

1. Samantha agrees to buy a bicycle from Tony for \$225. This is an example of a(n)
 - A. unilateral contract.
 - B. bilateral contract.
 - C. renegotiated agreement.
 - D. nonverbal agreement.
2. Lucy authorized her accountant, attorney, and life-insurance agent to care for her assets and make decisions regarding her money and property. Her accountant, attorney, and life-insurance agent are her
 - A. relationship experts.
 - B. bookkeepers.
 - C. fiduciaries.
 - D. economists.
3. Mary is accused of understating the tax due on her federal tax returns for the last five years. The understatement has nothing to do with a tax shelter. Mary is very concerned that she will be fined or sent to jail if she is convicted of understating her tax. Which of the following statements regarding Mary's situation is true?
 - A. If a Certified Public Accountant prepared Mary's return, she can probably avoid government penalties for the understatement of tax.
 - B. Mary is likely to be sent to jail for understating her tax due because she didn't use a federally-approved tax shelter.
 - C. The federal tax-collection agency should recognize the understatement as a tax shelter because Mary is 45 years old.
 - D. Mary should take her brother's advice and store her assets in an offshore bank account.
4. Retirement accounts and real estate are examples of
 - A. intangible assets.
 - B. garnishments.
 - C. tax shelters.
 - D. derivatives.
5. Which of the following groups is most likely to enforce public corporations' compliance with financial reporting standards:
 - A. World Bank representatives
 - B. Local law enforcement officers
 - C. A securities regulatory commission
 - D. The federal judicial system
6. Which of the following quality-management methodologies is often used in the finance industry to sustain regulatory compliance:
 - A. Cost Standards
 - B. Six Sigma
 - C. Strategic planning
 - D. First-in, First-out
7. To better meet compliance requirements, Money Plus Bank needs to improve its processes for calculating and reporting risk-weighted assets. Which of the following is the best course of action for Money Plus Bank to take to improve these processes:
 - A. Encourage customers to utilize the bank's online account system
 - B. Improve the bank's new-employee training program
 - C. Increase cross-functional cooperation among employees
 - D. Switch from manual to automated calculation and reporting methods
8. In general, a governance, risk, and compliance (GRC) software system identifies and measures risk; monitors the risk-management system; routinely checks adherence to company-wide policies; and ensures compliance with
 - A. union demands.
 - B. reporting requirements.
 - C. product standards.
 - D. contingency plans.
9. Jake is researching career trends in the field of accounting. Which of the following sources is most likely to contain the most current, credible information:
 - A. An early edition of the *Managerial Accounting in Practice* textbook
 - B. The federal government's labor and workforce web site
 - C. An online newspaper article written by a well-known compliance expert
 - D. The latest edition of the *Insurance News Monthly* trade publication

10. An individual calls your company and asks to speak with your coworker, Rhonda Hoffman. What should you do if Rhonda is not available to take the call?
- A. Tell the caller that you would be glad to take his/her order.
 - B. Advise the caller to call again in a few minutes.
 - C. Ask the caller if s/he would like to leave a message.
 - D. Put the caller on hold while you track down Rhonda.
11. Lana wants to include a two-dimensional graphic that shows the groupings and patterns of multiple variables in her business report. Which of the following graphic aids would best illustrate the data:
- A. Table
 - B. Pie chart
 - C. Timeline
 - D. Scatter chart
12. The human-resources manager sends an e-mail to all employees stating that they will need to park on the street on Tuesday because the maintenance department will be repairing the company's parking lot. This is an example of a(n)
- A. business proposal.
 - B. projection report.
 - C. informational message.
 - D. formal inquiry.
13. Which of the following is an example of horizontal communication in the workplace:
- A. An employee provides his/her manager with a status report about the company's new web site.
 - B. A supervisor provides a line worker with feedback about her/his job performance.
 - C. A manager provides a new employee with advice on job advancement within the company.
 - D. An employee sends an e-mail to a coworker about a short-term project.
14. Before you can adapt your communication style to relate to businesspeople from other countries, you must first
- A. learn to speak the country's language fluently.
 - B. realize that cultural differences exist.
 - C. develop an ethnocentric attitude.
 - D. change your personal values and beliefs.
15. When helping a slow/methodical type of customer, salespeople should
- A. follow the customer around the store to explain products' benefits.
 - B. show the customer as many options as possible.
 - C. take care not to overwhelm the customer.
 - D. press the customer to select one of two options.
16. Anna, the Bank Plus customer relationship manager, recently developed and implemented a new customer relationship strategy across the organization. The strategy emphasizes better understanding of customer needs. Anna also developed a recognition program to reward employees for delivering quality customer service. Which of the following is most likely to be Anna's primary goal in implementing the new strategy:
- A. Promoting the bank's new products and services
 - B. Publicly recognizing outstanding bank employees
 - C. Developing stronger long-term customer relationships
 - D. Reducing the number of forms new customers must fill out
17. An important aspect of ethical behavior by financial-services providers is ensuring that their clients
- A. purchase high-risk investments to generate better financial returns.
 - B. understand the potential risks and rewards of different financial products.
 - C. diversify their financial portfolios by investing more than half of their money in hedge funds.
 - D. preplan future investment strategies for unexpected financial bonuses.

18. Beverly, the new office manager, just completed a review of the last two years of accounts receivable data. In doing so, she discovered that there are erroneous duplicate entries totaling \$25,628 in the system. Unfortunately, due to these duplicate entries, collection letters were sent to many customers who had already paid in full—customers who are angry with the company for sending them the letters. What should Beverly do to try to save these customer relationships and ensure that these customers are not bothered in the future?
- A. Use funds from the accounts payable account to pay the debt
 - B. Complete an accounting software update
 - C. Contact each customer by phone and apologize
 - D. Complete a data cleansing of the erroneous entries
19. An accounts payable analyst is using technology to collect and isolate customer records from the disbursing system. The tool can retrieve and organize a massive number of customer records in just a short time. What type of technology is the analyst using?
- A. Computer-aided design
 - B. A CRM database
 - C. A neural network
 - D. GPS technology
20. To keep up with social, political, economic, and regulatory changes that affect their business activities, companies should
- A. conduct environmental scans.
 - B. implement internal analyses.
 - C. plan customer interviews.
 - D. prepare organizational inspections.
21. Members of the air-traffic controllers' union stopped working to support the pilots' union that recently went on strike. This is an example of a
- A. boycott.
 - B. lockout.
 - C. sympathetic strike.
 - D. wildcat strike.
22. A manufacturer has more workers on hand to perform production activities than it does production equipment. What economic principle does this exemplify?
- A. Law of minimal utility
 - B. Law of diminishing returns
 - C. Economies of scale
 - D. Economies of scoring
23. Consumer spending tends to decrease when
- A. business activities slow.
 - B. interest rates decrease.
 - C. an economic recession ends.
 - D. the inflation rate decline.
24. What condition exists if a nation imports more goods and services than it exports?
- A. Trade deficit
 - B. Balance of trade
 - C. Trade surplus
 - D. Comparative advantage
25. Which of the following statements is true of a positive attitude:
- A. It's not very important, but it is nice to have.
 - B. You can achieve one, but it requires work.
 - C. It has little impact on your ability to reach your goals.
 - D. It's something that you are born with.
26. When Cynthia, a credit analyst with Houghton Software, heard rumors of a company layoff, she asked her manager Todd if the rumors were true and if her job was in jeopardy. Although Todd knew that some lay-offs were coming, he told Cynthia not to worry about things. The following week, Cynthia's job was eliminated. In this situation, ethical issues regarding company information occurred because
- A. Todd was completely honest with Cynthia.
 - B. Cynthia asked irrelevant questions.
 - C. Todd misled Cynthia.
 - D. Cynthia started the rumors.

27. How can you show that you're actively listening in a negotiation?
- A. Respond emotionally to what the other person says.
 - B. Think about what you'll say next while the other person is speaking.
 - C. Repeat or summarize the other person's statements.
 - D. Keep a positive, open, and objective attitude.
28. Which of the following is an example of a conflict that causes personal motivation or drive:
- A. High school students compete to sell the most candy in a school fundraiser.
 - B. Kevin has a class and a meeting scheduled for Tuesday afternoon.
 - C. Two coworkers need to use the copy machine at the same time.
 - D. Jane and Amy both want to be in charge of their presentation.
29. What is the advantage to groups that use consensus building to make decisions?
- A. Group members rarely disagree.
 - B. Agreement is reached very quickly.
 - C. Decision making involves a majority rule.
 - D. All decision makers have equal power.
30. To have successful collaborative partnerships in the workplace, it is important for employees to
- A. limit communication.
 - B. establish trust.
 - C. avoid conflict.
 - D. support all ideas.
31. When Thomas bought his car from the Reinhart Auto Dealership, he gave the dealership a \$4,000 down payment. Thomas will make a monthly payment of \$365 to the dealership until he has paid off the loan. Thomas bought his car by using _____ credit.
- A. service
 - B. revolving
 - C. budget
 - D. installment
32. Justine's rich uncle wants to give her \$5,000 towards the purchase of a car. But since Justine doesn't plan to buy the car for at least another year, her uncle told her that she can have the money now, or he can wait and give her the money when she actually buys the car. Justine chooses to take the money now and deposit it in her savings account. After all, her deposit will yield 6% interest compounded annually. A year from now, her \$5,000 will be worth \$5,300. What financial concept does this scenario illustrate?
- A. Capital budgeting
 - B. Dividend reinvestment plan
 - C. Time-value of money
 - D. Accrual accounting
33. You want to be a millionaire by the time you retire. To reach that goal, you put \$2,000 per year in an IRA, starting at age 21. You will earn nine percent interest annually. As a result, you will have \$1,156,517 at age 65. This scenario illustrates the power of
- A. compound interest.
 - B. finance charges.
 - C. fiscal policy.
 - D. the prime interest rate.
34. State Street Bank sends text messages to its customers when \$100 or more are withdrawn from their bank accounts. The bank sends these notifications to reduce the risks associated with
- A. money laundering.
 - B. loan fraud.
 - C. identity theft.
 - D. firewall intrusion.
35. When preparing her tax return, Lynnette listed the interest that she paid on her student loan as
- A. taxable earnings.
 - B. investment income.
 - C. a tax-exempt investment.
 - D. an itemized deduction.
36. Henry is a professional banker. Only certain people—"members"—may save at or borrow money from his deposit-taking financial institution. Henry is most likely to work for a(n)
- A. CPA firm.
 - B. mortgage company.
 - C. insurance company.
 - D. credit union.

