitely an unfavorable situation. A weakness is any limitation or shortcoming a business has that can keep it from achieving its objectives. An opportunity is any favorable situation in the environment surrounding a business. A strength is any resource or capability a business has that can help it gain a competitive advantage in its industry.

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

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

43. A

Correlation. A sales forecast is a prediction of sales for a specific time frame. Businesses use sales forecasts for planning purposes and to make business decisions. When developing a sales forecast, a business considers many factors, including market conditions, economic conditions, competitors, test-marketing results, past sales, etc. To obtain detailed information, a business may use statistics to compare and relate sales potential to other factors. This task in the sales forecasting process is called a correlation analysis. Relativity analysis is a fictitious term.

SOURCE: MP:014 Forecast sales for marketing plan

SOURCE: Tutor2u. (2021). *Correlation*. Retrieved October 1, 2021, from <https://www.tutor2u.net/business/reference/correlation>

44. C

Regulatory changes. Many factors, both inside and outside of the organization, can affect your sales forecast. An example of an external factor is a regulatory change—a change in law or governmental policy that affects your business. Regulatory changes are external because they are outside of the control of your company. Releasing a new product, pushing social media advertising, or shifting pricing strategy are all internal because they are under the control of the company.

SOURCE: MP:014 Forecast sales for marketing plan

SOURCE: Nordmeyer, B. (2017, November 21). *About sales forecasting*. Retrieved October 21, 2021, from <http://smallbusiness.chron.com/sales-forecasting-66304.html>

45. B

What challenges do my potential customers face when caring for their dog(s)? One of the most important steps in developing a customer profile is determining the specific challenges that the target customers face in regards to the business's services/products. Brian should determine what challenges his potential customers face before starting his dog-sitting business so that he can tailor his services to his target market. Determining what customers do in their free time, what they do for a living, and the reasons behind their choice to get a dog may also help develop a customer profile, but determining those things is not necessarily as relevant as determining the customers' challenges in caring for their dog(s).

SOURCE: MP:031 Develop customer profile

SOURCE: Ciotti, G. (2021). *How to create customer profiles to reach your target audience*. Retrieved October 1, 2021, from <https://www.convinceandconvert.com/social-media-strategy/how-to-create-customer-profiles-to-reach-your-target-audience/>

46. C

Customer engagement patterns. Customer engagement data, such as email-open rates and social media activity, are useful for measuring marketing success when tied to purchasing behavior. This example demonstrates the use of customer engagement patterns as a marketing metric, not predictive analytics, customer acquisition cost, or predictive revenue. Predictive analytics measure purchase-related behaviors, such as the length of time between purchases or which assortment of products a customer tends to browse before making a final purchase. Customer acquisition cost is a metric that determines how much money it costs to convince a customer to make a purchase. Predictive revenue is a marketing metric that involves calculating predicted future revenues.

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

SOURCE: Bika, N. (2021, September 20). *8 smart customer engagement strategies that work*. Retrieved October 21, 2021, from <https://acquire.io/blog/customer-engagement-strategies/>

47. B

No, its return on sales was 8.6%. A firm uses a variety of measures to determine if it is meeting its marketing objectives. By measuring its level of success, the business can determine if it should make changes or if it should continue with its current action plan. One effort that a business measures is its return on sales. To determine the return on sales, divide the profit by the sales ( $\$15,000 / \$175,000 = .086 = 8.6\%$ ). The firm did not achieve its goal of 10% return on sales.

SOURCE: MP:021 Translate performance measures into financial outcomes

SOURCE: Accounting Tools. (2021, April 10). *Return on sales definition*. Retrieved October 1, 2021, from <https://www.accountingtools.com/articles/return-on-sales.html>

48. B

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

SOURCE: OP:189 Explain the nature of operations

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

49. C

Obtain trademark protection. A trademark is a symbol, design, or word used by a producer to identify a good or service that is registered with the government to prevent use by others. It is a form of legal protection that is appropriate for logos. If you have a trademarked logo, competitors cannot use it on their products. Creating a unique design won't necessarily stop competitors from using it. Implementing knowledge management will not stop competitors from using your logo. Finally, insurance does not protect your logo from use by competitors.

