



# SAMPLE EXAM

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## ENTREPRENEURSHIP

THE ENTREPRENEURSHIP EXAM IS USED FOR THE  
FOLLOWING EVENTS:

ENTREPRENEURSHIP SERIES

ENTREPRENEURSHIP TEAM DECISION MAKING

These test questions were developed by the MBA Research Center. Items have been randomly selected from the MBA Research Center's Test-Item Bank and represent a variety of instructional areas. Performance indicators for these test questions are at the prerequisite, career-sustaining, and specialist levels. A descriptive test key, including question sources and answer rationale, has been provided.

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1. Which of the following is a legal concept that affects businesses that operate in foreign countries:
  - A. Sovereign immunity
  - B. Eminent domain
  - C. Absolute privilege
  - D. Social responsibility
  
2. The ABC Company published an incorrect statement about the quality of the Marston Company's product. As a result, Marston's sales have dramatically decreased. This is an example of a legal tort related to
  - A. infringement.
  - B. privacy.
  - C. defamation.
  - D. trespassing.
  
3. Which of the following is an example of consideration in a contract:
  - A. Promising to make a gift
  - B. Putting the price in writing
  - C. Selling an item for \$500
  - D. Giving away an item worth \$500
  
4. What federal law prohibits businesses from asking potential employees about their medical history?
  - A. National Labor Relations Act
  - B. Vocational Rehabilitation Act
  - C. Fair Labor Standards Act
  - D. Americans with Disabilities Act
  
5. Erick and Jacob are college graduates who want to open an accounting firm. However, Erick has a full-time position that he plans to continue but still wants to be a part of this business venture. Which form of business ownership would you recommend to Erick and Jacob?
  - A. Consolidation
  - B. General partnership
  - C. Limited partnership
  - D. Open corporation
  
6. The goal of channels of distribution is to move products from producers to
  - A. intermediaries.
  - B. final consumers.
  - C. industrial distributors.
  - D. middlemen.
  
7. To build and repair bridges, Campbell Construction Company buys steel beams from Horton Manufacturing. In this situation, Campbell Construction Company is the
  - A. wholesaler.
  - B. industrial user.
  - C. producer.
  - D. indirect agent.
  
8. Which of the following is a criterion that an investment company might use to evaluate the performance of its independent agents:
  - A. Inventory level
  - B. Customer service
  - C. Business plan
  - D. Operating policy

9. When preparing a long, complex report, it is generally a good idea to include a background statement about the purpose of the report in the
  - A. body of the report.
  - B. letter of transmittal.
  - C. executive summary.
  - D. writer's recommendations.
  
10. When a business publicly pledges to provide all of its customers with quick, courteous service, the company is
  - A. stating industry policies.
  - B. developing a campaign platform.
  - C. making a brand promise.
  - D. establishing product position.
  
11. In a private enterprise economic system, the interaction of supply and demand primarily determines
  - A. the extent of pollution.
  - B. economic choices.
  - C. product prices.
  - D. government regulation.
  
12. One of the reasons that government's role in business has expanded is that
  - A. people's attitudes have changed.
  - B. products have become very technical.
  - C. costs of production have continued to increase.
  - D. competition in the marketplace has increased.
  
13. The U.S. government sets aside some of its income from payroll taxes to fund Social Security, which is a program that aims to ensure that elderly and disabled people do not live in poverty. This is an example of
  - A. a trust fund.
  - B. income tax.
  - C. the national debt.
  - D. defense spending.
  
14. Small businesses have a positive effect on the local community because they
  - A. reduce competition.
  - B. pay taxes.
  - C. limit job growth.
  - D. charge interest.
  
15. Which of the following is an example of a businessperson developing cultural sensitivity:
  - A. Taking a course in ancient history
  - B. Practicing oral presentation skills
  - C. Learning differences in body language
  - D. Studying road maps of various countries
  
16. During a negotiation, each person decides to give up something to reach an agreement. This is often called a
  - A. dispute.
  - B. binding contract.
  - C. compromise.
  - D. lose-lose situation.

