



Competency-Based
Competitive Events
Written Exam
for State/Province Use

Test Number 1301
Booklet Number _____

Entrepreneurship Exam

Entrepreneurship Operations

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.

CAUTION: Posting these materials on a website is a copyright violation.

This comprehensive exam was developed by the MBA Research Center exclusively for DECA's 2023-2024 Competitive Events Program. Items have been randomly selected from the MBA Research Test-Item Bank and represent a variety of instructional areas. Performance indicators for this exam are at the prerequisite, career-sustaining, specialist, manager, and owner levels. A descriptive test key, including question sources and answer rationale, has been provided to the DECA chartered association advisor.



Copyright © 2024 by Marketing & Business Administration Research and Curriculum Center®, Columbus, Ohio (dba MBA Research). Each individual test item contained herein is the exclusive property of MBA Research. Items are licensed to DECA only for use as configured within this exam, in its entirety. Use of individual items for any purpose other than as specifically authorized is prohibited. **Possession of this exam, without written authorization, under any other circumstances is a copyright violation.** Posting to inter- or intranet sites is specifically forbidden unless written permission is obtained prior to posting. Report violations to DECA at 703.860.5000 and MBA Research at 800.448.0398. Permission for reprinting is granted to DECA chartered associations authorized by DECA Inc.

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

1. Which of the following is the primary stakeholder influencing corporate governance:
 - A. Company shareholders
 - B. High-level company executives
 - C. Organizational employees
 - D. The board of directors

2. When the founder of Reece Engineering Firm stepped down, the business lost several key clients and started to see its profits decline. Reece Engineering Firm could have benefitted from
 - A. idea generation.
 - B. continuation planning.
 - C. feasibility studies.
 - D. risk-taking.

3. Tom, a musician, is sending copies of his latest album to several social media influencers. He hopes that at least a few of them will mention his album in their posts. Tom is most likely using _____ marketing to promote his work.
 - A. mass
 - B. ambush
 - C. business-to-business
 - D. word-of-mouth

4. Which of the following is an example of price in the financial services industry:
 - A. Debit to an account
 - B. Interest on a loan
 - C. Balance on a loan
 - D. Credit to an account

5. Repeated exposure to the largest, most diverse population of people is a benefit of _____ advertising.
 - A. out-of-home
 - B. newspaper
 - C. directory
 - D. radio

6. Bryan wants to start his own business, but his partner isn't happy about the family time Bryan will miss while dealing with his new venture. This is an example of a(n) _____ risk that entrepreneurs face.
 - A. financial
 - B. technology
 - C. reputational
 - D. emotional

7. A business is planning to hire a part-time employee for a newly created position. In order to select the best applicant to fill the position, the business must first
 - A. contact local recruitment sources.
 - B. prepare an online advertisement.
 - C. choose selection devices.
 - D. determine the duties of the job.

8. Performance standards should be
- A. subjective.
 - B. measurable.
 - C. extremely challenging.
 - D. informally discussed.
9. Which of the following is a reason for conducting feasibility studies for venture ideas:
- A. To investigate competitors' financial conditions
 - B. To identify new business opportunities through the investigation process
 - C. To guarantee the success of the venture idea
 - D. To select the form of business ownership
10. One of the purposes of developing a business plan before starting a new business is to
- A. understand the risks involved.
 - B. organize the operation.
 - C. identify a maintenance system.
 - D. create a safe work environment.
11. A candy shop decides to source most of its candy from one supplier to decrease shipping and transportation costs. How can this supply chain decision negatively impact the shop?
- A. It increases the cost of the shop's candy products.
 - B. It reduces the amount of advertising that is needed.
 - C. It reduces the number of suppliers that need to be managed.
 - D. It exposes the shop to the risk of product unavailability.
12. Company B's management has determined that it must downsize. Three people in the customer service department will lose their jobs. Which of the following records can management use to help them determine which employees to keep:
- A. Human resources records
 - B. Production records
 - C. R&D records
 - D. Inventory records
13. Why do businesses establish specifications for selecting hardware and software systems?
- A. To analyze the prices of various vendors
 - B. To keep up with the latest technological fads
 - C. To develop training programs for employees
 - D. To obtain systems that perform required functions
14. Before a good can be sold, the buyers and sellers first have to agree on a(n)
- A. exchange price.
 - B. pricing objective.
 - C. promotion decision.
 - D. market share.

15. The business owner carried insurance on the building, office equipment, and inventory. This is an example of what type of operating cost?
- A. Fixed expense
 - B. Variable expense
 - C. Interest expense
 - D. Legal expense
16. Specialty advertising is being used by firms when they
- A. give away useful products to customers.
 - B. display the firm's name in lights.
 - C. sell premiums to potential customers.
 - D. hire specialists to do the firm's advertising.
17. One way a business can organize and improve its workflow is by encouraging its employees to
- A. prioritize multitasking.
 - B. take their work home.
 - C. avoid taking breaks.
 - D. separate duties.
18. Rent, insurance, and property taxes are important factors to consider when a small-business owner
- A. applies for trademark protection.
 - B. hires new employees.
 - C. negotiates a lease agreement.
 - D. develops a labor contract.
19. When economic conditions are good, individuals and businesses increase their spending, which _____ demand and _____ prices.
- A. increases; decreases
 - B. decreases; increases
 - C. increases; increases
 - D. decreases; decreases
20. Internal audits are used by _____, while external audits are used by _____.
- A. employees; competitors
 - B. stakeholders; employees
 - C. management; stakeholders
 - D. creditors; management
21. Business process thinking is beneficial for project management because documented processes
- A. cannot be standardized or refined.
 - B. result in less efficient projects.
 - C. can be analyzed and repeated.
 - D. guarantee the project's success.

22. The first step of assessing risk is to
- A. confirm that hazards have been eliminated.
 - B. monitor controls.
 - C. identify hazards.
 - D. determine the likelihood of harm.
23. An oral expression of dissatisfaction is an employee's _____ regarding their job or job situation.
- A. comment
 - B. compliment
 - C. complaint
 - D. compromise
24. Which of the following is an example of corporate responsibility:
- A. A company pays its taxes on time.
 - B. A company uses recycled materials in its products.
 - C. A company expands its facilities.
 - D. A company provides professional development for employees.
25. What group of employees receives some protection under the law from arbitrary discrimination, such as being fired for no cause?
- A. Persons working as freelancers
 - B. Persons over the age of 40
 - C. Persons who are temporaries
 - D. Persons earning minimum wage
26. Which of the following often is the goal of businesses that use the channel strategy of intensive distribution:
- A. Create an upscale image
 - B. Target a specific area
 - C. Saturate the market
 - D. Eliminate the middleman
27. What is a communications channel used in sales promotion?
- A. Television commercials
 - B. Discount coupons
 - C. Newspaper ads
 - D. Package labels
28. Which of the following budget information indicates that a business needs to make changes in order to control operations:
- A. Operating expenses are 5% less than budgeted.
 - B. Investment income is the same as last year.
 - C. Credit card sales are 25% of total business.
 - D. Accounts receivable are 15% less than budgeted.

29. What type of car insurance is a legal requirement for car drivers in most states/provinces?
- A. Full coverage
 - B. Collision
 - C. Personal injury protection
 - D. Liability
30. Gary works for a computer software company. He always keeps up on the technological advances in his industry, and he also makes sure he knows what products his competitors are developing. When Gary gathers this external information, he is participating in
- A. environmental scanning.
 - B. competition assessment.
 - C. information collecting.
 - D. threat appraisal.
31. Lilian is starting a new business, and she needs a marketing director. Lilian's friend Tanisha recommends her husband, Diego, who has worked in marketing for over a decade. What was Lilian's recruiting source?
- A. Recruiting agency
 - B. Job board
 - C. Digital networking
 - D. Referral
32. One reason why it is important to accurately forecast sales for a marketing plan is because the forecast is the basis of other
- A. business reports.
 - B. pricing strategies.
 - C. operational activities.
 - D. management techniques.
33. An important step in the process of developing a marketing plan involves selecting the
- A. research strategy.
 - B. sales force.
 - C. target market.
 - D. distribution agent.
34. Which of the following is an example of a demographic trend:
- A. A concern for fitness and health
 - B. Shifting political climates
 - C. Rising interest rates
 - D. The aging of the population
35. A business process change will likely be required if a company
- A. plans a meeting for Friday.
 - B. merges with another company.
 - C. goes out of business.
 - D. has a profitable quarter.

36. When evaluating the quality of its product, one factor that a business considers is the feedback that it receives from the product's users. This factor indicates
- A. customer satisfaction levels.
 - B. employee performance ratings.
 - C. the product's durability.
 - D. the efficiency of the production process.
37. What element of the marketing mix most directly deals with supply chain management?
- A. Promotion
 - B. Product
 - C. Price
 - D. Place
38. What are usually the two most important services that businesses want from a bank?
- A. Certified checks and savings accounts
 - B. Money orders and credit cards
 - C. Checking accounts and loans
 - D. Safe-deposit boxes and financial advice
39. Matteo has decided to support his friend's new startup by contributing financially while the startup is still in its early stages. This type of financing is often called
- A. seed funding.
 - B. crowdfunding.
 - C. impact investing.
 - D. bridge financing.
40. Which of the following statements would be appropriate to say after successfully selling your idea to an audience:
- A. "Thank you so much for allowing me to present my idea. Let's hope it works!"
 - B. "You won't regret this decision—I am confident my idea will help our organization."
 - C. "I'm not sure if it will work, but I'm so glad you decided to say yes to my idea!"
 - D. "My idea probably won't make a difference, but it's worth a shot, right?"
41. Mara is facilitating a group brainstorming session to generate new product ideas for the company. Which of the following attitudes is important for Mara to demonstrate?
- A. Passive
 - B. Judgmental
 - C. Authoritarian
 - D. Neutral
42. Which of the following is a common reason why companies implement business process change:
- A. To reduce costs
 - B. To attract new talent
 - C. To gain publicity
 - D. To decrease profitability

