



Competency-Based
Competitive Events
Written Exam
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Test Number 1299
Booklet Number _____

Finance Exam

Corporate Finance
Financial Accounting

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

2. Cocoa Bean Coffee Cafe posts the following statement on its website: "Cocoa Bean Coffee Cafe does not share its customers' names, email addresses, and phone numbers with others without obtaining customers' consent." This is an example of a business exhibiting _____ behavior in relation to
 - A. ethical; information management.
 - B. cautious; product promotion.
 - C. judicious; production procedures.
 - D. questionable; marketing research.

3. How can a business determine whether it is more profitable this year than last year?
 - A. By determining whether assets minus liabilities equals owner's equity
 - B. By comparing the income statement's net profit figures for those two years
 - C. By determining whether owner's equity is positive or negative
 - D. By comparing the income statement's operating expenses for those two years

4. Which of the following components of a securities table indicates the last price paid when trading ended for the day:
 - A. Yield
 - B. Volume
 - C. Close
 - D. Net change

5. When preparing for a speech, it's most important to
 - A. design visual aids.
 - B. write note cards.
 - C. plan your appearance.
 - D. practice.

6. Which of the following characteristics best describes the practice of stewardship in financial-information management:
 - A. A company culture of mentorship
 - B. Focus on potential future cash flows
 - C. Emphasis on accountability for resources
 - D. Providing information to shareholders based on usefulness

7. Business decision makers can best analyze the financial impact of increased production by evaluating _____ cost.
 - A. sunk
 - B. marginal
 - C. fixed
 - D. average

8. Financial globalization tends to cause an increase in
 - A. herd behavior among investors.
 - B. investors' exposure to business cycle risks.
 - C. limits on foreigners' access to domestic markets.
 - D. taxes on international transactions.

9. What risk is being avoided when financial institutions use cloud computing?
 - A. Speculative risk
 - B. Pure risk
 - C. Loss of customers risk
 - D. Return on investment risk

10. If a company decides to adopt a Lean methodology, one of its primary focuses will be to
 - A. lessen defects.
 - B. slow down processes.
 - C. eliminate waste.
 - D. reduce variation.

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

12. When the Consumer Price Index (CPI) increases sharply, stock prices usually
 - A. stay the same.
 - B. fall.
 - C. fluctuate daily.
 - D. rise.

13. When preparing a complex written report, what is the advantage of developing a detailed sentence outline?
 - A. Interprets technical information
 - B. Requires little preparation
 - C. Summarizes material to include
 - D. Develops logical conclusion

14. In the lean approach to accounting, inventory is treated as a(n)
 - A. equity.
 - B. revenue.
 - C. liability.
 - D. asset.

15. Madison is in charge of purchasing the raw materials and components necessary for her company to manufacture computers. Madison is buying for
- A. business use.
 - B. transformation.
 - C. wholesale.
 - D. resale.
16. Good governance is most likely to make a company's investment decisions
- A. more ethical.
 - B. subject to individuals' influence.
 - C. more vulnerable to outside risk.
 - D. less regulated.
17. Wayne keeps his work area neat so he can focus on his job without being surrounded by chaos. What employee action does this illustrate?
- A. Meeting deadlines
 - B. Staying organized
 - C. Showing up on time
 - D. Observing safety standards
18. Cyrus uses a methodology of risk management in his organization that takes a top-down, company-wide approach when preparing for possible hazards. This strategy is called _____ risk management.
- A. enterprise
 - B. medium
 - C. traditional
 - D. ad hoc
19. A statement of equity helps companies make decisions about how to
- A. organize income statements.
 - B. analyze financial trends.
 - C. control their production costs.
 - D. reinvest their retained earnings.
20. Material, labor, and overhead are all components that might be the focus of
- A. variance analysis.
 - B. marketing management.
 - C. performance evaluation.
 - D. sales reporting.
21. A small restaurant wants to expand, but first it needs to raise funds. John wants to raise capital through debt financing, but his partner, Damien, isn't sure that's a good idea. What is one downside of debt financing that Damien could cite to prove his point to John?
- A. They will be required to repay the money immediately.
 - B. They will need to sell stock in their business.
 - C. Shareholders will own part of their business.
 - D. They will have to pay interest on the borrowed amount.

22. Which of the following is one way that business employees can relieve work-related stress:
- A. Exercise regularly
 - B. Vacation frequently
 - C. Ignore the problem
 - D. Strive for perfection
23. A financial advisor should try to
- A. demonstrate wealth in an overt, flashy way.
 - B. hide gaps in knowledge with confidence.
 - C. explain the reasoning for any changes.
 - D. talk about products more than they listen.
24. The amount of a product that is produced is most directly affected by
- A. product value.
 - B. product utility.
 - C. labor unions.
 - D. consumer demand.
25. Which of the following is a reason why financial-information managers should be cautious when sharing access to financial information within the organization:
- A. Employees are most likely to hack into financial information from the outside.
 - B. Information leaks are more common when fewer people are involved.
 - C. Employees will be motivated by positive financial analyses.
 - D. Some employees might misinterpret the information.
26. How can a company limit the chance that it will face lawsuits for negligence?
- A. Hire lawyers to find loopholes in regulations
 - B. Implement risk management strategies
 - C. Limit its interaction with customers
 - D. Purchase captive insurance
27. In what way can an existing business benefit from writing a business plan?
- A. Determine how to distribute profits
 - B. Begin operations
 - C. Identify managers' roles
 - D. Acquire funding for a new idea
28. Which of the following elements are needed to determine the future value of money that is placed in a savings account for one year:
- A. Interest rates and annual income
 - B. Principal amount and interest rate
 - C. Quarterly wages and principal amount
 - D. Late fees and insurance rates

29. To prove that a contract was breached, you must verify that
- A. no one is responsible.
 - B. more than two parties were involved.
 - C. you lost money.
 - D. the breach has already occurred.
30. The largest, most liquid financial market in the world is the _____ market.
- A. debt
 - B. equity
 - C. commodity
 - D. foreign exchange
31. A shareholder's role in governance structures includes
- A. carrying out daily tasks aligned with a company's mission.
 - B. electing members to the board of directors.
 - C. reporting the business's success and progress.
 - D. handling everyday business operations.
32. "Big Q" focuses on
- A. designing and developing products.
 - B. improving factory conditions.
 - C. exceeding customer expectations.
 - D. conforming to specifications.
33. Requiring a manager to approve an employee's request to work overtime is one way for a business to control _____ expenses.
- A. distribution
 - B. payroll
 - C. technical
 - D. inventory
34. One risk of business consolidation is
- A. elimination of redundancy.
 - B. growth of market share.
 - C. diversification of products.
 - D. clashes in corporate culture.
35. Supervised by the Federal Reserve Board, The DAB Company provides investment advisory services, insurance underwriting, securities underwriting, and merchant banking services. What does The DAB Company exemplify?
- A. A central bank
 - B. A commodities investor
 - C. A financial holding company
 - D. An accounting firm

36. A company installs automatic sprinklers in all of its facilities. Which of the following techniques is the company using to combat the internal threat of fire:
- A. Risk transfer
 - B. Loss prevention
 - C. Loss avoidance
 - D. Loss reduction
37. How could financial analysis applications be used to identify possible conflicts of interest?
- A. By comparing yearly volume with on-hand quantity for stock items
 - B. By comparing vendor payables posted to purchase orders
 - C. By isolating entries against authorization records for new or terminated employees
 - D. By comparing employee phone numbers and addresses to vendor information for payables
38. Which of the following is a benefit of networking for a finance professional:
- A. Improving marketing skills
 - B. Prevention of job loss
 - C. Growth in technical knowledge
 - D. Gaining insider information about other companies
39. Noah's business is struggling and he doesn't have the desire to make things work, so he decides to sell off all of his inventory and close the business. Which type of exit strategy is this?
- A. Liquidation
 - B. Merger
 - C. Friendly sale
 - D. Acquisition
40. Which of the following is true about the debt market:
- A. It is commonly called the stock market.
 - B. Its participants may benefit from dividends.
 - C. Its investments typically involve less risk.
 - D. It is known for being unstable by nature.
41. A project's quality-management plan includes strategies to ensure the quality of the deliverables as well as the quality of
- A. organizational investors.
 - B. employee education.
 - C. the project itself.
 - D. the project's purpose.
42. As the use of information-management systems continues to grow, it is important for businesses to be concerned with their customers'
- A. level of service.
 - B. need for information.
 - C. rights to privacy.
 - D. access to credit.

43. What is the primary reason that creditors analyze their customers' financial information?
- A. To determine how often their customers' inventory turns over
 - B. To understand the type of accounting method customers use
 - C. To know whether they're making a good investment
 - D. To determine the likelihood of getting paid
44. If you are writing a promotional email about your new hotel to an audience that has a lower income level than your usual customers, you might change your message to emphasize
- A. long, detailed phrases.
 - B. an emotional appeal.
 - C. discounts and bargains.
 - D. luxury and comfort.
45. A top-level executive is removed from his position on the Golden Ray Corporation's board of directors due to a personal scandal. The board then releases a detailed, professional statement to its stakeholders so they are aware of the situation. By doing this, Golden Ray Corporation is
- A. measuring internal performance.
 - B. demonstrating transparency.
 - C. following regulatory guidelines.
 - D. lacking accountability.
46. Customer Relationship Management (CRM) processes should support the basic steps of the _____ cycle.
- A. accounting
 - B. customer complaint
 - C. customer life
 - D. business
47. When businesses compete by offering consumers higher quality products, increased customer service, and attractive stores, they are engaging in _____ competition.
- A. nonprice
 - B. direct
 - C. price
 - D. pure
48. One way to build professional relationships in the finance industry is to
- A. implement a referral system.
 - B. print new business cards for distribution.
 - C. encourage others to discuss their finances.
 - D. read about industry trends.
49. Which of the following situations would cause prices to rise:
- A. The corn crop is unusually large one summer.
 - B. Animal rights activists march in front of a fur store.
 - C. Insects destroy a large cotton crop.
 - D. A newspaper article describes poor service provided by a hotel.