SOURCE: OP:155 Establish policies to protect company information and intangibles

SOURCE: UpCounsel. (2020, October 30). *What is trademark protection?* Retrieved October 1, 2021, from <https://www.upcounsel.com/trademark-protection>

50. A

Positive testimonials and several years of experience. It is important to do your research when selecting vendors for your business. You should always look for vendors with positive testimonials and several years of experience. It is not necessary or relevant to select vendors with the same political beliefs as you or your organization. You should select vendors with large catalogs of products or services, not small catalogs. This will allow you to choose from a wide variety of products as your business grows. You should look for vendors with competitive pricing instead of vendors with the highest prices in the area.

SOURCE: OP:161 Select vendors

SOURCE: Lotich, P. (2019, August 7). *Vendor selection criteria—8 things to consider*. Retrieved September 30, 2021, from <https://thethrivingsmallbusiness.com/vendor-selection-criteria-7-things-to-consider/>

51. B

Quality. Company management often has a large impact on the quality of the company's products and services. When a manager effectively harnesses their employees' skills, products and services can be created more efficiently, more effectively, and with greater attention to quality. A strengths-based work culture does not necessarily lead to greater product/service recognition, credibility, or publicity.

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

SOURCE: Foster, J. (2017, March 16). *The impact of managers on workplace engagement and productivity*. Retrieved October 1, 2021, from <https://www.interact-intranet.com/the-impact-of-managers-on-workplace-engagement-and-productivity/>

52. D

The efficient use of resources. So they can provide a consistent, orderly way of conducting business activities, companies use different types of business systems, such as computer and technology, order processing, operating, and financial systems. By organizing business activities, employees have guidelines and procedures to help them conduct their duties. Well-organized business systems can maximize a company's resource efficiency. Efficient business systems do not necessarily improve utility services, nor do they lessen the reliance on networking. Efficient business systems may reduce the incidence of employee errors, but they cannot eliminate them.

SOURCE: EN:025 Explain the need for business systems and procedures

SOURCE: QuickBooks. (2021, February 8). *Business systems: The key to business success*. Retrieved October 1, 2021, from <https://quickbooks.intuit.com/r/accounting-taxes/business-systems/>

53. C

When sales decreased, the Martin Company reduced its trade show efforts by 5%. A budget is an estimation of income and expenses. Businesses use budgets to control their money. When a company has less income flowing into the business than anticipated, it often needs to adjust the budget by reducing expenses. One way to reduce expenses is by reducing the amount of money the business spends on trade shows. Generally, a business that experiences substantial drops in its stock value has less money flowing into the business. Hiring more employees when less income is available to pay them is not an appropriate way to control business costs. Simply noting an increase in sales is not controlling the budget. There is not enough information provided to determine if the VMX Manufacturing has the income available to purchase additional equipment; therefore, it is not possible to know if the company is controlling its expenses wisely.

SOURCE: OP:030 Use budgets to control operations

SOURCE: Sherman, F. (2021, September 14). *The uses of budgetary control*. Retrieved October 1, 2021, from <https://smallbusiness.chron.com/uses-budgetary-control-31142.html>

54. B

Money. Supply chain management deals with material flow, information flow, and money flow. Information flows from the customer to the supplier. Material flow typically moves from the supplier to the customer. Money flows from the customer to the supplier. Inventory, supply, and distribution flow are not types of flows in supply chain management.

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

SOURCE: Pontius, N. (2021, August 17). *What is supply chain management?* Retrieved September 30, 2021, from <https://www.camcode.com/asset-tags/what-is-supply-chain-management/>

55. D

Identify new venture opportunities. An opportunity is a circumstance that presents itself as a favorable means to meet an objective. Entrepreneurs look for opportunities to start businesses, and if the opportunities are feasible, they act upon them. There are many ways to look for business opportunities such as watching trends, attending trade shows, and talking with friends, customers, and business associates. Entrepreneurs might join community organizations or trade associations to network with others with the goal of identifying new venture opportunities. Entrepreneurs do not join community organizations to obtain selling experiences, evaluate personal skills and abilities, or improve goods and services.