43. Which of the following does a business use to evaluate its channel members' performance levels:
- A. Predictions
 - B. Collateral
 - C. Incentives
 - D. Standards
44. When tracking the performance of a business plan, businesses usually analyze the effectiveness of
- A. management objectives.
 - B. staffing requirements.
 - C. operating strategies.
 - D. ownership structures.
45. Which of the following is a benefit of sharing best practices within an organization:
- A. It encourages employees to keep information to themselves.
 - B. It increases time and costs.
 - C. It identifies and fills knowledge gaps.
 - D. It guarantees better decision-making.
46. You have a hard time persuading your coworkers because they don't see you as honest or dependable. You need to develop
- A. punctuality.
 - B. ambition.
 - C. a sense of humor.
 - D. credibility.
47. Calculate the amount a business can budget to spend on new equipment if it estimates sales of \$850,000, expenses of \$415,000, and designates 20% of profit for equipment purchases.
- A. \$88,250
 - B. \$86,750
 - C. \$87,000
 - D. \$85,500
48. When negotiating a service or maintenance contract, how many suppliers should a business consider?
- A. All that are available
 - B. At least two
 - C. Only the largest supplier
 - D. No more than two
49. Which of the following are two internal factors that can influence management decisions:
- A. Communication and organizational structure
 - B. Environmental change and market factors
 - C. Economic environment and corporate objectives
 - D. Political factors and leadership

50. What type of software do many businesses require be installed on computer systems as a security feature?
- A. Reality
 - B. Firewall
 - C. Media
 - D. Spider
51. Which of the following is a positive outcome of participating in team-building activities:
- A. Increased autocratic leadership
 - B. Increased group cooperation
 - C. Decreased negotiating skills
 - D. Decreased creative thinking
52. An established company has achieved a steady, positive cash flow. Which of the following types of funding is it most likely to rely on for unexpected expenses:
- A. Collateral
 - B. Venture capital
 - C. The company's capital structure
 - D. A business line of credit
53. A business has a variable interest rate loan, and the rate increases far more than the business expected. This is one of the _____ of obtaining credit.
- A. risks
 - B. fees
 - C. limits
 - D. penalties
54. When evaluating the customer experience, it is usually more effective for businesses to ask customers
- A. to write reports.
 - B. about competitors.
 - C. specific questions.
 - D. for referrals.
55. Which of the following is the primary tool that businesses use to determine the optimal selling price of a product:
- A. Productivity report
 - B. Capital budget
 - C. Break-even analysis
 - D. Economic forecast
56. Which of the following is a common type of equity financing:
- A. Business credit cards
 - B. Traditional loans
 - C. Lines of credit
 - D. Angel investors

57. Which of the following is a true statement regarding the relationship between risk and business objectives:
- A. The more objectives a business has, the less risk it faces.
 - B. Objectives should never be modified because of risk.
 - C. Risks help businesses determine objectives.
 - D. Effective business objectives are not risky.
58. Why do many businesses encourage team building?
- A. To develop training
 - B. To understand diversity
 - C. To improve performance
 - D. To obtain feedback
59. One way to gain more negotiating power when leasing a business space is to
- A. share the office space with another business.
 - B. focus on a short-term lease.
 - C. choose a market that has plenty of space available.
 - D. settle on a rate of rent increase.
60. The last step in handling employee grievances should be to _____ the problem.
- A. identify
 - B. follow up on
 - C. analyze
 - D. consider
61. To protect a company's website and social media accounts from being hacked, the company should make sure that employees with authorized access
- A. sign a user agreement.
 - B. cannot post digital content.
 - C. use the same password.
 - D. change passwords frequently.
62. Which of the following forms of direct mail is most likely to save money for a business:
- A. Billboards
 - B. Self-mailers
 - C. Color catalogs
 - D. Sales packets
63. When deciding whether to accept credit cards, businesses need to consider the discount rate because the rate is a(n)
- A. receivable.
 - B. expense.
 - C. contract.
 - D. estimate.

64. Which of the following techniques is the best example of leveraging existing business relationships:
- A. Deleting negative client reviews
 - B. Calling clients just to say hello
 - C. Sending holiday cards to clients
 - D. Avoiding meeting new people
65. A complicated, labor-intensive manufacturing process is limited by the number of hours that an employee can work without becoming fatigued. This is an example of how _____ factors influence process design.
- A. technology
 - B. human
 - C. environmental
 - D. regulatory
66. What is a possible downside of obtaining investment from venture capitalists?
- A. The slow rate of growth
 - B. Repaying the money
 - C. Sharing company ownership
 - D. The increased chance of failure
67. What type of tort involves using false statements to damage a person's reputation and good name?
- A. Nuisance
 - B. Defamation
 - C. Civil law
 - D. Misrepresentation
68. A business identifying the customers in one geographic area who have the same needs is an example of selecting a(n)
- A. economic resource.
 - B. target market.
 - C. qualified lead.
 - D. mass audience.
69. Why do businesses often prepare a projected cash flow statement for a period of months?
- A. To analyze expected expenses
 - B. To identify prospective customers
 - C. To review gross profit on sales
 - D. To record current transactions
70. Which of the following is a true statement about the steps in the marketing-research process:
- A. The business can leave out some of the steps in marketing research in certain situations.
 - B. The amount of data being gathered affects the steps in the marketing-research process.
 - C. The order of the steps in marketing research can be changed to suit the business.
 - D. The steps in marketing research must follow a certain order, and none can be eliminated.

71. Why do many businesses identify market segments based on geographic location?
- A. To understand transportation systems
 - B. To locate national boundaries
 - C. To monitor weather conditions
 - D. To determine regional preferences
72. Carlos is thinking through the requirements he needs for his new business. Looking at his business plan, he sees that he needs to consider administrative startup costs. Which of the following would fall in that category:
- A. Marketing materials
 - B. Business permits
 - C. Employee benefits
 - D. Internet access
73. Andrew noticed that his sister was having a problem tying her shoes due to severe arthritis in her hands, so he created a device that helps make the task easier for her to perform. Now, Andrew is talking with a manufacturer who is interested in producing and selling the device on a large scale. How does Andrew's entrepreneurial discovery impact society?
- A. It improves the target market's quality of life.
 - B. It creates an unmet need.
 - C. It encourages reliance on others.
 - D. It solves Andrew's financial problems.
74. Why are news releases considered one of the most effective public relations tools?
- A. People consider news sources more trustworthy.
 - B. News sources have a broader reach than social media.
 - C. News sources only report factual information.
 - D. People are willing to pay for quality news.
75. When a supervisor notifies employees that their performance is below standards and their jobs are in jeopardy, the supervisor should
- A. post the notice on the bulletin board.
 - B. put the notice in writing.
 - C. give verbal notification only.
 - D. email the employees.
76. Which of the following is the best example of an interactive public relations activity:
- A. Newsletter
 - B. Website
 - C. Press conference
 - D. Press release

77. The Lyle Group is incorporating an enterprise risk management (ERM) plan to better manage its risk this year. The Lyle Group should include its finalized ERM plan in its _____ to make the information available to all stakeholders.
- A. quarterly projections
 - B. annual report
 - C. balance sheet
 - D. annual budget
78. Which of the following terms best describes an ethical manager who makes decisions about employees by considering only their performance:
- A. Prejudiced
 - B. Fair
 - C. Inferior
 - D. Cooperative
79. When a manufacturer changes a product's package to give the product a new, more attractive, or updated look, the product-mix strategy being utilized is called
- A. positioning.
 - B. expansion.
 - C. trading-up.
 - D. alteration.
80. A feasibility study can form a solid foundation for which of the following business documents:
- A. Annual sales report
 - B. Balance sheet
 - C. Income statement
 - D. Business plan
81. Before building your company's unique selling proposition (USP), ask yourself if
- A. you can afford the advertising costs.
 - B. there are any successful ones you can copy.
 - C. you already have one without realizing it.
 - D. you really need one to be successful.
82. Important factors that a business considers when making decisions about its product mix include the product lines' width, length, and
- A. consistency.
 - B. adaptability.
 - C. capacity.
 - D. originality.

83. The Skintastic Cosmetic Company implemented a challenging sales promotion in which its independent sales consultants could earn bonuses, prizes, and vacations. This is an example of a company using _____ as a sales incentive.
- A. push money
 - B. cooperative advertising
 - C. loyalty programs
 - D. sweepstakes
84. What financial tool do entrepreneurs use to plan, monitor, and manage their ventures' income and expenses?
- A. Inbound-call report
 - B. Request for proposal
 - C. Operating budget
 - D. Environmental scan
85. Why is it important for businesses to analyze the competition on a regular basis?
- A. To determine ways to compete
 - B. To understand laws regulating competition
 - C. To eliminate competitors
 - D. To compete on an ethical basis
86. When the YRQ Company pays its entry-level employees the lowest amount of money per hour that the government allows, it is complying with
- A. labor-union regulations.
 - B. minimum-wage laws.
 - C. equal-credit policies.
 - D. worker-compensation rulings.
87. What should a company review to determine whether the business is profitable?
- A. Income statement
 - B. Monthly sales receipts
 - C. Accounts receivable ledger
 - D. Cash flow statement
88. Every six months, a company holds a meeting for all shareholders and explains how the company has been performing financially. Which component of a well-governed company is this an example of?
- A. Fairness
 - B. Transparency
 - C. Accountability
 - D. Viability
89. Existing businesses need to provide what kind of data in the financial plan component of their business plans?
- A. Competitive financial data
 - B. Contracts and licenses
 - C. Historical financial data
 - D. Management resumes

90. Which of the following is characteristic of a proactive business:
- A. Reacting to changes made by competitors
 - B. Taking action to create marketing opportunities
 - C. Using a creative promotional mix
 - D. Watching for any changes in the external environment
91. What does it mean to obtain sponsorship within the organization during the change management process?
- A. Securing the approval and involvement of senior executives
 - B. Gaining acceptance of the change from company stockholders
 - C. Obtaining funding for the change from an external sponsor
 - D. Earning the support of other companies in the industry
92. What type of planning involves setting short-term goals for a new business venture?
- A. Strategic
 - B. Tactical
 - C. Systematic
 - D. Environmental
93. What is an external market factor that might affect the accuracy of sales forecasts?
- A. Operating policies
 - B. Price revisions
 - C. Economic changes
 - D. Previous records
94. Kaitlynn recently opened a new dance studio and has decided to apply to her local bank for a loan to begin a new advertising campaign. Kaitlynn's decision describes which of the following business functions:
- A. Risk management
 - B. Accounting
 - C. Promotion
 - D. Financing
95. Why do interviewers usually focus on asking questions that are related to a job applicant's performance?
- A. To understand complaints
 - B. To take remedial action
 - C. To plan future training
 - D. To determine qualifications
96. Calculating total revenue and marginal revenue is one way for businesses to determine
- A. supply and demand.
 - B. output and profit.
 - C. cause and effect.
 - D. assets and liabilities.