37. Which of the following statements regarding financial institutions is true:
- A. A financial institution with low value is doing a good job of managing its risk.
 - B. Financial institutions facilitate the flow of money in the economy.
 - C. Financial institutions are controlled by their members.
 - D. The primary role of financial institutions is to regulate saving and investing.
38. Which of the following statements regarding debt and equity markets is correct:
- A. Common stock, an example of a debt instrument, is traded on the equity market.
 - B. Investors who purchase a company's bonds gain partial ownership of the business.
 - C. If a company suffers financial difficulties, its stockholders are paid before its bondholders.
 - D. Bonds, which are debt instruments, are typically less risky investments than stocks.
39. The New York Stock Exchange is a(n) _____ market.
- A. spot
 - B. over-the-counter
 - C. commodities
 - D. auction
40. A retail bank and an insurance company, which recently merged together, are moving from two legacy accounting systems to one enterprise planning system for the new, larger organization. This is an example of _____ in the finance industry.
- A. bancassurance
 - B. increased liquidity
 - C. convergence
 - D. knowledge management
41. What is a common course of action for small banking institutions interested in competing globally and improving their efficiencies, viability, and profitability?
- A. Consolidating with larger banks
 - B. Rapidly expanding their operations
 - C. Following global regulations more closely
 - D. Dissolving their financial holding companies
42. According to most analysts, the three economic indicators that stock market investors and traders should pay the closest attention to are
- A. Gross Domestic Product, overhead expenses, and unemployment.
 - B. interest rates, overhead expenses, and inflation.
 - C. Gross Domestic Product, unemployment, and inflation.
 - D. inflation, unemployment, and bonds rates.
43. Which of the following has contributed to financial globalization:
- A. An increase in restrictions on foreign investment and international trade
 - B. An increase in taxes on international financial transactions
 - C. A reduction in foreigners' access to domestic financial markets
 - D. A movement from fixed exchange rates to floating exchange rates
44. Kendra 's financial goal is to build wealth over time by making diversified investments. Which of the following financial services providers is most likely to help Kendra achieve her goal:
- A. Financial-auditing firm
 - B. Mortgage company
 - C. Investment bank
 - D. Asset-management firm
45. Which financial statement should an investor use to quickly determine a company's "bottom line"?
- A. Statement of retained earnings
 - B. Cash flow statement
 - C. Balance sheet
 - D. Income statement
46. Which of the following are among the most important resources to access prior to purchasing stock in a company:
- A. EDGAR and the Statement of Ownership
 - B. ESOP and the company's web site
 - C. EDGAR and the company's web site
 - D. ESOP and the Statement of Ownership

47. The most common headings on a stock table include the 52-week high and low, the stock symbol, the estimated dividend per share, the yield percentage/rate of return, the volume/sales for the day, the closing price for the day, the net change and the
- A. price-earnings ratio.
 - B. earnings per share.
 - C. net income.
 - D. stockholder's equity.
48. Geraldo, who is considering whether or not to invest in Coffee Dreams, Inc., is studying information about the company on a stock table. One piece of data that he is interested in reviewing is the difference between the stock's closing price and the previous day's closing price. Geraldo should review the
- A. ticker symbol.
 - B. net change.
 - C. price-earnings ratio.
 - D. 52-week high and low.
49. Certificates of deposit and municipal bonds are types of
- A. value stocks.
 - B. ownership securities.
 - C. commodities.
 - D. lending investments.
50. On a balance sheet, a business categorizes its inventory and accounts receivable as
- A. long-term assets.
 - B. owner's equity.
 - C. current assets.
 - D. current liabilities.
51. Leslie is good friends with Paul, who oversees the Bex Company's central data depository for financial information. Paul recently told Leslie that based on confidential financial data that he saw at work, Bex's profits have dropped by a third this year. Paul also told Leslie that she should sell her shares of Bex stock before the market finds out about the company's financial difficulties, which will surely make Bex's stock price plummet. This situation is an example of
- A. encryption.
 - B. disparate data.
 - C. stewardship.
 - D. insider trading.
52. Financial-information management is responsible for collecting, maintaining, and reporting data about financial transactions. Business managers often use these data to
- A. forecast financial inflows and outflows.
 - B. determine if liability insurance is needed.
 - C. develop secondary equity markets.
 - D. calculate the level of corporate groupthink.
53. Pamela was dismissed from her job as a financial database administrator because she shared her username and password with a coworker so that he could access a customer database that is typically off-limits to him. Pamela failed to fulfill her responsibilities as a data
- A. steward.
 - B. auditor.
 - C. sponsor.
 - D. processor.
54. Which of the following statements regarding the security of most financial institutions' data is true:
- A. Data in transit are more at risk than data at rest or data in process.
 - B. Firewalls completely eliminate all external threats to the data.
 - C. More data attacks come from inside the organizations than outside them.
 - D. Investments in financial-information security have decreased in recent years.
55. Which of the following is a benefit of financial-information management software:
- A. Improves productivity by replacing automated activities with manual tasks
 - B. Provides users with faster, better access to data from multiple sources
 - C. Lowers compliance costs by eliminating audit trails and economies of scale
 - D. Reduces risk and lowers confidence in the confidentiality and safety of data
56. Every morning, as soon as Lukas gets to the office, he logs onto his computer and uses a data-mining application on his computer home screen to quickly review the company's financial performance. The financial data are typically displayed in charts and tables. Lukas is using a(n)
- A. dashboard.
 - B. text-mining tool.
 - C. artificial neural network.
 - D. decision tree.

57. A business owner is concerned that some of his employees may be using their company credit cards to make personal purchases. Which data mining technique should the owner use to review the employees' credit card transactions each month to identify questionable transactions?
- A. Nearest-neighbor method
 - B. Decision trees
 - C. Artificial neural networks
 - D. Dashboards
58. Tara knows that for her small business to grow, she must increase her cash flow. She's unsure, though, whether she should take out a loan or a line of credit. Which of the following budgeting software tools could Tara use to assess the potential impact of each source of funding on her business?
- A. Environmental scanning
 - B. Decision trees
 - C. Debt modeling
 - D. Zero-based modeling
59. Which of the following software applications would be best for a small business owner to use to develop his/her annual budget:
- A. A project-management application
 - B. A database application
 - C. A digital dashboard application
 - D. A spreadsheet application
60. Franco's manager asked him to develop a report that compares their company's fourth-quarter performance with others in its industry. Which financial-analysis software feature should Franco use to generate information for his report?
- A. Forecasting
 - B. Ratio analysis
 - C. DuPont modeling
 - D. Benchmarking
61. Raul's manager asked him to prepare a database query that would allow him to view lists of invoices generated in specific time periods. At the moment, the manager only needs two lists: one that lists all invoices generated in the last 30 days and another that lists all invoices generated in the last 60 days. The manager will probably ask Raul to mine for similar data in the future—just for different time periods. What type of query could Raul use to mine for this information without having to prepare a new query every time?
- A. Crosstab query
 - B. Parameter query
 - C. Wildcard query
 - D. Status query
62. One reason why public corporations are required to provide accurate financial reports is because existing and potential shareholders use them to
- A. ensure capital gains.
 - B. compile annual reports.
 - C. understand currency exchange rates.
 - D. make investment decisions.
63. Independent auditors review the accuracy of a public corporation's financial statements to
- A. test accounting methods.
 - B. verify compliance.
 - C. evaluate risk.
 - D. summarize collection techniques.
64. A primary difference between accounting and finance is that the accounting function focuses on _____, and the finance function focuses on _____.
- A. prioritizing needs, problem solving
 - B. allocating funds, decision making
 - C. planning activities, resource management
 - D. reporting transactions, financial planning
65. Which of the following is an activity conducted by the finance function of business:
- A. Tracking business expenditures
 - B. Preparing cash flow statements
 - C. Updating bookkeeping ledgers
 - D. Choosing appropriate investments
66. The managerial accounting system emphasizes
- A. previous sales transactions.
 - B. the current financial situation.
 - C. a future orientation.
 - D. ongoing tax obligations.

67. A small business records transactions when it receives or spends money. What type of accounting system is the business using?
- A. Positional
 - B. Accrual
 - C. Cash
 - D. Static
68. Which of the following is a tool that enables financial managers to identify changes or trends in production costs by reviewing the same types of data from different periods of time:
- A. Accounts-receivable summary
 - B. Frequency ratio
 - C. Comparative statement
 - D. Sales-transaction log
69. The Buford Company's ability to pay its short-term debts has improved steadily over the past three years. What financial ratio helped the company identify this trend?
- A. Asset-turnover
 - B. Qualitative
 - C. Liquidity
 - D. Market-value
70. Businesses consider a customer's income when determining whether to
- A. accept cash sales.
 - B. offer credit.
 - C. restructure policies.
 - D. charge interest.
71. A bank carefully analyzes a customer's current level of debt before it approves a(n)
- A. operating proposal.
 - B. service request.
 - C. loan application.
 - D. insurance claim.
72. If a small-business owner wants to identify the customers who owe money to the business, what type of report should s/he review?
- A. Accounts-payable
 - B. Aging-accounts
 - C. Asset-depreciation
 - D. Asset-allocation
73. While reviewing a financial report, an electronics-store manager noticed that the store tends to sell more laptop computers and notebooks during December, January, June, and August than other times of the year. This information can help the store
- A. measure its long-term liabilities.
 - B. monitor its general operating costs.
 - C. make reliable sales forecasts.
 - D. manage its sales staff effectively.
74. Lily Marshall, a human resources manager with Spartan Industries, recently met with employee Barry Endicott. Barry accepted a position with another company and will begin his new job next week. During the meeting, Lily asked Barry what he liked and disliked about his job with Spartan and what the company can do to make working conditions better. What human-resources activity was Lily performing?
- A. Onboarding tasks
 - B. Exit interview
 - C. Application screening
 - D. Workplace familiarization
75. Which of the following is most likely to have a negative effect on business's customer-satisfaction levels:
- A. Standing orders ship on time.
 - B. Items are frequently backordered.
 - C. Product quality is consistent.
 - D. Staff has sufficient product knowledge.
76. Monique, an office manager, used to organize hard copies of important documents in filing cabinets that took up an entire room. Now, she stores documents on her office computer, where they're easy to access and organize. Monique now uses
- A. Internet telephony.
 - B. a database.
 - C. an expert system.
 - D. computer automation.

77. Determine if the following statement is true or false: Groupware software applications often stimulate workplace creativity.
- A. False. The groupware application only allows users to update numerical data on shared documents.
 - B. True. Groupware streamlines the work effort, so users have more time for social interaction.
 - C. False. The primary focus of groupware is to communicate policies and procedures to users.
 - D. True. Groupware allows users to share and brainstorm ideas that may improve work processes.
78. To house its digital business records, EFG Corporation uses a remote database that employees can access anytime through the Internet. EFG Corporation is using _____ to store its business records.
- A. cloud computing
 - B. a flash drive
 - C. streaming video
 - D. compact disks
79. Statistical data revealed that Zane Industries sold 32% more of the Model EQ2 desktop photocopier last year after it made changes to increase the photocopier's speed and refine its print quality. In this situation, the statistical findings helped the company determine that
- A. research and development expenses exceeded the budget.
 - B. its sales forecasts were inaccurate.
 - C. product improvements helped boost sales.
 - D. the company achieved its sales goals.
80. Which of the following actions should a business take to help prevent robberies:
- A. Have one person open and close each day
 - B. Avoid making eye contact with customers
 - C. Hang up signs on doors and windows
 - D. Make sure the facility is well-lit
81. Successful project management depends on the use of appropriate
- A. pressure tactics.
 - B. outsourcing.
 - C. foreign investments.
 - D. technology.
82. When you want to select a new vendor for your business, it's best to
- A. continue using a vendor you've used before.
 - B. go with a friend's recommendation.
 - C. use a formal selection process.
 - D. pick the vendor with the best online reviews.
83. Which of the following factors are most likely to build a quality work culture:
- A. Coercion and empowerment
 - B. Consistency and censorship
 - C. Vision and unpredictability
 - D. Respect and honesty
84. Which of the following is an example of a semi-variable business cost:
- A. Property taxes
 - B. Employees' salaries
 - C. Rent
 - D. Telephone service
85. All of your friends are coming over for dinner tonight. Instead of asking what they'd like to eat, you decide to order pizza. What style of decision making are you using?
- A. Managing
 - B. Moderate
 - C. Minimum
 - D. Maximum
86. Miguel always enjoyed designing and building bookshelves, tables, and storage cabinets for his family and friends in his spare time. Through word-of-mouth, others started to ask Miguel to build items for them. Requests for his services became so great that he decided to open his own woodworking business. Miguel decided to start his own business because of his
- A. passion for a hobby.
 - B. desire for a flexible schedule.
 - C. technological knowledge.
 - D. need for adventure.