SOURCE: EN:031 Create processes for ongoing opportunity recognition

SOURCE: Long, J. (2017, March 23). *6 benefits of joining a professional community*. Retrieved October 1, 2021, from <https://www.entrepreneur.com/article/290983>

56. C

Business analysis. Business analysis is the investigation into the operations of a business to reveal the causes behind specific results and the effects of those results on the business. Managerial accounting is the process of identifying and analyzing financial information to help managers make informed business decisions. Becky is not recommending solutions to her boss; she is simply doing research. Therefore, she is not performing managerial accounting. Data normalization is the process of organizing data to reduce data redundancy, and marketing research is research related to a company's marketing efforts. Becky's boss is not asking her to perform either of these types of work.

SOURCE: OP:327 Discuss the nature of business analysis

SOURCE: International Institute of Business Analysis. (2021). *What is business analysis?* Retrieved September 30, 2021, from <https://www.iiba.org/professional-development/career-centre/what-is-business-analysis/>

57. B

Can be analyzed and repeated. Business process thinking means thinking about a project or an assignment in terms of the processes that will be required to complete it. One of the primary benefits of process thinking is the ability to document (and then refine and repeat) the processes that are involved in a project. By documenting a process, the process can be improved and standardized so that the best possible results are achieved. Process thinking does not guarantee a project's success, but it does improve its chances. Process thinking results in more efficient projects, not less efficient projects.

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

SOURCE: Tallyfy. (2021). *Importance of process thinking in business management*. Retrieved September 30, 2021, from <https://tallyfy.com/process-thinking/>

58. B

The cost of technology. When designing new business processes, it is important to consider the factors that will affect them. In the case of implementing a new automated time-tracking process, the cost of technology would likely be a factor. This example is not necessarily related to changes in regulation, increased stress and fatigue, or the company leadership.

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

SOURCE: Taylor, H. (2017, September 26). *Factors that affect process design*. Retrieved September 30, 2021, from <https://bizfluent.com/list-7444011-factors-affect-process-design.html>

59. A

To reduce costs. One common reason for implementing business process change is to reduce overall costs related to a certain process. Many companies also implement process change to improve performance and increase profitability—resulting in a competitive advantage over other companies. Gaining publicity and attracting new talent are not generally reasons for implementing business process change.

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

SOURCE: The Hackett Group. (2021). *Enabling business process change*. Retrieved September 30, 2021, from <https://www.thehackettgroup.com/business-process-change/>

60. B

Customer dissatisfaction with the manufacturer. Customers who are unable to purchase food for their pets are likely to be dissatisfied and frustrated with the pet food manufacturer. The lack of pet food would result in decreased sales, not increased sales. The relationship between the manufacturer and its suppliers would likely be damaged since the suppliers would lose sales and customers from the lack of pet food.

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

SOURCE: Ingram, D. (2021). *How does supply chain management affect manufacturing companies?* Retrieved September 30, 2021, from <http://smallbusiness.chron.com/supply-chain-management-affect-manufacturing-companies-75841.html>

61. B

It exposes the shop to the risk of product unavailability. One of the risks of sourcing a large amount of product from one supplier is that products may sometimes be unavailable. When a company sources a large amount of product from one supplier, it typically acquires the product for less. A reduction in advertising is generally determined by a company's business goals and is not typically impacted by changes to suppliers. Reducing the number of suppliers that need to be managed will have a positive impact since business costs are reduced.

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

SOURCE: Invest Northern Ireland. (n.d.). *Choosing suppliers for your business*. Retrieved October 21, 2021, from <https://www.nibusinessinfo.co.uk/content/choose-between-single-or-multiple-supplier-strategy>

62. A

Focus on prevention by training all employees to protect data. Keeping data safe and protected requires a company-wide focus on security. This means training all employees to use practices that protect customer and company data. This sort of training should be conducted before a breach ever occurs. Hiring a team of cybersecurity experts would be unrealistic for a company with a small budget. The company should not teach only one department to protect data as a cost-saving measure. If a breach occurs because some employees were not trained, the company will end up spending a lot more money in the long run.