17. Communicating effectively, showing a sense of teamwork, and being a good negotiator are all ways to demonstrate which component of emotional intelligence?
- Social management
  - Social awareness
  - Self-management
  - Self-awareness
18. Which of the following is not part of the price involved with making a vision into a reality:
- Time
  - Money
  - Aspirations
  - Effort
19. Adaptable people commit to their goals and never give up because they have
- positivity.
  - attentiveness.
  - persistence.
  - a sense of humor.
20. A major benefit of receiving recognition for your efforts and contributions is that it
- allows you to relax.
  - gives you motivation.
  - helps you learn.
  - provides a good example.
21. What is one reason why many people decide to become entrepreneurs?
- Flexibility
  - Long hours
  - Less risk
  - Less responsibility
22. Mike is thinking about expanding his manufacturing business internationally. Which of the following is a risk he might encounter:
- Encountering new markets
  - Dealing with cultural and language barriers
  - Dealing with fewer government regulations
  - Saving money on taxes
23. Claire needs to determine the feasibility of a new venture idea. What are three factors that Claire should consider when conducting her feasibility study?
- The venture's staffing needs, raw material needs, and estimated return on investment
  - The venture's staffing needs, raw material needs, and past sales
  - The venture's staffing needs, estimated return on investment, and past sales
  - The venture's raw material needs, estimated return on investment, and past sales
24. What type of planning involves setting short-term goals for a new business venture?
- Tactical
  - Strategic
  - Systematic
  - Environmental
25. Which of the following is an effective, inexpensive external resource that entrepreneurs use to research and develop the venture's concept:
- The Internet
  - Marketing research firm
  - Focus groups
  - Professional consultants

26. When developing a business plan for a new venture, an entrepreneur should include a comprehensive description of the customers the new business wants to attract in the
- market-segment analysis.
  - SWOT analysis.
  - promotional plan.
  - corporate philosophy summary.
27. What important factors should a small-business owner consider when deciding if s/he should hire an additional employee?
- Necessary skills and affordability
  - Property taxes and benefits
  - Screening process and skill set
  - Training needs and attitude
28. Because Connor does not know how to prepare his start-up company's tax return, he decides to outsource the activity by contracting a(n)
- probate attorney.
  - licensed accountant.
  - trusted colleague.
  - insurance agent.
29. When a new business is growing quickly, which of the following activities will increase new employees' productivity levels in order to maintain adequate supply for increasing demand:
- Management changes
  - Equipment improvements
  - Challenging quotas
  - Comprehensive training
30. The AMR Company, a growing start-up business, plans to create a new position and hire a person who will focus on creating new products. This person is an example of which type of resource:
- Temporary
  - Human
  - Analytical
  - Intangible
31. Which of the following is a change in the business environment that most start-up ventures must continuously monitor:
- Geography
  - International trends
  - Manufacturing processes
  - Technology
32. After preparing her business's cash flow statement, Jackie determines that the business will have a deficit for the next few weeks. What is the best way for Jackie to cover her expenses?
- Sell assets
  - Close the business temporarily
  - Hire additional salespeople
  - Obtain a loan
33. A characteristic of managerial accounting is that it focuses on
- capturing the business's day-to-day financial activities.
  - reporting the business's long-term investment goals.
  - developing the business's annual report.
  - preparing and submitting the business's tax forms.