97. Ken is a manager for a local company. He has collected bids from several area trucking companies and is currently comparing them with the invoices of the company's current trucking service to determine which one is the best transportation vendor for the company to use. Ken is analyzing business data in relation to
- A. distribution.
 - B. production.
 - C. product management.
 - D. financial resources.
98. Which of the following is an important advantage for the corporate form of business ownership:
- A. Ease of making major policy changes
 - B. Ease of starting and dissolving
 - C. Ability to raise large amounts of capital
 - D. Relatively little government regulation
99. Sally wants to incorporate her company and contracts a law firm to handle the legal aspects of the process. This is an example of
- A. staffing.
 - B. exporting.
 - C. designating.
 - D. outsourcing.
100. The information in an action plan describes an organization's
- A. business concept.
 - B. vision and mission.
 - C. strategies for handling emergencies.
 - D. strategies for reaching its business goals.



KEY

Test Number 1301

Entrepreneurship Exam

Entrepreneurship Operations

CAUTION: Posting these materials on a website is a copyright violation.

This comprehensive exam was developed by the MBA Research Center exclusively for DECA's 2023-2024 Competitive Events Program. Items have been randomly selected from the MBA Research Test-Item Bank and represent a variety of instructional areas. Performance indicators for this exam are at the prerequisite, career-sustaining, specialist, manager, and owner levels. A descriptive test key, including question sources and answer rationale, has been provided to the DECA chartered association advisor.



Copyright © 2024 by Marketing & Business Administration Research and Curriculum Center®, Columbus, Ohio (dba MBA Research). Each individual test item contained herein is the exclusive property of MBA Research. Items are licensed to DECA only for use as configured within this exam, in its entirety. Use of individual items for any purpose other than as specifically authorized is prohibited. **Possession of this exam, without written authorization, under any other circumstances is a copyright violation.** Posting to inter- or intranet sites is specifically forbidden unless written permission is obtained prior to posting. Report violations to DECA at 703.860.5000 and MBA Research at 800.448.0398. Permission for reprinting is granted to DECA chartered associations authorized by DECA Inc.

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

1. D

The board of directors. The board of directors is the primary stakeholder affecting corporate governance. The board of directors exists to make important decisions for the company, including appointing corporate officers, setting executive compensation, and making dividend policies. The board of directors directly influences the company's corporate governance. Company shareholders, employees, and executives are not the primary stakeholders affecting corporate governance.

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

SOURCE: Chen, J. (2023, March 22). *Corporate governance definition: How it works, principles, and examples*. Retrieved October 2, 2023, from <https://www.investopedia.com/terms/c/corporategovernance.asp>

2. B

Continuation planning. Continuation planning is a plan for the future of a business to ensure that it continues operating successfully when the founder or leader transitions out of their role. If Reece Engineering Firm had a continuation plan in place, it would have been able to prevent the loss of clients and profits that occurred when the founder stepped down. Idea generation, feasibility studies, and risk-taking would not have helped Reece Engineering Firm in this instance.

SOURCE: EN:034 Explain the need for continuation planning

SOURCE: Cincinnati Life. (n.d.). *6 common mistakes in business continuation planning*. Retrieved October 2, 2023, from <https://blog.cinfin.com/2017/05/30/life-insurance-business-continuation-planning/>

3. D

Word-of-mouth. Word-of-mouth marketing is the promotion and publicity for a business provided by customers who tell others of their satisfaction with a business or product. Tom hopes that social media influencers will tell others about his album and thereby increase sales. Ambush marketing is a promotional technique whereby a non-sponsoring business tries to associate with an event to gain recognition as a sponsor. Business-to-business (B2B) marketing involves creating, promoting, and selling goods and services to other businesses or organizations. Mass marketing involves designing products and directing marketing activities to appeal to the whole market. Mass marketing is also known as undifferentiated marketing.

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

SOURCE: Meyers, J. (n.d.). *What is word-of-mouth advertising?* Retrieved October 3, 2023, from <https://yourbusiness.azcentral.com/wordofmouth-advertising-5692.html>

4. B

Interest on a loan. Prices are attached to anything of value for which consumers are willing to make a money exchange. When a customer obtains a loan from a financial institution, the customer repays the loan with interest. The interest is the price the customer pays to the bank for the purchase of the loan. A debit to an account occurs when a customer writes a check or withdraws funds from an account and does not necessarily involve a fee to the bank. The balance on a loan is the amount remaining to be repaid. A credit to an account involves depositing funds to an account.

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

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

5. A

Out-of-home. Certain spots (e.g., bus stations) outside of the home attract a large percentage of people from different backgrounds, thereby providing the perfect opportunity to expose them to a message over and over again. Radio advertisements last for only as long as they are on the air, and they are targeted at a very specific group of listeners. Once people are finished reading newspapers, they typically throw them away. In addition, not as many people read newspapers as drive by public places over and over again. Directory advertising is a great opportunity to appeal to people who are looking for the business's contact information, but rarely is there repeated exposure to an ad.

SOURCE: PR:007 Explain types of advertising media

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

6. D

Emotional. One of the many risks entrepreneurs take when starting a new venture—aside from industry risk, market risk, product risk, financial risk, career risk, etc.—is emotional risk. Emotional risk usually stems from sacrificing home and family life for business work and can lead to marital strain and other family problems. In this scenario, Bryan's partner is displeased about how Bryan's work will affect their family. Financial, technology, and reputational risks are very possible for entrepreneurs, but they are not demonstrated in this scenario.

SOURCE: EN:010 Assess risks associated with venture

SOURCE: Hayes, A. (2022, November 13). *What risks does an entrepreneur face?* Retrieved October 2, 2023, from <https://www.investopedia.com/ask/answers/040615/what-risks-does-entrepreneur-face.asp>

7. D

Determine the duties of the job. The business must decide exactly what the worker will be doing on the job in order to choose the job applicant whose skills are most appropriate. After the job duties are defined, the firm can decide which methods to use in screening and selecting applicants and advertise the job opening or contact a local recruitment source for applicants.

SOURCE: HR:356 Select and hire new employees

SOURCE: Wright State University. (2023). *Writing an effective job description*. Retrieved October 5, 2023, from <https://www.wright.edu/human-resources/writing-an-effective-job-description>

8. B

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

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

SOURCE: U.S. Office of Personnel Management. (n.d.). *Developing performance standards*. Retrieved October 2, 2023, from <https://www.opm.gov/policy-data-oversight/performance-management/performance-management-cycle/planning/developing-performance-standards>

9. B

To identify new business opportunities through the investigation process. By conducting feasibility studies, prospective business owners investigate whether business ideas are viable. The studies help to narrow the scope of the business ideas being considered. It's unlikely that one of the ideas will surface as "the" business idea to pursue. Conducting a feasibility study will not guarantee the success of a business venture; however, it will help to address many of the issues that a business will confront in the long term. Conducting a feasibility study is not likely to help you select the form of business ownership for your venture. Unless competitors are publicly-traded companies, you will not have access to their financial information. What you do learn about the competition is whether there are a few or many competitors, the barriers/ease of entry into the market or industry, the concentration and competitiveness of vendors and buyers, and price competitiveness.

SOURCE: EN:038 Determine feasibility of venture ideas

SOURCE: Investopedia. (2023, March 17). *Feasibility study*. Retrieved October 2, 2023, from <https://www.investopedia.com/terms/f/feasibility-study.asp>

10. A

Understand the risks involved. A business plan is the written document that is developed before starting a business. It explains the goals and objectives of the company and how the company intends to achieve those goals. Developing a business plan helps the business understand the risks it might face and develop strategies to overcome possible problems. All businesses face some type of risk, and being aware of that often helps the business be successful. A business plan is not developed to organize the operation, create a safe work environment, or identify a maintenance system.

SOURCE: SM:007 Explain the nature of business plans

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

11. D

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

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

SOURCE: Invest Northern Ireland. (n.d.). *Choosing suppliers for your business*. Retrieved October 2, 2023, from <https://www.nibusinessinfo.co.uk/content/choose-between-single-or-multiple-supplier-strategy>

12. A

Human resources records. A company's human resources records include employee attendance as well as notes (positive or negative) about each employee's performance. Production records would not be helpful in evaluating customer service employees because those employees do not work in the part of the company that produces the products. R&D records are not helpful because customer service employees do not work in research and development. Inventory records track the products in the warehouse, which is not the responsibility of the customer service department.

SOURCE: NF:014 Monitor internal records for business information

SOURCE: Management Study Guide. (n.d.). *Personnel records*. Retrieved October 2, 2023, from <https://www.managementstudyguide.com/personnel-records.htm>

13. D

To obtain systems that perform required functions. There is a wide selection of hardware and software systems, and not all systems meet the specific needs of all businesses. Therefore, businesses establish specifications so they will obtain the systems that have the capability of performing the required functions. For example, some businesses need only basic hardware and a few software programs such as Microsoft Word and Excel. Other businesses may need more complex hardware and a vast selection of software programs to manage manufacturing, distribution, billing, and customer service. Businesses do not establish specifications to develop training programs for employees, to analyze the prices of various vendors, or to keep up with the latest technological fads.

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

SOURCE: Leung, M. (2022, March 4). *Choosing the right hardware and software for your business*. Retrieved October 13, 2023, from <https://www.pccorp.com/pc-corp-blog/choosing-the-right-hardware-and-software-for-your-business>

14. A

Exchange price. An exchange price is the amount of money that the buyer is willing to pay and the seller is willing to accept for a good or service. A market share is an organization's portion of the total industry sales in a specific market. Promotion decisions refer to the selection of the various types of communications that marketers use to inform, persuade, or remind customers of their products. Pricing objectives are goals a company hopes to accomplish through its pricing strategies.

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

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

15. A

Fixed expense. The costs of doing business that do not fluctuate with changes in sales volume are known as fixed expenses. Payments for such items as insurance, taxes, and interest are fixed amounts that the business owner must pay on a regular basis. Variable expenses may change depending on changes in the volume of sales and include such items as employee salaries, supplies, and advertising. Interest is the amount of money businesses pay for borrowing capital. Legal expenses include costs for lawyers and fees for government licenses.

