

1. Pedro Sanchez works as a loan processor for the MON Company, which is located in Smithville. Pedro has recently approved an application to extend a \$10,000 line of credit to Mrs. Jones. Who is the creditor in this situation?
 - A. Pedro Sanchez
 - B. MON Company
 - C. Mrs. Jones
 - D. City of Smithville

2. An important purpose of full-disclosure laws and regulations is to
 - A. allow company employees to use inside information for personal gain.
 - B. provide information to investors so they can make informed decisions.
 - C. require companies to disclose all information about their operations.
 - D. prevent a stock's par value from dropping below its market value.

3. Last week, a man who frequents Alice's health club and goes to the same church approached her and struck up a conversation. After a bit of small talk, the man said that he would love to help Alice earn some money on the stock market. "You can trust me," the man said. "We go to the same church and the same gym. In fact, our minister and the manager of the gym just gave me a ton of money to invest for them!" The man is attempting to commit _____ fraud.
 - A. natural resource investing
 - B. group affinity
 - C. private placement offering
 - D. life settlement

4. Which of the following mutual funds is most likely to be tax inefficient:
 - A. A fund with a low portfolio turnover rate
 - B. A fund with a high portfolio turnover rate
 - C. A fund that concentrates on a specialized sector
 - D. A fund that attempts to match a broad market index

5. Which of the following statements best describes the taxation of Roth IRAs:
 - A. Contributions and withdrawals during retirement are tax deductible.
 - B. Contributions are tax deductible, but withdrawals during retirement are taxed.
 - C. Contributions and withdrawals during retirement are both taxed.
 - D. Contributions are taxed, but withdrawals during retirement are not.

6. Which of the following is an example of a preventive internal control:
 - A. Variance analyses
 - B. Data reconciliations
 - C. Segregation of duties
 - D. Physical inventories

7. Which of the following is most likely to be a benefit of proactive compliance plans for businesses?
 - A. Minimized costs and a reduction in senior management
 - B. A competitive advantage and a reduction in senior management
 - C. A competitive advantage and minimized costs
 - D. Increased government scrutiny and minimized costs

8. The most significant barriers that many companies face when implementing integrated governance, risk, and compliance (GRC) technology are the perceived
 - A. high cost and overdependence on a single GRC platform.
 - B. high cost and overabundance of adequate technology solutions.
 - C. high cost and lack of evidence of return on investment.
 - D. centralization of business risk and lack of adequate technology solutions.

9. While reviewing a business's general ledger, a virtual auditor identified two identical journal entries within the same accounting period. What reasoning technique did the virtual auditor use?
 - A. Contextual
 - B. Symbolic
 - C. Comparative
 - D. Cross-source

10. A researcher should consider an author's expertise in a particular topic when assessing the validity of written articles and publications to
- confirm personal understanding of the information.
 - verify the timeliness of the information.
 - analyze the author's emotional intelligence.
 - evaluate the author's level of credibility.
11. Brandon has been given a 385-page report and does not have time to review the entire document, but he does need to understand specific information that is included in the report. What section of the report will guide Brandon to the information he needs?
- Bibliography
 - Appendices
 - Analysis
 - Table of contents
12. If an employee needs to do some research to answer a customer's telephone inquiry, the best action for the employee to take is to obtain the customer's telephone number and then
- put the customer on hold until the research has been completed.
 - ask the sales manager to call the customer back.
 - send the customer literature about the business and its products.
 - follow-up with the customer after obtaining the requested information.
13. In which situation is it most appropriate to use technical jargon to communicate information?
- While casually talking with acquaintances during a social gathering
 - During a meeting in which businesspeople share the same vocabulary
 - When making a public speech to the residents of a local community
 - While demonstrating a complex machine to a new customer
14. Anna, a new employee with Turbo Electronics, must write a letter to a customer. Because Anna does not know which letter format to use, she should
- develop the letter in several formats and send the letter that her supervisor likes best.
 - select the block format because it is the mostly widely used.
 - select the simplified format because it is impersonal.
 - ask her supervisor which letter format the company uses.
15. What is an important aspect of a customer-centric business?
- Being satisfied with the status quo
 - Limiting the employees' decision making
 - Aligning business activities with customer needs
 - Reducing the number of touch points with customers
16. The MSB Company provides its customers with critical or time-sensitive product information by sending them alerts or messages through their cellular phones. What form of technology is MSB using as an element of customer relationship management?
- | | |
|-----------------------------|-------------------|
| ol type="A" | ol type="A" |
| Global positioning | Wireless |
| Traditional | Dial up |
17. When providing product information to clients, finance professionals should use
- | | |
|------------------------------|-------------------------------|
| ol type="A" | ol type="A" |
| standard responses. | financial acronyms. |
| technical terms. | simple explanations. |

18. While Tobi is in the middle of an important meeting with some new clients, her assistant steps into the room to let Tobi know that her biggest customer, Mr. Williams, is on the phone with some questions about his account. It is 3:30 p.m. What should Tobi do?
- A. Invite the new clients out for dinner and call Mr. Williams in the morning
 - B. Ask the new clients to take a break so that she can take the call immediately
 - C. Ask her assistant to handle Mr. Williams' call and answer his questions
 - D. Ask her assistant to inform Mr. Williams that Tobi will return his call at 5:00 p.m.
19. Rather than studying individual customer data, First Bell Bank is interested in analyzing groups of customers. Members of a group should be similar and markedly different from other customer groups. Which of the following Customer Relationship Management (CRM) activities should be used to prepare First Bell Bank's customer data for analysis:
- A. Regression
 - B. Estimation
 - C. Clustering
 - D. Prediction
20. A stock broker is using Customer Relationship Management (CRM) technology to learn more about his typical customer's purchasing pattern. The stock broker is using CRM technology to analyze the typical customer
- A. duration.
 - B. trajectory.
 - C. vintage.
 - D. touch point.
21. A business is behaving unethically if it
- A. obtains information about its competitors.
 - B. misinterprets a customer's requests.
 - C. misrepresents its capabilities to customers.
 - D. partners with another business for financial gain.
22. To maintain its current customer base and attract new markets, the KMV Company lowered the prices of some of its products. What external factor most likely influenced this action?
- A. Operating cost increases
 - B. Changes in consumer spending
 - C. Production line improvements
 - D. Comprehensive employee training programs
23. A small tool manufacturer's total costs were \$56,000 before it began to produce hammers. When the manufacturer produced its first 2,000 hammers, costs increased to \$62,500. What was the marginal cost of producing each hammer?
- A. \$2.75
 - B. \$3.25
 - C. \$3.75
 - D. \$2.50
24. What is likely to occur when the inflation rate increases, and workers do not receive pay increases?
- A. Increased spending
 - B. Higher consumer demand
 - C. Decreased unemployment
 - D. Lower standard of living
25. If one Canadian dollar is equal to .958750 U.S. dollar, how much would you pay for an item that costs \$624.60 Canadian dollars in U.S. dollars?
- A. \$577.16
 - B. \$598.84
 - C. \$564.22
 - D. \$582.24
26. Marisa believes that she possesses the skills to make a positive contribution to the work team. Marisa is exhibiting
- A. ethical standards.
 - B. self-confidence.
 - C. systematic behavior.
 - D. empathy.
27. To be an effective team member, an employee needs to be willing to
- A. provide insensitive feedback.
 - B. collaborate with others.
 - C. take on all jobs.
 - D. withhold his/her opinions.

28. One way for Sidney to motivate her team members to accomplish a certain goal in a specific amount of time is by
- A. providing an incentive.
 - B. taking over their activities.
 - C. removing unexpected obstacles.
 - D. delegating her responsibilities.
29. Important considerations when identifying your personal vision are your
- A. logic and emotions.
 - B. skills and natural resources.
 - C. specific goals and income.
 - D. values and aspirations.
30. If you are going to successfully lead change within your organization, you need to be
- A. subtle.
 - B. persuasive.
 - C. indifferent.
 - D. resistant.
31. Effective collaboration among coworkers requires
- A. similar personality traits.
 - B. mutual respect.
 - C. authoritarian attitudes.
 - D. selective communication.
32. For an investment to yield positive results at the end of the investment period, the earnings should
- A. be documented appropriately.
 - B. grow by at least ten percent.
 - C. be accrued on a debt security.
 - D. exceed the rate of inflation.
33. The key factors involved in compounding growth are the amount of money you invest, how much your investment grows each year, and
- A. your mutual fund manager's education.
 - B. how you earn the money that you invest.
 - C. your educational background and career.
 - D. how long your money is invested.
34. On January 3, Anna mailed her credit-card payment, which was due on January 5. The credit-card issuer received the payment on January 7. What most likely appeared on Anna's credit-card statement the following month?
- A. Application charge
 - B. Late fee
 - C. Processing charge
 - D. Over-limit fee
35. Which of the following statements about deposit-taking financial institutions is true:
- A. The Small Business Administration and the Federal Housing Administration are examples of deposit-taking financial institutions.
 - B. When a saver deposits funds, s/he receives a claim on the individual or firm to whom the depository institution lends these funds.
 - C. A deposit-taking institution's primary liabilities are checking accounts, savings accounts, money market accounts, and certificates of deposit.
 - D. Two types of commercial banks are mutual savings banks and savings and loan associations (S&Ls).
36. Which of the following types of insurance companies serves as a financial intermediary:
- A. Property
 - B. Life
 - C. Liability
 - D. Health
37. Frankfort and Sons, an American firm, is preparing to issue bonds overseas. Even though the bonds will be sold outside the U.S., they will be denominated in American dollars. These bonds are called
- A. Interbonds.
 - B. Yankee bonds.
 - C. Eurobonds.
 - D. Savings bonds.
38. Very small companies and companies with poor credit ratings are most likely to trade their stock on the
- A. American Stock Exchange (AMEX).
 - B. New York Stock Exchange (NYSE).
 - C. Toronto Stock Exchange (TSX).
 - D. Over the Counter Bulletin Board (OTCBB).