SOURCE: OP:472 Define strategies to protect business' digital assets, customer data, and other protected information

SOURCE: Motta, F. (2021). *Strategies to help your business thwart cyber attacks, protect systems and secure digital assets*. Retrieved October 21, 2021, from <http://www.risbj.com/strategies-to-help-your-business-thwart-cyber-attacks-protect-systems-and-secure-digital-assets/>

63. C

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: Laverty, S. (n.d.). *What are the dangers of using unsecured WiFi?* Retrieved October 1, 2021, from <https://yourbusiness.azcentral.com/dangers-using-unsecured-wifi-24126.html>

64. A

Segregation of duties. Segregation of duties is a concept that refers to more than one person completing a task. Segregating duties helps companies avoid errors and misconduct that could be committed by one individual. Companies that institute segregation of duties are strengthening their corporate governance structures. Regulation, independent audits, and industry association guidelines are all external factors that affect corporate governance structures.

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

SOURCE: Davoren, J. (2017, November 21). *Three types of corporate governance mechanisms*. Retrieved October 21, 2021, from <https://smallbusiness.chron.com/three-types-corporate-governance-mechanisms-66711.html>

65. A  
Are looking for prestige. Different companies seek to attract different types of customers. Low prices attract customers who want to save money, while high prices attract customers looking for prestige and high quality. Higher prices are not necessarily going to attract customers who like to buy from local merchants or those who do their shopping online.  
SOURCE: PI:001 Explain the nature and scope of the pricing function  
SOURCE: LAP-PI-001—The Price Is Right (Nature of Pricing)
66. D  
Economic conditions. Most businesses consider the condition of the economy when determining the selling price of their goods and services. In times of economic growth, individuals often increase their spending; therefore, businesses may be able to charge more for their products. However, when the economy slows down, businesses reduce their prices to survive until the situation improves. Company strategies and desired profits are internal factors that affect selling price. Trade practices are business activities.  
SOURCE: PI:002 Explain factors affecting pricing decisions  
SOURCE: LAP-PI-003—Make Cents (Factors Affecting Selling Price)
67. D  
Be more competitive in the marketplace. The purpose of sales-oriented pricing objectives is to increase the total amount of income that a business generates from sales. To do this, a business may charge lower prices to increase sales volume, or it may charge higher prices to increase the dollar value of its sales. Businesses often set sales-oriented pricing objectives when they want to be more competitive in the marketplace. Businesses set profit-oriented pricing objectives when they want to improve their cash flow, earn a return on investment, or survive when they experience financial problems.  
SOURCE: PI:002 Explain factors affecting pricing decisions  
SOURCE: LAP-PI-003—Make Cents (Factors Affecting Selling Price)
68. D  
Expansion. When a business adds product items or lines to its product mix, it is using the product-mix strategy of expansion. Contraction is a product-mix strategy in which a business removes, or deletes, product items or product lines from its product mix. Alteration is a product-mix strategy in which a business makes changes to its products or product lines. Trading up is a product-mix strategy in which a business adds higher-priced product items or lines to its mix.  
SOURCE: PM:003 Explain the concept of product mix  
SOURCE: LAP-PM-003—Mix and Match (The Nature of the Product Mix)
69. D  
Narrow; broad. The health-food store has a narrow product mix and offers a limited number of product lines. Because it has fewer product lines, it can specialize effectively. The grocery store has a greater number of product lines, so its product mix is broad. Consistency refers to how closely a company's product lines are related, while depth refers to the assortment of sizes, colors, flavors, and models offered in a company's product lines.  
SOURCE: PM:003 Explain the concept of product mix  
SOURCE: LAP-PM-003—Mix and Match (The Nature of the Product Mix)
70. C  
Businesses charge higher prices for customized services, which can lead to higher profit margins. Customized services are services that are developed to meet individual customers' needs and wants. Two potential benefits of offering customized services are higher profit margins and greater customer satisfaction. However, offering customized services does not save a business time. In fact, customized services take more time, not less. Standardized services are services that are as homogeneous as possible. Customized services are by definition not standardized services. Therefore, customizing its services does not help a business deliver more consistent products to its customers.  
SOURCE: PM:036 Determine services to provide customers  
SOURCE: Lu, L. (2019, November 14). *5 benefits of using customization to give customers what they want*. Retrieved October 1, 2021, from <https://www.bluleadz.com/blog/the-power-of-customization-giving-the-customer-exactly-what-they-want>