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

SOURCE: LAP-OP-024—Watch Your (Over) Head (Overhead/Operating Costs)

16. A

Give away useful products to customers. Companies using specialty advertising typically place company and product information on useful items, such as calendars and key rings, and then distribute these items to current and potential customers. Specialists who prepare advertisements are advertising agencies. The firm's name in lights on a building is out-of-home advertising. Premiums are given, not sold, to customers.

SOURCE: PR:007 Explain types of advertising media

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

17. D

Separate duties. One way a business can organize and improve its workflow is by encouraging its employees to separate duties. If a manager makes sure each individual has their own assigned tasks, it eliminates confusion as to who is working on what and prevents multiple employees from working on the same task. Prioritizing multitasking, avoiding breaks, and taking work home are not ways to organize and improve workflow. Employees should avoid multitasking, as working on several tasks at once can force the brain to go into overload from the constant back and forth between projects, which slows down progress and productivity. Taking breaks is important, as it refreshes the mind and will allow employees to have more focus when returning to their tasks. Employees should avoid taking their work home. If an employee knows they will have more time to work on something later, they may not be as productive during the workday. In addition, working from home after working in the office could cause restlessness and can increase exhaustion.

SOURCE: EN:027 Explain methods/processes for organizing workflow

SOURCE: Post, J. (2023, February 21). *13 ways to improve your office workflow*. Retrieved October 2, 2023, from <https://www.business.com/articles/5-ways-to-improve-your-office-workflow/>

18. C

Negotiates a lease agreement with a property owner. A lease is a contract to use property that belongs to someone else for a specific period of time and a specific amount of rent. When a small-business owner negotiates a lease with the property owner, they must consider many factors including the rent amount, the property taxes, and property insurance. Property owners may include taxes and insurance in the leaser's monthly rent amount, or they may bill the taxes and insurance separately at certain intervals. The small-business owner (leaser) must understand how the property owner handles these types of payment before signing the lease. Rent, (property) insurance, and property taxes are not primary factors that small-business owners consider when they apply for trademark protection with the government, hire new employees, or develop labor contracts.

SOURCE: OP:028 Negotiate lease or purchase of facility

SOURCE: Murray, J. (2019, May 5). *7 tips to get the best terms for a commercial lease*. Retrieved October 13, 2023, from <https://www.thebalancemoney.com/how-to-get-the-best-terms-for-a-commercial-lease-398075>

19. C

Increases; increases. Our economy is always changing. When we experience good economic conditions, jobs are plentiful, and most people are able to buy what they want or need. With increased spending, demand increases. When demand is higher than producers can meet, prices go up. As economic growth slows down, demand begins to fall because consumers cut back on spending. Businesses reduce their prices in order to survive until demand increases.

SOURCE: PI:002 Explain factors affecting pricing decisions

SOURCE: Chen, J. (2020, November 27). *Economic conditions*. Retrieved October 2, 2023, from <https://www.investopedia.com/terms/e/economic-conditions.asp>

20. C

Management; stakeholders. Internal audits are performed for management within a company to analyze practices and examine risks. External audits are done by outside firms and are used by stakeholders such as investors, creditors, and lenders. External audits are generally not used by employees, management, or competitors. Internal audits are not used by stakeholders or creditors.

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

SOURCE: AccountingTools. (2023, February 26). *The difference between internal and external audits*. Retrieved October 2, 2023, from <https://www.accountingtools.com/articles/the-difference-between-internal-and-external-audits.html>

21. C

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

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

SOURCE: Tallyfy. (2014-2021). *Importance of process thinking in business management*. Retrieved October 2, 2023, from <https://tallyfy.com/process-thinking/>

22. C

Identify hazards. The first step of assessing risk is to identify any potential hazards that could affect your organization. Hazards have the potential to cause harm, and risk is the likelihood of that harm being realized. Confirming that hazards have been eliminated, monitoring controls, and determining the likelihood of harm are steps that follow the identification of hazards.

SOURCE: RM:094 Assess business risks

SOURCE: Canadian Centre for Occupational Health and Safety. (2023, June 13). *Hazard and risk*. Retrieved October 3, 2023, from https://www.ccohs.ca/oshanswers/hsprograms/hazard/risk_assessment.html

23. C

Complaint. A complaint is an oral or written expression of an employee's dissatisfaction. It may involve working conditions, procedures, fellow employees, supervisors, wages, work schedules, etc. All complaints should be investigated promptly before they become grievances. A comment about one's job may be positive or negative. A compromise is a settlement in which both sides make concessions. A compliment is an admiring or positive remark.

SOURCE: HR:366 Handle employee complaints and grievances

SOURCE: Indeed. (2023). *Employee complaints: Properly listening to team members*. Retrieved October 13, 2023, from <https://www.indeed.com/hire/c/info/employment-complaints>

24. B

A company uses recycled materials in its products. Showing concern for the environment is one way that companies demonstrate corporate responsibility. Corporate responsibility involves going above and beyond just following rules and regulations—paying taxes on time is expected of each and every company by the law. Expanding facilities does not necessarily exhibit concern for the community, the environment, or employees. Offering professional development to employees is considered providing proper training, not demonstrating corporate responsibility.

SOURCE: MK:019 Demonstrate connections between company actions and results (e.g., influencing consumer buying behavior, gaining market share, etc.)

SOURCE: LAP-MK-019—Just Do It...Right (Company Actions and Results)

25. B

Persons over the age of 40. The Equal Employment Opportunity Commission administers the Age Discrimination in Employment Act, which is designed to protect older persons in the workplace. The act gives persons over the age of 40 some protection from certain arbitrary discrimination such as being fired for no cause. For example, a business may not fire an older employee simply because of the person's age or because they are in a high pay category. Persons over the age of 40 receive some protection regardless of whether they earn minimum wage. Temporaries and freelancers are not protected, because they work on an as-needed basis and are not considered regular employees.

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

SOURCE: USAGov. (n.d.). *Equal Employment Opportunity Commission (EEOC)*. Retrieved October 13, 2023, from <https://www.usa.gov/agencies/equal-employment-opportunity-commission>

26. C

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

SOURCE: CM:009 Explain the nature of channel strategies

SOURCE: Indeed. (2023, March 3). *What is intensive distribution? Definition and examples*. Retrieved October 13, 2023, from <https://www.indeed.com/career-advice/career-development/intensive-distribution>

27. B

Discount coupons. Sales promotion involves promotional activities other than advertising, personal selling, and publicity that stimulate customer purchases. Couponing is a sales promotion activity. Discount coupons are printed certificates that entitle the holder to a reduced purchase price. Coupons are a communication channel used in sales promotion because they are a means of providing information to others. Package labels, newspaper ads, and television commercials are not communications channels used in sales promotion.

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

SOURCE: Epstein, L. (2022, December 17). *Advantages and disadvantages of using coupons for your business*. Retrieved October 3, 2023, from <https://www.investopedia.com/articles/personal-finance/051815/pros-cons-using-coupons-your-business.asp>

28. D

Accounts receivable are 15% less than budgeted. Budget information is only useful if a business monitors it regularly and uses it to make changes in order to control operations. If a business finds that its accounts receivable are 15% less than budgeted, the business needs to make changes to increase sales or to reduce expenses. If the business does not use this information to make changes, it will end up losing money for the year and may need to obtain loans in order to continue operating. If credit card sales are 25% of total business and investment income is the same as last year, a business probably does not need to make changes. If operating expenses are 5% less than budgeted, the business will probably earn more profit.

SOURCE: OP:030 Use budgets to control operations

SOURCE: Hayes, A. (2022, August 5). *What accounts receivable (AR) are and how businesses use them, with examples*. Retrieved October 2, 2023, from <https://www.investopedia.com/terms/a/accountsreceivable.asp>

29. D

Liability. Liability coverage is required by law in most states/provinces because it protects other citizens from damages caused by automobile drivers. Liability coverage pays for damages or injuries to others, but it does not pay anything for the insured person's own losses. State/Provincial laws vary, but many states/provinces do not require collision, full coverage, or personal injury protection.

SOURCE: FI:082 Obtain insurance coverage

SOURCE: Allstate. (2022, April). *Liability insurance: How to stay protected*. Retrieved October 2, 2023, from <https://www.allstate.com/resources/car-insurance/liability-car-insurance-cover>

30. A

Environmental scanning. When Gary collects information about the environment surrounding his business, he is participating in environmental scanning. This process of gathering external information is an important part of SWOT analysis and the strategic planning process. External information can include technological advances, competitors' developments, the needs of customers, economic trends, and new laws or policies. Threat appraisal, competition assessment, and information collecting are not terms that apply to gathering external information.

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

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

31. D

Referral. One way that companies can recruit employees is through referrals. Referrals occur when a contact recommends another person for a position. Diego was referred to Lilian through Tanisha, who is a friend of Lilian's, so this is a referral. Referrals are a good way to find employees when a business is just getting off the ground. This is not an example of using a recruiting agency, job board, or digital networking to find an employee.

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

SOURCE: Ricketts, C. (2015, April 29). *The exact hiring formula that will help you find the right people*. Retrieved October 2, 2023, from <https://www.fastcompany.com/3045448/the-exact-hiring-formula-that-will-help-you-find-the-right-people>

32. C

Operational activities. The sales forecast, the prediction of future sales over a specific period of time, is the basis for many other operational activities. The forecast affects decisions about production, distribution, purchasing, promotion, etc. Therefore, the sales forecast needs to be as accurate as possible so the business correctly plans the other operational activities. For example, if the forecast is too high, a business might produce substantially more product than it will be able to sell. A sales forecast is not the basis of pricing strategies, business reports, or management techniques.

SOURCE: MP:014 Forecast sales for marketing plan

SOURCE: Metcalf, T. (2018, April 5). *Top 10 reasons why sales forecasting is important*. Retrieved October 3, 2023, from <https://bizfluent.com/top-10-reasons-why-sales-forecasting-is-important.html>

33. C

Target market. The target market is the group of consumers on whom the business focuses its marketing efforts. An important part of developing a marketing plan involves selecting the target market because the purpose of the marketing plan is to establish procedures or strategies for attracting those target customers. A business needs to know which customers it is trying to reach in order to make decisions about how to reach them. Businesses often conduct research in order to gather important information before starting to develop a marketing plan. Once a marketing plan has been developed, a business might select a distribution agent and a sales force.