39. The Money for You Bank recently merged with the Keeping You Safe Insurance Company. The merger is an example of _____ in the finance industry.
- A. convergence
 - B. consolidation
 - C. tactical planning
 - D. licensing
40. Which of the following statements regarding the merger of multiple financial firms is true:
- A. The merger typically results in a smaller variety of products and services, lower costs, and reduced consumer risks.
 - B. More consumer loans may be available from the new larger firm than were available from the smaller, individual firms.
 - C. A merger usually makes it easier to determine which supervisory agency should oversee the new, larger company.
 - D. The merger usually helps financial experts to get an accurate picture of the new, larger firm's financial condition.
41. When the Consumer Price Index (CPI) increases sharply, stock prices usually
- A. rise.
 - B. fall.
 - C. stay the same.
 - D. fluctuate daily.
42. When nominal Gross National Product (GNP) increases, the money supply typically
- A. decreases.
 - B. stays the same.
 - C. increases.
 - D. fluctuates daily.
43. Financial globalization tends to cause an increase in
- A. limits on foreigners' access to domestic markets.
 - B. investors' exposure to business cycle risks.
 - C. taxes on international transactions.
 - D. herd behavior among investors.
44. To hedge the risk of investing in the foreign exchange market, some investors use
- A. derivatives.
 - B. emerging markets.
 - C. venture capital.
 - D. no-load funds.
45. Adam wants to hire a financial-services provider who will provide him a wide variety of services, such as recommending insurance coverage, providing in-depth financial advice, and making investments on his behalf. What type of financial-services provider would be best suited to handle Adam's needs?
- A. Full-service broker
 - B. Discount broker
 - C. Beneficiary
 - D. Insurance agent
46. Which of the following web sites is most likely to contain accurate, trustworthy securities information:
- A. Wikipedia
 - B. Morningstar
 - C. StandardLine
 - D. Facebook Finance
47. The Milton Ladder Corporation, which is publicly traded, is in the process of acquiring the Bradley Chute Company. What type of document is Milton Ladder required to file within 15 days of the acquisition?
- A. Form 10-K
 - B. Form 8-K
 - C. Form 10-Q
 - D. Form 4
48. An investor using a securities table can learn about a stock's volatility by checking the stock's
- A. CLOSE.
 - B. DIV.
 - C. VOL.
 - D. 52-Week HI/LO.
49. Which of the following is one way that small businesses use technology to perform accounting tasks:
- A. Developing institutional policies
 - B. Requesting quotes by e-mail
 - C. Establishing tax codes
 - D. Filing tax returns online

50. A primary reason that governments regulate corporations' financial activities is to
- A. protect stockholders.
 - B. ensure earnings.
 - C. limit benefits.
 - D. control costs.
51. Which of the following is the most likely reason why a manager would review financial information for her/his industry and compare his/her business's operating results with industry averages:
- A. To calculate the business's percentage increase in net sales
 - B. To determine if the business is performing above or below average
 - C. To prepare a company budget for the following year
 - D. To determine the return on common stockholders' equity
52. During its 20 years of operation, the Normandy Company has made very few changes to its accounting methods and system. As a result, the company's financial information is likely to be very
- A. consistent.
 - B. comparable.
 - C. reliable.
 - D. conservative.
53. Which of the following statements regarding the financial-information management function is true:
- A. The financial-information management function's responsibilities have declined in recent years.
 - B. The financial-information management function is an electronic, web-based activity.
 - C. A financial-information management system can be used to support operations management decisions.
 - D. Data in a financial-information management system are typically at least four to six months old.
54. A financial-information management system can help a financial manager to make which of the following types of decisions:
- A. Capital budgeting
 - B. Employee scheduling
 - C. Vendor selections
 - D. Adding/dropping products
55. Which of the following is a common outcome of poor financial-information management in a finance department:
- A. Employees cannot understand financial statements.
 - B. Employees receive information before it's needed in the department.
 - C. Employees cannot correctly assess trends.
 - D. Employees are able to increase their efficiency.
56. Which of the following leads accountants to apply unethical earnings-management practices:
- A. Postponing a large purchase to a later time
 - B. Meeting analysts' estimated earnings
 - C. Accelerating payment of expenses when earnings are high
 - D. Selling securities for a gain
57. How can businesses benefit from using a central data repository for its financial information?
- A. They are able to overcome economies of scale.
 - B. They can obtain faster responses to queries.
 - C. They no longer have to generate consistent data.
 - D. They can rely on old data.
58. Why has online technology's use increased in financial-information management?
- A. Recognition that the security of transactions is no longer an issue
 - B. Removal of electronic information exchange procedures
 - C. Passage of laws that recognize electronic documents as legally binding
 - D. Protection of customers' right to privacy
59. In what stage of the data-mining process would you clean data in a database?
- A. Exploration
 - B. Model building and validation
 - C. Prediction
 - D. Deployment

60. Why would a meta-learner be used in data mining?
- A. To determine the best fit of classifications resulting from multiple models
 - B. To orient analytic models to the data stored in a data base
 - C. To enhance search engine optimization (SEO) strategies
 - D. To select the analytic model to apply to the data in a database
61. What is a benefit of managing budgeting data efficiently through budgeting applications?
- A. Decreases auditors' ability to trace the numbers used in budgets
 - B. Increases amount of time that needs to be spent on value-added activities
 - C. Decreases the need for having an audit trail
 - D. Increases management's confidence in budgets
62. Which of the following would a small business's budgeting applications most likely be able to do:
- A. Show the business's cash-flow status
 - B. Predict new services to offer customers
 - C. Determine the business's electronic data interchange (EDI) needs
 - D. Identify equipment needing repairs
63. How could financial analysis applications be used to identify possible conflicts of interest?
- A. By comparing yearly volume with on-hand quantity for stock item
 - B. By isolating entries against authorization records for new or terminated employees
 - C. By comparing vendor payables posted to purchase orders
 - D. By comparing employee phone numbers and addresses to vendor information for payables
64. Which of the following would be appropriate to use as a primary key for identification of customers at a financial institution:
- A. Person's first and last names
 - B. Person's social security number
 - C. Person's zip code
 - D. Person's individual account number
65. Investment firms must accurately report their financial position because
- A. they are trusted to maintain an accurate accounting of people's revenue and expenses.
 - B. others rely on the information when making credit and/or investment decisions.
 - C. they maintain both brick-and-mortar and virtual businesses for trading.
 - D. people know that investment firms would not take advantage of them.
66. What is the connection between accounting and finance?
- A. Accounting relies on finance to generate reports that it uses to create financial statements.
 - B. Accounting and finance perform the same functions.
 - C. Accounting's reports aid finance in analyzing a company's financial position.
 - D. Accounting uses the revenue and expense reports generated by finance to make financial decisions.
67. Which of the following represents a difference between accounting and finance:
- A. Finance collects and presents financial information, while accounting determines financial strategies.
 - B. Finance tracks revenues and expenses when they are incurred, while accounting recognizes them when money is exchanged.
 - C. Accounting recognizes revenue and expenses when they are incurred, while finance recognizes them when money is exchanged.
 - D. Accounting collects and presents financial information, while finance creates financial statements.
68. Which of the following is an output of a financial system?
- A. Sales slips
 - B. Financial condition
 - C. Invoices
 - D. Classification of expenses

69. In what type of accounting system are revenue and expenses accounted for at the time money is received or spent?
- A. Cash
 - B. Accrual
 - C. Financial
 - D. Managerial
70. Which of the following is essential to the identification of trends in financial data for a horizontal analysis:
- A. Data in a Statement of Cash Flows
 - B. Data from the most recent financial report
 - C. Data in financial reports from multiple time periods
 - D. Data from a zero-based budget
71. What is the significance of the base year in horizontal trend analysis?
- A. It is the time period in which the difference between revenue and expenses is the greatest.
 - B. It represents the time period in which a trend is first detected.
 - C. It is the time period that is used as the basis for comparisons.
 - D. It represents the time period in which the difference between accounts receivable and accounts payable is the smallest.
72. Why would creditors during the tough economic times of the last few years have increased their surveillance of customers' financial information?
- A. To make credit easier to obtain once customers have met the desired criteria
 - B. To reduce the likelihood that customers will not pay their bills
 - C. To increase their chances of having customers default on their loans
 - D. To increase their reliance on Dun and Bradstreet reports
73. A creditor carefully examines a business's financial information to determine whether the business has sufficient money to meet its short-term obligations when they come due. In this situation, the creditor is concerned about the business's
- A. investment return.
 - B. profitability.
 - C. efficiency.
 - D. liquidity.
74. When a creditor analyzes financial data to determine whether a client should be able to pay the principal and interest on a loan, the credit is assessing the client's
- A. long-term solvency.
 - B. short-term liquidity.
 - C. long-term return on investment.
 - D. short-term return on investment.
75. When a human resources department uses interactive computer simulations to help employees learn how to do their jobs, it is using technology for _____ purposes.
- A. evaluation
 - B. training
 - C. hiring
 - D. compliance
76. Complex buying behavior is most likely involved when the customer is purchasing
- A. a car.
 - B. a meal.
 - C. socks.
 - D. gasoline.
77. Todd needs to develop an overall plan for his business but does not know what type of information to include in the document. Todd logs onto a search engine to quickly locate the information he needs. Which of the following search terms are most likely to provide Todd with desired search results:
- A. Plan components
 - B. Develop planning document
 - C. Business plan elements
 - D. Business document components

78. Which of the following is a situation that involves the illegal use of copyrighted material:
- A. An online business allows its customers to download and share music without the recording artist's consent.
 - B. An apparel company imprints a hockey league's logo on a new line of sportswear.
 - C. A manufacturer attempts to produce another business's invention, which has been registered with the government.
 - D. A computer company develops a new project-management software program.
79. A customer sent the Webster Company a check in the amount of \$1,725 as partial payment for a \$2,456.29 purchase. During the current billing cycle, the customer made several purchases, totaling \$466.23. Now, Webster must generate a new account statement to send to the customer. How much money does the customer owe Webster?
- A. \$1,197.52
 - B. \$731.29
 - C. \$466.23
 - D. \$1,719.51
80. A business report provides statistical data indicating that the demand for a specific type of product has been increasing between three and six percent over the past several months. This information is useful to companies to
- A. identify trends.
 - B. decrease costs.
 - C. reduce inventory.
 - D. achieve quotas.
81. A company trains its human resources department in how to handle emergency situations. Is this an example of operations management?
- A. Yes, because the human resources department is considered an outside customer.
 - B. Yes, because it involves the operational aspects of safety and security.
 - C. No, because the human resources department does not interact with outside customers.
 - D. No, because human resources does not use operations.
82. Jane works in a factory. She has noticed that sections of the factory floor are consistently slippery because oil drips on them. She has reported this to her manager twice, but the problem hasn't been corrected. Jane is so worried that an employee could slip and fall that she contacts the government agency that handles workplace safety. This is an example of
- A. whistleblowing.
 - B. being a tattletale.
 - C. handling an accident appropriately.
 - D. establishing security procedures.
83. To prevent injuries when operating machinery, it is important to
- A. know standard first aid.
 - B. purchase the most efficient equipment.
 - C. purchase the newest equipment.
 - D. follow the instruction manual.
84. Which of the following is NOT a benefit of a post-implementation review?
- A. Identifying cost-savings opportunities for future projects
 - B. Identifying cost-savings opportunities for the current project
 - C. Identifying ways to improve project planning
 - D. Identifying ways to improve the company's processes
85. What must be done first to begin a Six Sigma Improvement Model?
- A. Review data to determine if change needs to be made
 - B. Collect data to measure areas identified as problematic
 - C. Make improvements to areas with low customer satisfaction scores
 - D. Define the gaps between customer satisfaction and the company's capabilities
86. The Dewberry Company pays both its female employees and its male employees the same salary range for the same type of work. Dewberry is providing its employees with
- A. a safe work environment.
 - B. fair treatment.
 - C. the right to privacy.
 - D. the option to buy stock.