34. Which of the following often provides trade credit to businesses:
- A. Wholesalers
  - B. Corporations
  - C. Investors
  - D. Financiers
35. If a business negotiates a 3.6% discount rate and has credit card sales this month of \$78,450, what amount does it owe the bank?
- A. \$2,902.65
  - B. \$2,745.75
  - C. \$2,667.30
  - D. \$2,824.20
36. Calculate the amount of additional capital a business needs to obtain in order to purchase a new piece of equipment that costs \$250,000 if a bank will loan 75% of the price and the business has \$20,000 in available cash.
- A. \$25,000
  - B. \$42,500
  - C. \$62,500
  - D. \$75,000
37. What is often the best source of credit for business start-ups?
- A. Traditional lenders
  - B. Commercial banks
  - C. Stock market
  - D. State or local governments
38. A small restaurant wants to expand, but first it needs to raise funds. John wants to raise capital through debt financing, but his partner, Damien, isn't sure that's a good idea. What is one downside of debt financing that Damien could cite to prove his point to John?
- A. Shareholders will own part of their business.
  - B. They will have to pay interest on the borrowed amount.
  - C. They will need to sell stock in their business.
  - D. They will be required to repay the money immediately.
39. Determine a business's ROE (return on equity) given the following information: Revenue: \$29,261; Net Income: \$4,212; Assets: \$27,987; Shareholders' Equity: \$13,572; Net Profit Margin: 14.39%; Asset Turnover: 1.0455; Equity Multiplier: Assets 2.0621
- A. 15.04%
  - B. 31.02%
  - C. 29.67%
  - D. 12.85%
40. A characteristic of a business's current assets that are listed on financial statements is that they are
- A. liquid.
  - B. intangible.
  - C. fixed.
  - D. depreciated.
41. What is the base amount used for vertical analysis of items on the income statement?
- A. Total assets
  - B. Total income
  - C. Total liabilities and equity
  - D. Net sales

42. Which of the following equations should employees know when they are verifying the accuracy of a business's balance sheet:
- A.  $\text{Owner's Equity} = \text{Available Cash} - \text{Liabilities}$
  - B.  $\text{Assets} = \text{Liabilities} + \text{Owner's Equity}$
  - C.  $\text{Assets} = \text{Owner's Equity} - \text{Liabilities}$
  - D.  $\text{Owner's Equity} = \text{Liabilities} + \text{Available Cash}$
43. When determining its hiring needs, a business must first consider its financial status and its \_\_\_\_\_ needs.
- A. productivity
  - B. secondary
  - C. uniform
  - D. temporary
44. When a supervisor notifies employees that their performance is below standards and their jobs are in jeopardy, the supervisor should
- A. post the notice on the bulletin board.
  - B. email the employees.
  - C. give verbal notification only.
  - D. put the notice in writing.
45. Which of the following is a personnel record that businesses usually maintain:
- A. Office newsletters
  - B. Safety regulations
  - C. Payroll stubs
  - D. Job applications
46. One reason why it is important for managers to supervise staff is to provide \_\_\_\_\_ for employees.
- A. privacy
  - B. job shadowing
  - C. compensation
  - D. structure
47. Consistency is important when taking remedial action so that
- A. employees are aware of behavior that is likely to result in discipline.
  - B. employees do not suffer severe psychological damage.
  - C. further problems with the employee can be avoided.
  - D. charges of favoritism can be prevented.
48. What is one way that a business might use marketing information?
- A. To develop new products
  - B. To interpret findings
  - C. To calculate statistics
  - D. To identify new vendors
49. How could a business use marketing-research data it has gathered about the average age, income, educational levels, and spending patterns of area consumers?
- A. To develop a profile of the typical customer
  - B. To create a mailing list for the business
  - C. To identify problems within the business
  - D. To establish an appropriate operating budget
50. Which of the following is an action that can help a business safeguard its reputation:
- A. Delivering products with unpredictable quality
  - B. Fixing mistakes consistently and quickly
  - C. Using high-pressure sales techniques
  - D. Implementing minimal touch points to connect with customers