50. What is one way that companies can reduce the risks associated with unethical behavior?
- A. Establishing rewards for ethical behavior
 - B. Implementing complex, intricate guidelines
 - C. Training only top-level executives on ethics
 - D. Making it difficult to report unethical conduct
51. Ethan is developing common-size financial statements so that he can compare financial performance across several different companies. Ethan is conducting _____ analysis.
- A. horizontal
 - B. vertical
 - C. ratio
 - D. trend
52. Which of the following are types of lending investments:
- A. Bonds, certificates of deposit, and collectibles
 - B. Certificates of deposit, stocks, and real estate
 - C. Money market accounts, certificates of deposit, and bonds
 - D. Savings accounts, collectibles, and stocks
53. A business that dismisses employees on the basis of their age or gender is violating _____ laws.
- A. recruitment
 - B. privacy
 - C. contingency
 - D. discrimination
54. To enable capital to flow more freely across their national borders, many countries around the world have
- A. encouraged foreign investors to demonstrate a home bias.
 - B. moved from floating exchange rates to fixed exchange rates.
 - C. increased tariffs on imports and lowered taxes on international transactions.
 - D. removed limits on foreigners' access to domestic financial markets.
55. The use of email may put a business at more risk than memos or letters stored as paper records because
- A. email users may use slang or make embarrassing remarks.
 - B. email users may make careless spelling errors.
 - C. email communications contain confidential information.
 - D. email communications are more difficult to secure.
56. Heidi puts \$562 into a savings account with a simple interest rate of 0.5%. How much income from interest can Heidi expect to earn after five years?
- A. \$14.05
 - B. \$576.05
 - C. \$28.10
 - D. \$140.50

57. Businesses should strive to behave ethically in addition to fulfilling their obligations to the law. This is because when people are free to start a business and pursue success, they also accept a level of
- A. social responsibility.
 - B. stakeholders.
 - C. ethical principles.
 - D. transparency.
58. A company's board of directors is often responsible for _____ and _____ the top executives.
- A. promoting; networking
 - B. supporting; assessing
 - C. encouraging; shadowing
 - D. replacing; auditing
59. In addition to collecting, maintaining, and reporting data about financial transactions, financial-information management is also responsible for analyzing and reporting
- A. recent third-party agreements.
 - B. participative decision-making.
 - C. dominant buying motives.
 - D. market and competitive indicators.
60. Before extending credit, businesses should analyze their customers'
- A. capital gains.
 - B. stock purchases.
 - C. technical assets.
 - D. debt ratios.
61. Karen needs to cut expenses to save money. Which budget should she consult?
- A. Static
 - B. Cash
 - C. Operational
 - D. Financial
62. When a company analyzes data from a customer relationship management system to discover patterns of behavior, what technique is it using?
- A. Data collection
 - B. Data mining
 - C. Customer service
 - D. Social networking
63. Evan is a managerial accountant. His manager is deciding whether to expand the sales team. Evan can best help his manager with this decision by
- A. providing feedback on job candidates after their interviews.
 - B. summarizing overall financial performance.
 - C. determining how much new hires would impact the budget.
 - D. examining the profitability of various products.

64. When making business decisions, which of the following costs is most likely to be evaluated using qualitative information versus numerical data:
- A. Sunk costs
 - B. Opportunity costs
 - C. Direct costs
 - D. Indirect costs
65. Businesses that encourage collaboration benefit from
- A. improved market conditions.
 - B. higher employee achievement.
 - C. government regulations.
 - D. increased competition.
66. As a financial planner, Deidra takes care to select investments that match her clients' needs and monitors their investments for changes that might affect their financial well-being. Deidra is
- A. carrying out due process.
 - B. following credit requirements.
 - C. exhibiting fiduciary responsibility.
 - D. exercising duty of control.
67. Past sales records show that sales increased at a clothing store when a 10th rack of clothing was added to the store floor. However, when an 11th rack was added, sales increased by only 1%. In economics, this is explained by
- A. the private enterprise system.
 - B. the concept of competition.
 - C. economies of scale.
 - D. the law of diminishing returns.
68. To limit the access of employees to clients' confidential information, a financial business might require the employees to
- A. develop a routing system.
 - B. use passwords.
 - C. restrict digital signature options.
 - D. limit their use of the internet.
69. To determine the bills that are due in the next 10 days and the dollar amount of each bill, a company needs to use a financial analysis application to evaluate its
- A. accounts payable.
 - B. credit rating.
 - C. sales revenue.
 - D. dividend payments.
70. What is the primary goal of an investment company?
- A. To issue various types of mortgages to businesses
 - B. To locate outside sources of money for firms
 - C. To pool and invest funds based on the needs of investors
 - D. To collect financial contributions and invest them for employees

71. Which of the following indirect manufacturing costs is a company most likely to include in the cost allocation of its individual products:
- A. Administrative salaries
 - B. Heat and lighting costs
 - C. Raw product materials
 - D. Cost of labor
72. Rather than being concerned about day-to-day business operations, a good leader
- A. focuses on making a profit.
 - B. makes sure things get done on time.
 - C. creates a vision for the future.
 - D. watches the bottom line.
73. An American manufacturing company has always produced its products in the United States. But in recent years, increased competition from foreign manufacturers has forced the company to move some of its manufacturing operations overseas. The cost of labor is simply cheaper in other countries. This is an example of the effects of _____ on business.
- A. exchange of technology
 - B. domestic operations
 - C. knowledge transfer
 - D. globalization
74. The Kramer Pharmaceutical Company lists the possible side effects of its nighttime cold medicine on the bottle's label and exterior packaging. By disclosing this information, the company is reducing risks associated with
- A. inadequate product warnings.
 - B. product recalls.
 - C. mechanical product defects.
 - D. product returns.
75. Which of the following is an impact of introducing compliance technology into a business:
- A. It identifies patterns and trends in a company.
 - B. It increases the likelihood of a data breach.
 - C. It replaces living specialists from a company.
 - D. It reduces a company's overall efficiency.
76. Which of the following situations is a potential internal risk to a business:
- A. A competitor gains market share.
 - B. Management delays equipment repairs.
 - C. The inflation rate changes over time.
 - D. Management monitors employees.
77. Cost accounting budgets are based on _____, but they
- A. marketing and sales; focus on operations.
 - B. past data; project future results.
 - C. internal company information; support external clients.
 - D. guesswork; are fairly accurate.

78. One of the most important things you must do before you can inspire other people is
- A. graduate from college.
 - B. show that you can be trusted.
 - C. earn at least \$45,000 a year.
 - D. learn how to supervise others.
79. Your statistical findings show that the mean and the median of the following data are the same:
- Data Set A: 2, 5, 8, 10, 10
- Data Set B: 7, 7, 7, 7, 7
- Data Set A: Mean = 7, Median = 7
- Data Set B: Mean = 7, Median = 7
- Just by looking at the data, you can tell the data results are quite different. What statistic do you need to use to show that difference?
- A. Variance
 - B. Average
 - C. Geometric mean
 - D. Measure of central tendency
80. Lucy authorized her accountant, attorney, and life-insurance agent to care for her assets and make decisions regarding her money and property. Her accountant, attorney, and life-insurance agent are her
- A. bookkeepers.
 - B. economists.
 - C. relationship experts.
 - D. fiduciaries.
81. A primary responsibility of financial-information management is to
- A. negotiate contracts with vendors.
 - B. report financial transactions.
 - C. develop new products.
 - D. implement sales policies.
82. Which of the following is a common problem that financial institutions experience when dealing with compliance:
- A. Too much emphasis on risk management
 - B. Long-term thinking
 - C. Growing importance of technology
 - D. Lack of coordination
83. Financial markets promote long-term economic development by
- A. limiting information available to market participants.
 - B. directing the flow of investment to encourage production.
 - C. reducing liquidity.
 - D. providing indicators of economic health.

84. How do finance companies commonly raise capital?
- A. Investing funds from premium payments
 - B. Issuing notes, bonds, and other obligations
 - C. Investing deposits from savers
 - D. Establishing mutual funds and investment banks
85. Which of the following is a benefit of financial-information management software:
- A. Provides users with faster, better access to data from multiple sources
 - B. Reduces risk and lowers confidence in the confidentiality and safety of data
 - C. Improves productivity by replacing automated activities with manual tasks
 - D. Lowers compliance costs by eliminating audit trails and economies of scale
86. For which of the following types of credit would you need to ask a customer to make a down payment:
- A. Installment loan
 - B. Revolving credit account
 - C. Option account
 - D. Open account
87. Clayton recently invested \$50,000 in an oil company. The company has agreed to use Clayton's investment strictly for exploration purposes. Rather than writing off \$50,000 from its corporate taxes, the company passed the deduction on to Clayton. Clayton can now write off the entire amount of his investment against his taxes. Clayton invested his money in
- A. government bonds.
 - B. derivatives.
 - C. flow-through shares.
 - D. offshore companies.
88. Amy helps her company control expenses by which of the following actions:
- A. Using suggestion selling
 - B. Giving customers personalized service
 - C. Coming back from lunch and breaks on time
 - D. Bringing lunch from home instead of buying it
89. Tara knows that for her small business to grow, she must increase her cash flow. She's unsure, though, whether she should take out a loan or a line of credit. Which of the following budgeting software tools could Tara use to assess the potential impact of each source of funding on her business:
- A. Zero-based modeling
 - B. Decision trees
 - C. Debt modeling
 - D. Environmental scanning
90. Assets and liabilities are important elements of a balance sheet. Assets are different than liabilities in that liabilities
- A. present a future economic benefit.
 - B. are placed first in a balance sheet.
 - C. can be classified as tangible or intangible.
 - D. present a future obligation.