87. Why is it important to select an occupation that matches your aptitudes?
- A. Matching aptitudes to careers leads to the highest possible income.
 - B. Considering your aptitudes will make achieving your career goals realistic.
 - C. A positive aptitude will allow you to succeed in any career.
 - D. Selecting a career based on your aptitudes will require less time in college.
88. Which of the following is a financial concern that entrepreneurs often face when starting new businesses:
- A. Irregular paychecks
 - B. Long working hours
 - C. Shorter vacations
 - D. Lower production standards
89. If you wanted to pursue a career that specializes in helping corporations and governments issue securities, you would work in
- A. investment banking.
 - B. a stock exchange.
 - C. a brokerage house.
 - D. financial planning.
90. Smith Company typically promotes employees based on seniority. To do this, which of the following pieces of information would Smith Brothers need for each employee:
- A. Years of college education
 - B. Years of experience in the career field
 - C. Years worked at current job
 - D. Years of good performance at the current job
91. Which of the following is a certification sought by individuals who evaluate companies and industries and make buy, sell, and hold recommendations for certain securities:
- A. Chartered Financial Analyst (CFA)
 - B. Certified Financial Planner (CFP)
 - C. Chartered Financial Consultant (ChFC)
 - D. Certified Stock Broker (CSB)
92. What certification is sought by individuals who provide guidance to individuals and families about their investments and financial decisions and also buy and sell certain financial products such as insurance and retirement plans?
- A. Certified Banker (CB)
 - B. Chartered Financial Analyst (CFA)
 - C. Certified Stock Broker (CSB)
 - D. Chartered Financial Consultant (CsFC)
93. Which of the following would afford finance professionals the best opportunity to build long-lasting relationships with other finance professionals:
- A. Regularly attending trade shows for the finance industry
 - B. Actively participating in a local professional association for the finance industry
 - C. Occasionally auditing classes at a local postsecondary institution
 - D. Actively attending meetings sponsored by the local chamber of commerce
94. Which of the following has proven to be an effective way to initiate a professional relationship with a vendor:
- A. Treating the person to a round of golf
 - B. Giving the vendor an expensive gift
 - C. Having salespeople talk to the vendor
 - D. Offering jobs to people on the vendor's staff
95. How do ethics relate to risk management?
- A. The best form of business ethics is risk management.
 - B. Risk management is all about the ethical treatment of customers.
 - C. Risk management is insurance for lapses in business ethics.
 - D. The best form of risk management is adherence to business ethics.
96. What risk is being avoided when financial institutions use cloud computing?
- A. Speculative risk
 - B. Pure risk
 - C. Loss of customers risk
 - D. Return on investment risk

97. Which of the following issues is keeping risk managers from getting the right information into the right context so that the right decisions can be made:
- A. Having transparency around the effects of volatility on the organization
 - B. Having too little information that can be used to assess and understand risk
 - C. Having many different sources of data that can be used to assess risk
 - D. Having a centralized enterprise risk management system
98. A control that financial institutions have implemented to protect bank accounts when debit cards are used to pay for online transactions is
- A. e-invoicing.
 - B. malware.
 - C. PIN debits.
 - D. PEPPOL (Pan-European Public Procurement On-line)
99. Why are financial institutions using tokenization?
- A. To protect online transactions
 - B. To create credit-cards
 - C. To provide incentives for increased investing
 - D. To overcome government-regulated quotas
100. Which of the following is a true statement about managers:
- A. Managers usually train the employees to do the work.
 - B. Managers must be able to do their employees' jobs.
 - C. Managers allow employees to set the organizational standards.
 - D. Managers decide how to use the business's resources.

1. B
MON Company. The debtor is the individual or business that owes money to another individual or business, which is the creditor. In the situation presented, MON Company is the creditor because the company has the finances to extend credit to Mrs. Jones (the debtor), allowing her to pay later. Pedro Sanchez is an employee of the creditor. The location of the company is not a factor in determining the debtor-creditor relationship.
SOURCE: BL:071
SOURCE: Business Owners Toolkit. (n.d.). *The debtor-creditor relationship*. Retrieved January 7, 2009, from http://www.toolkit.com/small_business_guide/sbg.aspx?nid=P12_1110
2. B
Provide information to investors so they can make informed decisions. Full-disclosure laws and regulations require companies to disclose—publicize—any information that could affect the value of the firms' stocks. Investors need this information so they can make informed buy, hold, or sell decisions about investments. Full-disclosure laws also prevent company employees and other insiders from using privileged information for their personal gain. Full-disclosure laws do not require companies to disclose every bit of information about their operations—some undisclosed trade secrets are permitted. Full-disclosure laws and regulations are not designed to impact par values of stock.
SOURCE: BL:133
SOURCE: Mayo, H.B. (2007). *Basic finance: An introduction to financial institutions, investments, & management* (9th ed.) [p. 30]. Mason, OH: South-Western Cengage Learning.
3. B
Group affinity. Group affinity fraud typically involves a scammer who either claims or actually is a member of the investor's group. In this case, the man is a member of the same health club and attends the same church as Alice. Because the scammer is a member of the same group, investors may falsely believe they can trust the scammer, especially if the scammer has lured in a few well-respected group members (like the minister or the gym manager) to buy into the scam early on. Natural resource investing fraud occurs when a scammer convinces investors to put money in fraudulent energy investments. Investors are tempted by the scammer's promise of a fast, easy return. Private placement offering fraud involves convincing investors to buy nonexistent stock from businesses. Life settlement fraud occurs when a scammer purchases a large life insurance policy from the insured for an unreasonably small amount of money. This usually occurs when the insured person needs money to pay necessities such as medicine and medical care before death.
SOURCE: BL:133
SOURCE: QS LAP 50—Play by the Rules
4. B
A fund with a high portfolio turnover rate. Regardless of fund type, a fund with a high portfolio rate replaces a high percentage of its investments every year. Every time that the fund sells one item in its portfolio and purchases another, a capital gain or loss is being realized. Because these capital gains or losses occur so frequently, it is difficult for fund investors to successfully time the realizations and manage their overall tax obligations effectively. Specialized sector funds focus on a certain industry, and index funds attempt to match broad market indices.
SOURCE: BL:134
SOURCE: Bodie, Z., Kane, A., & Marcus, A.J. (2004). *Essentials of investments* (5th ed.) [p. 111]. Boston: Irwin/McGraw-Hill.
5. D
Contributions are taxed, but withdrawals during retirement are not. Contributions paid into Roth Individual Retirement Accounts (IRAs) are taxed. But, earnings on the growing funds in the account and withdrawals during retirement are tax-free. Unlike Roth IRAs, contributions to traditional IRAs are tax deductible, but investors must pay taxes on the withdrawals they make from these accounts during retirement.
SOURCE: BL:134
SOURCE: Bodie, Z., Kane, A., & Marcus, A.J. (2004). *Essentials of investments* (5th ed.) [p. 635]. Boston: Irwin/McGraw-Hill.

6. C

Segregation of duties. Several types of internal controls are used in compliance. Preventive controls such as the segregation of duties attempt to prevent unwanted events (noncompliance) from occurring. Detective controls, on the other hand, are used to identify and document noncompliance. Data reconciliations, variance analyses, and physical inventories are all detective internal controls. Corrective controls are used after noncompliance has been identified. They may include disciplinary action or additional training.

SOURCE: CC:003

SOURCE: University of California. (n.d.). *Understanding internal controls*. Retrieved February 26, 2010, from <http://www.ucop.edu/ctlacct/under-ic.pdf>

7. C

A competitive advantage and minimized costs. By developing a proactive compliance plan, a business is likely to create a competitive advantage for itself and enhance its reputation. At the same time, a proactive approach to compliance can help the business to minimize costs and reduce risks. Rather than waiting for a problem or instance of noncompliance to occur, many businesses choose to do things properly—in compliance—from the start. Most proactive businesses have grown their senior management to address increasing compliance and risk concerns. This senior level position, often known as a chief compliance officer, is responsible for ensuring corporate compliance with government and industry laws and regulations. By avoiding noncompliance issues, proactive companies are likely to receive less government scrutiny than those that wait to react to instances of noncompliance.

SOURCE: CC:003

SOURCE: Granros, R. (2010, January 19). *Protect your company with a proactive approach to compliance*. Retrieved March 1, 2010, from <http://blogs.infor.com/insights/2010/01/protect-your-company-with-a-proactive-approach-to-compliance.html>

8. C

High cost and lack of evidence of return on investment. Although GRC technology can be very beneficial for business, many companies encounter difficulties when implementing the technology. The most significant barriers are the perceived high cost of the technology and a lack of evidence that the technology will provide a sufficient return on investment. Other barriers include a lack of adequate technology solutions, the absence of a common risk management/compliance “language,” and poor change management during the implementation process. Benefits of GRC technology include the use of a single GRC platform, increased communication among risk management teams, and centralized risk and compliance oversight. Centralized business risk is neither a barrier nor a benefit of GRC technology.

SOURCE: CC:004

SOURCE: Gracyalny, S. (2010, February 15). *Integrated GRC: Understanding the benefits and beginning the journey to obtain them*. Retrieved March 1, 2010, from <http://www.corporatecomplianceinsights.com/2010/integrated-grc-by-scott-gracyalny>

9. B

Symbolic. A virtual auditor uses several different reasoning techniques to evaluate financial activities. Symbolic reasoning looks for “signatures”—clues—of noncompliance as well as patterns of events such as duplicate journal entries within one accounting period. Contextual reasoning involves determining the seriousness of the noncompliance incident identified by symbolic reasoning. Comparative reasoning identifies and compares similar transactions and information. It does not focus on identical transactions such as duplicate journal entries. Cross-source reasoning inspects transactions within multiple financial systems.

SOURCE: CC:004

SOURCE: Oversight Systems. (n.d.). *A Sarbanes-Oxley compliance program that saves cash: Link Sarbanes-Oxley requirements to business improvement*. Retrieved March 1, 2010, from http://www.oversightsystems.com/whitepapers/Compliance_to_Cash_060725.pdf

10. D

Evaluate the author's level of credibility. When conducting research for a business, it is important to consider the source's level of credibility. A person who has extensive knowledge of or expertise of a specific topic is more credible and more likely to present valid or reliable information. For example, an article about the side effects of a medication tends to be more credible if it was written by a doctor or pharmacist rather than if the article was written by a financial planner or mechanic. Although the timeliness of written material is a consideration, it is not related to the author's level of expertise. A researcher cannot always determine the author's level of emotional intelligence by reading a written document. And, it is possible to possess a high level of knowledge about a subject and have low emotional intelligence. The way in which the article is written, rather than the author's expertise, will impact the understandability of the information.

SOURCE: CO:054

SOURCE: University of Maine at Farmington. (2007). *Use valid, credible sources for information*. Retrieved February 23, 2010, from <http://plagiarism.umf.maine.edu/valid.html>

11. D

Table of contents. When trying to locate specific information from a lengthy document or a book, it often saves time to first look at the table of contents. The table of contents is the portion of the text in which the sections are listed with their page numbers for easy access. For example, if Brandon wants to obtain information about industry trends, he can look at the table of contents, find the section that discusses trends, and turn to the designated page of the document to read the desired information. The bibliography contains the citations or sources used to construct the primary document. The appendices are the segments added to the end of the primary document that include supporting information. Some research reports contain an analysis of the document's contents or research. By looking at the table of contents, the reader can determine if the desired information is included in the appendices or analysis sections of the report.