51. Which of the following is a true statement concerning marketing strategies:
- A. There is a formula for selecting the best strategies.
  - B. Successful strategies should be made permanent.
  - C. Marketing strategies can be changed as needed.
  - D. Companies in the same industry use the same strategies.
52. The customers or potential customers for a good or service are known as a(n)
- A. market.
  - B. corporate chain.
  - C. economic system.
  - D. cooperative.
53. When identifying a target market, businesses often create a record of information such as age, income level, ethnic background, occupation, and attitudes, which is known as a
- A. demographic breakdown.
  - B. customer profile.
  - C. preference list.
  - D. consumer composite.
54. When setting marketing objectives, a business should make sure that they are
- A. timely and costly.
  - B. qualitative and general.
  - C. flexible and incompatible.
  - D. measurable and achievable.
55. A controversial way for an organization to collect data on consumer purchasing habits and use the data to assess advertising objectives is by using
- A. indirect response techniques.
  - B. detailed consumer questionnaires.
  - C. random telephone surveys.
  - D. online tracking devices.
56. What do businesses develop to be able to link performance measures to the financial outcomes of marketing?
- A. Positioning procedures
  - B. Operational tactics
  - C. Quantifying strategies
  - D. Bookkeeping methods
57. To justify spending money on marketing activities, marketers often translate the performance measures of those activities into
- A. financial outcomes.
  - B. operating budgets.
  - C. sales forecasts.
  - D. variable expenses.
58. A primary purpose of data mining is to
- A. summarize ideas.
  - B. stabilize sales.
  - C. develop services.
  - D. discover relationships.



59. Trends indicate that a large segment of the population is between 60 and 70 years old. A hospitality/tourism business can act on this trend by
- implementing a loyalty program for corporate business accounts.
  - selling international vacation packages to recent college graduates.
  - offering discounted hotel rates for guests who have children under the age of five.
  - developing tour products specifically designed to appeal to retirees.
60. Companies obtain internal information about their various business activities to operate effectively by monitoring
- trade publications.
  - internal records.
  - industry trends.
  - government statistics.
61. Your statistical findings show that the mean and the median of the following data are the same:
- Data Set A: 2, 5, 8, 10, 10  
Data Set B: 7, 7, 7, 7, 7
- Data Set A: Mean = 7, Median = 7  
Data Set B: Mean = 7, Median = 7
- Just by looking at the data, you can tell the data results are quite different. What statistic do you need to use to show that difference?
- Average
  - Variance
  - Geometric mean
  - Measure of central tendency
62. Tim works for a manufacturer that produces food items. He manages the flow of products from production to consumption. He decides where and how to store the products as well as how and when to transport them to customers. In which part of operations does Tim work?
- Quality inspection
  - Scheduling
  - Logistics
  - Quality assurance
63. Which of the following is a type of intangible property that businesses often establish policies to protect:
- Inventory methods
  - Production systems
  - Trade secrets
  - Delivery routes
64. Doormats, carpeting, telephones, and cleaning chemicals are all items that an office might buy for
- negotiations.
  - production.
  - business use.
  - competitive bidding.
65. Businesses often evaluate vendor performance after orders have been delivered to
- identify the most capable suppliers.
  - establish product specifications.
  - negotiate future discounts.
  - organize the receiving areas.

66. Popping Good Popcorn has been in business for more than 30 years, producing popcorn that is sold at county fairs and local supermarkets. To remain competitive without spending an excessive amount of money, Popping Good can
- produce more popcorn.
  - update the product.
  - design new products.
  - change production methods.
67. One of the most important reasons why management often focuses on improving quality throughout the organization is to
- delegate authority.
  - allocate resources.
  - implement change.
  - remain competitive.
68. Operating costs that fluctuate with changes in production are called \_\_\_\_\_ expenses.
- capital
  - fixed
  - variable
  - total
69. One way that businesses can control operating expenses is to
- organize inventory space.
  - buy in small quantities.
  - obtain credit.
  - lease equipment.
70. The three types of flows in supply chain management are material flow, information flow, and \_\_\_\_\_ flow.
- supply
  - inventory
  - money
  - distribution
71. Ken is a manager for a local company. He has collected bids from several area trucking companies and is currently comparing them with the invoices of the company's current trucking service to determine which one is the best transportation vendor for the company to use. Ken is analyzing business data in relation to
- distribution.
  - product management.
  - financial resources.
  - production.
72. Every task in a business process should have defined roles and responsibilities, which can be documented in an ARCI matrix. ARCI stands for accountable, responsible, \_\_\_\_\_, and informed.
- constant
  - consulted
  - collaborative
  - controlled
73. Stress and fatigue are \_\_\_\_\_ factors that can affect business process design.
- technological
  - human
  - regulatory
  - government