87. Tracy's friend David works for TPS Industries. When Tracy saw a job on the company's web site that interested her, she contacted David to find out if he knew anything about the job. David told Tracy that he previously worked with the hiring manager on several projects and would put in a good word for her. In this situation, Tracy acted on an employment opportunity by
- A. volunteering her time.
 - B. networking with others.
 - C. requesting an internship.
 - D. setting up a meeting.
88. Lynnette works at Main Street Bank. Her primary job responsibility is to determine if the bank should lend funds to the bank's customers. Lynnette is working as a(n)
- A. collections officer.
 - B. credit analyst.
 - C. chartered financial consultant.
 - D. bank agent.
89. What is a primary responsibility of a company's controller?
- A. Evaluating property values
 - B. Designing risk policies to minimize business losses
 - C. Calculating the risk of loss
 - D. Directing the preparation of financial reports
90. Many businesspeople are required to take continuing education classes to
- A. supplement their existing income.
 - B. improve their standard of living.
 - C. demonstrate their emotional intelligence.
 - D. maintain their professional certifications.
91. Annette works for an insurance company. Her primary responsibilities involve establishing premium rates and designing insurance policies to cover risk. Annette is most likely to have certification as a
- A. Certified Financial Planner (CFP).
 - B. Certified Financial Analyst (CFA).
 - C. Chartered Life Underwriter (CLU).
 - D. Chartered Investment Counselor (CIC).
92. A loan officer who has special knowledge in real-estate loans is most likely to have a _____ professional certification.
- A. Certified Information Systems Auditor (CISA)
 - B. Certified Mortgage Banker (CMB)
 - C. Certified Internal Auditor (CIA)
 - D. Certified Annuities Specialist (CAS)
93. To build a relationship with others working in the same field, a financial planner should consider
- A. participating in an appropriate professional organization.
 - B. attending the local chamber of commerce meetings.
 - C. taking an entrepreneurship class at the community college.
 - D. sponsoring events for charitable organizations.
94. Because Maggie's primary goal is to get ahead in the company, she often uses questionable tactics to get a sale, which sometimes involves misleading her customers. Maggie's behavior is a risk to her employer because Maggie places more importance on _____ than she does on _____.
- A. corporate branding, her own productivity
 - B. social responsibility, her career goals
 - C. personal gains, business ethics
 - D. operating procedures, compliance
95. To reduce risks associated with unethical business activities, a company should clearly communicate its
- A. code of conduct to all employees.
 - B. terms-of-sale policies to executive managers.
 - C. product requirements to its primary distributors.
 - D. dividend payment schedule to suppliers.
96. What technological application do financial businesses use to evaluate how investment portfolios may react to changing conditions in the markets?
- A. Automated oversight
 - B. Stress testing
 - C. Financial compliance
 - D. Threat detection

97. Lower premiums and the ability to control the claims process are advantages of
- A. captive insurance companies.
 - B. traditional liability insurance policies.
 - C. standard insurance companies.
 - D. reinsurance carriers.
98. Copylt Printing Company employs several delivery drivers. Last year, the local police cited two of the company's new drivers for causing accidents that resulted in passenger injuries and vehicular damage. The printing company later discovered that the drivers were cited for numerous traffic violations while employed for other companies. To avoid hiring unsafe drivers in the future, the company should
- A. conduct background checks on job applicants.
 - B. mandate drug testing for all employees on a monthly basis.
 - C. require delivery drivers to take a driving exam every six months.
 - D. ask job applicants about their former employers during the interview process.
99. Which of the following is a limitation that businesses face with their internal risk-control activities:
- A. Economic conditions
 - B. Market dynamics
 - C. Trade agreements
 - D. Human judgment
100. To control online transactional risks, a business should consider outsourcing its technology needs when it lacks
- A. external training.
 - B. financial resources.
 - C. secondary data.
 - D. internal expertise.

1. B
Bilateral contract. In bilateral contracts, both parties promise to do something. In the example, Samantha promises to pay \$225 to Tony. In exchange, Tony promises to give Samantha the bike. Unilateral contracts are contracts that involve promises made by one party. For example, a pet owner offers to pay a reward for a lost animal. In this situation, the pet owner is the only party making a promise. There is not enough information to determine if Samantha and Tony made a verbal or nonverbal agreement or if they renegotiated terms.
SOURCE: BL:002
SOURCE: Miller, R.L., & Jentz, G.A. (2005). *Fundamentals of business law* (6th ed.) [pp. 152-153]. Mason, OH: Thomson/South-Western.

2. C
Fiduciaries. Individual's financial advisors may serve as a fiduciary, and a fiduciary relationship will exist. The fiduciary is responsible for caring for another person's assets and makes the decisions regarding an individual's assets. An example of a fiduciary would be a trusted financial advisor such as an accountant, attorney, or insurance agent. An economist is a person who studies how countries and individuals make economic decisions. A bookkeeper is an individual who analyzes financial transactions, journalizes those transactions, posts the journal entries to ledgers, and balances the books. Although Lucy's accountant may also be her bookkeeper, her attorney and life-insurance agent are not likely to be bookkeepers.
SOURCE: BL:133
SOURCE: Murray, J. (n.d.). *Fiduciary - fiduciary responsibility*. Retrieved November 6, 2012, from <http://biztaxlaw.about.com/od/glossaryf/g/fiduciary.htm>

3. A
If a Certified Public Accountant prepared Mary's return, she can probably avoid government penalties for the understatement of tax. Financial professionals are expected to practice due diligence and comply with federal laws for their clients. Therefore, assume their knowledge of the law to be accurate and true. Because clients such as Mary trust their tax professionals to prepare their returns appropriately, the federal government isn't likely to penalize the clients. Instead, the government is more likely to penalize the dishonest and/or negligent tax preparers. A tax shelter is a legal method of minimizing or decreasing an investor's taxable income; for example, an employer-sponsored 401(k) plan is a tax shelter. Mary's understatement is not the result of a tax shelter. In a situation such as Mary's, it would not benefit her to store her assets in an offshore bank account.
SOURCE: BL:134
SOURCE: Internal Revenue Service. (2007, November 5). *Notice of proposed rulemaking regulations governing practice before the internal revenue service*. Retrieved November 5, 2012, from http://www.irs.gov/irb/2007-45_IRB/ar20.html

4. C
Tax shelters. Tax shelters are methods of minimizing taxable income. For example, the government does not tax the income that an employee places in an employer-sponsored retirement program until the employee withdraws the money from his/her account. In other words, this portion of the employee's income is tax-deferred. Homeowners minimize their tax obligation when they write off their interest on their mortgages as tax deductions on their tax returns. Garnishment is a court-ordered action in which a portion of an employee's salary is transferred to a third party. Alimony and child support are examples of garnishments. Real estate is a tangible asset. Derivatives are securities that function as tools for trading underlying assets.
SOURCE: BL:134
SOURCE: Barrymore, J. (n.d.). *How tax shelters work*. Retrieved February 1, 2013, from <http://money.howstuffworks.com/personal-finance/personal-income-taxes/tax-shelters1.htm>

5. C

A securities regulatory commission. Securities regulatory commissions or agencies are responsible for creating and enforcing compliance with financial reporting standards and other securities-related legislation and regulation. In the United States, the most prominent, powerful securities regulatory commission is the Securities and Exchange Commission (SEC). The SEC is a federal agency that regulates the financial markets and protects the investing public from fraud or malpractice. Local law enforcement officers are not responsible for enforcing compliance with financial reporting standards. The World Bank provides financial and technical aid to developing countries but isn't usually responsible for enforcing financial reporting standards. The federal judicial system interprets laws. The executive branch, on the other hand, is generally responsible for enforcing the law.

SOURCE: CC:003

SOURCE: Securities and Exchange Commission. (2012, October 12). *The investor's advocate: How the SEC protects investors, maintains market integrity, and facilitates capital formation*. Retrieved November 7, 2012, from <http://www.sec.gov/about/whatwedo.shtml>

6. B

Six Sigma. Six Sigma is a quality-management methodology that is often used by financial institutions to sustain regulatory compliance. Businesses use Six Sigma to determine methods to improve current process and/or develop new, more efficient processes. Six Sigma consists of six phases: Define the problem; measure aspects of the current process; analyze data; improve processes; and develop measures to monitor the new process results. Cost standards are established specifications used to measure how much a project or product costs. Strategic planning involves making long-range plans (three to five years) for a company as a whole. First-in, First-out is a method used to calculate inventory.

SOURCE: CC:003

SOURCE: Bates, C.M., & Bates, F.R. (2006, August). *Sarbanes-Oxley and Six Sigma: Windfalls and pitfalls*. Retrieved November 6, 2012, from <http://asq.org/qic/display-item/index.html?item=20743>

7. D

Switch from manual to automated calculation and reporting methods. To be Basel II compliant, banks are required to calculate and report their risk-weighted assets. While it is possible to complete these tasks manually, many banks have developed automated technology to gather data used in risk-calculation models and utilize these data to calculate risk-weighted assets. Although improving the bank's new-employee training program, increasing cross-functional cooperation among employees, and encouraging customers to utilize the bank's online account system are all potential positives for the bank, they do little to help the bank better meet compliance requirements.

SOURCE: CC:004

SOURCE: Luxoft. (n.d.). *Basel II reporting and compliance solution*. Retrieved November 6, 2012, from http://www.luxoft.com/downloads/pdf/finance/basel_compliance_solution.pdf

8. B

Reporting requirements. Demand for governance, risk, and compliance (GRC) software systems has grown significantly in recent years. Although GRC software can be customized to better meet individual business needs, it serves four basic functions. It identifies and measures corporate risk levels; monitors the risk-management system; checks to see that employees are adhering to company-wide policies; and ensures compliance with reporting requirements enforced by federal and state government agencies and other regulatory commissions. It is not designed to ensure compliance with union demands, product standards, or contingency plans.

SOURCE: CC:004

SOURCE: Bamberger, K.A. (2009, January 1). *Technologies of compliance: Risk and regulation in a digital age*. Retrieved November 14, 2012, from <http://scholarship.law.berkeley.edu/cgi/viewcontent.cgi?article=2665&context=facpubs>

9. B

The federal government's labor and workforce web site. When exploring career trends, researchers need to identify credible sources that keep their information up-to-date. Federal governments often post and regularly update career information on their labor and workforce web sites. The United States posts and publishes the *Occupational Outlook Handbook*, which provides information about career trends for hundreds of careers. The Canadian government posts career information about job trends in Canada on a web site called *Working in Canada*. There is not enough information provided to determine if the accounting textbook or newspaper article contains current or relevant career information about accounting. An insurance trade publication is more likely to contain articles about insurance careers than accounting careers.

SOURCE: CO:054

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2009). *Marketing essentials* (p. 613). New York: Glencoe/McGraw-Hill.

10. C

Ask the caller if s/he would like to leave a message. If a caller wants to speak to a specific employee who is unavailable, it is most courteous to ask if you can take a message or ask the caller if s/he would like to leave a voice-mail message. There isn't enough information to determine if the caller wants to place an order or if you are in the position to help the caller. If Rhonda is in a meeting or out of the building, putting the caller on hold until you track her down or asking him/her to call back in a few minutes are not viable options. Additionally, placing a caller on hold for a long time and telling her/him to call later are rude responses.

SOURCE: CO:114

SOURCE: Clark, B., Sobel, J., & Basteri, C.G. (2006) *Marketing dynamics* (pp. 626, 682-683). Tinley Park, IL: Goodheart-Wilcox Co.

11. D

Scatter chart. A scatter chart is a visual aid that involves placing points on a graph to indicate relationships or patterns among two or more variables. A pie chart shows the parts of a whole. A timeline illustrates the sequential order or occurrence of events. Businesspeople typically use tables to present exact, individual values of data.