SOURCE: CO:055

SOURCE: Bovée, C.L., & Thill, J.V. (2008). *Business communication today* (9th ed.) [pp. 460, 473]. Upper Saddle River, NJ: Pearson Prentice Hall.

12. D

Follow-up with the customer after obtaining the requested information. When employees do not know the answer to their customers' questions, they should take steps to get the answers. This often involves researching the problem or issue. When extensive research is required, an employee should obtain the customer's contact information and call him/her back with the requested information after the research has been completed. The nature of the inquiry determines if literature should be sent to the customer or if another employee or manager should answer the customer's inquiry. For example, a question about a bill may be better answered by an accounts-receivable employee than a purchasing agent. And, in this situation, it would be inappropriate to send product information.

SOURCE: CO:060

SOURCE: Odgers, P. (2004). *The world of customer service* (p. 129). Mason, OH: South-Western.

13. B

During a meeting in which businesspeople share the same vocabulary. Jargon is specialized language known only to a certain group of people. Jargon is most often used by people who work within the same organization or industry. Using jargon in social situations, during speeches, or with new customers may confuse the message that recipients receive because these audiences may not be familiar with the meaning of the jargon.

SOURCE: CO:084

SOURCE: Miculka, J. (2007). *Speaking for success* (2nd ed.) [pp. 39-40]. Mason, OH: Thomson South-Western.

14. D

Ask her supervisor which letter format the company uses. Companies may prefer that their employees format business correspondence in a specific way to ensure consistency within the organization. To save time and effort, Ann should ask her supervisor which letter format the company uses, such as the block format or simplified format. Developing the letter in a variety of formats is an inefficient use of time.

SOURCE: CO:088

SOURCE: Bovée, C. L., & Thill, J. V. (2008). *Business communication today* (9th ed.) [pp. A-10 - A-12]. Upper Saddle River, NJ: Pearson Prentice Hall.

15. C

Aligning business activities with customer needs. A customer-centric business focuses on customer needs and wants. To focus on the customers' needs and wants, the business must ensure that its business objectives and activities align with its customers' needs and wants. A customer-centric business must continuously improve its processes and products to accommodate its customers' changing needs and wants—the business cannot be satisfied with the status quo. A customer-centric business allows its employees to provide input and make decisions in relation to customer relationships. Touch points are all of the opportunities that businesses have to connect with customers and reinforce their brand value. A customer-centric business is not likely to reduce the number of customer touch points.

SOURCE: CR:016

SOURCE: CR LAP 2—Know When to Hold 'Em (Nature of Customer Relationship Management)

16. C

Wireless. Wireless technology is redefining the way in which the world communicates. Cellular phones are a wireless form of communication. Businesses have the ability to send time-sensitive text messages at any time to their customers who have opted-in to receive updates on their cell phones. Cell phones are not examples of traditional, global positioning (GPS), or dial-up technology.

SOURCE: CR:018

SOURCE: Peppers, D. & Rogers, M. (2004). *Managing customer relationships: A strategic framework* (pp. 208-211). Hoboken, NJ: John Wiley & Sons, Inc.

17. D

Simple explanations. When providing product information to clients, finance professionals should keep the clients' point-of-view in mind. Clients may not be familiar with finance industry jargon, technical terms, or acronyms. Therefore, finance professionals should use simple, clear language that clients understand. While standard responses are sometimes helpful to finance professionals, it is usually better to keep individual clients in mind when providing product information since different clients are likely to have different knowledge bases.

SOURCE: CR:012

SOURCE: Buzzell, D., & Spasovski, S. (2004). *Principles of banking* (8th ed.) [p. 152]. Washington: American Bankers Association.

18. D

Ask her assistant to inform Mr. Williams that Tobi will return his call at 5:00 p.m. An important factor in retaining clients is returning their calls in a timely fashion. By personally responding to Mr. Williams' questions promptly instead of calling him back in the morning or having her assistant answer his questions, Tobi shows him that he is important to her. At the same time, though, Tobi needs to show the new clients that she respects them and their time. For that reason, Tobi should finish her meeting with them prior to speaking with Mr. Williams.

SOURCE: CR:012

SOURCE: Javelin Financial Services Marketing. (2008, August 1). *How to retain accounts in a bear market*. Retrieved March 1, 2010, from <http://www.javelinmarketing.com/blog/2008/08/01/how-to-retain-accounts-in-a-bear-market/>

19. C

Clustering. Clustering involves dividing customers in a database into groups based on their similarities and differences. Estimation is used to determine a value for an unknown variable such as a sales forecast. Regression involves using existing values to forecast what continual values will be. Prediction uses historical data to build a model to forecast future customer behavior.

SOURCE: CR:024

SOURCE: Peppers, D. & Rogers, M. (2004). *Managing customer relationships: A strategic framework* (p. 343). Hoboken, NJ: John Wiley & Sons, Inc.

20. B

Trajectory. CRM technology is frequently used to measure and analyze a business's typical customer trajectory, which is a pattern of purchases. Duration is the length of time that a customer stays a customer. A vintage is a group of customers that are similar in some way. For instance, they might be grouped together because they all became a business's customers in the same year. Touch points are all of the opportunities that a business has to connect with customers and reinforce its brand image.

SOURCE: CR:024

SOURCE: Peppers, D. & Rogers, M. (2004). *Managing customer relationships: A strategic framework* (p. 308). Hoboken, NJ: John Wiley & Sons, Inc.

21. C

Misrepresents its capabilities to customers. A business that intentionally misrepresents its capabilities to customers is exhibiting dishonest and unethical behavior. Customers are unlikely to return to a business that is dishonest. Misinterpreting a customer's request is a miscommunication problem and doesn't present an ethical issue. Partnering with another business is a common practice. There is not enough information to determine if the partnership has engaged in unethical activities or if the business obtained information about its competitors in an unethical way.

SOURCE: EC:106

SOURCE: Bovée, C.L., Thill, J.V., & Mescon, M.H. (2007). *Excellence in business* (3rd ed.) [p. 65]. Upper Saddle River, NJ: Pearson Prentice Hall.

22. B

Changes in consumer spending. Phases of the business cycle affect consumers' spending habits. During the contraction phase, unemployment tends to increase, so consumers have less money to spend on goods and services. Under the right conditions, a business might be able to lower its prices on some of its popular items, if operating costs do not increase and the business can maintain a reasonable profit. By lowering prices, the business may be able to keep its customers and attract new price-oriented markets. Production line improvements are internal factors that may prompt a business to lower its selling prices. As production becomes more efficient, production costs tend to decrease, making it possible to lower selling prices and still earn a profit. Providing employees with effective training helps to improve productivity.

SOURCE: EC:107

SOURCE: Simpkins, J. (2008, July 21). *Consumer spending threatened by higher prices and lower wages*. Retrieved February 16, 2010, from <http://moneymorning.com/2008/07/21/consumer-spending/>

23. B

\$3.25. Marginal cost is the change in cost that occurs when a business increases or decreases production, and is used to calculate the extra cost of producing one additional item. To determine the marginal cost of producing each additional hammer, first calculate the change in total cost by subtracting the total costs before production from the total costs after production began (\$62,500 - \$56,000 = \$6,500). Therefore, the company's costs increased by \$6,500 after it produced 2,000 hammers. To calculate the marginal cost, divide the change in total cost by the number of hammers ($\$6,500 \div 2,000 = \3.25).

SOURCE: EC:023

SOURCE: Gottheil, F.M. (2002). *Principles of economics* (3rd ed.) [pp. 182-184]. Mason, OH: South-Western.

24. D

Lower standard of living. The inflation rate is the speed in which prices rise in the marketplace. When inflation increases, and employers do not provide their workers with raises to keep up with the rate of inflation, then the employees do not have as much money to spend on goods and services. When workers have less purchasing power, their standard of living (quality of life) may be negatively impacted because they cannot buy things that they were once able to afford. When workers are not earning more money, they are not increasing their spending levels. When people are spending less money, lower demand for some consumer products may occur. When there is a reduced demand for products, businesses often lower production and lay off workers, which increases the level of unemployment.

SOURCE: EC:083

SOURCE: Miller, R.L. (2005). *Economics: Today and tomorrow* (p. 454). New York: Glencoe/McGraw-Hill.

25. B

\$598.84. Most countries have their own currency. A country's currency value fluctuates in relation to other countries' currency values. Businesses monitor these fluctuations because dramatic changes in currency values can affect their profits. To calculate the amount that you would pay in U.S. dollars, multiply the price of the product in Canadian dollars by the value of the U.S. dollar ($\$624.60 \times .958750 = \598.835 or $\$598.84$).

SOURCE: EC:100

SOURCE: XE.com. (2010). *Universal currency converter*. Retrieved March 1, 2010, from <http://www.xe.com/ucc/convert.cgi?Amount=624.60&From=CAD&To=USD&x=35&y=14>

26. B

Self-confidence. Self-confidence is a positive belief in your own talents, skills, and objectives. Ethical standards are the basic principles or unwritten rules that govern your behavior and help you recognize right from wrong. Systematic behavior involves conducting activities in an organized, logical, and methodical manner. Empathy is the ability to put yourself in another person's place.

SOURCE: EI:023

SOURCE: Mind Tools. (n.d.). *Building self-confidence*. Retrieved December 7, 2009, from <http://www.mindtools.com/selfconf.html>

27. B

Collaborate with others. Effective team members must be willing to help, work well with, recognize the strengths of, and listen to other team members. It is important for team members to be objective, provide positive and negative feedback in a courteous, respectful way, and offer their opinions as needed. Team members should be willing to perform any activities they can—even those activities they don't like to do, but they shouldn't take on complex or technical jobs that they are not qualified to perform.

SOURCE: EI:045

SOURCE: QS LAP 6—Lean on Me (Teamwork)

28. A

Providing an incentive. An incentive is something that will fulfill a desire or need. Incentives often help motivate team members to finish a project or perform a task, which helps the business achieve its goals. Incentives may include anything from a free lunch and comp time to a large bonus. Taking over activities and delegating responsibilities do not necessarily motivate others to take a certain course of action. And, while it would be nice to be able to remove unexpected obstacles, it's not possible to do so.

SOURCE: EI:059

SOURCE: Gibson, J.L., Ivancevich, J.M., Donnelly, J.H., & Konopaske, R. (2003). *Organizations: Behavior, structure, processes* (11th ed.) [p. 170]. Boston: Irwin/McGraw-Hill.