91. Forming an evaluation team; defining the product, service, or material; and determining the business requirements are all steps of
- A. customer targeting.
 - B. financial analysis.
 - C. vendor selection.
 - D. marketing research.
92. Which of the following are examples of detective internal controls:
- A. Authorizing invoices and verifying expenses
 - B. Making purchases and approving payments
 - C. Monthly reconciliation of bank accounts and accepting inventory
 - D. Audits and reconciliation of petty cash accounts
93. If Kayla wants to obtain the most current pricing for various stocks, she should
- A. pick up a business-oriented newspaper.
 - B. access a financial website.
 - C. review a business's annual report.
 - D. visit the "About Us" section of a business's website.
94. Customer trust can provide a business with
- A. a competitive advantage.
 - B. better credit terms.
 - C. discounts on raw materials.
 - D. more effective advertising campaigns.
95. Which of the following statements about Benford's law of anomalous numbers is true:
- A. It states all digits in a data set occur equally.
 - B. It is used to detect patterns in a data set.
 - C. It cannot be used to catch anomalies.
 - D. It cannot be used to detect fraud.
96. Which financial statement should an investor use to quickly determine a company's "bottom line"?
- A. Balance sheet
 - B. Statement of retained earnings
 - C. Cash flow statement
 - D. Income statement
97. If you invent a new type of technological device, what type of intellectual property protection should you seek to make sure that no one else starts making the same product?
- A. Copyright
 - B. Patent
 - C. Trademark
 - D. Trade secret

98. Nick is considering buying stock in a tech company that everyone is talking about, but first he wants to make sure that the company is in good financial shape. Where is the best place to find information that will help him make his decision?
- A. Financial statements
 - B. Industry news reports
 - C. Real-time stock quotes
 - D. Economic trends reports
99. What is typically an advantage of holding investments longer than a year?
- A. No need for a stockbroker
 - B. Vulnerability to market fluctuations
 - C. Lower taxes
 - D. Guaranteed dividends
100. An organization trying to determine why actual net sales were below the forecasted sales for a specific time period would probably evaluate any _____ variance.
- A. fixed overhead spending
 - B. material yield
 - C. purchase price
 - D. selling price



KEY

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1. C

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

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

SOURCE: McNamara, C. (2023, July 18). *Board of directors: Roles and responsibilities overview*. Retrieved September 29, 2023, from <https://management.org/boards/responsibilities.htm>

2. A

Ethical; information management. Information management is the process of accessing, processing, maintaining, evaluating, and disseminating the business's knowledge, facts, or data. The cafe is exhibiting ethical, cautious, and judicious behavior by implementing policies to protect its customers' information. Customers are more likely to trust the cafe with their personal information because the cafe states its privacy policies on its website. The privacy statement does not relate to the cafe's product promotion, marketing research, or production procedures.

SOURCE: NF:111 Explain the role of ethics in information management

SOURCE: Fletcher, C. (2022, February 26). *Why the ethical use of data and user privacy concerns matter*. Retrieved September 28, 2023, from <https://venturebeat.com/datadecisionmakers/why-the-ethical-use-of-data-and-user-privacy-concerns-matter>

3. B

By comparing the income statement's net profit figures for those two years. For income statements to be useful, businesses must be able to compare their income statements over time or across companies. That way, they can determine whether a business's profitability is increasing or decreasing. Comparing operating expenses across the two years does not provide a complete picture to determine profitability. This information lets businesses determine where they might be having trouble with certain expenses. Assets minus liabilities should equal the owner's equity. This information is found on the balance sheet and does not provide profitability information. Hopefully, owner's equity will remain positive. If not, the business has more liabilities than assets. However, a person is not able to determine profitability from this information.

SOURCE: FI:094 Describe the nature of income statements

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

4. C

Close. "Close," which is sometimes listed as "Last," represents the last price paid when trading ended for the day. "Net change" compares the closing price with the previous day's closing price. A negative net change indicates that the price is down when compared to the previous day's last price. A positive net change means that the price is up. "Volume" (sometimes listed as "Sales") tells you how many shares were traded that day. "Yield" signifies the rate of return on the security, determined by dividing the dividend by the actual closing price.

SOURCE: FI:275 Interpret securities table

SOURCE: Desjardins Online Brokerage. (n.d.). *How to read a stock table/quote*. Retrieved September 29, 2023, from <https://www.disnat.com/en/learning/trading-basics/stock-basics/how-to-read-a-stock-tablequote>

5. D

Practice. Although it can be tempting to skip this step, practicing your presentation is the most important part of preparation! You should rehearse your presentation from start to finish several times over a few days. This will help you become comfortable with the material and sound more natural. While it's still important to design visual aids, plan your appearance, and write note cards, none of those things will matter much if you aren't prepared for the speech itself.

SOURCE: CO:025 Make oral presentations

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

6. C

Emphasis on accountability for resources. Stewardship is a principle that states that a company's management is responsible for ensuring that its resources are used efficiently and profitably. This includes protecting the company from economic conditions and complying with regulations. Under stewardship, management must be held responsible to the shareholders. In relation to financial-information management, stewardship does not necessarily imply that a company has a culture of mentorship. A company that is solely focused on potential future cash flows is probably not practicing stewardship because this focus may not lead to the best outcomes for the shareholders and company as a whole. Finally, providing information to shareholders based on usefulness is important but does not fully describe the principle of stewardship.

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

SOURCE: University of Nebraska at Omaha. (2020, October 12). *Principles of financial stewardship*. Retrieved September 29, 2023, from https://www.unomaha.edu/campus-policies/draft-policies/draft-policy-principles-of-financial-stewardship—campus-review-period_10.12.20.pdf

7. B

Marginal. Business decision makers often compare marginal cost against marginal revenue to determine the profitability of increased production. A sunk cost is a cost that cannot be recovered or changed, so it is typically irrelevant to any future business activities. Fixed cost and average cost are irrelevant to increased-production decisions because they are based on costs that occur regardless of production levels.

SOURCE: FI:659 Describe marginal analysis techniques and applications

SOURCE: Corporate Finance Institute. (2023). *Marginal cost formula*. Retrieved September 29, 2023, from <https://corporatefinanceinstitute.com/resources/accounting/marginal-cost-formula>

8. A

Herd behavior among investors. Although financial globalization tends to increase investors' access to many different financial markets, financial globalization also seems to increase the risks of speculative bubbles and herd behavior among investors. Herd behavior involves individuals who act together as a group without any planned direction. It is usually irrational and driven by emotions. In good times, investors hurry to join others in a buying frenzy. But, in bad financial times, fearful investors join others in a rush to get out of risky markets. By diversifying their funds in many different countries, investors are able to diversify their risk and reduce their exposure to business cycle risks. To enable capital to flow more freely across their national borders, many countries have lowered their taxes on international financial transactions.

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

SOURCE: Hayes, A. (2022, July 7). *Herd instinct: Definition, stock market examples, & how to avoid*. Retrieved September 29, 2023, from <https://www.investopedia.com/terms/h/herdinstinct.asp>

9. D

Return on investment risk. Cloud computing keeps businesses from having to invest in computer hardware, such as servers, and software, thereby avoiding return on investment risk. Instead, businesses pay a provider only for the services that they use—much like paying an electric bill. The contract with the provider can be ended at any time. Customers will probably receive better service since the business is not having down time when its computers malfunction. Speculative risk is the chance of loss or gain. Pure risk exists when, if something happens, it will result in a loss.

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

SOURCE: Coles, C. (2015, June 22). *11 advantages of cloud computing and how your business can benefit from them*. Retrieved September 29, 2023, from <https://cloudsecurityalliance.org/blog/2015/06/22/11-advantages-of-cloud-computing-and-how-your-business-can-benefit-from-them>

10. C

Eliminate waste. Lean methodology focuses on eliminating waste, taking time out of processes, and creating a better flow to meet demand. Lean emphasizes increasing speed to reduce the amount of time between activities, events, or cycles, not slowing down processes. Reducing variation and lessening defects are some of the primary focuses of Six Sigma methodology. Where Lean aims to improve speed, Six Sigma looks to reduce the number of errors in a process and improve quality.

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

SOURCE: GreyCampus. (n.d.). *Difference between Lean and Six Sigma*. Retrieved September 29, 2023, from <https://www.greycampus.com/opencampus/lean-six-sigma-green-belt/difference-between-lean-and-six-sigma>

11. A

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

SOURCE: FI:660 Explain the nature of managerial accounting

SOURCE: Cerulli, P. (n.d.). *Certified management accountant (CMA) career guide*. Retrieved September 29, 2023, from <https://www.allbusinessschools.com/specialties/how-to-become-a-cma>

12. B

Fall. The Consumer Price Index measures the prices of consumer goods. In the United States, it is published monthly by the Bureau of Labor Statistics. However, most experts conduct a “year-on-year” comparison to better understand increases and decreases in the CPI. An increase in the CPI signals an increase in inflation. A sharp increase in inflation causes interest rates and bond values to rise and stock prices to fall.

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

SOURCE: Bureau of Labor Statistics. (2023). *Consumer price index*. Retrieved September 29, 2023, from <https://www.bls.gov/cpi>

13. C

Summarizes material to include. An advantage of developing a detailed sentence outline is that it forces writers to summarize the information that they will include in the complex report. Once the material is summarized and organized in sentence format, the basis for the report is complete. Writing the actual report from this type of outline is fairly easy because of the detailed summary. A disadvantage is that this type of outline requires a lot of preparation. The outline does not interpret technical information or develop a logical conclusion. That is the responsibility of the writer.

SOURCE: CO:009 Prepare complex written reports

SOURCE: Purdue OWL. (2022). *Types of outlines and samples*. Retrieved October 9, 2023, from https://owl.purdue.edu/owl/general_writing/the_writing_process/developing_an_outline/types_of_outlines.html

14. C

Liability. Unlike traditional accounting, in which inventory is considered an asset, lean accounting treats inventory as a liability because having an inventory requires labor, storage, and other expenses. Inventory is viewed as an asset in traditional accounting methods because it is a value *owned* and not *owed*. Inventory cannot be considered a revenue until it is sold and ceases to be inventory. Equity refers to the amount of value that a shareholder has invested in a business.

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

SOURCE: Antony, D. (n.d.). *Benefits of lean accounting in a lean manufacturing company*. Retrieved September 29, 2023, from <https://smallbusiness.chron.com/benefits-lean-accounting-lean-manufacturing-company-4924.html>

15. B

Transformation. Some purchasing specialists such as Madison buy items for transformation. They purchase raw materials and components that will be converted into finished products through some type of production process. These purchasing specialists, also called industrial buyers, typically work for manufacturing companies. When a business purchases items for resale, it buys things to sell to other businesses or consumers. Wholesalers are one type of business that buys items for resale. Goods and services purchased for business use are used by the purchasing agent's own company. This includes such items as equipment, equipment parts, tools, uniforms, furniture, supplies, and repair and maintenance services.