SOURCE: CO:087

SOURCE: Google Developers. (2013). *Scatter chart: Introduction*. Retrieved February 12, 2013, from https://developers.google.com/chart/image/docs/gallery/scatter_charts

12. C

Informational message. Communicating information involves providing others with facts. In the example, the human-resources manager is informing the company's employees about an issue with the company's parking lot. The human-resources manager is not writing a projection report, business proposal, or formal inquiry.

SOURCE: CO:039

SOURCE: Bovée, C.L., & Thill, J.V. (2008). *Business communication today* (9th ed.) [pp. 6-7]. Upper Saddle River, NJ: Pearson Prentice Hall.

13. D

An employee sends an e-mail to a coworker about a short-term project. Horizontal communication occurs between employees (e.g., coworkers) who have the same level of authority within the organization. Supervisors and managers providing feedback or advice are examples of downward or vertical communication. An employee providing his/her manager with a report is an example of upward communication.

SOURCE: CO:014

SOURCE: Bovée, C.L., & Thill, J.V. (2008). *Business communication today* (9th ed.) [p. 5]. Upper Saddle River, NJ: Pearson Prentice Hall.

14. B
Realize that cultural differences exist. The key to adapting your communication style to different cultures is to realize that differences exist. Then, you can do research to make sure that you don't do anything to offend the other party. This may involve dressing conservatively, monitoring your body language, selecting appropriate gifts, learning key phrases in another language, and using particular titles to show respect. You don't need to change your personal values and beliefs; rather, you need to respect those that differ from your own. Ethnocentrism is the belief that your own culture is naturally better than other cultures. Ethnocentrism tends to hinder positive relationships with people from other cultures.
SOURCE: CR:019
SOURCE: Ngomsi, E. (2003-2009). *Factors that affect cross-cultural interactions in the workplace*. Retrieved February 12, 2013, from <http://www.yan-koloba.com/articles.html>
15. C
Take care not to overwhelm the customer. Because it is difficult for the slow/methodical customer to make a purchasing decision, salespeople must be careful not to overwhelm this type of customer. If customers feel overwhelmed, they may become frustrated and decide not to buy anything. Therefore, being patient and calm is important when dealing with slow/methodical customers. Following the shoppers around the store, showing them too many options, and pressing them to make a decision before they are ready to commit are likely to overwhelm slow/methodical customers.
SOURCE: CR:009
SOURCE: CR LAP 3—Making Mad Glad (Handling Difficult Customers)
16. C
Developing stronger long-term customer relationships. By learning and better meeting customers' wants and needs, bank employees—and ultimately, the bank as a whole—are able to develop stronger long-term relationships with customers. And, as the bank builds goodwill among its customers, those customers are likely to become loyal bank clientele. Although bank employees will be recognized for delivering quality customer service as a result of the new strategy, it is not likely to be Anna's primary goal. Based on the information provided, the new strategy is unrelated to new products and services or the number of forms that new customers must fill out.
SOURCE: CR:012
SOURCE: MindTools. (1996-2012). *Customer service mindset: Getting passionate about satisfying others*. Retrieved on November 10, 2012, from http://www.mindtools.com/pages/article/newCDV_77.htm
17. B
Understand the potential risks and rewards of different financial products. Ethical financial-services providers act in the best interest of their clients. To act in the best interest of their clients, financial-services providers consider their clients' individual financial needs, wants, capabilities, and limitations and present appropriate investment options to them. Financial-services providers also should communicate the rewards and risks associated with various financial instruments so their clients fully understand their options. It is unethical to suggest that clients make a high-risk investment if they cannot afford it. A diversified portfolio does not invest over half of a person's money in one financial product. Hedge funds are exclusive investment partnerships that typically require a large, minimum investment. Because markets are constantly changing, it is not feasible to plan future investments for money that is not available.
SOURCE: CR:012
SOURCE: Cussen, M. (2012, May 27). *Ethical issues for financial advisors*. Retrieved February 1, 2013, from <http://www.investopedia.com/articles/financialcareers/08/ethics-for-advisors.asp#axzz1mHr6uWWK>

18. D
Complete a data cleansing of the erroneous entries. One of the quickest ways for a business to upset its customers is to accuse them of failing to pay their bills—especially when the business has already received payment from them. To ensure that these customers do not receive more erroneous collection letters in the future, Beverly should complete a data cleansing of the erroneous entries, removing them from the system. Completing an accounting software update isn't likely to have an effect on the erroneous entries. While it might be helpful to contact each customer by phone and apologize, Beverly needs to do more than that to ensure that the customers are not bothered in the future. The \$25,628 is not a debt. It is the sum total of all the erroneous duplicate entries in the accounts receivable account.
SOURCE: CR:024
SOURCE: Cook, R. (n.d). *Six steps to improved data quality and more effective marketing*. Retrieved November 9, 2012, from <http://www.crmsearch.com/marketing-data-quality.php>
19. B
A CRM database. Businesses use a number of different tools, including CRM databases, data warehouses, and various computer applications, to gather, organize, analyze, and store customer data. A data is a virtual storage unit for information. Computer-aided design (CAD) involves the use of technology to plan, design, test, and alter products virtually. A neural network is a computer system that simulates human brain activity to analyze and recognize patterns in information. A global positioning system (GPS) uses satellite technology to determine location and provide directions.
SOURCE: CR:024
SOURCE: Wang, J. (2008). *Data warehousing and mining: Concepts, methodologies, tools, and applications*. (1st ed.) (p. 27). Hershey, PA: Information Science Reference.
20. A
Conduct environmental scans. To be successful in the marketplace, companies must monitor external factors, which is the process of environmental scanning. Companies use the information obtained through environmental scanning to adapt to the changes that most affect their business activities. For example, changes in government regulations may require certain companies to change internal procedures to remain compliant. Implementing internal analyses and preparing organizational inspections are activities that occur within the company. Planning customer interviews is a step that companies can take to get feedback about some aspects of the external environment; however, companies must carry out the interviews to obtain the information.
SOURCE: EC:105
SOURCE: EC LAP 26—What's Shakin'? (Factors Affecting Business Environment)
21. C
Sympathetic strike. A sympathetic strike is a union pressure strategy in which employees of one local union walk off the job to support another union that is on strike. A wildcat strike occurs when local union employees refuse to work but do not have the consent of the national union. A lockout occurs when a company closes the business temporarily, and the employees are not allowed to work. A boycott is a union pressure strategy in which union members refuse to buy a company's products and encourage others to do the same.
SOURCE: EC:015
SOURCE: EC LAP 5—Get United (Organized Labor)
22. B
Law of diminishing returns. The law of diminishing returns is an economic principle stating that after a certain point, hiring additional employees will result in a decrease in the overall level of productivity. For example, suppose that an apparel manufacturer has 100 sewing machines available to produce shirts. The manufacturer's overall productivity reaches its peak when there are 100 workers using all of the sewing machines to make the shirts. If the manufacturer had 125 workers and 100 sewing machines, productivity decreases because there are 25 workers without equipment to use to produce the shirts. Economies of scale is the economic concept that states there is a reduction in cost per unit as the production rate increases. The law of minimal utility and economies of scoring are fictitious terms.
SOURCE: EC:023
SOURCE: McConnell, C.R., & Brue, S.L. (2005). *Economics: Principles, problems, and policies* (16th ed.) [pp. 395-396]. Boston: McGraw-Hill/Irwin.

23. A
Business activities slow. When business activities slow, businesses produce fewer goods and services. A decline in production often leads to facility closings and employee layoffs. When people are unemployed, they are not earning an income, so consumer spending tends to decrease. When business activities decline over several months, it typically indicates the beginning of an economic recession. Businesses are more likely to expand when interest rates decrease because it is less expensive to obtain loans. When the inflation rate stabilizes, the prices of goods and services are not increasing as quickly, which may boost consumer spending.
SOURCE: EC:081
SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2009). *Marketing essentials* (p. 65). Woodland Hills, CA: Glencoe/McGraw-Hill.
24. A
Trade deficit. A nation's balance of trade is the difference between the value of its exports and imports. A trade deficit is an unfavorable balance of trade in which a nation's imports are greater than its exports. A trade surplus is a favorable balance of trade when a nation's exports are greater than its imports. A comparative advantage is the advantage achieved by a nation from specializing in and producing goods and services at which it is relatively most efficient.
SOURCE: EC:016
SOURCE: EC LAP 4—Beyond US (Global Trade)
25. B
You can achieve one, but it requires work. Being positive *does* take a lot more effort than being negative, but it's still totally achievable as long as you're willing to work to maintain it. A positive attitude is certainly both necessary and important, and it doesn't make it harder for you to achieve your goals. In fact, a positive attitude makes it easier to achieve your goals. A positive attitude is not something you're born with; it's something you develop over time.
SOURCE: EI:019
SOURCE: EI LAP 3—Opt for Optimism (Positive Attitude)
26. C
Todd misled Cynthia. Although Todd may have meant well when he told Cynthia not to worry, he misled her by making Cynthia think that her job was safe. A better response may have been that he didn't have all the facts about the layoffs and did not want to speculate about Cynthia's position. This statement would have been true if Todd did not know who was going to be laid off. While Cynthia's questions put Todd in an uncomfortable position, they were relevant to the rumors. Cynthia heard about the layoff rumors—she didn't start them.
SOURCE: EI:038
SOURCE: Tahmincioglu, E. (2009, November 30). *Recession adds fuel to workplace gossip*. Retrieved February 13, 2013, from <http://www.msnbc.msn.com/id/34149723/ns/business-careers/t/recession-adds-fuel-workplace-gossip/>
27. C
Repeat or summarize the other person's statements. You can show that you're actively listening by repeating or summarizing the other person's statements or by asking for clarification. Active listening is important because it keeps you from missing an important point. You don't want to think about what you'll say next while the other person is speaking—this makes it impossible to listen. Even if you have strong emotions, it's important to keep your emotions out of the negotiation, as reacting emotionally could derail the discussion and negatively affect your credibility. It's important to keep a positive, open, and objective attitude when negotiating, but this is something you should do whether or not you're actively listening.
SOURCE: EI:062
SOURCE: EI LAP 8—Make It a Win-Win (Negotiation in Business)

28. A
High school students compete to sell the most candy in a school fundraiser. When students compete to sell the most candy, their conflict motivates them to be better salespeople and make more money for the school. If Kevin has a class and a meeting scheduled for Tuesday afternoon, his conflict is due to competing or opposing situations. When two coworkers need to use the copy machine at the same time, their conflict is due to limited resources. If Jane and Amy both want to be in charge of their presentation, their conflict is because of authority.
SOURCE: EI:015
SOURCE: EI LAP 7—Stop the Madness (Conflict Resolution in Business)
29. D
All decision makers have equal power. Consensus is a decision-making outcome that requires substantial agreement of each group member. This means that, for everyone to agree, the option doesn't have to be each group member's first choice. When making decisions by consensus, each member of the groups has equal power. Because each member has equal power, members are less likely to do things that promote self-interests and personal agendas. Consensus is not a majority rule. The disadvantages to consensus as a decision making process is that it often takes a lot of time and conflicts may occur.
SOURCE: EI:011
SOURCE: EI LAP 19—It's a Group Thing (Consensus Building)
30. B
Establish trust. Successful collaboration involves establishing trust. When employees trust their coworkers, they are open, honest, and willing to work together to complete an activity or project. Employees do not need to support all ideas, but they need to be respectful of others' feelings and opinions. Employees cannot always avoid conflict, but they can handle it in constructive ways. Limiting communication can hinder collaboration.
SOURCE: EI:061
SOURCE: DuBrin, A.J. (2010). *Leadership: Research findings, practice, and skills* (6th ed.) [p. 260]. New York: Houghton Mifflin.
31. D
Installment. Installment credit is a type of credit account set up to handle one total amount of credit that is to be paid off in regular installments. Because Thomas is paying a set amount of money at regular intervals, he is using an installment plan to pay for his car. Revolving credit is a type of credit account that limits the total amount of money that may be owed and charges interest on outstanding balances. A budget credit account is a form of short-term credit often set up for 60- or 90-day periods with a payment due every 30 days. Service credit is credit used for utilities that have been consumed but not paid for (e.g., water and electricity).
SOURCE: FI:002
SOURCE: FI LAP 2—Give Credit Where Credit is Due (Credit and Its importance)
32. C
Time-value of money. Due to the time-value of money, any certain amount of money (such as Justine's \$5,000) is worth more now than later as a result of its earning potential. Rather than letting her uncle keep the \$5,000 until next year, Justine is wise to take the money now and put it in a deposit-bearing savings account. That way, Justine can earn more money (\$300, to be precise) on the money from her uncle. A dividend reinvestment plan (also known as a DRIP) is a method used by many investors to grow their investments more quickly. It involves using stock dividends to purchase more shares of that stock. Capital budgeting is the process that a firm's financial managers use to determine which projects to invest in. The accrual accounting method involves recording transactions at the time they occur even if no money changes hands at the time.
SOURCE: FI:270
SOURCE: Investopedia. (2012, August 5). *Understanding the time value of money*. Retrieved November 8, 2012, from <http://www.investopedia.com/articles/03/082703.asp#axzz2BZGrTRpM>