29. D
Values and aspirations. Vision refers to the future you wish to create. A vision is a reflection of your values—what is important to you. A vision is also a reflection of your aspirations—your dreams and passions. Often, a vision begins with an abstract idea that is based on emotion rather than logic. After realizing or acknowledging a vision, then you should consider the resources (e.g., special skills and money) that you will need to carry out the vision, which involves setting goals to achieve the vision.
SOURCE: EI:063
SOURCE: QS LAP 11—Picture This! (Personal Vision)
30. B
Persuasive. Change doesn't just happen on its own. To lead change, change leaders need to be persuasive—they must be able to get others within their organizations to see things their way, do things their way, or agree with them. Subtle and indifferent (uncaring) attitudes don't usually prompt resistant people to embrace change.
SOURCE: EI:005
SOURCE: QS LAP 23—20/20 Foresight
31. B
Mutual respect. Coworkers must often collaborate with one another to accomplish business goals. For effective collaboration, coworkers must be respectful of one another. This involves being willing to share ideas, appreciating the contributions and knowledge of one's coworkers, and acknowledging each coworker's right to express opinions that others may not agree with. Effective collaboration does not require coworkers to have similar personality traits. An authoritarian workplace structure or management style may hinder collaborative efforts. Effective collaboration requires open and honest communication among all of the coworkers involved in the project or activity.
SOURCE: EI:061
SOURCE: DuBrin, A. (2010). *Leadership: Research findings, practice, and skills* (6th ed.) [pp. 339-340]. Mason, OH: South-Western Cengage Learning.
32. D
Exceed the rate of inflation. When making investments, it is important to consider the time value of money, which is the difference between the money's current purchasing power in relation to its purchasing power at a future date. Earnings from investments can come in different forms, such as accumulated interest from debt securities or dividends from equity securities. At the end of the investment period, a successful investment will yield more money than the investor started with. However, it is important to consider the rate of inflation—which is an increase in prices of goods and services. If inflation increases more rapidly than the investment earns (e.g., 10%) during the investment period, then the value of money earned will not yield the desired results. Documents and forms do not affect the time value of money.
SOURCE: FI:062
SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (pp. 89-92, 180). South-Western Cengage Learning.
33. D
How long your money is invested. The most important factors to consider in compounding growth are how much money you invest, how much your investment grows each year, and how long your money is invested. Investing is using money to make money, which means that if you invest money in the stock market, for example, you are likely to make an average of 10 percent each year. As the years pass, your investment will grow tremendously because you will be earning interest on interest. So, it is beneficial to invest for as long as possible to earn the largest amount of compound interest as possible. How you earn the money that you invest, your educational background and career, and your mutual fund manager's education have a much smaller impact on compounding growth than time does.
SOURCE: FI:270
SOURCE: QS LAP 30—Supersize Your Money

34. B

Late fee. Credit-card issuers often charge late fees for payments that do not arrive on time. Some credit-card issuers charge application fees, which involves billing a customer for applying for credit. Processing fees are charges to complete certain activities. Over-limit fees are charges applied for credit transactions that go over or exceed the credit-card holder's credit limit.

SOURCE: FI:071

SOURCE: Irby, L. (n.d.). *The effects of late credit card payments*. Retrieved March 2, 2010, from <http://credit.about.com/od/usingcreditcards/a/latecardpayment.htm>

35. C

A deposit-taking institution's primary liabilities are checking accounts, savings accounts, money market accounts, and certificates of deposit. Deposit-taking institutions such as commercial banks are one type of financial institution. Deposit-taking institutions serve as financial intermediaries. Savers deposit their funds in depository institutions, and then these deposit-taking institutions lend the funds to individuals and firms who need to borrow money. Checking accounts, savings accounts, money market accounts, and certificates of deposit are liabilities for deposit-taking institutions. Essentially, the funds deposited in these accounts are loans made to the institution by individuals, firms, and the government. When a saver deposits funds in a deposit-taking institution, s/he receives a claim on his/her bank account, not the individual or firm who borrows those funds from the bank. The Small Business Administration and the Federal Housing Administration are examples of government and semigovernment financial institutions. Mutual savings banks and savings and loan associations are types of thrifts, not commercial banks.

SOURCE: FI:336

SOURCE: Mayo, H.B. (2007). *Basic finance: An introduction to financial institutions, investments, & management* (9th ed.) [pp. 52-56]. Mason, OH: South-Western Cengage Learning.

36. B

Life. Life insurance companies are a type of financial intermediary because they receive funds from their customers (savers) and lend the funds to other customers (borrowers). Property, liability, and health insurance companies are not financial intermediaries. Like life insurance companies, they sell their services to customers, but they do not lend funds to borrowers.

SOURCE: FI:336

SOURCE: Mayo, H.B. (2007). *Basic finance: An introduction to financial institutions, investments, & management* (9th ed.) [pp. 58-59]. Mason, OH: South-Western Cengage Learning.

37. C

Eurobonds. Eurobonds are bonds sold in a foreign country in the currency of the issuing company. Frankfort and Sons, for example, is an American firm, so its Eurobonds will be denominated in American dollars. However, these bonds will be sold overseas, not in the United States. Yankee bonds are issued in the U.S. by a foreign company and denominated in American dollars. Interbonds are fictitious. Savings bonds are issued by the U.S. Department of the Treasury. They are nontransferable securities that can be cashed prior to their maturity date.

SOURCE: FI:337

SOURCE: Mayo, H.B. (2007). *Basic finance: An introduction to financial institutions, investments, & management* (9th ed.) [p. 262]. Mason, OH: South-Western Cengage Learning.

38. D

Over the Counter Bulletin Board (OTCBB). Very small companies that don't meet organized exchange listing requirements as well as companies with poor credit ratings are likely to trade their stock on the Over the Counter Bulletin Board (OTCBB). The OTCBB is a regulated electronic exchange with no listing requirements. Therefore, stocks traded on the OTCBB are likely to be riskier investments than stocks traded on organized exchanges such as the New York Stock Exchange or the Toronto Stock Exchange. The American Stock Exchange is an organized exchange which became the NYSE Amex Equities in 2009.

SOURCE: FI:337

SOURCE: Investopedia. (2010). *Over-the-counter (OTC)*. Retrieved February 28, 2010, from <http://www.investopedia.com/terms/o/otc.asp>

39. A
Convergence. Convergence occurs when financial providers from different financial sectors (e.g., banking services and insurance) merge. Consolidation takes place when financial providers within the same institutional category merge. For example, if two banks were to merge, they would be consolidating their companies. Tactical planning is short-range planning (one year) of specific actions the business will take. Two businesses should look much further ahead than just one year before making the decision to merge. Licensing is a business structure that requires the authorization or permission from an owner of another entity to use trademarked, copyrighted, or patented material for a specific activity, during a specific time period, for the profit of both parties. Businesses that enter into licensing agreements do not merge.
SOURCE: FI:573
SOURCE: MBAResearch and Curriculum Center. (2009). *Introduction to finance course guide* (p. 5-106). Columbus, OH: Author.
40. B
More consumer loans may be available from the new larger firm than were available from the smaller, individual firms. When multiple financial firms merge, companies that previously had limited funds to lend to consumers may now have more capital available to offer in the form of consumer loans. Mergers allow businesses to offer a wider variety of products and services to better meet customers' needs. Mergers help firms to lower costs, but they may increase consumer risks. If a consumer relies upon the new, larger financial firm to satisfy all of her/his financial needs, s/he faces more risk if and when the firm experiences financial or legal difficulties. It is often difficult for financial experts to get an accurate picture of a large, complex financial conglomerate's current financial condition. A merger is likely to create a large corporation with product offerings that encompass multiple financial sectors. Because the corporation offers products from multiple financial sectors, it is difficult to determine which supervisory agency should regulate and oversee company operations.
SOURCE: FI:573
SOURCE: MBAResearch and Curriculum Center. (2009). *Introduction to finance course guide* (pp. 5-106-5-107). Columbus, OH: Author.
41. B
Fall. The Consumer Price Index measures the prices of consumer goods. In the U.S., it is published monthly by the Bureau of Labor Statistics. However, most experts conduct a "year-on-year" comparison to better understand increases and/or decreases in the CPI. An increase in the CPI signals an increase in inflation. A sharp increase in inflation causes interest rates and bond values to rise and stock prices to fall.
SOURCE: FI:574
SOURCE: Kettell, B. (2002). *Economics for financial markets* (pp. 117-118). Oxford: Butterworth-Heinemann.
42. C
Increases. Nominal GNP (the Gross National Product measured in current prices) and the money supply are directly related. When nominal GNP increases, the money supply typically increases as well. Conversely, when nominal GNP goes down, the money supply decreases. And, when the nominal GNP and the money supply increase, the Federal Reserve typically raises interest rates, too. Since the nominal GNP is a long-term economic measure, it would not cause the money supply to fluctuate on a daily basis. Instead, the money supply would increase or decrease over the long term.
SOURCE: FI:574
SOURCE: Kettell, B. (2002). *Economics for financial markets* (pp. 5-6). Oxford: Butterworth-Heinemann.

43. D
Herd behavior among investors. Although financial globalization tends to increase investors' access to many different financial markets, financial globalization also seems to increase the risks of speculative bubbles and herd behavior among investors. Herd behavior involves individuals who act together as a group without any planned direction. It is usually irrational and driven by emotions. In good times, investors hurry to join others in a buying frenzy. But, in bad financial times, fearful investors join others in a rush to get out of risky markets. By diversifying their funds in many different countries, investors are able to diversify their risk and reduce their exposure to business cycle risks. To enable capital to flow more freely across their national borders, many countries have lowered their taxes on international financial transactions.
SOURCE: FI:575
SOURCE: MBAResearch and Curriculum Center. (2009). *Introduction to finance course guide* (pp. 5-156-5-158). Columbus, OH: Author.
44. A
Derivatives. Derivatives are financial instruments whose value depends upon the value of other financial instruments or market indices. Investors frequently use derivatives to hedge or reduce the risk of investing in the foreign exchange market, which is sometimes volatile. The derivatives help to reduce the impact of significant fluctuations in foreign exchange markets. Emerging markets are financial markets in countries with developing economies. Emerging markets are usually receptive to foreign investment, but they are also more volatile and risky than financial markets in developed countries. Venture capital is invested money that is used for new business opportunities. No-load mutual funds have no up-front sales charges.
SOURCE: FI:575
SOURCE: MBAResearch and Curriculum Center. (2009). *Introduction to finance course guide* (pp. 5-156-5-157). Columbus, OH: Author.
45. A
Full-service broker. Full-service brokers provide “one-stop shopping” for investors. They provide a wide variety of financial products and services. Full-service brokers are often desirable for people who require ongoing, comprehensive financial guidance and do not have the time to research investment options in detail. Discount brokers primarily provide the client with basic information about financial products and do not offer advice or conduct in-house research. A beneficiary is an individual or institution that receives specified benefits under certain circumstances such as money from a life-insurance policy upon the insured's death. Although insurance professionals may be employed by full-service brokerage firms, not all insurance agents have the expertise to provide comprehensive financial advice.
SOURCE: FI:076
SOURCE: eHow.com. (1999-2010). *How to choose a financial planner?* Retrieved March 2, 2010, from http://www.ehow.com/how_109513_choose-financial-planner.html
46. B
Morningstar. Morningstar is an independent company that provides up-to-date, reliable information and analyses of a variety of securities, including stocks, bonds, and mutual funds. Although Wikipedia contains a wealth of information, it is less likely to be accurate or trustworthy because the content is primarily provided by anonymous Internet users. StandardLine does not provide financial information. Facebook Finance is a fictitious web site.
SOURCE: FI:274
SOURCE: QS LAP 36—The Source Is With You

47. B

Form 8-K. Publicly-traded companies are required to provide information about their finances to the Securities and Exchange Commission (SEC) every quarter. For the first three quarters of the fiscal year, publicly-traded companies file 10-Q reports that focus on the company's financial situation for that period of time. At the end of the fourth quarter of each fiscal year, each company is required to file a Form 10-K, which is similar to an annual report. It includes detailed information about the company, its competitors, risks it faces, legal proceedings that the company is involved in, and audited financial statements. In addition to these standard, routine documents, a company is also required to file a Form 8-K, also known as a current report if a significant, non-recurring event occurs before a 10-Q or 10-K is due. Events might include changes in key management, introduction of a new product, legal actions, or the acquisition of another company. Form 4 tells you when insiders are buying or selling the company's stock.