SOURCE: MP:018 Develop marketing plan

SOURCE: Investopedia. (2023, May 22). *Target market: Definition, purpose, examples, market segments*. Retrieved October 3, 2023, from <https://www.investopedia.com/terms/t/target-market.asp>

34. D

The aging of the population. The aging of the population is a demographic trend since it refers to demographic data (age). Shifting political climates is a governmental or political trend. Rising interest rates is an economic trend. A concern for fitness and health is a social/cultural attitude.

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

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

35. B

Merges with another company. An alteration to a company's current business process is considered a business process change. If a company undergoes a significant change, such as merging with another company, it requires a change in business procedures. Planning a meeting for Friday and having a profitable quarter are not reasons to change a business process. If a company goes out of business, it will no longer have business processes.

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

SOURCE: The Hackett Group. (n.d.). *Enabling business process change*. Retrieved October 2, 2023, from <https://www.thehackettgroup.com/business-process-change-hackett/>

36. A

Customer satisfaction levels. Quality management is the coordination of resources to ensure the degree of excellence of a process, good, or service. One aspect of quality management involves customer satisfaction levels with the business's products. To gauge customer satisfaction levels in relation to product quality, the business monitors sales and obtains and evaluates customer feedback. If customers are satisfied with product quality, customer feedback is likely to be positive, and sales will be steady or will increase. If product quality is declining, customer feedback will likely be negative, complaints and returns may increase, and sales may decrease. Factors that may affect customer satisfaction levels include the product's durability, the product's performance, and customer service. The efficiency of the production process and the employees' performance levels do not always affect product quality.

SOURCE: QM:001 Explain the nature of quality management

SOURCE: Money Instructor. (2002-2023). *How to measure business quality*. Retrieved October 3, 2023, from <https://content.moneyinstructor.com/1380/business-quality.html>

37. D

Place. Supply chain management (SCM) is the career area in which employees supervise the flow of goods and services as well as all processes that transform raw materials into final products, and getting those products into the marketplace. Place is the marketing mix element that deals with SCM because SCM involves the process of taking goods and services from their raw beginnings to customers. The place element of the marketing mix focuses on getting a product in the right place at the right time. The product element of the marketing mix focuses on what goods, services, or ideas a business will offer its customers. The price element deals with the amount of money marketers will ask in exchange for their products. The promotion element refers to the various types of communications that marketers use to inform, persuade, or remind customers of their products.

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

SOURCE: Fernando, J. (2022, July 7). *Supply chain management (SCM): How it works and why it is important*. Retrieved October 2, 2023, from <https://www.investopedia.com/terms/s/scm.asp>

38. C

Checking accounts and loans. Banks offer a variety of services, but the two most important services to most businesses are checking accounts and loans. As a rule, businesses need checking accounts to pay expenses and deposit income. They also need either short-term or long-term loans on various occasions. Businesses usually obtain both services from the same bank because they develop a relationship with that bank. Money orders, credit cards, safe-deposit boxes, financial advice, certified checks, and savings accounts are other services that businesses might use, but they are not the most important because they are not used as routinely as checking accounts and loans.

SOURCE: FI:039 Analyze critical banking relationships

SOURCE: Pritchard, J. (2021, March 4). *How to choose the best bank for your needs*. Retrieved October 13, 2023, from <https://www.thebalancemoney.com/choosing-a-bank-315757>

39. A

Seed funding. Seed funding is a financing option that involves an investment in the early stages of a startup, often from the startup founders and friends or family. Also often called "friendly money," this type of financing tends to come from those who believe in the founders and their aspirations. Bridge financing comes later in the progress of a startup to help until long-term financing is available. Impact investing is a type of funding for social ventures. Crowdfunding is the process of raising funds from a large group of people, usually via the internet.

SOURCE: EN:016 Select sources to finance venture creation/start-up

SOURCE: Allen, K.R. (2020). *Launching new ventures* (8th ed.) [p. 267]. Boston, MA: Cengage Learning, Inc.

40. B

"You won't regret this decision—I am confident my idea will help our organization." This statement would be appropriate to say after successfully selling an idea to others because it helps the audience feel good about their decision, rather than raising potential doubts about your idea's likelihood for success. The other three alternatives lack confidence in the idea, which would likely lead the audience to question their decision.

SOURCE: EI:108 "Sell" ideas to others

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

41. D

Neutral. The goal of a group brainstorming session is to generate as many ideas as possible within a set amount of time. The facilitator's role is to guide the discussion and record the group's ideas. It is important for the facilitator to remain neutral or objective when group members share their ideas. By remaining objective and not judging or criticizing ideas, the facilitator helps the group feel comfortable and more willing to provide input. Part of the facilitator's role is to keep the group on track, so the facilitator should exhibit assertive behavior rather than a passive attitude. Exhibiting an authoritarian or rigid attitude may prevent group members from sharing their ideas.

SOURCE: EN:006 Generate venture ideas

SOURCE: Indeed. (2022, June 24). *10 steps for brainstorming facilitation*. Retrieved October 2, 2023, from <https://www.indeed.com/career-advice/career-development/brainstorm-facilitation>

42. A

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

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

SOURCE: The Hackett Group. (2023). *Enabling business process change*. Retrieved October 13, 2023, from <https://www.thehackettgroup.com/business-process-change-hackett>

43. D

Standards. Standards are specifications or statements that are used as a basis for comparing or judging goods and services. Businesses establish standards as a way to measure and evaluate their channel members' performance levels. If a channel member is performing below the standard a business has set, the business may work with the channel member to improve its performance or decide to terminate the relationship. Collateral is anything of value belonging to the borrower that is pledged to a lender to guarantee that a loan will be repaid. Predictions are estimations or forecasts. Incentives are things that will fulfill certain desires. A business does not use collateral, predictions, or incentives to evaluate how its channel members are currently performing.

SOURCE: CM:011 Evaluate channel members

SOURCE: Lucas, K. (n.d.). *Performance evaluation standards*. Retrieved October 3, 2023, from <https://smallbusiness.chron.com/performance-evaluation-standards-80718.html>

44. C

Operating strategies. Operating strategies are the plans of action for running the business. When a business develops a business plan, it decides how the business will operate and the steps it will take to function effectively and be successful. It is important to analyze the effectiveness of these operating strategies to track the performance of the business plan to make sure the plan is successful. In some cases, businesses need to make changes to their operating strategies to improve performance. Businesses establish objectives, determine the ownership structure, and set staffing requirements in the process of preparing a business plan.

SOURCE: SM:006 Track performance of business plan

SOURCE: McQuerrey, L. (n.d.). *How to monitor & control your business plan*. Retrieved October 2, 2023, from <https://smallbusiness.chron.com/monitor-control-business-plan-41401.html>

45. C

It identifies and fills knowledge gaps. One benefit of sharing best practices within an organization is that it helps identify and fill knowledge gaps. Sharing best practices with key individuals and groups also nurtures a learning culture, generates creative ideas, increases efficiency, and creates a supportive community. Sharing best practices does not guarantee better decision-making. It decreases time and costs, and it encourages employees to share information.

SOURCE: EI:115 Share best practices with key individuals and groups

SOURCE: Memari, E. (2018, May 9). *9 benefits of sharing best practices in an organization*. Retrieved October 2, 2023, from <https://elearningindustry.com/sharing-best-practices-organization-9-benefits>

46. D

Credibility. Persuading others isn't always easy, but there are steps you can take toward being more persuasive. The first step lies in developing personal credibility. When you have credibility, others trust and believe what you say. Credible people are seen as experts, they tell the truth, and they are dependable. Having a sense of humor, being punctual, and having ambition can all be important traits at work, but they do not necessarily help your coworkers see you as honest or dependable.

SOURCE: EI:012 Persuade others

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

47. C

\$87,000. When businesses develop budgets, they usually prepare a capital budget which allows a certain amount of money for the purchase of new or replacement equipment. In many cases, the amount they budget is based on a percentage of profit. In this example, to calculate the amount a business can budget for new equipment, first determine the amount of profit by subtracting expenses from sales ($\$850,000 - \$415,000 = \$435,000$). Then calculate 20% of profit ($\$435,000 \times 20\%$ or $.20 = \$87,000$).

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

SOURCE: Kenton, W. (2023, April 18). *Capital budgeting: Definition, methods, and examples*. Retrieved October 2, 2023, from <https://www.investopedia.com/terms/c/capitalbudgeting.asp>

48. B

At least two. When negotiating a service or maintenance contract, a business should consider at least two suppliers. This will allow the business to obtain competitive prices, retain bargaining power, and learn more about each supplier. Attempting to negotiate with every possible supplier could prove overwhelming. Negotiating with only the largest supplier limits bargaining power and may not obtain the best price. Limiting negotiations to no more than two suppliers may also reduce competitive bargaining, particularly if there are additional suppliers who may offer better prices.

SOURCE: OP:027 Negotiate service and maintenance contracts

SOURCE: LinkedIn. (n.d.). *How do you negotiate contracts and fees with vendors and suppliers for your events?* Retrieved October 2, 2023, from <https://www.linkedin.com/advice/0/how-do-you-negotiate-contracts-fees-vendors-suppliers>

49. A

Communication and organizational structure. Two internal factors that can influence management decisions are communication and organizational structure. Internal factors are forces that exist within the company itself that influence decisions and operations. Other examples of internal factors are leadership, corporate objectives, human resources, and financing. Political factors, economic environment, environmental change, and market factors are all external factors. External factors are forces operating in the business environment that are outside of an individual business's control.

SOURCE: SM:028 Describe factors that influence management

SOURCE: Gleeson, P. (2019, February 5). *Purpose of organizational structure*. Retrieved October 13, 2023, from <https://smallbusiness.chron.com/purpose-organizational-structure-3812.html>

50. B

Firewall. Firewall software is intended to prevent unauthorized access to a computer network. Many businesses require firewall software to be installed on their computer systems because their systems are networked, and hackers could destroy or steal valuable data. Firewall software is a security feature that helps protect a business's computer network. Businesses do not install reality, spider, or media software as a security feature.