33. A
Compound interest. Compound interest is interest earned upon your previous interest earnings. By starting early and earning compound interest, you can accumulate a much larger amount of money than you would if you simply put \$2,000 under your mattress or in a jar each year. A finance charge is interest charged on the outstanding balance of a credit account. Fiscal policy is the government policy that sets levels of government spending and taxation. The prime interest rate is the interest rate that banks offer to their best credit customers. There is no indication that nine percent is the prime rate.
SOURCE: FI:270
SOURCE: CashCourse. (n.d.). *The power of compound interest—Small savings add up*. Retrieved November 14, 2012, from <http://www.cashcourse.org/articles/id/1818/the-power-of-compound-interest—small-savings-add-up>
34. C
Identity theft. Identity theft occurs when an individual obtains and uses another person's information (e.g., credit cards) without that person's consent. It is important for people to monitor their bank and credit-card accounts on a regular basis, and financial institutions are implementing internal policies to help flag possible identity-theft activities. Banks and credit-card companies send e-mail and text messages under certain conditions to alert their customers of possible fraudulent activities. For example, financial institutions notify customers when their systems detect sizable ATM withdrawals or charges are made to credit cards over a certain amount of money. Although these actions detect fraud after it occurs, it allows customers time to freeze their accounts to prevent further activity. Loan fraud involves lying on loan applications to obtain loans. Money laundering is the process of creating the appearance that money obtained from criminal activities came from acceptable or legal sources. Firewall applications are designed to protect the organization's computer systems from external hacking activities.
SOURCE: FI:073
SOURCE: Tugend, A. (2012, February 10). *Preventing identity theft without paying monthly fees*. Retrieved February 11, 2013, from http://www.nytimes.com/2012/02/11/your-money/identity-theft/identity-theft-prevention-can-be-cheap-and-easy.html?pagewanted=all&_r=0
35. D
An itemized deduction. The government allows taxpayers to itemize or list certain expenses on their tax returns to reduce the amount of taxable income. These expenses include charitable donations, a percentage of medical expenses, business expenses, and interest paid on some types of loans. Investment earnings, such as dividend payments, are taxable income. The federal government does not tax certain types of investments, such as municipal bonds.
SOURCE: FI:074
SOURCE: Kapoor, J.R., Dlabay, L.R., & Hughes, R.J. (2009). *Personal finance* (9th ed.) [pp. 106-108]. New York: McGraw-Hill Irwin.
36. D
Credit union. Credit unions are essentially cooperatives providing financial products and services to a group of individuals who work for the same employer or share some other common interest or characteristic. Only members may save at or borrow from a credit union. Credit unions offer many different types of accounts, including interest-bearing checking accounts, also called share-draft accounts. Mortgage companies, insurance companies, and Certified Public Accounting (CPA) firms are not deposit-taking financial institutions.
SOURCE: FI:336
SOURCE: Cady, D. F. (2008). *2008 Field guide to financial planning* (p. 56). Erlanger, KY: The National Underwriter Company.

37. B
Financial institutions facilitate the flow of money in the economy. Government/semigovernment financial institutions, but not all financial institutions, carry out regulatory and supervisory functions. A financial institution with a high value, rather than a low value, is probably doing a good job of managing its risk and making money for stockholders. Credit unions are financial institutions that are owned by their members; however, not all financial institutions are credit unions.
SOURCE: FI:336
SOURCE: Finance Maps of the World. (2011, October 20). *Types of financial institutions*. Retrieved December 2, 2012, from <http://finance.mapsofworld.com/financial-institutions/types.html>
38. D
Bonds, which are debt instruments, are typically less risky investments than stocks. Equity instruments such as common stock are traded on the equity market. Individuals who purchase equity instruments, not debt instruments such as bonds, gain partial ownership of a business. If a company suffers financial difficulties, its bondholders are paid before its stockholders.
SOURCE: FI:337
SOURCE: Federal Reserve Bank. (2005). *What are the differences between debt and equity markets?* Retrieved December 2, 2012, from <http://www.frbsf.org/education/activities/drecon/2005/0510.html>
39. D
Auction. The New York Stock Exchange is an auction market. An auction market is a physical, floor-based market where multiple traders place bids on behalf of investors. At the same time, sellers submit offers, or asks, to sell their stocks at certain prices. The trade price represents the highest bid price and the lowest offer price. An over-the-counter market is a place for trading securities outside of a formal exchange. A commodity market is a market for buying and selling raw materials and primary products. A spot market is a commodities market involving cash purchases that are delivered immediately.
SOURCE: FI:337
SOURCE: Investment Technology Group, Inc. (2009). *Auctions (opening and close) in NYSE and NASDAQ*. Retrieved December 19, 2012, from http://www.itg.com/wp-content/uploads/2009/11/MOOandM_OC_11_6_09.pdf
40. C
Convergence. Convergence in the finance industry typically involves the merging of financial providers from different financial sectors, such as a retail bank merging with an insurance company. As a result of the merger, the new, larger organization may choose to replace each company's legacy accounting system with one new enterprise planning system for all of its operations—both banking and insurance. Convergence often results in increased capital liquidity. Bancassurance is the sale of insurance products by a retail/business bank, not the merger of an insurance company and a bank. Not enough information was provided to determine if the enterprise planning system encompasses knowledge management.
SOURCE: FI:573
SOURCE: MBA Research and Curriculum Center. (2009). *Introduction to finance course guide* (pp. 106-107). Columbus, OH: Author.
41. A
Consolidating with larger banks. In recent years, many small banking institutions have consolidated or merged with larger banks in efforts to compete globally and improve efficiencies, viability, and profitability. Rapidly expanding operations without consolidating with a larger bank is usually not conceivable for a small banking institution. Following global regulations is important but not necessarily enough to compete successfully on a global level. A financial holding company is a large organization that owns most or all of the shares of individually incorporated subsidiaries that engage in other types of financial activities. Small banking institutions aren't liking to have the resources to be financial holding companies.
SOURCE: FI:573
SOURCE: Ernest & Young. (2009, February 10). *Ernest & Young—Assocham report stresses on consolidation in financial services*. Retrieved November 25, 2012, from <http://www.prlog.org/10180184-ernst-young-asso-cham-report-stresses-on-consolidation-in-financial-services.html>

42. C
Gross Domestic Product, unemployment, and inflation. According to most analysts, the three economic indicators that impact the stock market the most (and, therefore, the three that stock market investors and traders should pay the closest attention to) are the Gross Domestic Product, unemployment, and inflation. The Gross Domestic Product (GDP) is the final market value of the total output of all goods and services produced within a country's geographic boundaries during a year's time. The stock market mirrors the GDP—if the GDP goes up, the stock market usually goes up with it. The unemployment rate is the percentage of the workforce that is unemployed. The stock market is inversely related to the unemployment rate—if the unemployment rate goes up, stock prices usually go down. Inflation is a rapid rise in prices that may occur when demand exceeds supply or when productivity declines and costs of labor go up. If inflation and interest rates both rise, the stock market will suffer. However, if inflation goes up while interest rates stay low, the stock market is likely to benefit. Overhead expenses and bond rates are not economic indicators.
SOURCE: FI:574
SOURCE: ETORO. (n.d). *How do economic indicators affect the stock markets*. Retrieved on December 4, 2012, from <http://www.etoro.com/education/how-do-economic-indicators-affect-the-stock-markets.aspx>
43. D
A movement from fixed exchange rates to floating exchange rates. A fixed exchange rate is one that the government sets and maintains. A fixed exchange rate does not change very often. A floating exchange rate, on the other hand, is constantly in flux—determined by the market through supply and demand. To enable capital to flow more freely across their national borders, countries around the world have moved from fixed to floating exchange rates, lowered taxes on international financial transactions, increased foreigners' access to domestic financial markets, and decreased restrictions on foreign investment and international trade.
SOURCE: FI:575
SOURCE: MBA Research and Curriculum Center. (2009). *Introduction to finance course guide* (pp. 156-158). Columbus, OH: Author.
44. D
Asset-management firm. Asset-management firms invest their clients' money in different (diversified) securities by pooling assets. This is beneficial to investors who do not have the financial resources and expertise to obtain securities on their own. Asset-management firms typically manage mutual funds, hedge funds, and pension plans. An investment bank is a financial intermediary that underwrites securities and facilitates mergers. Mortgage companies process loans specifically designed for the purchase of real estate—land, residences, and other types of buildings. Certified Public Accounting firms perform independent financial audits for different types of businesses (e.g., public corporations).
SOURCE: FI:075
SOURCE: Finance Maps of the World. (2012, May 4). *Top asset management firms*. Retrieved February 20, 2013, from <http://finance.mapsofworld.com/financial-institutions/stock-brokerage/top-asset-management-firms.html>
45. D
Income statement. Some investors believe the income statement is the most important document to review because it shows the company's "bottom line," a term that refers to net income. The income statement shows a company's profitability over a specific period of time. You read an income statement from top to bottom. The top line shows the revenues. Each line below the first line deducts expenses, until you get to the bottom line that shows the net income. A cash flow statement tracks the money that comes into and flows back out of a company. A balance sheet gives a summary of a company's financial health at a specific point in time. A statement of retained earnings indicates the amount of profit that is being retained in the business, as well as the dividends paid by the company during a specific period of time.
SOURCE: FI:274
SOURCE: QS LAP 36—The Source Is With You (Finding and Evaluating Securities Information)