74. When employees use mobile devices to access work information from out of the office, they often
- A. get viruses on their mobile devices.
  - B. protect company data more than they would in the office.
  - C. purposely share company data with non-employees.
  - D. put company data at risk by using unsecured Wi-Fi networks.
75. Which of the following is a common risk of innovation:
- A. Competitive advantage
  - B. Economic downturn
  - C. Paradigm shift
  - D. Loss of jobs
76. A person stopping to buy a bouquet of flowers from a street vendor is making a(n) \_\_\_\_\_ decision.
- A. major
  - B. important
  - C. urgent
  - D. routine
77. Corporate governance is intended to
- A. defend the company in court.
  - B. decrease the accountability of a company.
  - C. promote the company to customers.
  - D. mitigate risk and avoid problems.
78. Which of the following is considered the owner of a corporation:
- A. Lower level employees
  - B. Managers
  - C. The president
  - D. Stockholders
79. What do businesses often do depending on the circumstances they face in the marketplace at any one time?
- A. Offer discounts
  - B. Reduce expenses
  - C. Increase sales
  - D. Adjust prices
80. Which of the following is an example of an ongoing process that businesses can use to recognize product opportunities:
- A. Talking with customers and employees
  - B. Reviewing sales forecasts
  - C. Analyzing corporate objectives
  - D. Adding items to the product mix
81. Coca-Cola, Minute Maid frozen orange juice, Fruitopia, and Powerade sports drink are all examples of the Coca-Cola Company's product
- A. items.
  - B. recalls.
  - C. mix.
  - D. lines.
82. When determining the particular services to provide to customers, businesses consider their \_\_\_\_\_ and \_\_\_\_\_ resources.
- A. unimportant, environmental
  - B. human, unimportant
  - C. environmental, financial
  - D. financial, human

83. One reason why it is important for businesses to identify service standards is to make sure those standards are
- A. higher than customer expectations.
  - B. easy to achieve.
  - C. described in the operating manual.
  - D. printed on all invoices.
84. A primary reason for providing customer service is to increase
- A. the number of salespeople.
  - B. sales volume.
  - C. employee responsibility.
  - D. the use of facilities.
85. What might your business do if a competitor is using a brand mark and a brand name that are similar to your business's leading private brand?
- A. Take the competitor's actions as a compliment
  - B. Market the leading brand as usual
  - C. Assume that brand recognition will continue
  - D. Take legal action to protect the brand
86. The marketing function that helps sellers to provide information to buyers about the seller's products is
- A. financing.
  - B. distribution.
  - C. purchasing.
  - D. promotion.
87. Which of the following is an example of a transit advertising media:
- A. Opt-in email
  - B. Radio
  - C. Broadcast
  - D. Hot-air balloon
88. When is the use of email an effective direct-advertising strategy?
- A. A business wants to be sure people read the message.
  - B. The message appeals to a small audience interested in a specific product.
  - C. The message appeals only to people who have computers.
  - D. The message is too short for surface mailing.
89. Ben recently purchased a cell phone. The manufacturer provided a form and a special code with the phone's packaging. Ben completed the form, copied his sales receipt, and mailed these items back to the manufacturer along with the part of the packaging that contained the special code. Within six weeks, Ben received a \$50 check from the phone manufacturer. What type of sales-promotion technique was used?
- A. Sweepstakes
  - B. Coupon
  - C. Rebate
  - D. Warranty
90. Which of the following is a factor that keeps quality at the forefront of the modern business world:
- A. Consumer pressure
  - B. Weather patterns
  - C. Outdated technology
  - D. Currency fluctuations