SOURCE: NF:012 Determine venture's information technology needs

SOURCE: Cisco. (n.d.). *What is a firewall?* Retrieved October 2, 2023, from <https://www.cisco.com/c/en/us/products/security/firewalls/what-is-a-firewall.html>

51. B

Increased group cooperation. Team building involves developing skills and attitudes of support and collaboration among employees and management to accomplish company goals and objectives. The purpose of team-building activities is to build trust, respect, openness, and honesty among the team members. When team members feel comfortable with one another, the team becomes more cooperative; the team members increase their effectiveness in working together to accomplish their goals. When a team works together (cooperates), the team's negotiating and problem-solving skills usually improve. Team cooperation also improves the quality of feedback and creates an environment in which all members can provide leadership based on their unique skills. Autocratic leadership does not promote a team-oriented effort. Autocratic leadership is a dictatorial leadership style in which one leader determines all policies, maintains close control, and lets employees know only what they need to know to do the job.

SOURCE: EI:044 Encourage team building

SOURCE: Deiratani, A. (2021, September 13). *12 reasons team building is important for your company*. Retrieved October 13, 2023, from <https://www.teambonding.com/6-reasons-for-team-building>

52. D

A business line of credit. An established company with a positive cash flow is most likely to rely on a business line of credit for any unexpected expenses. Many businesses maintain a business line of credit as a flexible funding tool to pay for unanticipated business expenses. A company with a positive cash flow has little need to use collateral or venture capital for funding. Collateral refers to property that a borrower offers to a lender to secure a loan. Venture capital refers to financing that investors provide to startup companies and small businesses that have long-term growth potential. Capital structure refers to a company's mix of financing, usually a combination of debt and equity.

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

SOURCE: Vitez, O. (2017, September 26). *What are the purposes of business finance?* Retrieved October 13, 2023, from <https://bizfluent.com/list-6787756-purposes-business-finance-.html>

53. A

Risks. Many small businesses obtain variable interest rate loans because the rates are low at the time they negotiate the loan. The risk involved with these types of loans is that the rate will increase far more than the business expects, which makes borrowing the money very expensive. It is risky to obtain variable interest rate loans unless the business negotiates a maximum cap on the rate. That way, the business knows that the interest rate will not exceed a certain number. For example, if the variable rate is currently 5%, a business might negotiate a cap of 9%. A rising interest rate is not a penalty, fee, or limit. However, there are fees associated with obtaining loans, and there may be penalties if the business pays off the loan ahead of schedule.

SOURCE: FI:041 Identify risks associated with obtaining business credit

SOURCE: Chen, J. (2021, March 31). *Variable interest rate: Definition, pros & cons, vs. fixed*. Retrieved October 2, 2023, from <https://www.investopedia.com/terms/v/variableinterestrate.asp>

54. C

Specific questions. Businesses evaluate the customer experience to find out if customers are satisfied with the business and if the business is meeting the customers' expectations. To do that, businesses often send questionnaires to customers or meet with customers to obtain feedback. The information they obtain from customers helps businesses evaluate how they are doing as far as satisfying customers. If the feedback indicates problems, businesses can make changes to provide a more satisfactory customer experience. When evaluating the customer experience, businesses do not typically ask customers about competitors, for referrals, or to write reports.

SOURCE: PM:138 Evaluate customer experience

SOURCE: Vertical Response. (n.d.). *15 steps to create an effective customer survey*. Retrieved October 3, 2023, from <https://verticalresponse.com/blog/steps-to-create-an-effective-customer-survey/>

55. C

Break-even analysis. A break-even analysis is a financial assessment that identifies various levels of sales that a business needs to achieve to reach the break-even point at various prices. The break-even point is the level of sales at which revenues equal total costs. When the business's revenues exceed the total costs, it is making a profit. The break-even analysis helps the business determine the optimal selling price for a product by examining the various sales levels in relation to their break-even points. A capital budget is a long-term plan for financing business projects and expansions. A productivity report summarizes the relationship between the business's inputs and its outputs. An economic forecast is a prediction of what may happen in a nation's economy. An economic forecast may be a factor that a business considers when it evaluates selling prices; however, the economic forecast is not a tool that the business uses to determine various break-even points.

SOURCE: OP:192 Conduct breakeven analysis

SOURCE: Richards, D. (2019, October 2). *How to do a breakeven analysis*. Retrieved October 2, 2023, from <https://www.thebalancemoney.com/how-to-do-a-breakeven-analysis-1200834>

56. D

Angel investors. Equity financing is the process of selling shares to raise capital. Investors that buy the shares hope to share in the future profits of a business or project. A common type of equity financing are angel investors (wealthy individuals who invest a significant portion in exchange for a large ownership percentage). Other common types of equity financing are venture capitalists and equity crowdfunding. Traditional loans, business credit cards, and lines of credit are common types of debt financing. Debt financing is when a borrower accepts funds from an outside source with the promise of repayment plus interest.

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

SOURCE: Kuligowski, K. (2023, August 14). *The difference between debt and equity financing*. Retrieved October 3, 2023, from <https://www.businessnewsdaily.com/6363-debt-vs-equity-financing.html>

57. C

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

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

SOURCE: Pike, R. (2018, October 31). *Building a bridge between risk management and business objectives*. Retrieved October 3, 2023, from <https://www.finance-monthly.com/2018/10/building-a-bridge-between-risk-management-and-business-objectives/>

58. C

To improve performance. Team building involves developing cooperative efforts between employees and management to accomplish company goals and objectives. One reason why many businesses encourage team building is that it tends to improve the performance of the group so they are better able to achieve specific objectives. When team members work together for a common purpose, they usually are more effective and perform better than when employees work independently to achieve a common goal. Businesses do not encourage team building to obtain feedback, develop training, or understand diversity.

SOURCE: EI:044 Encourage team building

SOURCE: Indeed. (2023, February 28). *17 benefits of team building for your organization*. Retrieved October 2, 2023, from <https://www.indeed.com/career-advice/career-development/benefits-of-team-building>

59. C

Choose a market that has plenty of space available. When leasing a property, if the market is hot and there are limited spaces available, it will be more difficult for tenants to gain any negotiating power because of competition. Landlords can easily turn down requests because there are many other potential tenants. However, if the market has plenty of space available, the tenant has more negotiating power. There are many other options that the tenant could choose, so the landlord will be more willing to negotiate terms. Focusing on a short-term lease, settling on a rate of rent increase, or sharing the office space with another business are all important factors to discuss when negotiating leases, but they will not necessarily affect the negotiating power of the business.

SOURCE: OP:028 Negotiate lease or purchase of facility

SOURCE: Nolo. (n.d.). *Commercial leases: Negotiate the best terms*. Retrieved October 2, 2023, from <https://www.nolo.com/legal-encyclopedia/commercial-leases-negotiate-best-terms-29754.html>

60. B

Follow up on. After allowing employees time to adjust to the solution, you should follow up on the situation to determine if the solution is effective and to what degree results have been achieved. Failure to do so would waste the time and energy previously devoted to resolving the problem. Identifying the real problem is the first step in handling employee grievances. This step should include gathering all available information about the situation and analyzing it. Considering solutions to the problem is the next step, followed by selecting the best solution, implementing the solution, and following up.

SOURCE: HR:366 Handle employee complaints and grievances

SOURCE: TrackSmart. (2017, February 27). *6 steps to successful conflict resolution in the workplace*. Retrieved October 2, 2023, from <http://blog.tracksmart.com/6-steps-successful-conflict-resolution-workplace/>

61. D

Change passwords frequently. By requiring employees to change passwords frequently, a company can help prevent unauthorized access from occurring and avoid potential hacking and cyberattacks. Rather than requiring every employee to use the same password, each individual should be assigned their own unique login and password. Asking employees to sign a user agreement can help inform employees of proper internet and computer use and offer a company some legal protection, but they do not necessarily prevent unauthorized activity from occurring. An employee with authorized access is often required to post digital content on behalf of their company.

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

SOURCE: LinkedIn. (2023). *What are the best ways to protect your digital assets?* Retrieved October 3, 2023, from <https://www.linkedin.com/advice/0/what-best-ways-protect-your-digital-assets-skills-digital-strategy>

62. B

Self-mailers. Direct mail is a promotional medium that comes to consumers' homes and businesses. Self-mailers are forms of direct mail that do not require an envelope. Self-mailers are usually sealed or stapled and have a designated space for the mailing label, return address label, and postage. Businesses can save money by using self-mailers because they do not need to purchase envelopes. Color catalogs are expensive to produce. Sales packets require envelopes or wrappers and often weigh a lot, which tends to increase postage amounts. Billboards are not an example of direct mail.

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

SOURCE: Zhang, A. (2023, January 9). *Direct mail: What it is, how it works, in practice*. Retrieved October 3, 2023, from <https://www.investopedia.com/terms/d/direct-mail.asp>

63. B

Expense. The discount rate is the total amount that a business pays for accepting a bank's credit card. It includes the charge for each transaction, the cost of processing the transaction, and the cost of sending the transaction information to the processing center. Businesses need to consider the discount rate when deciding whether to accept credit cards because the rate is an expense. This rate varies from bank to bank and often ranges from 2% to 5% of a business's credit sales depending on the business's sales volume and size of sales. Therefore, businesses usually shop around for the best rate in order to reduce the expense of accepting credit cards. The discount rate is not a contract, an estimate, or a receivable.

SOURCE: FI:040 Make critical decisions regarding acceptance of bank cards

SOURCE: Barone, A. (2023, June 30). *Merchant discount rate (MDR): Definition, purpose, average fees*. Retrieved October 5, 2023, from <https://www.investopedia.com/terms/m/merchant-discount-rate.asp>

64. C

Sending holiday cards to clients. "Leveraging" means making the most out of something. In business, leveraging a relationship means maximizing the benefits of the relationship for your company. Leveraging business relationships is important for retaining current customers and continuing to obtain new customers. One example of leveraging an existing business relationship is sending holiday cards to clients. Sending a card is a thoughtful gesture that says to the client, "We care about you." Avoiding meeting new people would not help an individual leverage their existing relationships. Calling clients just to say hello would be unwise, since many customers are annoyed by unexpected and unimportant phone calls. Deleting negative client reviews is unethical and would not help leverage an existing relationship.

SOURCE: EI:116 Leverage business relationships

SOURCE: Wayshak, M. (2016, September 9). *7 ways to leverage existing customers for more sales*. Retrieved October 13, 2023, from <https://www.entrepreneur.com/growing-a-business/7-ways-to-leverage-existing-customers-for-more-sales/281492>

65. B

Human. People have a big impact on business processes. Stress, fatigue, and morale all influence how successful a process will be. When designing a business process, therefore, companies should consider how human factors will affect the process. Technology, regulations, and the environment surrounding the company or employee also impact business processes; however, this example best demonstrates how human factors impact process design.