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

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

16. A

More ethical. Governance objectives are often based on integrity and ethical principles. Therefore, if a company has strong governance practices, it is likely to be ethical in its investment decisions. Good governance should not make investment decisions subject to the influence of individuals. Rather, it should remove interference from individuals by giving the board independence to make decisions free of influence. Good governance does not necessarily make investment decisions less regulated; in fact, it gives the board of directors the power to enact financial controls and monitor reporting. Finally, governance makes a company's investment decisions less vulnerable to risk because the governance objectives and policies should preemptively lessen the potential for risks.

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

SOURCE: Cole-Ingait, P. (n.d.). *The impact of corporate governance practices on the investment decisions of companies*. Retrieved September 29, 2023, from <https://smallbusiness.chron.com/impact-corporate-governance-practices-investment-decisions-companies-79389.html>

17. B

Staying organized. When Wayne keeps his work area neat, he is staying organized. This helps him stay on task and maintain focus. This can help his company achieve many of its goals. In this particular instance, Wayne is not illustrating showing up on time, meeting deadlines, or observing safety standards.

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

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

18. A

Enterprise. Enterprise risk management is a top-down business activity that involves planning, controlling, preventing, and procedures used by management to limit company losses. This approach considers risk management from the perspective of the entire, comprehensive organization rather than by distinct business units, which is characteristic of traditional risk management. Ad hoc and medium risk management are fictitious terms.

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

SOURCE: Hayes, A. (2022, September 7). *Enterprise risk management (ERM): What is it and how it works*. Retrieved September 29, 2023, from <https://www.investopedia.com/terms/e/enterprise-risk-management.asp>

19. D

Reinvest their retained earnings. Retained earnings are the income the business keeps after dividends are paid. Businesses report their retained earnings on the statement of equity, which is also called the statement of retained earnings. The statement of equity shows how much money the business has at the end of an accounting period. This knowledge enables the business to make decisions about how to use the money, which may include remodeling facilities, buying new computer equipment, hiring staff, or developing new products. The statement of equity will not help the business make decisions about how to analyze financial trends, control its production costs, or organize income statements.

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

SOURCE: Carlson, R. (2021, April 15). *How to prepare a statement of retained earnings*. Retrieved September 29, 2023, from <https://www.thebalancemoney.com/statement-of-retained-earnings-393591>

20. A

Variance analysis. Variance analysis provides any discrepancies between actual and planned behavior and an explanation for why and how that difference happened. Focuses of a variance analysis can include material, labor, and overhead as well as purchase price, selling price, etc. Marketing management is a career area in which employees focus on all marketing functions. Performance evaluation is a formal assessment by the supervisor of a worker's job performance that lets the worker know how they are doing on the job. A sales report is a comprehensive record of sales activities over a period of time.

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

SOURCE: Bragg, S. (2023, May 14). *Variance analysis definition*. Retrieved October 9, 2023, from <https://www.accountingtools.com/articles/what-is-variance-analysis.html>

21. D

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

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

SOURCE: Chen, J. (2022, May 28). *How debt financing works, examples, costs, pros & cons*. Retrieved October 9, 2023, from <https://www.investopedia.com/terms/d/debtfinancing.asp>

22. A

Exercise regularly. Most employees will experience a certain amount of stress at some time during their careers. Recognizing stress and taking steps to reduce or relieve it are essential to an employee's well-being. One way to relieve stress is to exercise on a regular basis. Exercise helps relieve tension, relax a person, and provide a physical outlet for pent-up emotions, such as anger or frustration. Even moderate exercise helps a person manage stress and stay healthy. Most employees are not able to vacation frequently. Ignoring the problem often increases stress. Striving for perfection often creates stress.

SOURCE: EI:028 Explain the nature of stress management

SOURCE: SHRM. (2023). *How can employers help to reduce stress in the workplace?* Retrieved September 28, 2023, from <https://www.shrm.org/resourcesandtools/tools-and-samples/hr-qa/pages/reducing-stress-in-the-workplace.aspx>

23. C

Explain the reasoning for any changes. While change is often inevitable, customers might be uncomfortable with shifts in products, services, or business models. It is important to explain the reasoning behind changes so clients are well-informed. Financial advisors should not talk about products more than they listen to clients because the clients' needs might not be addressed accurately. Financial advisors also should not hide gaps in knowledge with confidence. They should instead be honest about what their background and experiences are, admitting if they are not the right fit for the clients' needs. Finally, financial advisors should not demonstrate their wealth in an overt, flashy way because clients might not trust their integrity.

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

SOURCE: Haas, L. (2021, July 23). *How transparency in business ethics impacts your bottom line.* Retrieved September 28, 2023, from <https://www.constantcontact.com/blog/transparency-in-business-ethics>

24. D

Consumer demand. Consumer demand is the quantity of a good or service that buyers are ready to buy at a given price at a particular time. Producers will continue to provide a product in direct proportion to the demand for it, as long as it is profitable for them to do so. Producers must carefully watch for fluctuations in consumer demand to produce what is wanted by consumers—not necessarily what is demanded by producers. Product utility, or usefulness, and the value of products to consumers are factors that determine demand. Not all products are produced by members of labor unions.

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

SOURCE: LAP-EC-011—It's the Law (Supply and Demand)

25. D

Some employees might misinterpret the information. Financial information can be complex and difficult to understand. If employees are unfamiliar with financial information, they may become confused or misinformed. Therefore, financial-information managers should take caution when sharing access to financial information. Employees might be motivated by positive financial analyses, but that is not a reason to be cautious when sharing access to financial information within an organization. Information leaks are more common when there are more people involved rather than fewer. Finally, employees do not generally hack into their own company's information from the outside because they already have access to it.

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

SOURCE: Holmes, S. (n.d.). *What are some risks in sharing financial information with employees?* Retrieved October 9, 2023, from <https://smallbusiness.chron.com/risks-sharing-financial-information-employees-40046.html>

26. B

Implement risk management strategies. Risk management is the planning, controlling, preventing, and limiting of business losses and enhancing possibilities for gain. It involves preparing for risks including those that might result in a lawsuit. If a business implements risk management strategies ahead of time, it will be less likely to face a lawsuit for negligence. Limiting interactions with customers is not realistic for a business. Hiring lawyers to find loopholes in regulations is not ethical and will not limit the chance that the company will face lawsuits. Finally, purchasing captive insurance can assist a company when it does face lawsuits, but it does not limit the chance of lawsuits occurring in the first place.

SOURCE: RM:043 Discuss legal considerations affecting risk management

SOURCE: Kaufman, G. (2015). *Risk management: Avoiding a lawsuit*. Retrieved September 29, 2023, from <http://convention.asbsd.org/wp-content/uploads/Risk-Management-Avoiding-a-Lawsuit.pdf>

27. D

Acquire funding for a new idea. Existing businesses know that putting a new idea (such as an expanded sales force) into action requires money—and that a business plan can help bankers and investors determine how involved they want to be. Existing businesses have already begun operations and identified managers' roles (whether formally or informally). A business plan is seldom used to determine how to distribute profits.

SOURCE: SM:007 Explain the nature of business plans

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

28. B

Principal amount and interest rate. When a customer keeps their money in a financial institution (e.g., bank), they earn interest on the amount (principal) that they put into their savings account. The interest is paid to the customer's account by the financial institution. Over time, the customer earns money on the principal by accumulating interest, which increases the future value of the savings account. To calculate the future value of the savings account, it is necessary to know the principal amount, the interest rate, and the length of time that the principal is in the account. Quarterly wages, late fees, annual income, and insurance rates are not elements that will help a person calculate the future value of money in a savings account.

SOURCE: FI:062 Explain the time value of money

SOURCE: Heyford, S.C. (2022, May 23). *Understanding the time value of money*. Retrieved September 28, 2023, from <https://www.investopedia.com/articles/03/082703.asp>

29. C

You lost money. To prove that a contract has been breached, you must demonstrate that the contract existed, that the contract was broken, that you lost money, and that the defendant was responsible. More than two parties do not have to be involved. You do not have to verify that the breach has already occurred; a breach can be anticipatory, meaning that the terms of the contract will not be fulfilled in time. Finally, you need to verify that the defendant is responsible, not that no one is responsible.

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

SOURCE: Rocket Lawyer. (2023). *Breach of contract: What happens now?* Retrieved September 28, 2023, from <https://www.rocketlawyer.com/business-and-contracts/business-operations/contract-management/legal-guide/breach-of-contract-what-happens-now>

30. D

Foreign exchange. The largest, most liquid financial market in the world is the foreign exchange market. There are typically more active traders and a higher volume of trading on the foreign exchange market than any of the other markets. Very liquid markets such as the foreign exchange market experience very gradual, small price changes, while markets with low liquidity often experience volatile changes in price, meaning that prices change abruptly and in larger increments than in highly liquid markets. The debt market is also known as the bond market, and the equity market is also called the stock market. A commodity market deals with raw, primary products such as oil, silver, gold, etc.

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

SOURCE: Dummies.com. (2016, March 26). *Liquidity and the foreign exchange market*. Retrieved September 29, 2023, from <https://www.dummies.com/article/business-careers-money/personal-finance/investing/general-investing/liquidity-and-the-foreign-exchange-market-199884>

31. B

Electing members to the board of directors. Shareholders own the corporation. They have a limited role in everyday tasks but have the power to elect members to or remove members from the board of directors. They also vote on amending bylaws, disposition of corporate assets, and major corporate changes, among other things. The board of directors reports the business's success and progress to shareholders, sets the mission and structure of a company, drafts and amends the company bylaws, and appoints committees. Officers (president or CEO, vice president, treasurer, secretary, etc.) report to the board of directors, are responsible for everyday business operations, and act in the best interest of the company. Employees are responsible for carrying out tasks aligned with the company's mission and, essentially, make the business run.

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

SOURCE: Johnson, J. (2023, July 17). *The organizational structure of a corporation*. Retrieved September 29, 2023, from <https://www.freeadvice.com/legal/the-organizational-structure-of-a-corporation>

32. C

Exceeding customer expectations. "Big Q" focuses on ingraining quality into every aspect of the organization to meet and exceed customer expectations. "Little Q" focuses on conforming to specifications. Neither approach to quality management specifically focuses on improving factory conditions or designing and developing products, although those may certainly be important goals of a quality-management system.