SOURCE: FI:274

SOURCE: QS LAP 36—The Source Is With You

48. D

52-Week HI/LO. The highest and lowest prices paid during the past year can be used to learn how volatile a stock is. If the range between the lowest and highest prices is large, then the stock's price has risen or fallen sharply in the past year. Such a stock would be considered volatile. The stock's dividend, volume, and closing price are much less reliable indicators of a stock's volatility.

SOURCE: FI:275

SOURCE: QS LAP 37—Table Talk

49. D

Filing tax returns online. Filing tax returns online (via the Internet) is a quick, easy way to transmit tax information to government tax agencies. By electronically transmitting tax returns, businesses reduce the lead time that is needed to send the documents by postal mail. Electronic transmission also eliminates the risk of loss by the postal service. The purchasing department usually obtains quotes for the business. Tax codes are established by the government. Small businesses do not use accounting software programs to develop institutional policies.

SOURCE: FI:352

SOURCE: Keen, D. (n.d.). *About QuickBooks software*. Retrieved February 1, 2010, from http://www.ehow.com/facts_5027301_quickbooks-software.html

50. A

Protect stockholders. Public corporations often have thousands of shareholders. To protect the rights and financial wellbeing of the shareholders, governments regulate corporations' financial activities—activities that are carried out by the corporations' management teams and their boards of directors. The regulation of financial activities does not ensure earnings, limit benefits, or control costs.

SOURCE: FI:356

SOURCE: CliffsNotes. (n.d.). *Characteristics of a corporation: Government regulations*. Retrieved March 2, 2010, from http://www.cliffsnotes.com/study_guide/Characteristics-of-a-Corporation.topicArticleId-21248,articleId-21191.html

51. B

To determine if the business is performing above or below average. Managers often compare their businesses' operating results with industry averages to determine if their businesses are doing better than, worse than, or about the same as other firms in the same industry. The business's percentage increase in net sales, next year's budget, and the return on common stockholders' equity can be determined without industry financial information and averages.

SOURCE: FM:001

SOURCE: Guerrieri, D.J., Haber, F.B., Hoyt, W.B., & Turner, R.E. (2004). *Accounting: Real-world applications & connections* (Advanced Course) [p. 370]. New York: Glencoe/McGraw-Hill.

52. A

Consistent. Consistent financial information results from the application of similar or identical accounting methods and systems over time within an organization. The Normandy Company has applied very similar accounting methods over its 20 years of operation. Therefore, the company's financial information is likely to be consistent. However, consistent information is not necessarily comparable, reliable, or conservative. There is no way of knowing if the company's accounting methods are similar to those of other businesses in the industry, so the accounting information may not be comparable. Reliable information is accurate and unbiased. The Normandy Company, though, could easily have inaccurate financial information, even though it is consistent. Conservative financial information does not overstate assets and sales or understate liabilities and expenses. There is no indication that the Normandy Company's information is conservative.

SOURCE: FM:001

SOURCE: Libby, R., Libby, P.A., & Short, D.G. (2007). *Financial accounting* (5th ed.) [p. 239]. New York: McGraw-Hill/Irwin.

53. C

A financial-information management system can be used to support operations management decisions. Operations managers might use a financial-information management system to determine operating efficiency, manage inventory, or evaluate key suppliers. Although technology is an integral part of financial-information management function, it is not the only part. The financial-information management function involves people, processes, and equipment/technology. Due to increased compliance requirements, the financial-information management function's responsibilities have increased in recent years. Much more data must be maintained by the financial-information management system for longer periods of time as a result of new laws and regulations. Data in a financial-information management system should be current. In many situations, decision makers need to know what is happening right now, not what happened months or even years ago.

SOURCE: FM:002

SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (p. 341). South-Western Cengage Learning.

54. A

Capital budgeting. A financial-information management system is a set of processes, people, and equipment used to gather, store, organize, and provide financial information to decision-makers. A financial manager might use a financial-information management system to make capital budgeting decisions. Capital budgeting involves developing a plan to acquire and finance long-term business assets. Financial managers would not use a financial-information management system to schedule employees. Although a financial-information management system might be useful when selecting vendors or adding/dropping products, those decisions would not be made by financial managers.

SOURCE: FM:002

SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (p. 341). South-Western Cengage Learning.

55. C

Employees cannot correctly assess trends. When financial information is poorly managed, employees are hindered from correctly assessing their performance and trends. It also takes a long time to access requested information, thereby delaying use of the information and decreasing employee efficiency.

Employees' ability to understand financial statements is not an outcome.

SOURCE: FM:003

SOURCE: Kugel, R. (2009, March 13). *CFOs need better financial information management*. Retrieved February 26, 2010, from <http://www.ventanaresearch.com/blog/commentblog.aspx?id=3029>

56. B

Meeting analysts' estimated earnings. Managers are often pressured to ensure that analysts' estimated earnings are reached. Managers should focus on use of accounting principles that provide the most accurate results rather than on providing the most desired results. Otherwise, they will be guilty of cooking the books to provide a more favorable financial report than actually exists. Postponing purchases, accelerating expense payments, and selling securities for a gain are ethical earnings-management practices.

SOURCE: FM:003

SOURCE: Millstein, I. (2005, May 26). *When earnings management becomes cooking the books*. Retrieved February 27, 2010, from http://www.ft.com/cms/s/2/90ce4c50-cdd3-11d9-9a8a-00000e2511c8,dwp_uid=1d0ff528-c86c-11d9-87c9-00000e2511c8.html

57. B

They can obtain faster responses to queries. Since data are housed in one location, querying the data is faster, thereby improving organizational efficiency. Having a central depository ensures that data from different applications are combined into one common storage area which increases the speed with which queries can be run. Using a central repository for financial information enables businesses to achieve economies of scale rather than overcoming them. They also have access to more consistent, up-to-date information rather than relying on old data.

SOURCE: FM:011

SOURCE: InterSystems. (1996-2009). *Caché and data management in the financial services industry*. Retrieved February 27, 2010, from http://www.intersystems.com/cache/whitepapers/datamanagement_wp.html

58. C

Passage of laws that recognize electronic documents as legally binding. As businesses have become more comfortable with the use of electronic information, their willingness to accept electronic documents as legally binding contracts has also increased. This has been buoyed by the passage of laws recognizing electronic documents and signatures as legally binding. Electronic information exchange procedures have not been removed. These procedures provide a way for people to exchange information electronically. Security remains an issue for online financial-information management. Although the customers' right to privacy is an issue, it has not contributed to the increased use of online technology in financial-information management.

SOURCE: FM:011

SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (pp. 338-339). South-Western Cengage Learning.

59. A

Exploration. The exploration stage of data mining generally starts with preparation of the data. This includes such activities as data cleaning, data transformation, selecting subsets of records for analysis, selecting the variables of interest, and choosing the analytic method to apply. The second phase of the data-mining process is model building and validation in which various models appropriate for the study are identified, and the best one is selected. Deployment is use of the selected model. Prediction is not a stage in the data-mining process; however, data miners want to make predictions from their data-mining activities.

SOURCE: FM:012

SOURCE: StatSoft.com. (2010). *Electronic statistics textbook*. Retrieved February 26, 2010, from <http://www.statsoft.com/textbook/>

60. A
To determine the best fit of classifications resulting from multiple models. Often, businesses use a variety of models to understand the data in their data bases. When they generate different results from one another, the business applies a meta-learner to figure out which results are best. Search engine optimization (SEO) strategies relate to increasing the number of hits to a web site from search engines. By the time meta-learners are applied, businesses have already selected a variety of analytic models. The meta-learner is not responsible for orienting models to data in a data base.
SOURCE: FM:012
SOURCE: StatSoft.com. (2010). *Electronic statistics textbook*. Retrieved February 26, 2010, from <http://www.statsoft.com/textbook/>
61. D
Increases management's confidence in budgets. The efficient management of budget data benefits businesses in a variety of ways, including error detection and control, decreasing the time needed for completing the accounting cycle, and increasing management's confidence, not only in budgets, but also in financial statements and performance scorecards, etc. Since use of efficient budgeting applications decreases the amount of time required to complete the accounting cycle, financial professionals have time to spend on value-added activities, such as decision-making and presentation of information, rather than having to spend more time on them. An audit trail and increased ability to trace the numbers used in budgets are natural outgrowths of the use of budgeting applications.
SOURCE: FM:013
SOURCE: Oracle. (2008, July). *The emerging field of financial data quality management*. Retrieved February 27, 2010, from <http://www.oracle.com/appserver/business-intelligence/hyperion-financial-performance-management/docs/hyperion-emerging-field-of-fdqm-whitepaper.pdf>
62. A
Show the business's cash-flow status. Budgeting applications enable businesses to maintain, monitor, and forecast a business's financial status and generate financial reports that can be shared with a business's decision-makers. Expenses, revenue, cash flow, profit/loss, etc., are easily tracked and determined using budgeting applications. Equipment needing repairs, new services to offer customers, and EDI needs are not captured and predicted by budgeting applications.
SOURCE: FM:013
SOURCE: Centage. (n.d.). *Business budgeting and forecasting software*. Retrieved February 27, 2010, from <http://centage.com/products-budgetmaestro-budgeting.htm>
63. D
By comparing employee phone numbers and addresses to vendor information for payables. A conflict of interest is any relationship that is, or appears to be, not in the business's best interest. It would prevent someone from performing her/his duties and responsibilities objectively. To spot probable conflicts of interest, businesses can use their financial analysis applications to cross check employee data with that of vendors. The other examples can be used to analyze financial data for other purposes.
SOURCE: FM:014
SOURCE: IDEA Data Analysis Software. (n.d.). *Financial analysis*. Retrieved February 28, 2010, from http://www.audimation.com/pdfs/Financial_Analysis_Applications.pdf
64. D
Person's individual account number. Databases depend upon keys to store, sort and compare records. A primary key is the unique identifier assigned to a record in a table. When choosing a primary key, database builders need to be sure that the identifier will be unique to an individual. The person's account number would be unique to the individual. Most customers consider their social security numbers to be private information that they do not want entered into databases. In addition, the government can reassign social security numbers upon the death of the owner of a social security number. In addition, some people do not have those numbers if they are not U.S. citizens. Zip codes are not unique to an individual or to a location. A person's first and last names may not be unique, e.g., there may be many John Smiths.
SOURCE: FM:015
SOURCE: Chapple, M. (2010). *Choosing a primary key*. Retrieved February 28, 2010, from <http://databases.about.com/od/specificproducts/a/primarykey.htm>