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

SOURCE: Taylor, H. (2017, September 26). *Factors that affect process design*. Retrieved October 2, 2023, from <https://bizfluent.com/list-7444011-factors-affect-process-design.html>

66. C

Sharing company ownership. When a startup receives funding from a venture capitalist, investors own equity shares in the company. This means there are fewer shares to sell, and the investors might also have a share in decision-making. Startups do not have to repay the money from venture capitalists. Venture capital can help a startup grow quickly, rather than slowly. Obtaining investment from venture capitalists does not increase the chance of failure.

SOURCE: EN:019 Describe considerations in selecting capital resources

SOURCE: The Hartford. (n.d.). *Advantages vs. disadvantages of venture capital*. Retrieved October 2, 2023, from <https://www.thehartford.com/business-insurance/strategy/business-financing/venture-capital>

67. B

Defamation. Defamation involves using untrue or false characterizations to harm someone's reputation and public standing. Slander and libel are the two general forms of defamation. Slander involves saying something untrue that damages a person's or business's reputation, while libel involves writing something untrue that damages a person's or business's reputation. Misrepresentation involves telling the facts in an inaccurate way. Defamation violates civil law. Nuisances generally deal with land disputes.

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

SOURCE: Laws.com. (2020, September 12). *A brief overview of tort law*. Retrieved October 2, 2023, from <https://tort.laws.com/tort-law>

68. B

Target market. A target market is the particular group of customers a business seeks to attract. There are several factors that businesses consider when identifying and selecting a target market. These factors include geographic area and the type of need. Therefore, identifying the customers in one geographic area who have the same needs is an example of selecting a target market. This market might be all customers who live in Florida and need hurricane insurance. A qualified lead is a prospect—any person or business with the potential to purchase a good, service, or idea. Economic resources are the human and natural resources and capital goods used to produce goods and services. A mass audience is all of the readers or viewers reached by a media channel.

SOURCE: MP:005 Select target market

SOURCE: Entrepreneur. (2023). *Target market*. Retrieved October 3, 2023, from <https://www.entrepreneur.com/encyclopedia/target-market>

69. A

To analyze expected expenses. A cash flow statement is a financial summary with estimates as to when, where, and how much money will flow into and out of a business. Businesses often prepare projected cash flow statements for a future period of time to analyze expected expenses for that time. The projected cash flow statement helps businesses determine if they will have sufficient cash flowing into the business to pay expected expenses. If businesses anticipate a negative cash flow in the future, they can take steps to prepare for the situation, such as obtaining a loan. Businesses do not prepare a projected cash flow statement to review gross profit on sales, record current transactions, or identify prospective customers.

SOURCE: FI:092 Prepare cash flow statements

SOURCE: Murphy, C.B. (2023, March 9). *Cash flow statement: What it is and examples*. Retrieved October 13, 2023, from <https://www.investopedia.com/investing/what-is-a-cash-flow-statement>

70. D

The steps in marketing research must follow a certain order, and none can be eliminated. This is a primary characteristic of marketing research. The business must follow a systematic, step-by-step research process that includes gathering, recording, and analyzing data, in that order. This is true no matter how much or how little data are being gathered.

SOURCE: IM:010 Explain the nature of marketing research

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

71. D

To determine regional preferences. Geographic segmentation is the division of a market on the basis of where consumers are located. Many businesses segment markets on that basis to determine regional preferences and then try to satisfy those preferences. For example, consumers in cold climates need products that are not important to consumers in warm climates, such as snow shovels. Consumers in large cities often want products that are different than the products preferred by consumers in rural areas. Geographic segmentation helps businesses to identify regional preferences. Businesses do not identify market segments based on geographic location to understand transportation systems, monitor weather conditions, or locate national boundaries.

SOURCE: MP:004 Identify market segments

SOURCE: Yieldify. (2022, December 6). *4 types of market segmentation: Real-world examples & benefits*. Retrieved October 13, 2023, from <https://www.yieldify.com/blog/types-of-market-segmentation>

72. B

Business permits. To begin conducting business, many startups need to ensure compliance with business regulations and licensing laws as part of their administrative considerations. One of these costs is a business permit, which might require health inspections and authorizations. Other administrative startup costs include property and liability insurance, utilities, and furniture. Internet access is a technology startup cost. Employee benefits is a human resources/employee startup cost. Marketing materials are an advertising and promotion startup cost.

SOURCE: EN:009 Assess start-up requirements

SOURCE: Morah, C. (2022, November 13). *Business startup costs: It's in the details*. Retrieved October 2, 2023, from <https://www.investopedia.com/articles/pf/09/business-startup-costs.asp>

73. A

It improves the target market's quality of life. Entrepreneurial discovery is the process of detecting and matching product and market opportunities with one another in a manner that satisfies both the market and the business. During the entrepreneurial-discovery process, Andrew identified a problem that affected his sister's life. Then, he took steps to develop a product to help her perform a task that is challenging for many people who have arthritis—it improves her quality of life. The device increases self-reliance because his sister does not need help tying her shoes. By producing the device on a large scale, the device has the potential to improve others' quality of life, as well. The device satisfies an unmet need rather than creating it. There is not enough information provided to determine if Andrew has financial problems.

SOURCE: EN:001 Explain the need for entrepreneurial discovery

SOURCE: Trenchard, R. (2015, November 16). *What impact do entrepreneurs have on society?* Retrieved October 2, 2023, from <https://www.virgin.com/about-virgin/latest/what-impact-do-entrepreneurs-have-society>

74. A

People consider news sources more trustworthy. Since most people consider information communicated by mainstream media sources to be trustworthy, news releases are a very effective public relations tool. Whether people pay for news or not does not impact its effectiveness. Social media often has a broader reach than news sources. News sources contain factual information as well as opinions and paid advertising.

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

SOURCE: IPR. (2023). *PR tools and techniques*. Retrieved October 3, 2023, from <https://www.ipr.org.uk/pr-tools-and-techniques.html>

75. B

Put the notice in writing. Putting the notice in writing provides documentation that the employee has been given notice if termination becomes necessary. The written notice serves as a warning and gives employees an opportunity to improve. Email notification would not provide a permanent written record and may violate confidentiality. Giving verbal notification only would not provide a record in case of termination. Posting the notice on the bulletin board would violate employee confidentiality.

SOURCE: HR:358 Dismiss/Fire employees

SOURCE: EEOC. (n.d.). *Recordkeeping requirements*. Retrieved on October 2, 2023, from <https://www.eeoc.gov/employers/recordkeeping-requirements>

76. C

Press conference. There are two basic types of public relations activities: interactive and one-way. Interactive public relations activities allow for communication between an organization and the public to flow both ways, whereas one-way activities involve one-way communication from an organization to the public. Examples of interactive public relations activities include press conferences, speaking engagements, sponsorships, blogs, chat rooms, and social media. Examples of one-way public relations activities typically include search engine optimization, newsletters, websites, podcasts, press releases, and direct mail.

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

SOURCE: Chen, J. (2021, March 26). *What is a press conference? Definition and why they're held*. Retrieved October 3, 2023, from <https://www.investopedia.com/terms/p/press-conference.asp>

77. B

Annual report. Enterprise risk management allows corporations to identify risks and decide which risks to manage. They should include their finalized ERM plans in their annual reports to make the information available to all their stakeholders. The annual budget, balance sheets, and quarterly projections are financial documents that do not deal with risk management.

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

SOURCE: Hayes, A. (2022, September 7). *Enterprise risk management (ERM): What it is and how it works*. Retrieved October 3, 2023, from <https://www.investopedia.com/terms/e/enterprise-risk-management.asp>

78. B

Fair. Ethics are the basic principles that govern a person's behavior. A manager who shows impartiality and has the ability to make judgments without showing favoritism or demonstrating self-interest is exhibiting fair behavior. A person is prejudiced when they have an opinion or make a judgment based on feeling or hearsay. An inferior attitude is an outlook of people who believe that they are less worthy than the people around them. Being cooperative means being able to get along with another person.

SOURCE: SM:002 Explain the nature of managerial ethics

SOURCE: Dowd, M. (2021, August 30). *How to treat employees fairly in the workplace*. Retrieved October 2, 2023, from <https://work.chron.com/treat-employees-fairly-workplace-3070.html>

79. D

Alteration. Alteration is a product-mix strategy in which a business makes changes to its products or product lines. New packaging would be an example of alteration. Expansion is a product-mix strategy in which a business expands its product mix by adding product items or product lines. Trading-up is a product-mix strategy in which a business adds a higher priced product or product line to its product mix. Positioning is a product-mix strategy in which a business creates a certain image or impression of a product in the minds of consumers.

SOURCE: PM:003 Explain the concept of product mix

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

80. D

Business plan. A feasibility study can form a solid foundation for a business plan, which is essential for obtaining funding through bank loans or investments. An income statement is a financial summary that shows how much money a business has made or lost over a period of time. A balance sheet is a financial statement that captures the financial condition of a business at a particular moment in time. An annual sales report is a statement of a business's sales over a fiscal year.

SOURCE: EN:038 Determine feasibility of venture ideas

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

81. C

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

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

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

82. A

Consistency. Product mix is the particular assortment of goods and services that a business offers in order to meet its market's needs and its company's goals. A product line is the group of related product items that a business offers. A business must make decisions about how many product lines to offer (width), how many items to offer in each product line (length), and how many types of products to offer (depth). The business also considers product line consistency or how similar each product line is in relation to the business's other product lines. An original product is an innovative (new) good or service. Adaptability means the degree of flexibility of something. Capacity refers to the level of competence of something. Originality, adaptability, and capacity are not always factors that a business considers when making decisions about its product mix.

SOURCE: PM:006 Plan product mix

SOURCE: CFI. (2023, April 19). *Product mix*. Retrieved October 3, 2023, from <https://corporatefinanceinstitute.com/resources/management/product-mix/>

83. A

Push money. To increase market visibility, manufacturers often use incentive programs to motivate their independent sales consultants or distributors. These incentives, which are often called push money, may include cash bonuses, prizes, gift cards, or vacations. Typically, independent sales consultants must reach a certain level of sales to obtain push money. Sweepstakes involve games of chance in which customers win prizes. Manufacturers develop cooperative advertising programs to provide channel members with financial assistance to offset product advertising expenses. The purpose of loyalty or frequency programs is to build long-term customer relationships by offering incentives that encourage repeat sales. For example, a pizza chain might give customers a free pizza after they buy six pizzas of similar value.