71. D

Learn which customer service strategies work and which don't. Studying your competition may help you learn what customer service strategies work well and what you should avoid. Studying your competition will not ensure that competitors lose sales and go out of business, and it will not hurt competitors' reputations. The purpose of studying your competition is not to help the competition attract more customers.

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

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

72. C

Providing a common goal. A USP, or unique selling proposition, can improve the performance of a work team by providing a common goal--delivering on the promise the company has made. A USP can help a company build a lasting reputation and can cut through advertising clutter, but these benefits do not necessarily improve the performance of the work team. A USP doesn't create a unique product; it only communicates its benefits to customers.

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

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

73. D

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: Prosci Inc. (2021). *Why change management*. Retrieved October 21, 2021, from <https://www.prosci.com/resources/articles/why-change-management>

74. C

Define the business's core values. Core values are the beliefs or qualities that a brand stands for and is built around. Brand personality is the projection of a brand that encompasses its values and emotional connections with consumers. Before a business owner can describe the brand's personality, they must determine the brand's core values because the brand personality projects those values. After defining the brand's personality, the business owner can then select a name and seek legal protection for the brand name by registering a trademark with the government. And, after the brand is established, the business owner should continuously listen to the customers' feedback to evaluate the brand and make changes as necessary.

SOURCE: PM:126 Build corporate brands

SOURCE: LAP-PM-126—Build Your Corporate Brand... (The How-To's of Corporate Branding)

75. A

Promotion. Promotion is the communication activities that inform potential customers about goods, services, images, and/or ideas to achieve a desired outcome. Promotional activities include advertising, display, and publicity. Operations are the day-to-day activities necessary to keep a business functioning. Production is the process or activity of producing goods and services wanted by consumers. A service is an intangible good that can be sold, such as a haircut.

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

SOURCE: LAP-PR-002—Razzle Dazzle (Nature of Promotion)

76. C

Older and better educated. The newspaper target market also tends to have higher incomes. Radio is more attractive to a younger audience. Social mobility describes movements within social rankings, with the pattern usually being upward. This concept is not used in comparing the promotional merits of newspapers and radio.

SOURCE: PR:007 Explain types of advertising media

SOURCE: LAP-PR-003—Ad-quipping Your Business (Types of Advertising Media)

77. D

Opt-in email marketing. Cassandra sends electronic promotional messages to former customers with their permission. This is known as opt-in email marketing. Telemarketing is an advertising medium that utilizes phone service to promote a product, either by phoning prospective customers or providing a number for them to call. A podcast is a digital recording that is distributed over the internet and downloaded to a computer or mobile device for playback. Publication advertising is advertising in printed materials such as newspapers and magazines.

SOURCE: PR:007 Explain types of advertising media

SOURCE: LAP-PR-003—Ad-quipping Your Business (Types of Advertising Media)

78. B

Word-of-mouth communication. This is promotion and publicity for a business provided by customers who tell others of their satisfaction with the business. Therefore, customers recommending the business to their friends is an example of word-of-mouth communication. In many cases, these recommendations lead to additional sales because people tend to believe their friends and take their advice. A testimonial is a statement by an identified user of a product proclaiming the benefits received from the use of the product. Verbal assertiveness is a confident attitude that involves the use of words. Recommending a business to friends is not an example of one-on-one selling.