65. B
Others rely on the information when making credit and/or investment decisions. It's important for investment firms to share their actual financial situation rather than manipulate the numbers to present the most desired financial situation. Accountants, rather than investment firms, maintain an accurate accounting of people's revenue and expenses. Having both brick-and-mortar and virtual businesses would not impact the accuracy of investment firms' reporting. Unfortunately, most people understand that not all people are honest. Therefore, they need to know enough about investing to make good choices.
SOURCE: FM:004
SOURCE: Accounting and Compliance International. (n.d.). *Accurate accounting for broker-dealers*. Retrieved March 1, 2010, from <http://www.finraexamsupport.com/accurate-accounting>
66. C
Accounting's reports aid finance in analyzing a company's financial position. Accounting and finance are closely related because finance relies on accounting to generate the reports it needs to make financial decisions. These reports show revenue and expenses on the financial statements. Finance's work begins where accounting's work leaves off.
SOURCE: FM:005
SOURCE: DifferenceBetween.net. (2009, June 15). *Difference between accounting and finance*. Retrieved March 1, 2010, from <http://www.differencebetween.net/business/difference-between-accounting-and-finance/>
67. C
Accounting recognizes revenue and expenses when they are incurred, while finance recognizes them when money is exchanged. One difference between accounting and finance is their treatment of funds (i.e., revenue and expenses). Accounting generally tracks revenue and expenses when they occur rather than when money is exchanged. Accounting is responsible for collecting and presenting financial information, including the creation of financial statements.
SOURCE: FM:005
SOURCE: DifferenceBetween.net. (2009, June 15). *Difference between accounting and finance*. Retrieved March 1, 2010, from <http://www.differencebetween.net/business/difference-between-accounting-and-finance/>
68. B
Financial condition. Accounting systems consist of inputs that are processed to create outputs. Examples of inputs are checks, invoices, sales slips, and receipts. When these inputs are processed, accountants analyze, classify, and record them. The result of processing is the outputs. Decision makers can determine such things as a business's financial condition, the result of the business's operations, and investments by and distributions to owners.
SOURCE: FM:006
SOURCE: Guerrieri, D.J., Haber, F.B., Hoyt, W.B., & Turner, R.E. (2004). *Accounting: Real-world applications & connections* (First-Year Course) [p. 33]. New York: Glencoe/McGraw-Hill.
69. A
Cash. With cash accounting, transactions are recorded when money is received or spent. This results in problems since the service might be provided during one accounting period, but payment is not received until another accounting period. In addition, businesses can be accused of manipulating their numbers to their advantage. With accrual accounting, transactions are recorded at the time they occur regardless of when money is exchanged. Managerial accounting is concerned with providing financial information internally to managers. The number and types of reports generated vary based on a manager's needs. With financial accounting, accountants prepare financial information for external users such as the government, bankers, and stockholders. The number and type of reports generated for financial accounting does not vary.
SOURCE: FM:006
SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (pp. 106-107). South-Western Cengage Learning.

70. C

Data in financial reports from multiple time periods. Trends indicate the direction that something is headed. They depict patterns. Horizontal analysis requires the comparison of data over a period of time. You cannot look at a single financial report and spot trends for a horizontal analysis.

SOURCE: FM:008

SOURCE: Dlabay, L.R., & Burrow, J.L. (2008). *Business finance* (pp. 83-84). South-Western Cengage Learning.

71. C

It is the time period that is used as the basis for comparisons. The base year is the starting point for comparisons; therefore, each category on a financial statement in the base year is 100%. By subtracting the base year's amount from each future amount, and then dividing by the base year amount, you can determine the percent of increase or decrease from year to year. The other responses do not relate to the base year that is used in horizontal analysis.

SOURCE: FM:008

SOURCE: Guerrieri, D.J., Haber, F.B., Hoyt, W.B., & Turner, R.E. (2004). *Accounting: Real-world applications & connections* (First-Year Course) [p. 568]. New York: Glencoe/McGraw-Hill.

72. B

To reduce the likelihood that customers will not pay their bills. Creditors must protect themselves from customers who fail to pay their bills. They're doing this by more closely examining customers' financial statements, determining whether there are cash flow problems that would delay payment, asking for trade references, etc. This is making it more difficult for customers to obtain credit, but the actions help to reduce creditor risk. The goal of the additional surveillance is to decrease the chances of having customers default on their loans, rather than increase them. Creditors are using more stringent methods of verifying a customer's credit than relying on Dun and Bradstreet reports.

SOURCE: FM:009

SOURCE: Stuart, A. (2009, August 14). *Giving credit risk its due*. Retrieved March 1, 2010, <http://www.cfo.com/article.cfm/14247382>

73. D

Liquidity. The creditor wants to know that the business has sufficient cash on hand to meet its obligations. If the creditor determines that the business is unable to meet its current short-term obligations, the creditor most likely will deny the credit request. Profitability is concerned with whether the business is making a profit and whether it's sufficient to maintain business operations. Efficiency focuses on whether the business is making the best use of its resources. Investment return lets investors and creditors know what return they can expect to get from a business.

SOURCE: FM:009

SOURCE: Tutor2u. (n.d.). *Interpretation and analysis of accounting information*. Retrieved March 2, 2010, from http://tutor2u.net/business/accounts/ratio_analysis.htm

74. A

Long-term solvency. Creditors need to predict whether clients will be able to pay off their loans.

Therefore, they want to assess clients' long-term prospects of having sufficient funds. They do this by calculating two financial ratios: debt-to-equity ratio that tells creditors whether the customer can repay the principal of the loan and Interest Coverage or Times Interest Earned that indicates whether the client can repay the interest on the loan. Short-term liquidity, on the other hand, focuses on whether the client is able to meet current financial obligations. Investment return lets investors and creditors know what return they can expect to get from a business.

SOURCE: FM:010

SOURCE: Leka, M. (2007, October). *How to analyze financial statements*. Retrieved March 2, 2010, from <http://e-articles.info/e/a/title/HOW-TO-ANALYZE-FINANCIAL-STATEMENTS/>

75. B

Training. The human-resources function plans and coordinates employee training programs for the business. Training programs often involve technology-oriented activities, such as interactive computer simulations. Evaluation activities involve tasks related to employee-performance reviews. The hiring process is a staffing activity. Compliance activities ensure that the business follows government regulations.

SOURCE: HR:412

SOURCE: NIOSH. (2009, September 19). *MERITS-mine emergency response interactive training simulation*. Retrieved February 17, 2010 from <http://www.cdc.gov/niosh/mining/products/product62.htm>

76. A

A car. Product type affects a customer's buying behavior. Customers who exhibit complex buying behavior are highly involved in the purchase because the product tends to be more expensive and risky. When the purchase is a form of self-expression, it affects the customer's status or image, and brand is an important factor. Because cars are expensive and vary in dependability and style, customers tend to spend more time evaluating their options before buying. Meals, shoes, and movie tickets are routine purchases, so customers tend to exhibit habitual buying behavior rather than complex buying behavior when purchasing these items.

SOURCE: MK:014

SOURCE: Kotler, P., & Armstrong, G. (2008). *Principles of marketing* (12th ed.) [pp. 145-146]. Upper Saddle River, NJ: Prentice-Hall.

77. C

Business plan elements. To retrieve the most applicable results from an Internet search engine, a computer user should enter terms into the query field that are most likely to bring up the desired information. "Business plan elements" are words that are most likely to retrieve the information Todd needs, which is the type of information that he needs to include in his business plan. If Todd is not satisfied with the results that his initial search returns, he could use search terms such as "business plan components" or "business plan parts." The remaining search terms are too general and would likely not provide the information Todd desires on the first few pages of the results, which would reduce Todd's efficiency in retrieving the desired information.

SOURCE: NF:078

SOURCE: Google.com. (n.d.). *Google search basics: Basic search help*. Retrieved February 18, 2010, from <http://www.google.com/support/websearch/bin/answer.py?hl=en&answer=134479>

78. A

An online business allows its customers to download and share music without the recording artist's consent. A copyright provides legal protection of artistic and written works (e.g., books, music, plays) to their owners (creators). A copyright grants the owners the sole rights to use and distribute their works for a specific amount of time. Individuals or businesses that access, use, or distribute copyrighted materials without the obtaining the owner's permission are guilty of copyright infringement and may be sued by the copyright owner. There is not enough information provided to determine if the apparel company or the software company have distributed copyrighted materials without the owner's permission. Patents provide legal protection for inventions.

SOURCE: NF:076

SOURCE: McAdams, T., Neslund, N., & Neslund, K. (2007). *Law, business, and society* (8th ed.) [pp. 709-710]. Boston: McGraw-Hill/Irwin.

79. A

\$1,197.52. Many businesses generate account statements to summarize their customers' purchasing activities and amounts due for a specific time frame. Because the customer sent a partial payment for a purchase, the balance due should be added to the next statement. To calculate the balance due, first subtract the amount paid from the original purchase amount ($\$2,456.29 - \$1,725 = \$731.29$). Then, add this figure to the total of the most recent purchases ($\$731.29 + \$466.23 = \$1,197.52$). The customer owes Webster \$1,197.52.

SOURCE: NF:002

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2009). *Marketing essentials* (pp. 349-351). Woodland Hills, CA: Glencoe/McGraw-Hill.

80. A

Identify trends. Statistics are information presented in numerical form. Statistics can be used to identify trends. Trends indicate the general direction in which people or events are moving. If numerical data show that the demand for a product has been steadily increasing for several months, then the trend indicates that more people want or need the product. By analyzing this information, the business can determine if it wants to enter a new market. Or, if the business already sells the product, it can use the information to decide if the business should increase its production of or inventory levels for the product. Although statistics are used to analyze costs, inventory, and quotas, the information provided cannot be used to assess those situations.

SOURCE: NF:093

SOURCE: Winthorp, A. (2007, September 21). *Using statistics to measure business performance*. Retrieved March 3, 2010, from <http://ezinearticles.com/?Using-Statistics-To-Improve-And-Measure-Business-Performance&id=744164>

81. B

Yes, because it involves the operational aspects of safety and security. Operations management involves the processes used by both internal and external customers. Emergency training in human resources improves the processes the department would use in emergency situations. The human resources department is an internal part of the company, not an outside customer. Internal customers can also benefit from improvements in operations management. Human resources does use processes, or operations, to complete valuable internal tasks for the organization.