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

SOURCE: Tatum, M. (2023, September 16). *What is push money?* Retrieved October 13, 2023, from <https://www.wisegeek.net/what-is-push-money.htm>

84. C

Operating budget. Budgets are estimates of income and expenses for a specific time period. Budgets are planning tools that help entrepreneurs monitor and manage their ventures' money. Operating budgets estimate the business's day-to-day financial inflows (e.g., sales) and outflows (e.g., payroll and inventory). By setting a budget and comparing it to actual performance, an entrepreneur can evaluate the financial well-being of the venture at regular intervals. Entrepreneurs often consider other sources of information when setting the operating budget, such as requests for proposal, environmental scans, and inbound-call reports. A request for proposal (RFP) is a bid extended to vendors to provide prices for goods and services the business needs. An environmental scan is an analysis of the environment surrounding the business. An inbound-call report is a summary of phone calls processed by sales and service representatives within a specific time period.

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

SOURCE: Bamboo HR. (n.d.). *Operating budget*. Retrieved October 2, 2023, from <https://www.bamboohr.com/resources/hr-glossary/operating-budget>

85. A

To determine ways to compete. Businesses need to analyze the competition on a regular basis to understand their competitors and to develop ways to effectively compete in the marketplace. The competitive environment changes constantly. Therefore, businesses must keep up to date with what their competitors are doing to remain successful. Businesses do not analyze the competition to eliminate competitors, understand laws regulating competition, or compete on an ethical basis.

SOURCE: MP:012 Conduct competitive analysis

SOURCE: Entrepreneur. (2023). *Competitive analysis*. Retrieved October 13, 2023, from <https://www.entrepreneur.com/encyclopedia/competitive-analysis>

86. B

Minimum-wage laws. By passing laws that require businesses to pay workers a minimum amount of money per hour, the government is protecting workers' rights for fair and reasonable compensation. Worker compensation is insurance purchased by employers to provide benefits to employees who are injured on the job. A labor union is a group of workers in the same industry or profession who have united to improve the terms and conditions under which they work. Labor union laws govern the way labor unions can organize and take action. Equal-credit policies are guidelines that provide all consumers with an equal opportunity to apply for credit, which allows buyers to buy now and pay later.

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

SOURCE: Employment Law Handbook. (n.d.). *Minimum wage laws*. Retrieved October 2, 2023, from <https://www.employmentlawhandbook.com/employment-and-labor-laws/topics/wage-and-hour/minimum-wage/>

87. A

Income statement. Since an income statement records income and expenses over the accounting period, it indicates whether the business has experienced a net loss or a net profit. An accounts receivable ledger is not a good indicator of whether a business is profitable, because it only records transactions for payments expected and received and does not reflect a company's outgoing payments. A cash flow statement helps a business predict cash inflows and outflows and is a good indicator of liquidity, but it is not a good indicator of profitability, because it does not account for cash items that are not identified as income or expense, such as the purchase of and depreciation of capital assets. Monthly sales receipts help a business determine its sales revenue over time, but they do not indicate the company's outgoing payments, which are necessary to determine profitability.

SOURCE: FI:542 Monitor business's profitability

SOURCE: Chen, J. (2023, March 27). *Income statement: How to read and use it*. Retrieved October 13, 2023, from <https://www.investopedia.com/terms/i/incomestatement.asp>

88. B

Transparency. Transparency is maintaining open and truthful communications. It is a principle of good governance because stakeholders should be informed about the company's activities. One way that companies can be transparent is by hosting shareholder meetings and sharing information about financial performance. Accountability is accepting responsibility for decisions. Fairness is the ability to make judgments and act without favoritism or self-interest. Viability is creating long-term value for all relevant stakeholders. This example is not related to accountability, fairness, or viability.

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 2, 2023, from <https://www.investopedia.com/terms/c/corporategovernance.asp>

89. C

Historical financial data. Existing businesses need to provide historical financial data (from the last three to five years) in their financial plans. Management resumes, contracts, and licenses belong in the appendices. It is not necessary to provide financial data from competitors.

SOURCE: SM:013 Develop business plan

SOURCE: LAP-SM-013—Plan for Success (Creating a Business Plan)

90. B

Taking action to create marketing opportunities. Being proactive is the process of adapting to the environment in advance of the occurrence of events. This means taking advantage of opportunities rather than reacting to changes or problems that occur. A proactive business is engaged in continuous planning rather than watching for changes or reacting to competitors' changes. A proactive business may use a creative promotional mix, but that is not a proactive characteristic.

SOURCE: SM:011 Explain external planning considerations

SOURCE: Indeed. (2022, July 22). *The importance of being proactive (plus tips)*. Retrieved October 2, 2023, from <https://www.indeed.com/career-advice/career-development/why-is-being-proactive-important>

91. A

Securing the approval and involvement of senior executives. One of the most important steps in the change management process is obtaining sponsorship from senior executives within the organization. When company managers “sponsor” a change, they not only accept and approve of the change, they actively participate in bringing about the change. Sponsorship is critical for successful change management. Sponsorship in change management does not mean obtaining funding from an external sponsor, gaining acceptance from stockholders, or earning the support of other companies.

SOURCE: SM:095 Explain the nature of change management

SOURCE: Prosci. (n.d.). *Best practices in change management*. Retrieved October 3, 2023, from <https://www.prosci.com/resources/articles/change-management-best-practices>

92. B

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

SOURCE: EN:007 Describe entrepreneurial planning considerations

SOURCE: Indeed. (2022, June 24). *What is tactical planning? Definition and benefits*. Retrieved October 2, 2023, from <https://www.indeed.com/career-advice/career-development/tactical-planning>

93. C

Economic changes. External market factors that make accurate sales forecasting difficult include economic changes that can't be predicted. In many cases, economic changes happen so quickly that forecasters can't be prepared for them. For example, the stock market can suddenly drop, and sales will fall because consumers reduce their spending until they see whether the market will recover. Previous records, operating policies, and price revisions are internal factors that might affect the accuracy of sales forecasts.

SOURCE: FI:096 Forecast sales

SOURCE: Salesforce. (n.d.). *The complete guide to building a sales forecast*. Retrieved October 2, 2023, from <https://www.salesforce.com/resources/articles/building-a-sales-forecast-guide/>

94. D

Financing. Financing is a business function that involves understanding the financial concepts used in making business decisions. Promotion is a marketing function that involves communicating information about goods, services, images, and/or ideas to achieve a desired outcome. Risk management is a business activity that involves the planning, controlling, preventing, and procedures used by management to limit business losses. Accounting is a financial activity that involves keeping and interpreting a business's financial records.

SOURCE: FI:031 Explain sources of financial assistance

SOURCE: Hayes, A. (2023, June 8). *Financing: What it means and why it matters*. Retrieved October 2, 2023, from <https://www.investopedia.com/terms/f/financing.asp>

95. D

To determine qualifications. The purpose of an interview is to determine if the applicant meets the qualifications to perform the job. Therefore, the interview questions should relate directly to the job in terms of the applicant's education, skills, training, and work history. Businesses often take remedial action with current employees who are not performing well on the job. Applicants usually do not complain during job interviews. Interviewers usually do not plan future training while asking questions during a job interview.

SOURCE: HR:355 Interview job applicants

SOURCE: Enright, M. (2020, October 13). *The do's and don'ts of conducting a job interview*. Retrieved October 2, 2023, from <https://www.wolterskluwer.com/en/expert-insights/the-dos-and-donts-of-conducting-a-job-interview>

96. B

Output and profit. Outputs are the goods and services produced, and profit is the money the business receives for the sale of those outputs. Businesses determine output and profit by calculating total revenue and marginal revenue. Total revenue is all the revenue from the sale of outputs, and marginal revenue is the revenue received from producing and selling one additional unit of output. These calculations help a business decide if output is generating the desired profit. Calculating total revenue and marginal revenue is not a way to determine supply and demand, cause and effect, or assets and liabilities.

SOURCE: FI:358 Determine relationships among total revenue, marginal revenue, output, and profit

SOURCE: Investopedia. (2022, June 26). *What is the relationship between marginal revenue and total revenue?* Retrieved October 2, 2023, from <https://www.investopedia.com/ask/answers/033115/what-relationship-between-marginal-revenue-and-total-revenue.asp>

97. A

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

SOURCE: OP:327 Discuss the nature of business analysis

SOURCE: Picincu, A. (2020, July 28). *Distribution process management*. Retrieved October 13, 2023, from <https://smallbusiness.chron.com/distribution-process-management-67041.html>

98. C

Ability to raise large amounts of capital. A corporation is a form of business ownership that is owned by stockholders who have purchased stock. Corporations can easily raise capital by selling additional shares of stock in the business. There is a large amount of government regulation of corporations. It is often necessary to have board approval to change policies, and there is a lot of paperwork and red tape involved in starting or ending a corporation.

SOURCE: BL:006 Select form of business ownership

SOURCE: Investopedia. (2023, June 14). *Corporation: What it is and how to form one*. Retrieved October 2, 2023, from <https://www.investopedia.com/terms/c/corporation.asp>

99. D

Outsourcing. Outsourcing is acquiring assistance from outside organizations or consultants to obtain goods and services to perform primary business activities. Forming a corporation is complex, so it is important to make sure that the appropriate legal forms are correct. If the business does not complete the legal activities correctly, the government may fine the corporation. A knowledgeable attorney ensures that the business follows the proper procedures and legal forms are accurate. Exporting, staffing, and designating do not describe the process of contracting a law firm to handle a legal issue.

SOURCE: EN:022 Use external resources to supplement entrepreneur's expertise

SOURCE: Twin, A. (2022, June 18). *Outsourcing: How it works in business, with examples*. Retrieved October 2, 2023, from <https://www.investopedia.com/terms/o/outsourcing.asp>

100. D

Strategies for reaching its business goals. An action plan describes how an organization plans to reach its business goals and includes crucial information such as needed resources and employee responsibilities. An action plan cannot be developed until a company's business concept, vision, and mission have been determined. Strategies for handling emergencies are described by an organization's safety plan.

SOURCE: SM:012 Develop action plans

SOURCE: Sophy, J. (2023, June 14). *What is an action plan and how to create one + an example*. Retrieved October 2, 2023, from <https://smallbiztrends.com/2023/06/action-plan.html>