46. C
EDGAR and the company's website. Before purchasing stock in a particular company, you should conduct thorough research on the company. Two important resources to access when doing this research are the company's web site and Electronic Data Gathering and Retrieval (EDGAR). Many publicly-traded companies have web sites where you can find their annual reports and any other information and filings they have made public throughout the year. EDGAR is a section of the SEC web site. All of the company's mandatory filings (required by the SEC) are housed in EDGAR. Although the Statement of Ownership is typically included in company financial statements, it would not necessarily be an example of the most important resources to access prior to investing. ESOP stands for employee stock ownership plan, which is a system for employees to purchase stock of the company they work for.
SOURCE: FI:274
SOURCE: QS LAP 36—The Source Is With You (Finding and Evaluating Securities Information)
47. A
Price-earnings ratio. Most stock tables include the price-earnings ratio, or PE ratio for short. The price-earnings ratio is determined by dividing the last closing price of the stock by the earnings per share. Investors often study the PE ratio to get an idea of whether the stock is overvalued or undervalued, compared to competitors. The earnings per share (EPS), net income, and stockholder's equity are not typically found on the stock table. The earnings per share tells investors how much profit goes to each share of common stock. The net income is the money remaining after operating expenses are subtracted from gross profit. The stockholders' equity is equal to the assets minus liabilities.
SOURCE: FI:275
SOURCE: QS LAP 37—Table Talk (Reading Stock Tables)
48. B
Net change. The net change, which is commonly identified on stock tables, indicates the difference between the stock's closing price and the previous day's closing price. The ticker symbol is a system of letters that uniquely identifies a company. It is often based on the company name. The price-earnings ratio is determined by dividing the share price of the stock by the earnings per share. The price-earnings ratio is a common heading on stock tables. The 52-week high and low are the highest and lowest prices paid for the stock during the past year.
SOURCE: FI:275
SOURCE: QS LAP 37—Table Talk (Reading Stock Tables)
49. D
Lending investments. Investments in which individuals allow borrowers to use their money for a period of time for a specified fee or rate of interest are lending investments. Certificates of deposit and municipal bonds are types of lending investments. Ownership investments are those in which individuals purchase a portion or all of an item (e.g., stocks). Value stocks trade at lower-than-average prices because they have been overlooked or undervalued by investors. Commodities, which are often traded on stock exchanges, are inputs or goods used to produce other products such as oil, grains, gold, etc.
SOURCE: FI:077
SOURCE: QS LAP 32—Risky Business? (Types of Investments)
50. C
Current assets. A balance sheet is a financial statement that captures the financial condition of the business at that particular moment. Inventory and accounts receivable are categorized as current or short-term assets because the levels of inventory and income from sales tend to fluctuate. Owner's equity is the amount an owner has invested in the business plus or minus profits and losses. Long-term assets are items of value—buildings, vehicles, and capital equipment—that businesses use to generate revenue for more than a year. Current liabilities are debts that must be paid within a year.
SOURCE: FI:093
SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (p. 73). Mason, OH: South-Western Cengage Learning.

51. D
Insider trading. Illegal insider trading occurs when a company employee buys or sells company stock based on information that is not disclosed to the public. It is also illegal for a company employee to share that information with others so that they can buy or sell the stock before the public is made aware of the information. Disparate data structures are financial-information databases that organize data differently, making it very difficult to compare the data housed in the different applications. Stewardship is an ethical consideration in financial-information management. Essentially, it means that those individuals managing a company's financial information are expected to maintain the data in a consistent, useful, responsible manner. Encryption is the process of transforming information into a secret code so that only the recipient can read it.
SOURCE: FM:002
SOURCE: JA Worldwide. (n.d.) *Excellence through ethics: Understanding insider trading*. Retrieved on January 1, 2013, from <http://www.ja.org/student/asp/LearnEthics/07-08-activities/HighSchool6.pdf>
52. A
Forecast financial inflows and outflows. Financial-information management has multiple responsibilities in an organization. For example, it collects, maintains, and reports data about financial transactions. Business managers often use these data to forecast financial inflows and outflows, which is extremely helpful when developing a budget. The financial-information management function also assists in the preparation of financial statements and protects customer financial information. Business managers are unlikely to use the data to determine if liability insurance is needed, develop secondary equity markets, or calculate the level of corporate groupthink.
SOURCE: FM:002
SOURCE: *Chapter 12: Information systems for business functions*. (n.d.). Retrieved January 9, 2013, from <http://www.umsl.edu/~joshik/msis480/chapt12.htm>
53. A
Steward. A data steward is, in essence, responsible for ensuring the integrity of an organization's data. To ensure those data's integrity, data stewards must make sure that data are used ethically and honestly—and only by those individuals authorized to do so. Pamela failed to fulfill her responsibilities as a data steward because she allowed a coworker to access data that he was not authorized to see or use. An auditor is responsible for verifying the accuracy of business records. In business, a sponsor is typically an individual or organization that financially supports a project, event, or promotion. A data processor is responsible for analyzing facts and figures and putting them into formats useful to the business.
SOURCE: FM:003
SOURCE: Smith, A.M. (2013). *A new view of data stewardship—Unbiased data presentation*. Retrieved January 22, 2013, from <http://www.information-management.com/news/1056150-1.html?zkPrintable=1&nopagination=1>
54. C
More data attacks come from inside the organizations than outside them. Financial institutions' data are at risk of attacks originating from both within and outside the organizations. In fact, more data attacks typically come from inside the organization than outside it. Unfortunately, most financial institutions have traditionally concentrated their data security efforts on firewalls and other technology to prevent outside attacks while neglecting to address the risk of inside attacks. And, even the best firewall in the world can't eliminate every external threat to the data. In addition, data at rest and data in process are actually more at risk than data in transit. In recent years, though, financial service companies have increased their investment in financial-information security to address these issues.
SOURCE: FM:011
SOURCE: Gurevich, M. (n.d.). *Sensitive data management in financial systems*. Retrieved January 22, 2013, from <http://omg.inventigo.com/docs.php/Sensitive+Data+Management+in+Financial+%20Systems.ppt?id=2&command=download>

55. B
Provides users with faster, better access to data from multiple sources. Financial-information management software has a number of benefits. It provides users with faster, better access to data, even from multiple sources. It also improves productivity by replacing tasks that used to be completed by hand with automated activities. It lowers compliance costs, but it does so by increasing audit trails and economies of scale, not eliminating them. Finally, it reduces risk and increases users' confidence in the confidentiality, safety, and integrity of data.
SOURCE: FM:011
SOURCE: SAP. (n.d.). *Master your financial data—With our financial information management software*. Retrieved January 22, 2013, from <http://www54.sap.com/solutions/analytics/enterprise-performance-management/software/financial-information-mgt/index.html>
56. A
Dashboard. A dashboard is a data-mining tool that summarizes a business's financial data and presents that information in easy-to-read charts and/or tables. The data, which are updated in real time, can be used to assess the company's overall financial performance. Many companies develop dashboards that appear on at least some of their employees' computer home screens automatically. A text-mining tool is a type of data-mining tool that can mine data from multiple text formats, including Microsoft Word and e-mail. An artificial neural network is a data-mining technique often used to review financial records to identify possible errors and questionable entries. A decision tree is also a data-mining technique. Decision trees are commonly used to classify data and build models.
SOURCE: FM:012
SOURCE: Silltow, J. (2006, August). *Data mining 101: Tools and techniques*. Retrieved January 4, 2013, from <http://www.theiia.org/intAuditor/itaudit/archives/2006/august/data-mining-101-tools-and-techniques/>
57. C
Artificial neural networks. Three common data mining techniques are artificial neural networks, decision trees, and the nearest-neighbor method. An artificial neural network is a data-mining technique often used to review financial records to identify possible errors and questionable entries. Decision trees, on the other hand, are commonly used to classify data and build models. The nearest-neighbor method classifies data records according to similar historical data. A dashboard is a data-mining tool that summarizes a business's financial data and presents that information in easy-to-read charts and/or tables.
SOURCE: FM:012
SOURCE: Silltow, J. (2006, August). *Data mining 101: Tools and techniques*. Retrieved January 4, 2013, from <http://www.theiia.org/intAuditor/itaudit/archives/2006/august/data-mining-101-tools-and-techniques/>
58. C
Debt modeling. Some budgeting software applications include a debt modeling tool which allows the user to assess the potential impact of loans and lines of credit. To use the debt modeling tool, the user would input the terms of the loan or line of credit, including the interest rate, term, principal, etc. Decision trees are a data-mining technique commonly used to classify data and build models. Environmental scanning involves gathering information about the environment surrounding a business, analyzing that information, and determining the future impact of that information on the business. Zero-based budgeting is a method of budgeting that requires a manager to demonstrate the need for every expense instead of relying on figures from a previous period.
SOURCE: FM:013
SOURCE: Software Advice. (2006-2013). *PlanGuru software*. Retrieved January 21, 2013, from <http://www.softwareadvice.com/accounting/planguru-profile/>

59. D

A spreadsheet application. Many small business owners use spreadsheet software such as Microsoft Excel to develop their budgets. A spreadsheet is a grid that shows information (usually numerical) in a logical format. Even applications that are marketed as “budgeting software” are basically spreadsheet templates that have been formatted and prepared specially for budgeting purposes. A database is computerized storage for information and facts. Although small business owners may house their data in a database, they are likely to use a spreadsheet application to develop their budgets. A dashboard is a data-mining tool that summarizes a business's financial data and presents that information in easy-to-read charts and/or tables. Project-management applications are likely to contain budgeting software, but it would be used when developing a budget for a project, not an entire business.

SOURCE: FM:013

SOURCE: Simmons, L. (2013). *Budgeting software spreadsheets*. Retrieved January 21, 2013, from <http://smallbusiness.chron.com/budgeting-software-spreadsheets-43084.html>

60. D

Benchmarking. Many financial-analysis software applications can provide users with benchmarking information that compares a company's financial performance with other specific companies in its industry and/or with industry standards. Other financial-analysis software features include ratio analysis, DuPont modeling, and forecasting. Financial ratios are comparisons of different numbers from a business's financial statement. Most financial-analysis software calculates the different financial ratios automatically and then evaluates those ratios to determine company strengths and weaknesses for the user. DuPont modeling helps the user to examine the impact of each financial ratio on return on equity. Forecasting features are often used to make predictions, develop budgets, and experiment with “what-if” scenarios.

SOURCE: FM:014

SOURCE: Estes, J., Savich, R.S., & Ivanova, M. (2007, November). *Tools for financial analysis*. Retrieved January 24, 2013, from <http://www.journalofaccountancy.com/issues/2007/nov/toolsforfinancialanalysis>

61. B

Parameter query. A query is a short string of code used to access and retrieve specific information from a database. After developing a query (which is, essentially, a question), that query can be saved and used again. Sometimes, the user wants to ask the database several very similar questions but with different details (e.g., different timeframes) each time. If this is the case, the user might develop and use a parameter query, which allows the user to input different details or criteria each time s/he runs the same general query. A crosstab query aggregates data to transform rows of data into columns. A wildcard query is typically used when the user isn't sure how to spell a word in the query or wants to locate all database entries containing different variations on a specific term. A status query is sometimes used to determine the status of a system, project, etc.

SOURCE: FM:015

SOURCE: Green, M. (2013). *Access tips: Using parameter queries*. Retrieved January 24, 2013, from <http://fontstuff.com/access/acctut01.htm>

62. D

Make investment decisions. Public corporations are legally required to provide accurate financial information (e.g., balance sheets, annual reports) because shareholders and potential shareholders use this information to make investment decisions. If public corporations provide inaccurate or misleading financial information, they are subject to severe government penalties and fines. A currency exchange rate is the specification of how much two currencies are worth in relation to each other at a given time. Although the goal of investing is to make or gain money, there is a possibility of financial loss if stocks perform poorly.

SOURCE: FM:004

SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (pp. 114-115). South-Western Cengage Learning.