SOURCE: OP:163 Identify quality-control measures

SOURCE: LAP-OP-163—Take Control (Quality-Control Measures)

33. B

Payroll. Payroll is one of a business's biggest expenses. By monitoring and controlling the amount of overtime that hourly employees work, the business can save money. Approving an employee's overtime does not control inventory, distribution, or technical expenses.

SOURCE: OP:029 Develop expense control plans

SOURCE: Kenton, W. (2022, August 23). *What is payroll, with step-by-step calculation of payroll taxes*. Retrieved October 9, 2023, from <https://www.investopedia.com/terms/p/payroll.asp>

34. D

Clashes in corporate culture. When two businesses merge, it is crucial to think about the differences in company culture. Employees are often the essence of a company. If two diverse companies with different philosophies, processes, and experiences merge without proper consideration of and response to these differences, then the consolidation might fail. Eliminating redundancy, diversifying goods and services, and growing market share are all potential benefits of business consolidation, not risks.

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

SOURCE: Taylor, J. (n.d.) *Why do businesses consolidate?* Retrieved September 29, 2023, from <https://smallbusiness.chron.com/businesses-consolidate-5114.html>

35. C

A financial holding company. Because financial holding companies provide a wide variety of financial services and related products, the Federal Reserve Board supervises their activities. The primary services that an accounting firm provides include accounting, tax preparation, auditing, and bookkeeping services. Some financial holding companies may offer accounting services. Commodities investors invest their funds in goods (futures) such as grains, livestock, raw materials, etc. A central bank is often responsible for determining interest rates, controlling the nation's money supply, and regulating the banking industry. The Federal Reserve is an example of a central bank.

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

SOURCE: Hargrave, M. (2023, February 27). *Financial holding company: Overview, history, FAQ.* Retrieved September 29, 2023, from <https://www.investopedia.com/terms/f/financial-holding-company-fhc.asp>

36. D

Loss reduction. Loss reduction is a form of risk control. Risk control methods are used to reduce or minimize loss. Loss reduction lessens the impact of a loss after it occurs. For instance, although the automatic sprinklers won't prevent a fire from starting, they will lessen the impact that the fire has on the company's buildings. Companies utilize loss avoidance when they choose not to take part in risky activity. Loss prevention focuses on stopping certain losses from occurring. Companies transfer risk by purchasing insurance and entering into contracts that transfer the risk to others.

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

SOURCE: Insuranceopedia. (2023, June 9). *Loss reduction.* Retrieved September 29, 2023, from <https://www.insuranceopedia.com/definition/2795/loss-reduction>

37. D

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

SOURCE: FM:014 Demonstrate financial analysis applications

SOURCE: Ellison, J. (2023). *Conflicts of interest.* Retrieved September 29, 2023, from <https://www.audimation.com/conflicts-of-interest>

38. C

Growth in technical knowledge. By forming relationships with other finance professionals, you can gain technical knowledge and improve your own skills by learning from others. Networking cannot necessarily prevent job loss, although it might help inform you about changes, risks, or opportunities in the industry. Generally, professional relationships in finance should not and do not include sharing insider information about different companies, as this is unethical, if not illegal. Finally, improving marketing skills does not necessarily relate to building professional relationships in finance.

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

SOURCE: Rodriguez, E. (2023). *Networking tips for finance professionals*. Retrieved September 29, 2023, from <https://business.fiu.edu/academics/graduate/insights/posts/networking-tips-for-finance-professionals.html>

39. A

Liquidation. If Noah does not want to continue to run his business, he may decide to liquidate all of his assets by holding a going-out-of-business sale. In a friendly sale, the business owner passes the business on to someone else, such as a family member. This is not an example of a merger or acquisition.

SOURCE: EN:037 Develop exit strategies

SOURCE: Ansarada. (2005-2023). *Different business exit strategies, their pros & cons*. Retrieved October 9, 2023, from <https://www.ansarada.com/business-exits/strategies>

40. C

Its investments typically involve less risk. The debt market is where participants can buy or sell loans. Compared with the equity market, the debt market is known for having lower risk and lower reward. The equity market is known for having higher risk and reward and being unstable as a result of vulnerability to political, social, and economic events. It is also referred to as the stock market. Dividends are payments made by companies to their shareholders, so they are potential benefits of the equity market, not the debt market.

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

SOURCE: Maverick, J.B. (2021, December 13). *Debt market vs. equity market: What's the difference?* Retrieved September 29, 2023, from <https://www.investopedia.com/ask/answers/071415/what-are-differences-between-debt-and-equity-markets.asp>

41. C

The project itself. A project's quality-management plan includes strategies to ensure the quality of the deliverables as well as the quality of the project itself. At the end of the project, managers want to look back and say that it ran smoothly. A project's quality-management plan cannot ensure the quality of the project's purpose—those who are assigning the project are responsible for that. It also cannot ensure the quality of employee education or organizational investors.

SOURCE: OP:001 Develop project plan

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

42. C

Rights to privacy. More and more businesses are using information-management systems to collect personal information about customers. What businesses do with this information is important because they risk violating their customers' rights to privacy. Businesses need to protect their customers' rights to privacy because customers who feel that businesses have misused their private information may stop buying from those businesses or go so far as to take legal action. Customers' access to credit, level of service, or need for information are not affected by a business's use of an information-management system.

SOURCE: NF:013 Describe current business trends

SOURCE: Federal Trade Commission. (n.d.). *Protecting consumer privacy and security*. Retrieved October 2, 2023, from <https://www.ftc.gov/news-events/topics/protecting-consumer-privacy-security>

43. D

To determine the likelihood of getting paid. Creditors take risks when extending credit to customers whether they are letting them borrow money or defer payment for product. By analyzing customers' financial information, they have a better idea of whether the customers pay their debts. Stockholders analyze financial information to determine whether they are making good investments. The accounting method customers use indicates when sales and expenses are recorded in the customers' books. Determining how often inventory turns must be compared with other companies in the same industry to determine whether inventory is being held too long. The figure by itself does not communicate anything to creditors.

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

SOURCE: FasterCapital. (2023, July 8). *What is credit evaluation?* Retrieved October 9, 2023, from <https://fastercapital.com/content/What-is-Credit-Evaluation.html>

44. C

Discounts and bargains. If the audience to whom you are writing has a lower income level than your usual audience, you might achieve success by focusing on a cost-saving message rather than one that emphasizes luxury or comfort. Using long, detailed sentences or an emotional appeal will not necessarily help you reach an audience in a lower income bracket.

SOURCE: CO:203 Adapt written correspondence to targeted audiences

SOURCE: Ross, L. (2023). *Intended audience - How to write for your target audience*. Retrieved September 28, 2023, from <https://www.growth-hackers.net/intended-audience-how-to-write-for-your-target-audience>

45. B

Demonstrating transparency. Transparency involves maintaining open and truthful communications. For corporate governance to be effective, it must be transparent with stakeholders so they are aware of what is going on and can make decisions accordingly. Golden Ray Corporation is being transparent by releasing a statement about its former board member's personal scandal. Golden Ray Corporation is not necessarily lacking accountability, following regulatory guidelines, or measuring internal performance.

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

SOURCE: Chen, J. (2023, March 22). *Corporate governance definition: How it works, principles, and examples*. Retrieved October 9, 2023, from <https://www.investopedia.com/terms/c/corporategovernance.asp>

46. C

Customer life. The basic steps of the customer life cycle involve attracting current customers, acquiring new customers, serving the customers, and retaining the customers. The accounting cycle begins when a sale is made and ends when the books are closed in accounting. Business cycles are the rise and fall in economic activity that businesses experience. Customer complaint cycle is a fictitious term.

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

SOURCE: CRMsolution.com. (n.d.). *CRM software strategy: Sample CRM objectives*. Retrieved September 28, 2023, from <http://www.crm-solution.com/crm-strategy.html>

47. A

Nonprice. Nonprice competition involves factors other than price. Price competition focuses on the use of price to attract scarce customer dollars. Pure competition exists when there are so many sellers and buyers of a product that no one can influence the price. Direct competition occurs among businesses that offer similar types of goods or services. It cannot be determined from this example whether the competition is direct or indirect.

SOURCE: EC:012 Explain the concept of competition

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

48. A

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

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

SOURCE: Das, K. (2020). *4 steps you must take to develop a lasting referral relationship*. Retrieved September 29, 2023, from <https://www.brightervision.com/blog/develop-referral-relationship>

49. C

Insects destroy a large cotton crop. The decrease in the supply of cotton will cause an increase in prices. An increase in the corn crop will cause excess supply resulting in a decrease in prices. Negative comments about a hotel or by activists will probably decrease demand and cause prices to fall.

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

SOURCE: LAP-EC-906—When More Is Less (Functions of Prices)

50. A

Establishing rewards for ethical behavior. Ethics can help mitigate risks, whereas unethical behavior brings more risk. One way to reduce risks is by establishing rewards for ethical behavior. These will encourage a culture of ethics. All employees should be trained on ethics, not just top-level executives. Companies should make it easy and comfortable to report unethical conduct, rather than making it difficult to do so. Finally, clear, easy-to-understand ethical guidelines should be implemented.

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

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

51. B

Vertical. Three common types of financial statement analysis are vertical analysis, horizontal analysis, and ratio analysis. When conducting vertical analysis, an individual calculates each individual item on a financial statement as a percentage of the total. After doing so, the analyst can develop common-size financial statements that allow them to compare performance across several years for a single company or across several different companies. Horizontal analysis, which is sometimes known as trend analysis, involves analyzing dollar amounts on financial statements for a single company across several years. Horizontal analysis does not involve the development of common-size financial statements. Ratio analysis involves the calculation of ratios based on a company's financial data. It allows analysts to compare numbers within a financial statement and determine the relationships among numbers on different financial statements. It can also be used to compare the performance of multiple companies. Ethan is not conducting trend or ratio analysis.

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

SOURCE: Grant, M. (2022, March 28). *Vertical analysis: Definition, how it works, and example*. Retrieved October 9, 2023, from https://www.investopedia.com/terms/v/vertical_analysis.asp

52. C

Money market accounts, certificates of deposit, and bonds. Investments in which individuals allow borrowers to use their money for a period of time for a specified fee or rate of interest are lending investments. Money market accounts, certificates of deposit, bonds, and savings accounts are types of lending investments. Investments in which individuals purchase a portion or all of an item are called ownership investments. Collectibles, stocks, and real estate are types of ownership investments.