SOURCE: OP:191

SOURCE: Krajewski, L.J., Ritzman, L.P., & Malhotra, M.K. (2007). *Operations management: Processes and value chains* (8th ed.) [pp. 8-10]. Upper Saddle River, NJ: Pearson Education.

82. A

Whistleblowing. A whistleblower is a person who reveals any wrongdoings or malpractices that are taking place within an organization. Jane attempted to resolve a potential problem internally with her manager, but needed to go outside her organization to get the problem resolved. Countries, such as the U.S. and Canada, have whistleblower laws that protect whistleblowers from retaliation. Attempting to ensure the safety of others is not being a tattler—it is being a responsible adult. Because it can be interpreted by some people as tattling, whistleblower laws may be used to protect the person who reports noncompliance. Jane is attempting to prevent an accident; one has not occurred, yet. Security procedures are set in place by a company's management. Jane is reporting noncompliance that may result in a company's deciding to establish new security procedures.

SOURCE: OP:005

SOURCE: Bainbridge, Ross. (2007). *Whistleblower definition*. Retrieved March 2, 2010, from <http://ezinearticles.com/?Whistleblower-Definition&id=410263>

83. D

Follow the instruction manual. Each piece of machinery comes with an instruction manual that outlines its proper use. Even experienced workers should read and follow these instructions. Without proper usage (as written in the instruction manual), a worker can be injured on any type of equipment, including machines that are very new and very efficient. While knowing first aid will help after an injury occurs, it does not prevent injuries.

SOURCE: OP:006

SOURCE: Monash University. (n.d.). *Safe Work Instructions*. Retrieved March 2, 2010, from <http://www.adm.monash.edu.au/ohse/safety-topics/workshop/safe-work.html>

84. B

Identifying cost-savings opportunities for the current project. A post-implementation review is conducted after a project is finished. Therefore, there is not an opportunity to save money on the current project. There is an opportunity to identify ways to improve future projects, such as cost-savings measures, improving project planning methods, and improving the processes used by the company.

SOURCE: OP:159

SOURCE: *How to close a project*. (n.d.). Retrieved March 2, 2010, from <http://www.transformed.com.au/docs/pdf/articles/Transformed%20Article%20Closing%20a%20Project%202008%20.pdf>

85. D

Define the gaps between customer satisfaction and the company's capabilities. Before any measures can be taken or improvements made, a company needs to find out what its customers want and if it is meeting those wants and needs. Once the gaps between what customers want and what the company is delivering are identified, the company can determine how it will measure improvement. Data are then collected and reviewed. After that, improvements are made and continually monitored.

SOURCE: OP:164

SOURCE: Krajewski, L.J., Ritzman, L.P., & Malhotra, M.K. (2007). *Operations management: Processes and value chains* (8th ed.) [p. 233]. Upper Saddle River, NJ: Pearson Education.

86. B

Fair treatment. Discrimination is the unfair treatment of a person or a group based on the person's or group's characteristics, which includes race, religion, and gender. In the example, the business pays both its male and female employees the same salary range for the same type of work, which indicates it is treating people fairly on the basis of their gender. In many countries, there are laws that prohibit discrimination, so businesses should take steps to ensure that they are in compliance with the law and treating their employees fairly. The example does not describe the employees' right to work in a safe environment or their right to privacy. Businesses do not prevent employees from buying stock. Some types of corporations encourage their employees to buy their company stock.

SOURCE: PD:021

SOURCE: Nolo. (2010). *Employee rights*. Retrieved February 5, 2010, from <http://www.nolo.com/legal-encyclopedia/employee-rights/>

87. B

Considering your aptitudes will make achieving your career goals realistic. An aptitude is your potential for learning a skill. It is similar to having a knack for something. Pursuing a career in an area that comes naturally to you will make it more realistic to achieve your career goals. Though matching aptitudes to a career is likely to lead to career success and satisfaction, it does not consider income. Aptitudes are neither positive nor negative. Each person has a different set of aptitudes. Time spent in college is not necessarily affected by aptitude. As an example, although a person has an aptitude for medicine, s/he must still complete college and medical school.

SOURCE: PD:023

SOURCE: Kelly-Plate, J., & Volz-Patton, R. (2004). *Exploring careers* (4th ed.) [pp. 9-10]. New York: Glencoe/McGraw-Hill.

88. A
Irregular paychecks. Entrepreneurs experience many types of challenges as they start and grow their businesses. A financial concern often involves irregular paychecks or unpredictable income. It often takes a while for a new venture to gain business and earn a profit, so the entrepreneur often doesn't receive income or get paid at regular intervals. Long working hours and shorter vacations are factors related to the entrepreneur's personal commitment to his/her business. Production standards are specifications related to the process of making or producing goods and services.
SOURCE: PD:066
SOURCE: PD LAP 4—Own Your Own (Career Opportunities in Entrepreneurship)
89. A
Investment banking. Investment banks trade securities, help businesses and governments issue securities, and handle the financial-side of mergers and acquisitions. Financial planners help individuals make financial and investment decisions. They may also buy and sell certain financial products, such as securities, retirement plans, and insurance policies. A brokerage house is the most common type of firm that specializes in trading securities for clients. A stock exchange is where security trading is conducted by professional stockbrokers.
SOURCE: PD:152
SOURCE: QS LAP 51—Careers in the Money
90. C
Years worked at current job. Seniority is based simply on the amount of time an employee has worked at their current position. It does not take into account years spent working a similar job at other companies. The type or number of years spent earning an advanced degree is not used to calculate seniority. Performance is not taken into consideration when seniority is calculated. Promotion based on good performance (merit-based) is a different method that could be used to determine promotion.
SOURCE: PD:034
SOURCE: Ludden, L.V. (2003). *Job savvy: How to be a success at work* (3rd ed.) [pp. 188-189]. Indianapolis: JIST Publishing.
91. A
Chartered Financial Analyst (CFA). This professional designation is sought by financial analysts and is sponsored by the CFA Institute. Every candidate for the certification is required to complete three levels of study and exams. Certified Stock Broker is a fictitious designation. Certified Financial Planner and Chartered Financial Consultant are designations sought by financial planners and financial consultants.
SOURCE: PD:082
SOURCE: QS LAP 51—Careers in the Money
92. D
Chartered Financial Consultant (CsFC). These individuals are often self-employed and work flexible schedules to accommodate their clients' schedules. They have covered all the requirements for the Certified Financial Planner designation and received advanced education in retirement and estate planning. Financial analysts seek the CFA designation. Certified Stock Broker and Certified Banker are fictitious designations.
SOURCE: PD:082
SOURCE: QS LAP 51—Careers in the Money

93. B

Actively participating in a local professional association for the finance industry. Active participation in a professional organization specific to the finance industry affords finance professionals the opportunity to serve on committees, hold offices, and attend seminars with other local finance professionals. This involvement may result in a long-term professional relationship for the participants. Regularly attending trade shows for the finance industry is more likely to result in short-term relationships. Insufficient information is provided to determine whether the audited classes are for professionals in finance. Actively attending chamber of commerce meetings gives finance professionals the opportunity to develop professional relationships with people employed in a variety of industries—not necessarily with other finance professionals.

SOURCE: PD:153

SOURCE: Bailey, L.J. (2007). *Working* (4th ed) [p. 265]. Mason, OH: South-Western Cengage Learning.

94. A

Treating the person to a round of golf. Something as simple as four hours of golf gives you the opportunity to get to know a vendor better. It gives you an opportunity to learn the person's interests and to talk business in a casual environment. Giving the vendor an expensive gift might be construed as a bribe. Although having salespeople talk to the vendor is helpful, it doesn't foster a professional relationship with you. Offering jobs to people on the vendor's staff would create conflict rather than helping to build a positive, professional relationship.

SOURCE: PD:153

SOURCE: Hoban, S. (2009). *Building business relationships*. Retrieved March 4, 2010, from http://www.ciremagazine.com/article.php?article_id=30

95. D

The best form of risk management is adherence to business ethics. Every breach of business ethics represents a potential risk for businesses. The best thing businesses can do to overcome most risks is to do the right thing—practice business ethics. Risk management includes the ethical treatment of customers as well as a variety of other factors. Insurance is one way to overcome business risks; however, risk management is much more than insurance.

SOURCE: RM:041

SOURCE: Lawrence, M. (2005, August 1). *Business ethics as risk management*. Retrieved March 4, 2010, from <http://www.allbusiness.com/finance/insurance-risk-management/577644-1.html>

96. D

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

SOURCE: RM:042

SOURCE: Cowley, P. (2009, December 15). *The future of finance: 2010 and beyond*. Retrieved March 4, 2010, from <http://mail.mark-ed.com/#page=/Main/frmMessages.aspx?user=betho&folder=inbox&mapped=false&leftnav=true|section=UserEmail>Wikipedia.com. (2010, March 5). *Cloud computing*. Retrieved March 5, 2010, from http://en.wikipedia.org/wiki/Cloud_computing

97. C

Having many different sources of data that can be used to assess risk. Many financial institutions maintain individual or departmental databases that cannot interact with the data throughout the organization. This keeps risk managers from having a clear picture of the organization-wide risks. Rather than having too little information, risk managers have just the opposite problem: too much decentralized information. Centralized information is needed. Transparency is needed around the effects of volatility on the organization.

SOURCE: RM:042

SOURCE: SunGard. (2010, February 8). *SunGard identifies ten trends in risk management and technology*. Retrieved March 5, 2010, from <http://www.sungard.com/pressreleases/2010/riskten020810.aspx>

98. C

PIN debits. In addition to account numbers, customers must also provide their PIN number to process online payments. This adds an additional layer of protection for online transactions. Malware is malicious software used to illegally obtain account and personal information provided for online transactions. E-invoicing is electronic billing. PEPPOL is an initiative that aims to provide standardized processes for businesses to bid on government contracts.

SOURCE: RM:058

SOURCE: Brunswick, S. (2009, December 8). *The changing face of payment security*. Retrieved March 4, 2010, from <http://www.gtnews.com/article/7835.cfm>

99. A

To protect online transactions. Tokenization is the process of substituting a random number in place of an account number to process the transaction online. In this way, financial institutions are able to protect customer data from fraud. Credit-card creation, provision of incentives, and government-required quotas are not aspects of tokenization.

SOURCE: RM:058

SOURCE: Brunswick, S. (2009, December 8). *The changing face of payment security*. Retrieved March 4, 2010, from <http://www.gtnews.com/article/7835.cfm>

100. D

Managers decide how to use the business's resources. Management is the process of coordinating resources to accomplish an organization's goals. Managers are responsible for coordinating the resources needed to operate the business, including human resources (staffing), financial resources, equipment, and supplies. Coordinating resources involves using them in efficient, cost-effective ways. Managers must understand the employees' jobs, but they do not always need to know how to perform them. Executive-level managers, rather than employees, set the organizational standards. Managers determine the type of training needed, but do not always train the employees themselves.

SOURCE: SM:001

SOURCE: SM LAP 3—Manage This! (Concept of Management)