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

SOURCE: Mosley, M. (2017, June 25). *Why is word of mouth marketing so important?* Retrieved October 21, 2021, from <https://www.socialmediatoday.com/marketing/why-word-mouth-marketing-so-important>

79. D

Amplified is planned, and organic is spontaneous. Word-of-mouth promotion involves customers telling others about their satisfaction with a business and its goods and/or services. Amplified word-of-mouth promotion involves the use of planned efforts (campaigns) in which the business provides specific information to customers (activists) to pass along to their friends, family, and business contacts. On the other hand, organic word-of-mouth promotion occurs naturally. Because customers are satisfied with the business and its products, they tell others about their satisfaction in the course of normal, interpersonal conversation. Both forms of word-of-mouth marketing are interactive. Passive behavior is conduct in which people fail to exercise their own rights and to respect their own needs.

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

SOURCE: Act! (2020, October 14). *Word-of-mouth marketing: How to create an impactful strategy.* Retrieved September 30, 2021, from <https://www.act.com/blog/en/word-of-mouth-marketing-strategy/>

80. D

A niche hotel sent a personalized email message that included a coupon to a customer. Direct marketing involves communicating messages directly to the customers or potential customers who are most likely to act upon the message content or offer. A form of direct marketing is direct email, which is a promotional medium that comes to customers' computers. Businesses often use their customers' sales history to determine what they are most likely to buy and customize promotional messages based on the customers' preferences. A television ad and a coupon booklet are forms of nonpersonal communication. Although catalogs are often sent as direct mail to customers, posting the catalog on a website is a form of nonpersonal communication.

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

SOURCE: Pollick, M. (2021). *What is direct marketing?* Retrieved October 1, 2021, from <https://www.wisageek.com/what-is-direct-marketing.htm>

81. B

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

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

SOURCE: Inc.com. (2020, February 6). *Rebates.* Retrieved October 1, 2021, from <http://www.inc.com/encyclopedia/rebates.html>

82. D

Search engine optimization. Search engine optimization, or SEO, is a valuable tool for public relations. SEO involves using keywords and phrases on a company's web pages so that search engines like Google can easily find them and use them as search results. RSS is a technology that allows individuals to receive updates from their favorite websites as they are posted. Many people subscribe to RSS feeds to get updates from websites without having to constantly search for new information. Email marketing involves sending promotional emails to customers. Web monitoring is not generally a term used to describe a public relations strategy.

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

SOURCE: Moz. (2021, July 28). *The beginner's guide to SEO*. Retrieved October 1, 2021, from <https://moz.com/beginners-guide-to-seo>

83. B

Newsletters. Newsletters are one-way communications from the company to its target audience that contain important information about the company. They can be sent via email or through regular mail. Search engine optimization is a tactic used to boost an organization's ability to be discovered through search engine tools. It is not a direct way of distributing information to the target audience; rather, it is a strategy that can be employed in many types of PR content. Press conferences and social media are not one-way public relations activities; rather, they are interactive.

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

SOURCE: Queensland Government. (2020, June 8). *Public relations tools and activities*. Retrieved October 1, 2021, from <https://www.business.qld.gov.au/running-business/marketing-sales/marketing-promotion/pr/tools-activities>

84. A

Press releases. Press releases are written information provided to the media to obtain publicity. A press release is a one-way tool because it does not offer interactivity between the marketers and the receivers. Sponsorship is an agreement that allows a company to pay a fee to a team, event, etc., for the right to affiliate itself with that team, event, etc. Press conferences are meetings to which a business or group invites members of the media in order to make an announcement. Media tours occur when a company spokesperson travels to key cities to introduce a new product. Sponsorships, press conferences, and media tours are all interactive public relations tools.

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

SOURCE: Prowly. (2021). *Press release definition—What exactly is a press release, anyway?* Retrieved October 21, 2021, from <https://prowly.com/magazine/what-is-a-press-release-definition/>

85. D

Quality improvement. Quality improvement involves using a systematic approach to increase the levels of excellence in relation to a process, good, or service. Taking action to create better tasting water is improving the quality of the end product—water. Quality control is ensuring the degree of excellence of a good or service. After making the improvements, the company will need to ensure that its products meet the new standards of excellence by implementing different quality-control activities. Opportunity cost is the benefit that is lost when you decide to use scarce resources for one purpose rather than another. Market development is the activities that a business implements to increase its target market.