91. It is important for companies to practice enterprise risk management (ERM) because
- A. it increases business costs in the long run.
  - B. it leads to loss of shareholder value.
  - C. most risks are unexpected.
  - D. most risks are predictable and manageable.
92. Eddie is a small business owner. Every year, he identifies potential problems that could harm his company and takes steps to prepare for them. In other words, Eddie conducts
- A. managerial accounting.
  - B. a risk assessment.
  - C. a financial calculation.
  - D. entrepreneurship.
93. The effect that selling should have on customer purchase decisions is to \_\_\_\_\_ those decisions.
- A. personalize
  - B. determine
  - C. compel
  - D. influence
94. As a manager at WorkSocks, Inc., Carla has been told by her supervisor that production on sock puppets must begin immediately. After training a group of her best workers, Carla has moved them from the wool sock room to the puppet room to begin work. At what level of management is Carla's position?
- A. Mid-level
  - B. Middle
  - C. Executive
  - D. Supervisory
95. One of the main reasons why owners develop a business plan before starting a new business is to
- A. organize production processes.
  - B. estimate financial needs.
  - C. identify qualified workers.
  - D. prepare operating manuals.
96. To prevent viruses and spyware from infecting his business's computer network, Chuck built a network firewall. Chuck acted
- A. carelessly.
  - B. reactively.
  - C. haphazardly.
  - D. proactively.
97. The SQZ Company uses a computer application that allows managers to view the number of callers that are currently in queue and waiting for a customer-service representative to help them. This is an example of a
- A. forecast.
  - B. projectory.
  - C. dashboard.
  - D. capillary.
98. Some general guidelines for creating a successful business plan include making the plan clear and concise, making the plan focused, and making the plan
- A. as long as possible.
  - B. realistic.
  - C. idealistic.
  - D. complicated.

99. For successful innovation in the workplace, employees should have a desire to learn and be willing to
- A. follow procedures.
  - B. accept change.
  - C. exhibit bias.
  - D. suppress ideas.
100. Antonio has been tasked with helping the accounting staff at his company make the transition to a new recordkeeping software. He has been instructed to facilitate training sessions, answer employee questions, and show the staff how the new software will help make their jobs easier. Antonio is performing \_\_\_\_\_ management.
- A. human resource
  - B. change
  - C. operations
  - D. supply chain

1. A  
Sovereign immunity. Sovereign immunity is a legal concept stating that the courts in a country represent that country's laws, and their decisions cannot be reversed by the decisions of courts in other countries. For example, a U.S. court cannot reverse a finding of "not guilty" by a court in Canada, or vice versa. This means that businesses operating in foreign countries are subject to the laws of those countries. Eminent domain involves the right of a government entity to take private property for a public purpose with fair compensation being paid to the owner. Absolute privilege is a protection given to courtroom participants to encourage people to speak without fear of liability. Social responsibility is the concept that businesses are accountable to society and have a duty to contribute to the well-being of society.  
SOURCE: BL:001  
SOURCE: Beatty, J.F., & Samuelson, S.S. (2008). *Essentials of business law* (3rd ed.) [p. 202]. Mason, OH: Thomson/South-Western.
  
2. C  
Defamation. A tort is a private wrongdoing against a person or business. Defamation involves making false statements about another party with the intent to discredit or hurt the other party's reputation. In the example, ABC's incorrect statement about Marston's products hurt Marston's sales. In response, Marston may file a lawsuit against ABC on the grounds of defamation. The situation is not related to privacy, infringement, or trespassing.  
SOURCE: BL:069  
SOURCE: Laws.com. (2017). *A brief overview of tort law*. Retrieved April 14, 2017, from <http://tort.laws.com/tort-law>
  
3. C  
Selling an item for \$500. In a contract, consideration is what one party gives or receives in exchange for something else. If a person contracts with another person to sell an item for a certain amount, the consideration is giving up the item in exchange for \$500. In this situation, the buyer's consideration is the \$500 paid for the item. Consideration is not putting the price in writing, promising to make a gift, or giving away an item worth \$500.  
SOURCE: BL:002  
SOURCE: Stim, R. (2016). *Consideration: Every contract needs it*. Retrieved June 13, 2017, from <http://www.nolo.com/legal-encyclopedia/consideration-every-contract-needs-33361.html>
  