SOURCE: FI:077 Explain types of investments

SOURCE: LAP-FI-077—Invest for Success (Types of Investments)

53. D

Discrimination. Businesses must comply with many types of human resources regulations to ensure that applicants and employees are treated fairly. Discrimination is the unfair treatment of a person or group on the basis of the person's or group's characteristics, such as age, gender, race, and religion. Discrimination laws prohibit businesses from dismissing employees on the basis of these characteristics. A business that violates these laws may be fined by the government and sued by employees, which can cost the business a lot of money and can damage the business's reputation. Recruitment is the process of locating, screening, and hiring employees. Privacy laws address employees' rights to privacy. Contingency is not a type of law.

SOURCE: BL:007 Explain the nature of human resources regulations

SOURCE: U.S. Equal Employment Opportunity Commission. (n.d.). *What is employment discrimination?* Retrieved October 9, 2023, from <https://www.eeoc.gov/youth/what-employment-discrimination>

54. D

Removed limits on foreigners' access to domestic financial markets. Liberalization and deregulation have had a positive effect on financial globalization. Many nations have removed limits on foreigners' access to their domestic financial markets so that it is easier for foreigners to invest in their countries. Moving from fixed exchange rates to floating exchange rates (not the other way around) has helped increase global investment in foreign markets. Decreased tariffs on imports and lowered taxes on international transactions make it easier for capital to flow across international borders. A home bias is a preference for investments in domestic markets versus markets in other countries. Nations hoping to attract foreign investment want investors in other countries to eliminate (rather than demonstrate) their home biases and invest their funds internationally.

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

SOURCE: Narayanan, D. (2022, March 29). *Financial globalization - Is it all good?* Retrieved September 29, 2023, from <https://www.linkedin.com/pulse/financial-globalization-all-good-deepak-narayanan>

55. D

Email communications are more difficult to secure. Email messages can be intercepted by unscrupulous people in a number of different ways, both physically (if either the sending or receiving device is stolen or lacking effective security features) and digitally (such as through hacking). Paper records, on the other hand, can be more easily protected using locked, fireproof cabinets and other physical storage. Poor spelling, slang, and inappropriate remarks can occur in any form of communication or documentation and should be avoided. Any business communication can contain confidential information, but the inability to effectively secure email puts any private information contained in email messages at risk.

SOURCE: CO:202 Explain how digital communications (e.g., email, text messages, chats) exposes business to risk

SOURCE: Sutherland, R. (2021, March 19). *Why you should choose a secure email provider for your business (and why you might not)*. Retrieved September 28, 2023, from <https://www.techradar.com/news/why-choose-secure-email-provider>

56. A

\$14.05. To determine how much income from interest Heidi will earn in five years, first multiply the original deposit by the interest rate ($\$562 \times 0.5\%$ [or $.005$] = $\$2.81$). Then, multiply the interest by the number of years to determine the total interest Heidi will earn after five years ($\$2.81 \times 5 = \14.05). Heidi will earn $\$14.05$ in income from interest after five years.

SOURCE: FI:238 Calculate the time value of money

SOURCE: Furey, E. (2022, May 15). *Simple interest calculator $A = P(1 + rt)$* . Retrieved September 28, 2023, from <https://www.calculatorsoup.com/calculators/financial/simple-interest-plus-principal-calculator.php>

57. A

Social responsibility. In a free enterprise system, anyone and everyone is free to start a business and pursue its success. However, along with this privilege comes social responsibility. Social responsibility is the duty of business to contribute to the well-being of society. Ethical principles are standards that govern behavior. Being transparent means being truthful when communicating. Stakeholders are people or businesses who are affected by a company's success or failure.

SOURCE: EC:106 Explain the nature of business ethics

SOURCE: LAP-EC-106—On the Up and Up (Business Ethics)

58. B

Supporting; assessing. The board of directors is responsible for helping an organization reach its goals while meeting stakeholder needs. This often includes hiring, supporting, and assessing the performance of the organization's top executives. The board of directors does not usually shadow or audit the top executives. While it's possible for members of a board of directors to encourage, promote, and make networking connections for top executives, those are not necessarily responsibilities of the board.

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

SOURCE: Chen, J. (2023, August 18). *Board of directors: What it is, what its role is*. Retrieved September 29, 2023, from <https://www.investopedia.com/terms/b/boardofdirectors.asp>

59. D

Market and competitive indicators. In addition to collecting, maintaining, and reporting data about financial transactions, financial-information management is also responsible for maintaining internal operational data and analyzing and reporting external market and competitive indicators. The financial-information management function is not typically responsible for maintaining information about participative decision-making, dominant buying motives, or recent third-party agreements.

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

SOURCE: LaMarco, N. (2019, February 13). *What are the benefits of a financial management information system?* Retrieved September 29, 2023, from <https://smallbusiness.chron.com/benefits-financial-management-information-system-71943.html>

60. D

Debt ratios. Offering credit involves allowing the buyer to purchase now and pay later. Offering credit is a risk to businesses because customers may fall behind in making and/or default on their payments. Therefore, businesses collect and analyze a variety of financial information about their customers before extending credit. The debt ratio is a tool that calculates a customer's assets in relation to the customer's level of debt as a percentage. If a customer's debt is low in relation to their assets (primarily income), the customer is more likely to have money to make payments, making them a good candidate for credit. Stock purchases, capital gains, and technical assets are not factors that typically influence a business's decision to extend credit to a customer.

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

SOURCE: Hayes, A. (2023, July 7). *What is the debt ratio?* Retrieved September 29, 2023, from <https://www.investopedia.com/terms/d/debtratio.asp>

61. C

Operational. An operational budget is a forecast and analysis of projected income and expenses over the course of a specific time period. It includes revenue and expenses such as materials, inventory, marketing, and more. If Karen is looking for ways to cut expenses, the operational budget provides detailed information that could assist her in this decision-making process. The financial budget includes capital expenditures, the cash budget, the budgeted balance sheet, and the budgeted statement of cash flows. The financial budget shows how operations and planned capital affect cash. The cash budget is part of the financial budget and forecasts how much cash the organization has and how much it needs. These two budgets do not provide the details about various expenses that the operational budget includes, so they would not be helpful to Karen in this situation. A static budget is a budget that is based on the level of output planned at the start of the budget period. It does not change, regardless of other factors. Since Karen needs to modify her budget by cutting expenses, she should not necessarily consult a static budget.

SOURCE: FM:013 Demonstrate budgeting applications

SOURCE: Indeed. (2022, June 24). *Guide to understanding operational and capital budgets.* Retrieved September 29, 2023, from <https://www.indeed.com/career-advice/career-development/operational-budget-vs-capital-budget>

62. B

Data mining. Data mining involves analyzing the information in large databases to discover patterns or relationships and generate new information. Social networking is the use of websites to interact with other users with similar interests. Data collection is simply the process of collecting facts and figures and does not involve analysis. Customer service refers to activities that increase customer satisfaction.

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

SOURCE: Twin, A. (2023, April 15). *What is data mining? How it works, benefits, techniques, and examples.* Retrieved September 28, 2023, from <https://www.investopedia.com/terms/d/datamining.asp>

63. C

Determining how much new hires would impact the budget. Managerial accountants can assist their managers in making business decisions by providing data that can help them make their decisions. If Evan's manager needs to make a decision regarding hiring, Evan can help by providing information about how the decision would impact the budget. Evan's position as a managerial accountant would not necessarily make him qualified to provide feedback on job candidates after their interviews. Summarizing overall financial performances would not necessarily be helpful in the manager's decision-making process. Examining the profitability of various products would also not necessarily help Evan's manager in his decision-making process.

SOURCE: FI:660 Explain the nature of managerial accounting

SOURCE: Jan, I. (2020, July 22). *Managerial accounting*. Retrieved September 29, 2023, from <https://xplained.com/180841/managerial-accounting>

64. B

Opportunity costs. Opportunity costs usually require the analysis of qualitative information such as a supplier's reputation for quality or service that can make an impact on the business versus numerical data. A sunk cost is a cost that has already been incurred and cannot be recovered. Direct costs and indirect costs are typically numerical data such as price of materials, labor, and overhead.

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

SOURCE: Fernando, J. (2023, March 17). *Opportunity cost formula, calculation, and what it can tell you*. Retrieved September 29, 2023, from <https://www.investopedia.com/terms/o/opportunitycost.asp>

65. B

Higher employee achievement. Businesses that encourage collaboration gain the benefits of higher employee achievement. When employees use their strengths and combine their effort and knowledge, they are able to produce higher quality work in less time. Market conditions are affected by external forces, not by the internal work environment of a company. Government regulations are not typically related to collaboration in the workplace. Increased competition results from the rivalry among two or more organizations to attract scarce customer dollars.

SOURCE: EI:130 Collaborate with others

SOURCE: LAP-EI-130—Genius Is a Team Sport (Collaborating With Others)

66. C

Exhibiting fiduciary responsibility. In the financial industry, a fiduciary is a financial professional (e.g., financial planner) who has been given legal authority to make financial transactions on behalf of an individual or business—the owner of the financial product (e.g., stock). Fiduciary responsibility involves making wise financial decisions and obtaining financial products that will help the client achieve their financial goals. Due process embraces the concept that a jurisdiction's government must respect all of the legal rights that are owed to individuals and businesses according to the law of the land. The duty of control for the conduct of others involves taking reasonable care to ensure the safety of another person. For example, a parent has the duty to control their toddlers' conduct (actions) by taking steps to control a toddler from running into traffic. Credit requirements are a business's policies about offering credit to customers.

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

SOURCE: Consumer Financial Protection Bureau. (2023, June 27). *What is a fiduciary?* Retrieved October 9, 2023, from <https://www.consumerfinance.gov/ask-cfpb/what-is-a-fiduciary-en-1769>

67. D

The law of diminishing returns. The law of diminishing returns states that when increasing amounts of one factor (clothing racks, in this case) are employed, holding all other factors constant, after some point, the resulting increase in output (sales, in this case) becomes smaller and smaller. In this scenario, this may be because more racks make the store crowded, and consumers had trouble viewing the merchandise. While the store has competitors, its decision to add racks of merchandise does not take competitors into consideration. While the store likely is operating in a private enterprise system, the declining sales increase caused by another clothing rack is not explained by that concept. Private enterprise simply means a business unit is established, owned, and operated by private individuals for profit. Economies of scale is the reduction in cost per unit resulting from increased production, realized through operational efficiencies. This scenario does not deal with the cost of the clothing.