SOURCE: QM:001 Explain the nature of quality management

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

86. A

Tangibles. A comfortable waiting room with good magazines is an example of a service provider having quality tangibles—a characteristic that customers are looking for. Reliability means that the service is consistently well performed. Responsiveness means that the service provider provides the service willingly and promptly. Assurance means that the customer finds the service provider to be knowledgeable and trustworthy.

SOURCE: QM:001 Explain the nature of quality management

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

87. C

Good business plans aim to meet corporate goals while mitigating risks. Effective strategic plans focus equally on meeting corporate goals and planning for potential risks. Businesses that have good corporate objectives should still plan for potential risks since risks can seriously harm a company's ability to meet its objectives. Risk management and goal achievement should both be priorities when planning corporate strategy. Businesses should focus equally on meeting goals and mitigating risks.

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

SOURCE: Moore, A. (2016, November 16). *Risk management—Alignment to the business objectives*. Retrieved October 21, 2021, from <https://www.linkedin.com/pulse/risk-management-alignment-business-objectives-andrew-moore/>

88. A

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. (2021, May 9). *Identifying and managing business risks*. Retrieved October 1, 2021, from <http://www.investopedia.com/articles/financial-theory/09/risk-management-business.asp>

89. D

Loss of data during the transfer. When a company switches to an ERM software system, there is the potential for data to be lost during the transfer/conversion process. However, the increased emphasis on risk and standardization of reporting are benefits of implementing ERM software rather than potential risks. ERM software generally increases efficiency of resource use rather than decreasing it.

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

SOURCE: Horvath, I. (2021, July 17). *Benefits of enterprise risk management*. Retrieved October 1, 2021, from <https://www.invensislearning.com/blog/enterprise-risk-management-benefits/>

90. C

Employees from each department should collaborate to define risk. A challenge to implementing enterprise risk management (ERM) is that people in various departments have different definitions and understandings of risk. Employees need to be on the same page for ERM to be successful, so a group of employees from across the organization should collaborate to form a common definition of risk. Technology will not necessarily help companies standardize their language. Top executives should not necessarily be the ones determining the definition of risk, because these definitions might not be shared or understood by other employees. Finally, readdressing the definition of risk every few months would not necessarily be a solution to the issue at hand unless employees from each department are involved.

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

SOURCE: Hayes, A. (2021, June 2). *Enterprise risk management (ERM)*. Retrieved October 21, 2021, from <https://www.investopedia.com/terms/e/enterprise-risk-management.asp>

91. B

A risk assessment. A risk assessment is a process used by businesses to identify potential hazards that could threaten the company's livelihood. Managerial accounting is the process of analyzing and interpreting financial data to help a company achieve its goals. A financial calculation is any calculation involving financial information. Eddie is not conducting managerial accounting or financial calculations in this example. Even though Eddie is an entrepreneur, he is specifically conducting a risk assessment in this example.

SOURCE: RM:094 Assess business risks

SOURCE: Next Insurance. (2018, January 24). *Small business risk assessment & how to reduce business risks*. Retrieved October 1, 2021, from <https://www.next-insurance.com/blog/small-business-risk-assessment/>