4. D  
Americans with Disabilities Act. The Americans with Disabilities Act (ADA) prohibits businesses from discriminating against disabled individuals who are qualified to do the job. In order to protect these individuals, the ADA also regulates the type of questions that businesses may ask potential employees. Businesses may not ask questions about medical histories, specific diseases, prescription drug usage, treatment for mental health problems, etc. These are issues that businesses should not consider when hiring employees. The Vocational Rehabilitation Act, the Fair Labor Standards Act, and the National Labor Relations Act do not prohibit businesses from asking potential employees about their medical history.  
SOURCE: BL:008  
SOURCE: ADA.gov. (2017). The Americans with disabilities act of 1990 and revised ADA regulations implementing Title II and Title III. Retrieved June 7, 2017, from [https://www.ada.gov/2010\\_regs.htm](https://www.ada.gov/2010_regs.htm)
  
5. C  
Limited partnership. A limited partnership permits a partner to invest in a business but have limited liability and responsibility. General partnership agreements are designed to combine capital, experience, and the abilities of two or more people. An open corporation sells millions of shares of stock to many stockholders. Consolidation would be the joining of two or more companies to form a new company.  
SOURCE: BL:003  
SOURCE: LAP-BL-001—Own It Your Way (Types of Business Ownership)

6. B

Final consumers. The goal of channels of distribution is to move products from producers to final consumers. Along the way, products may go through channel members known as intermediaries or middlemen. Industrial distributors are a type of intermediary.

SOURCE: CM:001

SOURCE: LAP-CM-002—Chart Your Channels (Channel Management)

7. B

Industrial user. A business that buys materials, services, or goods which it will use to make other goods is an industrial user. Because Campbell Construction Company buys steel beams to carry out its business activities (building and repairing bridges), it is an industrial user. If Horton Manufacturing makes the steel beams, it is the producer. A wholesaler is an intermediary who helps to move goods between producers and retailers by buying goods from producers and selling them to retailers. Agents are intermediaries who assist in the sale and/or promotion of goods and services but do not take title to them.

SOURCE: CM:003

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

8. B

Customer service. Investment companies often evaluate the performance of their independent agents who are the channel members. One of the criteria that companies use to evaluate channel members is customer service because the independent agents are the ones who actually deal with the customers. Investment companies want to find out if their agents are performing well and providing the type of service that the companies expect customers to receive. If they find that some agents are not providing the appropriate level of service, they usually try to provide assistance to help the agents improve. An investment company would not evaluate independent agents based on inventory level, business plan, or operating policy.

SOURCE: CM:011

SOURCE: Suttle, R. (2017). *Why is customer service important to an organization?* Retrieved June 7, 2017, from <http://smallbusiness.chron.com/customer-service-important-organization-2050.html>

9. B

Letter of transmittal. The letter of transmittal introduces the report, and it includes the reasons for preparing the report as well as acknowledgements of those who helped in its preparation. The summary is a brief presentation of the findings, which saves time for busy executives who have to read many reports. The body is a detailed presentation of the pertinent facts that have been gathered. The writer's recommendations are simply statements of the writer's opinions.

SOURCE: CO:009

SOURCE: Sessoms, G. (2017). *What is a letter of transmittal?* Retrieved June 7, 2017, from <http://work.chron.com/letter-transmittal-6249.html>

10. C

Making a brand promise. A brand promise is a business's agreement, spoken or unspoken, with customers that it will consistently meet their expectations and deliver on its brand characteristics and values. In the example, the brand promise is to provide all customers with quick, courteous service. Developing a campaign platform, stating industry policies, and establishing product position are not activities in which a business is making a pledge or promise to customers.

SOURCE: CR:001

SOURCE: LAP-CR-006—Share the Promise (Identifying Brand Promise)

11. C

Product prices. For example, when demand for a product is greater than supply, the price will rise. If the price rises too high, the demand will drop. When the supply exceeds the demand, the price will fall. Government regulation ensures that individuals and businesses follow the rules. Pollution is related to business practices. Economic choices are the decisions people are free to make, such as what to buy and what jobs to hold.