SOURCE: EC:023 Explain the impact of the law of diminishing returns

SOURCE: Lutkevich, B. (2022, December). *Law of diminishing returns*. Retrieved October 9, 2023, from <https://www.techtarget.com/searchcustomerexperience/definition/law-of-diminishing-returns>

68. B

Use passwords. A business must take precautions to secure its clients' confidential information. To reduce the risk of unauthorized access to confidential information, businesses often assign computer passwords to allow authorized employees to view secured information. Developing a routing system, restricting digital signature options, and limiting internet use are not actions that will limit the accessibility of internal business information.

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

SOURCE: The College of New Jersey. (2023). *Passwords*. Retrieved October 9, 2023, from <https://security.tcnj.edu/security-guidelines/passwords>

69. A

Accounts payable. Accounts payable are the monies owed by the business to others. Accounts-payable applications help businesses organize bills and allocate funds to pay bills when they are due. Budgeting tools and sales applications can help a business analyze its sales revenue. Dividends are payments made to stockholders for their investments. A credit rating is the score assigned to a borrower based on previous loans.

SOURCE: FM:014 Demonstrate financial analysis applications

SOURCE: Tuovila, A. (2022, July 25). *Understanding accounts payable (AP) with examples and how to record AP*. Retrieved September 29, 2023, from <https://www.investopedia.com/terms/a/accountspayable.asp>

70. C

To pool and invest funds based on the needs of investors. The primary purpose of an investment company is to pool funds from people and invest them in the types of securities (mutual funds) that are most likely to generate the desired financial returns. Investment banks locate outside sources of money for firms. Banks and mortgage companies issue mortgages. Pension funds involve pooling employees' contributions and investing the monies for financial gain.

SOURCE: FI:336 Describe the role of financial institutions

SOURCE: U.S. Securities and Exchange Commission. (n.d.). *Investment company*. Retrieved September 29, 2023, from <https://www.investor.gov/introduction-investing/investing-basics/glossary/investment-company>

71. B

Heat and lighting costs. Heat and lighting costs are indirect costs that are usually allocated to the production of individual products to determine a more accurate product cost. The cost of labor and raw product materials are considered direct costs associated with the cost object (the manufactured product). Administrative expenses are not generally assigned to individual products, because they occur regardless of whether anything is produced.

SOURCE: FI:663 Discuss the nature of cost allocation

SOURCE: Averkamp, H. (2023). *How can a manufacturer determine the precise cost of its products?* Retrieved September 29, 2023, from <https://www.accountingcoach.com/blog/how-can-a-manufacturer-determine-the-precise-cost-of-its-products>

72. C

Creates a vision for the future. Rather than focusing on the here and now, a good leader creates a vision for the future and inspires followers to willingly do what is necessary to make that vision a reality. On the other hand, managers are very concerned about things getting done properly and on time. And, managers must always keep their eyes on the bottom line to ensure that the business makes a profit.

SOURCE: HR:493 Explain the nature of leadership in organizations

SOURCE: LAP-HR-493—Take the Lead! (Leadership in Organizations)

73. D

Globalization. Globalization is the rapid and unimpeded flow of capital, labor, and ideas across national borders. One of the major impacts of globalization on business is increased competition. As a result of globalization, companies now operate in several different countries—and have access to more markets than ever before. This increases competition among businesses in the same industry. This example demonstrates the effects of globalization-related competition on business. The exchange of technology and the transfer of knowledge are both by-products of globalization, not effects of globalization. Domestic operations refers to business that takes place in a company's home country.

SOURCE: EC:109 Discuss the impact of globalization on business

SOURCE: National Geographic Society. (1996-2023). *Effects of economic globalization*. Retrieved September 28, 2023, from <https://education.nationalgeographic.org/resource/effects-economic-globalization>

74. A

Inadequate product warnings. Though specifications vary by product type, businesses must provide adequate information about their products. For example, pharmaceutical companies must advise consumers about a medication's dosage, ingredients, side effects, and possible negative interactions with food, other medications, alcohol, etc. Businesses that do not appropriately label their products increase their risks of lawsuits in relation to inadequate product warnings. Medications are not mechanical in nature. Product recalls occur when quality issues are detected after the products are released for sale. When this occurs, businesses take steps to retrieve those goods to reduce the consumers' exposure to safety risks. A product return is the process by which buyers return defective or unwanted goods to the seller.

SOURCE: RM:043 Discuss legal considerations affecting risk management

SOURCE: Shoop. (2023, August 4). *The role of warning labels in product liability cases*. Retrieved September 29, 2023, from <https://www.losangelesproductliabilityfirm.com/blog/2023/august/the-role-of-warning-labels-in-product-liability->

75. A

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

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

SOURCE: Craig, S. (2021, August 4). *How technology can impact the future of compliance*. Retrieved September 28, 2023, from <https://www.complianceandethics.org/how-technology-can-impact-the-future-of-compliance>

76. B

Management delays equipment repairs. When equipment is not working properly, it is more likely to break. When equipment breaks, it is more likely to cause employee injuries and production delays, which are costly to the business. When managers monitor their employees, they are ensuring that the employees are doing their jobs correctly, which reduces the risk of mistakes, accidents, theft, etc. A competitor's market-share gain and a change in the inflation rate are external factors that affect the business.

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

SOURCE: Bright Hub PM. (2023). *Identifying internal risk factors and external risks in project management*. Retrieved October 9, 2023, from <https://www.brighthubpm.com/risk-management/94946-internal-vs-external-risks-in-project-management>

77. B

Past data; project future results. Budgets are estimates of income and expenses for a specific period of time. In cost accounting, budgets are projections. They are based on past data, but they look forward into the future. Cost accounting budgets are based on internal and external information, and they do not necessarily support external clients. Cost accounting budgets are based on more than marketing and sales, and they focus on more than operations. Cost accounting budgets should not be based on guesswork. Rather, they should be based on past data and insights into the future.

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

SOURCE: Boyd, K. (2016, March 26). *Cost accounting: Budgeting basics*. Retrieved September 29, 2023, from <https://www.dummies.com/article/business-careers-money/business/accounting/general-accounting/cost-accounting-budgeting-basics-166823>

78. B

Show that you can be trusted. Without the trust of your peers, coworkers, or friends, you can't inspire anybody. People simply aren't inspired by people they dislike or mistrust. Therefore, earning the trust of others is essential for inspiring others. Graduating from college, earning at least \$45,000 a year, and learning how to supervise others are not essential for inspiring others.

SOURCE: EI:133 Inspire others

SOURCE: LAP-EI-133—A Force for Good (Inspiring Others)

79. A

Variance. Variance is a measure of how data points differ from the mean. Its calculation will help you show others how dispersed the data were from the mean of 7. The mean of a set of numbers is also called the average. A geometric mean is used in business to show average rates of growth. This, too, would be a measure of central tendency.

SOURCE: NF:093 Interpret statistical findings

SOURCE: Hayes, A. (2023, March 14). *What is variance in statistics? Definition, formula, and example*. Retrieved October 9, 2023, from <https://www.investopedia.com/terms/v/variance.asp>

80. D

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

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

SOURCE: Cummings & Lockwood LLC. (2017). *Choosing fiduciaries to handle your estate*. Retrieved October 2, 2023, from <https://www.cl-law.com/news-events/choosing-fiduciaries-to-handle-your-estate>

81. B

Report financial transactions. Financial-information management is the ongoing process of gathering, maintaining, and storing financial data. Businesses use financial data to develop reports that aid the business decision-making process and meet compliance requirements. An important aspect of financial-information management is maintaining data about financial transactions such as accounts receivable (e.g., customer sales transactions) and accounts payable (monetary outflows). The business's buyers negotiate contracts with vendors. Buyers may or may not use financial information as leverage during the negotiation process with vendors. The product/service management function of the business focuses on new product development. The selling function of the business implements sales policies.

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

SOURCE: Gartenstein, D. (2018, April 5). *Why is financial management so important in business?* Retrieved September 29, 2023, from <https://bizfluent.com/why-is-financial-management-so-important-in-business.html>

82. D

Lack of coordination. One issue that financial institutions have when dealing with compliance is lack of coordination between different departments that manage risk and compliance separately. It is important to integrate compliance throughout the organization and work together to have a unified, strategic approach. Too much emphasis on risk management is not a problem that institutions experience when dealing with compliance. In fact, risk management is an important part of compliance. Long-term thinking and the growing importance of technology are not necessarily problems related to compliance.

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

SOURCE: Metric Stream. (2023). *Integrated risk and compliance management for banks and financial services organizations: Benefits of a holistic approach*. Retrieved September 28, 2023, from <https://www.metricstream.com/whitepapers/financial-services.htm>

83. B

Directing the flow of investment to encourage production. Financial markets help promote long-term economic growth by directing the flow of money efficiently into production, which increases economic growth. Financial markets do not reduce liquidity; rather, they increase it. Financial markets provide indicators of economic health, but this does not necessarily relate to long-term economic development. Financial markets also do not limit the information available to market participants; rather, they make information easier to access.

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

SOURCE: Gorg, H., Krieger-Boden, C., & Nunnenkamp, P. (2016, August 23). *Merits of financial development for developing countries*. Retrieved September 29, 2023, from <https://cepr.org/voxeu/columns/merits-financial-market-development-developing-countries>

84. B

Issuing notes, bonds, and other obligations. Finance companies, also known as credit companies, are a type of financial institution. Finance companies raise capital by issuing notes, bonds, and other obligations. They use this capital to provide loans to businesses and consumers. Insurance companies raise capital by investing funds from premiums and offering loans to clients. Deposit-taking institutions accept funds from savers and use those funds to offer loans to borrowers. Investment institutions, not finance companies, establish mutual funds and investment banks.