92. A  
Promotes competition. Two coffee shops striving to provide products for the lowest prices and best values in town are competing with each other. This illustrates how selling promotes competition in our economy. Selling also affects employment, adds utility, and helps customers determine needs, but these are not illustrated in this situation.  
SOURCE: SE:017 Explain the nature and scope of the selling function  
SOURCE: LAP-SE-017—Sell Away (The Nature and Scope of Selling)
93. A  
Structural transformations. There are many factors that influence management decisions. Mergers and acquisitions are examples of structural transformations that can significantly influence a manager's decision-making. Competition in the industry, economic factors, and regulatory changes are also influential factors, but they are not demonstrated in this example.  
SOURCE: SM:028 Describe factors that influence management  
SOURCE: Ingait-Cole, P. (2019, April 26). *Factors influencing changes in strategic management*. Retrieved October 21, 2021, from <https://smallbusiness.chron.com/factors-influencing-changes-strategic-management-70223.html>
94. A  
Business plan. A company's business plan shows how the business works now and how it is intended to work in the future, which can show you the current and forecasted capabilities of a company. A balance sheet is a financial statement that captures the financial condition of a company at a particular moment. A mission statement is a brief summary of what a business owner wants a business to be doing but does not touch on actual performance. The "about us" page on a company's website normally describes the company history and pertinent owners/managers/employees.  
SOURCE: SM:007 Explain the nature of business plans  
SOURCE: LAP-SM-007—Plan Now, Succeed Later (Nature of Business Plans)
95. B  
To maintain or increase market share. This is an overall objective for the entire company that would be set by top management. Deciding to hold weekly sales meetings, do a better job of collecting past-due bills, or to keep the billing up to date are specific objectives that might be set by department managers.  
SOURCE: SM:008 Develop company goals/objectives  
SOURCE: Root, G.N. (2019, January 29). *10 most important business objectives*. Retrieved October 1, 2021, from <http://smallbusiness.chron.com/10-important-business-objectives-23686.html>
96. D  
Competition. Competition is different for each business. Knowing who your competitors are gives you the opportunity to offer advantages they do not provide. Learning who your competitors are (their strengths and their weaknesses) will be basic to planning your competitive advantage and marketing strategies. Technology, the economy, and regulations are factors that affect all businesses.  
SOURCE: SM:011 Explain external planning considerations  
SOURCE: Pahwa, A. (2021, July 15). *Business competition: Definition, types, importance & examples*. Retrieved October 1, 2021, from <https://www.feedough.com/business-competition/>
97. B  
35%. Companies track their business plans to determine if they are meeting their various business goals. In the financial section of the business plan, the company describes its various methods of generating revenue, such as sales, investments, and royalty fees. To determine the percentage of increase for royalty revenues that the Holt Company hopes to achieve, subtract this year's royalty revenues from next year's projected royalty revenues to provide the projected increase in dollars ( $\$574,627.50 - \$425,650.00 = \$148,977.50$ ). Then, divide the projected increase in dollars by the current year's royalty revenues to obtain the projected increase percentage of royalty revenue ( $\$148,977.50 / \$425,650.00 = .35 = 35\%$ ).  
SOURCE: SM:006 Track performance of business plan  
SOURCE: SkillsYouNeed. (2021). *Percentage change \ Increase and decrease*. Retrieved October 1, 2021, from <https://www.skillsyouneed.com/num/percent-change.html>

98. D

Internal and external changes trigger new learning, leading to innovation. Both internal and external changes trigger the need for companies to learn and adapt to new situations and trends, resulting in innovation. The other alternatives incorrectly describe the relationship among innovation, learning, and change.

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

SOURCE: Innovation Management. (2021). *Managing change & innovation*. Retrieved October 1, 2021, from <http://www.innovation-management.org/managing-change-and-innovation.html>

99. B

Change. Change management is a set of strategies designed to ensure that changes in an organization are smoothly and thoroughly implemented. By helping the accounting staff make the transition to a new software, Antonio is engaging in change management. He is not performing inventory management, operations management, or supply chain management.

SOURCE: SM:095 Explain the nature of change management

SOURCE: Prosci. (2021). *What is change management?* Retrieved October 1, 2021, from <https://www.prosci.com/resources/articles/what-is-change-management>

100. A

You already have one without realizing it. Before building your company's unique selling proposition (USP), ask yourself if you already have one without realizing it. If so, and it works, there's no reason to change it; actually, changing it could confuse your customers and hurt your business. However, if the USP is not working, it's time to get started on a new one. Every business needs a good USP to be successful, whether or not it spends a lot of money on advertising. A good USP is one of a kind, not copied from another company.

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

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