63. B
Verify compliance. Individuals and businesses rely on accurate financial information when making investment decisions. Public corporations must follow many regulations to ensure that they provide accurate financial information to existing and potential shareholders. To ensure the accuracy of this information, the government requires independent auditors to review public corporations' financial reports before the reports are released to the public. Because independent auditors do not work for the company, they perform their audits objectively and without bias, which validates the integrity of the financial information. Independent auditors are not required to test a corporation's accounting methods, evaluate risk, or summarize collection techniques.
SOURCE: FM:004
SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (pp. 114-115). South-Western Cengage Learning.
64. D
Reporting transactions, financial planning. Because accounting is the process of keeping and interpreting financial records, it is responsible for recording and reporting transactions. The primary responsibility of the finance function is obtaining funds and managing the business's money in ways that achieve the business's goals. This process often involves making decisions, managing resources, and solving problems. The finance function uses the reports that the accounting function prepares to carry out its responsibilities. The primary responsibility of the accounting function is not allocating funds, planning activities, or prioritizing needs.
SOURCE: FM:005
SOURCE: Salary.com. (2013). *The difference between finance and accounting*. Retrieved February 5, 2013, from <http://business.salary.com/the-difference-between-finance-and-accounting/>
65. D
Choosing appropriate investments. The primary responsibility of the finance function is obtaining funds and managing the business's money in ways that boost growth and achieve the business's goals. One way to boost a company's growth is by choosing appropriate investments that will increase the company's income. Preparing cash flow statements, updating bookkeeping ledgers, and tracking business expenditures are accounting activities.
SOURCE: FM:005
SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (pp. 102-103). South-Western Cengage Learning.
66. C
A future orientation. Businesses use managerial accounting systems for organizational planning and strategic (long-term) decision-making. Managerial accounting involves looking at all types of relevant financial information that affects business activities and using the information to make predictions. Managerial accounting evaluates current, past, and future conditions and considers factors such as sales and economic conditions. Tax and financial accounting systems emphasize a business's past financial performance (e.g., previous sales transactions). These systems are designed to prepare financial information in specific ways because they provide financial information to different external audiences.
SOURCE: FM:006
SOURCE: Accountinginformationmanagement.com. (2012). *Financial accounting vs. managerial accounting - Difference between financial and managerial accounting*. Retrieved February 1, 2013, from http://www.accountingformanagement.com/financial_accounting_vs_managerial_accounting.htm

67. C
Cash. The cash accounting system records transactions when the business receives or spends money. This system can create problems for a business when a service occurs during one accounting period, and the business receives payment for the service during another accounting period. The accrual accounting system records transactions at the time they occur regardless of when money is exchanged. Positional and static are not types of accounting systems.
SOURCE: FM:006
SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (pp. 106-107). South-Western Cengage Learning.
68. C
Comparative statement. A comparative statement is a financial report that compares the same types of data from different periods of time (e.g., year to year). Comparative statements help businesses identify changes and trends in a business's production activities including production rates, raw-material costs, product quality, etc. Businesses also use comparative reports to evaluate other business activities such as sales, accounts-receivable, and payroll. Frequency is a quantitative measure of the average number of times a target consumer is exposed to an advertising message.
SOURCE: FM:008
SOURCE: Tatum, M., & Harris, B. (2003-2013). *What is a comparative statement?* Retrieved February 4, 2013, from <http://www.wisegeek.com/what-is-a-comparative-statement.htm>
69. C
Liquidity. Businesses use different financial ratios to identify trends that affect their business activities. A financial ratio is the comparison of two numbers from a business's financial statement. Businesses calculate and use financial ratios to look at relationships between dollars, numbers, and percentages. Many businesses compare their current financial ratios to previous years to identify trends and patterns in their sales, spending, liquidity, etc. The liquidity ratio measures a business's ability to pay its short-term debts, which is an important indicator of business's financial well-being. Qualitative data are facts and figures based on opinion and personal interpretations. Businesses do not calculate asset-turnover and market-value ratios to evaluate their ability to pay their short-term debts.
SOURCE: FM:008
SOURCE: Peavler, R. (n.d.). *What are the five categories of financial ratios and what do they measure?* Retrieved February 4, 2013, from <http://bizfinance.about.com/od/financialratios/f/finratioanal2.htm>
70. B
Offer credit. Before offering credit to a prospective customer, a business needs to analyze the customer's financial status to determine if the customer has the money available to make payments on time and in the full amount of the agreement. Businesses review a customer's income, assets, debt ratio, credit history, etc., to determine if s/he is creditworthy. If the customer carries a high level of debt in relation to his/her assets, it would be too risky for the business to offer credit because the customer is more likely to become delinquent. Businesses include interest charges in their credit agreements because they need to recoup the costs associated with offering credit. Businesses receive money at the point of purchase or time of service for cash sales, so this option is not a reason for examining a customer's income. One customer's income level is not a factor that prompts a business to restructure its business policies.
SOURCE: FM:009
SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (pp. 266-270). South-Western Cengage Learning.

71. C
Loan application. Financial institutions consider many factors before granting a loan to a prospective customer. Primary factors include the customer's credit history, credit score, assets, current income, employment status, and debt ratio. If the customer carries a high level of debt in relation to his/her assets, it would be too risky for the bank to grant a loan because the customer is more likely to become delinquent or default on the loan. Banks do not analyze a customer's current level of debt before it approves a service request or operating proposal. Customers file insurance claims with their insurance agencies.
SOURCE: FM:009
SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (p. 280). South-Western Cengage Learning.
72. B
Aging-accounts. When customers do not pay their bills on time, it negatively affects businesses' cash flow. Businesses need to receive customers' payments on time, so that they can pay business expenses such as inventory and payroll. Businesses must continuously monitor aging accounts to identify delinquent customers and collect overdue payments. Accounts-payable reports identify vendors to whom the business owes money. Asset-depreciation reports summarize the decreased value of a business's capital assets (e.g., equipment and vehicles). Asset allocation refers the variety of securities in an individual's or business's investment portfolio.
SOURCE: FM:010
SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (pp. 342-343). Mason, OH: South-Western Cengage Learning.
73. C
Make reliable sales forecasts. Financial reports help businesses identify trends and patterns, which helps guide their decision making. By monitoring and comparing inventory and sales reports, businesses can identify which items sell best and when sales for these items tend to increase. This information helps businesses develop reliable sales forecasts so they order enough stock and have it on hand when it is needed. Identifying sales trends does not help the business monitor its general operating costs, measure its long-term liabilities, or manage its sales staff effectively.
SOURCE: FM:010
SOURCE: Cross, V. (n.d.). *The role of variance analysis in businesses*. Retrieved February 5, 2013, from <http://smallbusiness.chron.com/role-variance-analysis-businesses-22641.html>
74. B
Exit interview. Exit interviews are discussions with employees who are leaving that are designed to gain feedback for the business. Businesses often consider this feedback when making policy changes that affect compensation, working conditions, etc. Application screening involves "weeding out" the applicants that do not meet minimum requirements for the job or have not satisfactorily completed the application. The human-resources function conducts onboarding activities when new employees join the company (e.g., orientation, facility tour or familiarization, and paperwork).
SOURCE: HR:410
SOURCE: HR LAP 35—People Pusher (Nature of Human Resources Management)
75. B
Items are frequently backordered. When a business backorders items, customers do not receive goods and services when they need them. If backorders occur on a frequent basis, customers' satisfaction levels with the business decrease and customers look to competitors to obtain the products that they want and need. Standing orders that ship on time, consistent product quality, and knowledgeable staff are factors that have a positive impact on a business.
SOURCE: MK:019
SOURCE: MK LAP 3—Just Do It...Right (Company Actions and Results)

76. B

A database. Because of advances in technology, records that used to take up row upon row of filing cabinets can now be kept on computers for quick and easy access, organization, and editing. These databases are great advantages for businesses. Internet telephony refers to communications that take place over the Web rather than over traditional public networks. This includes services like Vonage and Skype, which are known as Voice over Internet Protocol. Expert systems are a special kind of computer software designed to mimic the knowledge of a human expert. Automotive mechanics often use expert systems to diagnose trouble in a car's engine. Computer automation is typically used in the manufacturing industry to help companies plan and test products more efficiently or produce products in more cost-effective ways.

SOURCE: NF:003

SOURCE: NF LAP 4—TECH-tastic (Technology's Impact on Business)

77. D

True. Groupware allows users to share and brainstorm ideas that may improve work processes. Groupware applications allow several people to interact from remote locations in many ways. Interaction may include sharing written and verbal information, solving problems, making decisions, and brainstorming new ideas, which is a creative-thinking technique. Groupware streamlines the work effort, which allows users to complete their work more efficiently. Engaging in social interaction and communicating policies and procedures are not the primary uses of groupware applications.

SOURCE: NF:011

SOURCE: Marotta, L. (2006, October 3). *Utilizing the full advantages of groupware applications to boost team collaboration*. Retrieved February 13, 2013, from <http://www.web-conferencing-zone.com/advantages-of-groupware-applications.htm>

78. A

Cloud computing. Cloud storage involves housing business records in a database that is maintained by a third party at an off-site database storage facility. Employees access the records through the Internet. Rather than storing business records on a CPU, flash drive, or compact disk, businesspeople upload their files to the Web and then save them to the remote database or "cloud." Streaming video involves downloading and viewing video on a computer or smartphone device in real time.

SOURCE: NF:001

SOURCE: NF LAP 1—Record It (Business Records)

79. C

Product improvements helped boost sales. Statistics are information presented in numerical form. Businesses use statistics to evaluate performance and identify trends. In the situation described, the business used statistics to identify a specific increase in sales after it made improvements to a product. There is not enough information provided to know how the statistical information relates to the company's sales goals, sales forecasts, and research and development budget.

SOURCE: NF:093

SOURCE: Winthorp, A. (2007, September 21). *Using statistics to measure business performance*. Retrieved February 13, 2013, from <http://ezinearticles.com/?Using-Statistics-To-Improve-And-Measure-Business-Performance&id=744164>

80. D

Make sure the facility is well-lit. Good lighting increases visibility, and that's very important when it comes to preventing robberies. A dark store with poor visibility and many hiding spots is much easier to rob. An employee should be sure to greet and make eye contact with each customer who walks into the store. This lets would-be robbers know that they've been seen, which may make them less likely to steal. Businesses should avoid hanging signs and posters on doors and windows, as these can make it harder to see into the store. Anything that decreases visibility makes it easier for thieves to steal. It can be dangerous for just one person to open and close a business each day. Instead, make sure to have two people present at all times.

SOURCE: OP:013

SOURCE: University of Florida Police Department. (n.d.). *Robbery prevention for businesses*. Retrieved January 16, 2013, from <http://www.police.ufl.edu/community-services/robbery-prevention-for-businesses/>

81. D
Technology. Successful project management depends on the use of appropriate technology, such as scheduling and budgeting software. Successful project management does *not* depend on outsourcing, foreign investments, or pressure tactics.
SOURCE: OP:158
SOURCE: OP LAP 6—Projected to Win (Nature of Project Management)
82. C
Use a formal selection process. Selecting a new vendor is a big decision. Depending on what service or product you're buying, you could be investing a lot of money. Using a formal selection process is the smartest and most effective way to make sure you find the vendor that's the best fit for your business. Although you may trust your friend's recommendation, s/he might not share your ideas about what makes a good vendor. It's best to find someone who fits your business's particular needs. Although continuing to use a vendor you've used before isn't necessarily a bad choice, it's still a good idea to find out what other options you have. There might be an even better vendor you just don't know about yet. It's certainly a good sign if a vendor has positive online reviews, but that doesn't mean the vendor will automatically be a good fit for you. Everyone has different needs, and what works for one company might not work for yours.
SOURCE: OP:161
SOURCE: Egeland, B. (2011). *A surefire six-step process for selecting the best vendor*. Retrieved January 18, 2013, from <http://www.businessknowhow.com/manage/choosevendor.htm>
83. D
Respect and honesty. A quality work culture begins with respectful and honest behavior throughout all levels of the organization. This helps build trust, nurture creativity, and encourage collaboration within the workplace. Management is responsible for defining or modeling the work culture. To create a quality work culture, management communicates the organization's vision to employees, treats all employees fairly through consistent policies, and empowers employees to do their best. Coercion, unpredictability, and censorship tend to create a negative work environment.
SOURCE: OP:019
SOURCE: Powell, W. (2011, August 16). *7 essentials for a quality culture*. Retrieved February 12, 2013, from <http://www.theleadershipadvisor.com/2011/08/16/7-essentials-for-a-quality-culture/>
84. D
Telephone service. Semi-variable costs are business costs that vary to some extent in relation to sales. Telephone service is a semi-variable cost because the business pays a set amount for the service each month and incurs other charges that vary per month, such as fees for long-distance calls. Salaried employees are paid the same amount each pay period regardless of the number of hours they work; therefore, salaries, as well as rent and property taxes, are fixed business costs.
SOURCE: OP:024
SOURCE: Investopedia.com. (2013). *Semi-variable cost*. Retrieved February 11, 2013, from <http://www.investopedia.com/terms/s/semivariablecost.asp#axzz2KcAijt1p>
85. C
Minimum. If you make the decision about dinner on your own without consulting your friends, you're using a minimum-input style of decision making. In this style, the decision maker decides without help. In a moderate-input style, the decision maker asks for some help before deciding. For example, you might ask one of your friends what s/he'd like for dinner. In a maximum-input style, the decision maker and the entire group decide together. If you were using a maximum-input style, you'd make sure to ask all of your friends what they wanted to eat. Managing isn't a style of decision making.
SOURCE: PD:017
SOURCE: PD LAP 10—Weigh Your Options (Decision Making in Business)