SOURCE: FI:336 Describe the role of financial institutions

SOURCE: Boyte-White, C. (2022, February 9). *Top 2 ways corporations raise capital*. Retrieved September 29, 2023, from <https://www.investopedia.com/ask/answers/032515/what-are-different-ways-corporations-can-raise-capital.asp>

85. A

Provides users with faster, better access to data from multiple sources. Financial-information management software has a number of benefits. It provides users with faster, better access to data, even from multiple sources. It also improves productivity by replacing tasks that used to be completed by hand with automated activities. It lowers compliance costs, but it does so by increasing audit trails and economies of scale, not eliminating them. Finally, it reduces risk and increases users' confidence in the confidentiality, safety, and integrity of data.

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

SOURCE: LaMarco, N. (2019, February 13). *What are the benefits of a financial management information system?* Retrieved September 29, 2023, from <https://smallbusiness.chron.com/benefits-financial-management-information-system-71943.html>

86. A

Installment loan. Under this plan, the customer is usually required to make a down payment and a series of continuing payments for a specified period of time. With an open account, a customer is billed each month for all purchases made during the preceding month. The option account gives the customer the choice, or option, of paying the entire amount due without a finance charge or paying a minimum amount due (or more) with a finance charge added. With a revolving credit account, the customer pays a small amount each month, usually with a service charge.

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

SOURCE: Srivastav, A.K. (2023). *Types of credit*. Retrieved September 28, 2023, from <https://www.wallstreetmojo.com/types-of-credit>

87. C

Flow-through shares. Flow-through shares are common tax shelters used by taxpayers to reduce their tax burdens. Corporations that issue flow-through shares are typically part of the mining industry. These companies agree to use whatever funds they receive from investors for exploration purposes—in other words, to locate new sources of oil, gold, copper, etc. Rather than writing off these funds from their corporate taxes, the companies pass the tax deductions on to their investors, who can write off their entire investments against their taxes. Offshore companies, which are also commonly used as tax shelters, are businesses that are incorporated outside the country. Government bonds are interest-bearing certificates issued by the government, which promises to pay bond owners a certain sum at a specified time. Derivatives are financial instruments whose value depends upon the value of other financial instruments (e.g., currencies, securities, commodities) or a market index.

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

SOURCE: Prospectors & Developers Association of Canada. (2023). *Flow-through shares & the mineral exploration tax credit explained*. Retrieved September 28, 2023, from <https://www.pdac.ca/programs-and-advocacy/access-to-capital/flow-through-shares>

88. C

Coming back from lunch and breaks on time. The company pays Amy and other employees to put in a full day of work. It loses money when employees take extended lunches and breaks. Using suggestion selling and giving customers personalized service contributes to increased sales. Bringing lunch helps Amy control her personal expenses.

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

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

89. C

Debt modeling. Some budgeting software applications include a debt modeling tool which allows the user to assess the potential impact of loans and lines of credit. To use the debt modeling tool, the user would input the terms of the loan or line of credit, including the interest rate, term, principal, etc. Decision trees are a data-mining technique commonly used to classify data and build models. Environmental scanning involves gathering information about the environment surrounding a business, analyzing that information, and determining the future impact of that information on the business. Zero-based modeling is a method of budgeting that requires a manager to demonstrate the need for every expense instead of relying on figures from a previous period.

SOURCE: FM:013 Demonstrate budgeting applications

SOURCE: Corporate Finance Institute. (2023, October 2). *Debt schedule*. Retrieved October 9, 2023, from <https://corporatefinanceinstitute.com/resources/financial-modeling/debt-schedule>

90. D

Present a future obligation. Liabilities are debts that a person or a business owes. As a result, liabilities present a future obligation. Meanwhile, assets are anything of value that an individual or a business owns and present a future economic benefit. Assets are placed first in a balance sheet, while liabilities are placed after "total assets" are calculated. Assets can be classified as tangible or intangible, in addition to current, noncurrent (or fixed), or fictitious. Liabilities can be classified as current or long-term.

SOURCE: FI:093 Explain the nature of balance sheets

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

91. C

Vendor selection. Selecting a vendor requires several important steps, including forming a team that will evaluate each vendor; defining the product, service, or material that is needed from a vendor; and determining the business's requirements for a vendor contract. These are all steps of vendor selection, not financial analysis, marketing research, or customer targeting.

SOURCE: OP:161 Select vendors

SOURCE: Bucki, J. (2019, May 2). *How to select the right vendor for your business*. Retrieved September 28, 2023, from <https://www.liveabout.com/the-successful-vendor-selection-process-2533820>

92. D

Audits and reconciliation of petty cash accounts. Internal controls are procedural measures an organization adopts to ensure the integrity of financial and accounting information, promote accountability, and prevent fraud. Internal controls are broadly divided into preventive and detective activities. Detective controls are intended to uncover the existence of errors, inaccuracies, or fraud that has already occurred. Examples of detective internal controls include audits, reconciliation of petty cash accounts, monthly reconciliation of bank accounts, and review and verification of refunds. Preventative controls are designed to prevent errors, inaccuracies, or fraud before it occurs. Examples of preventative controls include ordering and accepting inventory, making purchases, authorizing invoices, verifying expenses, approving payments, authorizing returns, and issuing refunds.

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

SOURCE: Bradford, C. (n.d.). *What are internal controls & their purpose?* Retrieved September 28, 2023, from <https://smallbusiness.chron.com/internal-controls-purpose-55904.html>

93. B

Access a financial website. Pricing on the stock exchange fluctuates constantly, so accessing a financial website such as Bloomberg can give Kayla the most current information. A newspaper is typically printed on a daily basis, so some of the information in the stock table is likely to be outdated by the time Kayla reads it. The "About Us" section of a business's website discusses the purpose of the business. The annual report is an overview of the business's performance for the previous year. Neither the "About Us" section of a business's website nor a business's annual report will contain the most current pricing for different stocks.

SOURCE: FI:275 Interpret securities table

SOURCE: Investopedia. (2022, February 6). *How to read a stock ticker*. Retrieved September 29, 2023, from <https://www.investopedia.com/articles/01/070401.asp>

94. A

A competitive advantage. Customer trust can provide a business with a competitive advantage. Studies have shown that businesses with high levels of customer trust are in a favorable position over their competitors in terms of sales and profit. Customer trust will not necessarily provide a business with discounts on raw materials, more effective advertising campaigns, or better credit terms.

SOURCE: CR:017 Explain the role of ethics in customer relationship management

SOURCE: LAP-CR-017—Trust Is a Must (Ethics in Customer Relationship Management)

95. B

It is used to detect patterns in a data set. Benford's law of anomalous numbers states that the leading digit (or most commonly occurring digit) is likely to be small. This means that in a data set, numeral 1 will be the leading digit 30.1% of the time, numeral 2 will be the leading digit 17.6% of the time, and each subsequent numeral (3 through 9) will decrease in frequency. Because of this, Benford's law can be used to detect patterns in naturally occurring data sets. In addition, it is used to both catch anomalies and detect fraud. For example, accountants often utilize Benford's law to spot anomalies that may indicate fraud by comparing leading digits of financial transaction data to the Benford curve. Benford's law does not state that all digits in a data set occur equally.

SOURCE: NF:124 Demonstrate advanced database applications

SOURCE: Kessel, E. (2020, December 17). *Benford's law: Potential applications for insider threat detection*. Retrieved September 29, 2023, from <https://insights.sei.cmu.edu/blog/benfords-law-potential-applications-insider-threat-detection>

96. D

Income statement. Some investors believe the income statement is the most important document to review because it shows the company's "bottom line," a term that refers to net income. The income statement shows a company's profitability over a specific period of time. You read an income statement from top to bottom. The top line shows the revenues. Each line below the first line deducts expenses, until you get to the bottom line that shows the net income. A cash flow statement tracks the money that comes into and flows back out of a company. A balance sheet gives a summary of a company's financial health at a specific point in time. A statement of retained earnings indicates the amount of profit that is being retained in the business, as well as the dividends paid by the company during a specific period of time.

SOURCE: FI:274 Describe sources of securities information

SOURCE: Chen, J. (2023, March 27). *Income statement: How to read and use it*. Retrieved September 29, 2023, from <https://www.investopedia.com/terms/i/incomestatement.asp>

97. B

Patent. Patents protect processes, methods, and inventions. In contrast, copyrights protect expressions of ideas, such as literary, musical, and dramatic works. Trademarks protect words and symbols that represent a product. Trade secrets are not registered with any government office and can refer to any items that are unique and useful to a business, but are not protected under the other three categories, such as a secret recipe.

SOURCE: BL:051 Describe methods used to protect intellectual property

SOURCE: Entrepreneur. (2023). *Intellectual property*. Retrieved September 28, 2023, from <https://www.entrepreneur.com/encyclopedia/intellectual-property>

98. A

Financial statements. A company's financial statements include a wealth of investing information that can help Nick analyze the financial health of that company. While economic trends reports, real-time stock quotes, and industry news reports are also sources of investment information, they are not the best sources of information related to the financial health of a particular company.

SOURCE: FI:274 Describe sources of securities information

SOURCE: Maverick, J.B. (2022, May 24). *Why do shareholders need financial statements?* Retrieved September 29, 2023, from <https://www.investopedia.com/ask/answers/032615/why-do-shareholders-need-financial-statements.asp>

99. C

Lower taxes. Short-term capital gains on investments that are held for less than a year are typically taxed as ordinary income, whereas long-term capital gains on investments that are held for over a year are taxed at a lower rate. Holding investments longer than a year does not guarantee dividends, nor does it necessarily eliminate the need for stockbrokers. Short-term investments are more vulnerable to market fluctuations than long-term investments.

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

SOURCE: Dierking, D. (2023, August 2). *Benefits of holding stocks for the long-term*. Retrieved September 28, 2023, from <https://www.investopedia.com/articles/investing/052216/4-benefits-holding-stocks-long-term.asp>

100. D

Selling price. The selling price variance, which is the difference between the standard selling price and the actual selling price, can be used to help explain why actual sales were below forecasted sales for a specific time period. Purchase price variance is used to evaluate differences between supply prices paid and the standard cost of materials and supplies. Material yield variance is used to determine differences in actual level of supply use and level of use expected in production efforts. Fixed overhead spending variance is used to determine why overhead costs exceeded their standard cost for a reporting period.

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

SOURCE: Bragg, S. (2023, May 14). *Variance analysis definition*. Retrieved September 29, 2023, from <https://www.accountingtools.com/articles/what-is-variance-analysis.html>