86. A
Passion for a hobby. Entrepreneurial ventures often begin as hobbies such as sewing, baking, jewelry making, or woodworking. Because Miguel enjoyed woodworking in his spare time, his business started out as a hobby. There is not enough information to determine if Miguel wanted a more flexible schedule, had technological knowledge, or needed more adventure in his life when he started his business.
SOURCE: PD:066
SOURCE: PD LAP 4—Own Your Own (Career Opportunities in Entrepreneurship)
87. B
Networking with others. Networking involves connecting with others for the purpose of professional development or advancement. Many people obtain job leads by talking with family, friends, school counselors and alumni, former supervisors and coworkers, etc. In the example, Tracy's friend worked for the company that she was interested in working for. Tracy was not setting up a meeting; instead, she hoped that David could influence the hiring manager to set up an interview. Although volunteering and interning are ways to network with others, Tracy was not engaging in those activities in the situation described.
SOURCE: PD:037
SOURCE: Kimbrell, G., & Vineyard, B.S. (2006). *Succeeding in the world of work* (pp. 112-114). New York: Glencoe/McGraw-Hill.
88. B
Credit analyst. Credit analysts research and confirm loan applicants' employment, income, and credit histories to ensure that the bank has the correct information. It is important to verify the accuracy of the loan applicants' information to reduce risks associated with loan defaults. Credit analysts prepare reports to submit to the loan committee and help in the loan approval process. The collections function involves collecting past-due payments from customers. A chartered financial consultant is a licensed financial advisor with special certification in retirement and estate planning. A bank agent or agent bank is an intermediary in the banking industry.
SOURCE: PD:152
SOURCE: QS LAP 51—Careers in Money (Careers in Financial Services)
89. D
Directing the preparation of financial reports. Controllers direct the preparation of financial reports such as balance sheets and income statements and are often in charge of accounting and auditing for an entire company. Actuaries work in the insurance industry and are responsible for assessing risks using statistical analysis, and they design policies to minimize the cost of that risk. Underwriters also work in the insurance industry and are responsible for calculating the risk of loss and establishing premium rates. Real estate appraisers evaluate property values.
SOURCE: PD:152
SOURCE: QS LAP 51—Careers in Money (Careers in Financial Services)
90. D
Maintain their professional certifications. Many professions—accounting, finance, medical, and education—require certification to work in their fields. Because these fields are always changing, workers are required to update their knowledge and skills to maintain their certifications. Continuing education often involves taking classes and attending seminars and workshops. Professionals are not required to take continuing education classes to improve their standard of living, demonstrate their emotional intelligence, or supplement their existing income.
SOURCE: PD:033
SOURCE: AGC of America. (2013). *State-by-state listing of continuing education license requirements*. Retrieved February 12, 2013, from http://www.agc.org/cs/continuing_education_license_requirements

91. C
Chartered Life Underwriter (CLU). Insurance and financial certifications indicate that business professionals have expertise in a particular area of insurance or finance. Because Annette establishes premium rates and designs insurance policies, she is an insurance underwriter and is most likely to have the Chartered Life Underwriter (CLU) certification. Financial analysts seek the Certified Financial Analyst (CFA) designation. A finance professional with a Chartered Investment Counselor certification (CIC) has extensive knowledge in mutual funds. This individual often works for a large firm and manages the mutual funds of very large clients or companies. Certified Financial Planner (CFP) is a certification sought by financial planners.
SOURCE: PD:082
SOURCE: Investopedia.com. (2010, November 26). *The alphabet soup of financial certifications*. Retrieved February 5, 2013, from <http://www.investopedia.com/articles/01/101001.asp#axzz2JwUKIfMZ>
92. B
Certified Mortgage Banker (CMB). Loan officers specialize in helping clients apply for loans. The Certified Mortgage Banker (CMB) is a specialized certification for loan officers who work with home, commercial building, or property mortgages (loans). Individuals who have a Certified Internal Auditor (CIA) certification are usually responsible for assessing the accuracy of their companies' accounting records and determining if their companies' internal controls are effective. Certified Information Systems Auditor (CISA) is a licensure relating to the security of information technology and computer systems. Finance professionals who specialize in annuities obtain the Certified Annuity Specialist (CAS) certification.
SOURCE: PD:082
SOURCE: Writing, A. (n.d.). *How to become a mortgage banker*. Retrieved February 5, 2013, from http://www.ehow.com/how_5378069_become-mortgage-banker.html
93. A
Participating in an appropriate professional organization. When finance professionals actively participate (e.g., serve on committees) in appropriate (finance-related) professional organizations, they can network and build relationships with others who work in their field. The remaining options are situations that present networking opportunities for individuals who may or may not work in finance.
SOURCE: PD:153
SOURCE: Curtis, G. (2010, June 15). *Financial professionals: The benefits of joining an association*. Retrieved February 6, 2013, from <http://www.investopedia.com/articles/financialcareers/06/professionalorganization.asp#axzz1oGTYwB7r>
94. C
Personal gains, business ethics. Being ethical means doing the right thing. When Maggie misleads customers on purpose, she is being unethical because she is lying. This behavior jeopardizes her employer's reputation and may lead to noncompliance issues and lawsuits for the company. And because Maggie's focus is on "getting ahead," she is placing more importance on her personal gains (career advancement) than she is on doing the right thing. Maggie is not being socially responsible, nor is she focusing on corporate branding or the company's operating procedures.
SOURCE: RM:041
SOURCE: McNamara, C. (n.d.). *Complete guide to ethics management: An ethics toolkit for managers*. Retrieved February 7, 2013, from <http://managementhelp.org/ethics/ethxgde.htm#anchor41892>

95. A
Code of conduct to all employees. The code of conduct outlines the company's rules, policies, procedures, and expectations regarding its employees' behavior in the workplace. A company should communicate and document its code of conduct to all employees because employees' personal ethics and values may differ from the company's ethics and values. When employees understand and follow the company's ethical standards, the company is less likely to encounter risks that hurt its reputation or cause it to become noncompliant. Terms-of-sale policies are sales policies that primary affect the company's sales staff. Communicating product requirements to vendors is a purchasing activity. Open corporations are legally required to communicate dividend payment information to their shareholders.
SOURCE: RM:041
SOURCE: McNamara, C. (n.d.). *Complete guide to ethics management: An ethics toolkit for managers*. Retrieved February 7, 2013, from <http://managementhelp.org/ethics/ethxgde.htm#anchor41892>
96. B
Stress testing. The foundation of stress-testing applications is to evaluate “what-if” scenarios to reduce risk. Financial analysts use stress-testing applications to determine the stability of a specific financial product (instrument) under different circumstances such as radical economic changes. By evaluating the results of stress testing, businesses can determine how to best handle or change their investment portfolios to minimize risk. Automated oversight is a form of risk-management that tracks individual traders' risk limits and notifies management immediately if a trader exceeds her/his limit. Financial businesses do not use financial compliance or threat-detection technology to evaluate investment “what-if” scenarios.
SOURCE: RM:042
SOURCE: Berry, R. (2013). *Stress testing value-at-risk*. Retrieved February 7, 2013, from http://www.jpmorgan.com/tss/General/Stress_Testing_Value-at-Risk/1159389400084
97. A
Captive insurance companies. Organizations (i.e., corporations, industry/professional/trade associations) often form their own insurance companies, which are known as captive insurance companies. Primary advantages of forming captive insurance companies are that the founding organizations control the premium rates and the claims process. If the organizations obtain insurance through the traditional or standard insurance industry, they have no control over the premium amounts they pay or the ways in which their claims are processed. Reinsurance carriers sell insurance to primary insurance carriers to protect the primary carriers from unexpected, catastrophic losses.
SOURCE: RM:043
SOURCE: Wallace, O. & Foster, N. (2003-2013). *What is captive insurance?* Retrieved February 6, 2013, from <http://www.wisegeek.com/what-is-captive-insurance.htm>
98. A
Conduct background checks on job applicants. Because hiring and training employees is an expense for businesses, they should ensure that the applicants' previous work experiences do not present business risks for them. Because applicants are unlikely to discuss unfavorable past work experiences during an interview, businesses need to take action to verify the information on their employment applications. Employers should confirm the applicants' previous employment, verify their references, and conduct background checks on applicants if needed. Copylt may have reduced its liability by checking the drivers' previous driving records and employment history before extending job offers to them. There is not enough information provided to determine if the accidents involve substance abuse, so mandating monthly drug testing for all employees may not prevent future driving accidents. Requiring current drivers to take a driving exam every six months will not prevent the business from hiring unsafe drivers.
SOURCE: RM:043
SOURCE: Gomez-Mejia, L.R., Balkin, D.B., & Cardy, R.L. (2004). *Managing human resources* (4th ed.) [pp. 42-43, 186]. Upper Saddle River, NJ: Pearson Prentice Hall.

99. D

Human judgment. Because risk involves the possibility of loss, businesses must take steps to control their levels of risk. In some situations, employees make poor decisions or mistakes, which may result in lawsuits, illnesses, and accidents that are costly to businesses. To reduce these types of risks, businesses should thoroughly train employees and continuously communicate the importance of accuracy, safety, and security in the workplace. Market dynamics, trade agreements, and economic conditions are external factors that affect businesses.

SOURCE: RM:058

SOURCE: NIVRA Taskforce on Internal Control. (2007). *Discussion paper: Risk management and internal control systems*. Retrieved February 7, 2013, from http://www.nba.nl/Documents/Vaktechnisch-thema/Corporate%20Governance/DiscussionPaper_RiskManagement.pdf

100. D

Internal expertise. An important aspect of controlling online risk is making sure that customers' transactions are secure. Online transactions require customers to provide confidential information (e.g. credit-card numbers), so businesses must have the technological tools and expertise to prevent unauthorized access to the information. If a business does not have employees with the expertise to work with this technology, the business should consider hiring a consultant or firm that has the knowledge and training to handle its technological needs. Outsourcing requires a business to have the money (financial resources) to pay for the services. Secondary data are facts and figures that have been collected for purposes other than the project at hand.

SOURCE: RM:058

SOURCE: khaoticen. (n.d.). *Technology risk management in the banking industry*. Retrieved February 7, 2013, from <http://www.khaoticen.com/Downloads/Technology%20Risk%20Management%20in%20the%20Banking%20Industry.pdf>