SOURCE: EC:009

SOURCE: LAP-EC-015—People Power (The Private Enterprise System)



12. A  
People's attitudes have changed. As the marketplace became more complicated, consumers turned to government for more protection from dishonest or deceptive business practices. The technical nature of products, cost of production, and increased competition between businesses are not reasons to cause government's role to expand. Increases in cost of production become a contributing factor only when cuts are made in safety that may cause consumer-protection problems. Competition in the marketplace would be a contributing factor when a business engages in deceptive advertising or tries to limit competition.  
SOURCE: EC:008  
SOURCE: LAP-EC-016—Regulate and Protect (Government and Business)
13. A  
A trust fund. Trust funds come from payroll taxes and are designated for specific uses. They cannot be spent on anything else. Income taxes do not become trust funds; rather, they are general funds and can be spent however the government sees fit. The national debt is the total amount of money that the federal government has borrowed. Defense spending goes toward funding the military and national security, rather than toward keeping elderly and disabled people out of poverty.  
SOURCE: EC:072  
SOURCE: LAP-EC-027—Pay Your Share (Business Taxes)
14. B  
Pay taxes. Small businesses incur taxes to pay for the government services that community members use, such as roads, schools, trash removal, etc. Small businesses provide jobs and increase competition by giving consumers more options. Charging interest benefits the business rather than the community.  
SOURCE: EC:065  
SOURCE: Webb, C. (n.d.). *The advantages of small local businesses*. Retrieved June 13, 2017, from <http://smallbusiness.chron.com/advantages-small-local-businesses-2159.html>
15. C  
Learning differences in body language. Body language includes gestures, facial expressions, tone of voice, or any other form of communicating without words. These forms of nonverbal communication have different meanings in different parts of the world. Furthermore, some gestures that are acceptable in one country are actually offensive in other countries. Businesspeople who take the time to learn the differences in body language usually are able to develop cultural sensitivity and avoid using inappropriate gestures and facial expressions. Businesspeople do not develop cultural sensitivity by practicing oral presentation skills, taking a course in ancient history, or studying road maps of various countries.  
SOURCE: EI:033  
SOURCE: Karr, L. (2013, February 20). *Cultural body language differences*. Retrieved June 7, 2017, from <http://www.brighthubeducation.com/language-learning-tips/4599-cultural-differences-in-common-body-language/>
16. C  
Compromise. Negotiation is the process of reaching an agreement with another party. In any negotiation, one person attempts to get another person to agree to a certain course of action to meet one person's needs or wants. Compromise occurs when an agreement is reached by giving up something in order to obtain something else. A contract is developed and signed after all parties agree to the terms. A lose-lose situation occurs when neither party gets anything it wants, which usually means that the negotiation has been suspended.  
SOURCE: EI:062  
SOURCE: LAP-EI-008—Make It a Win-Win (Negotiation in Business)
17. A  
Social management. Communicating effectively, showing a sense of teamwork, and being a good negotiator are all ways to demonstrate social management. Social management is the ability to respond effectively to others' emotions, and good leaders are good social managers. Self-awareness is a person's knowledge of his/her own emotions. Self-management is the ability to direct and control one's emotions in a way that is purposeful. Social awareness is the ability to know and understand others' emotions.  
SOURCE: EI:009  
SOURCE: LAP-EI-016—Lead the Way (Concept of Leadership)

18. C  
Aspirations. Aspirations are not a part of the cost involved with making a vision into a reality. However, money, time, and effort are all a part of that cost.  
SOURCE: EI:063  
SOURCE: LAP-EI-063—Picture This! (Determining Personal Vision)
19. C  
Persistence. Adaptable people never give up. They commit to their goals, and they're willing to achieve them in any way possible. Attentiveness, positivity, and a sense of humor are all characteristics of adaptable people, but they aren't demonstrated in this example.  
SOURCE: EI:006  
SOURCE: LAP-EI-023—Go With the Flow (Demonstrating Adaptability)
20. B  
Gives you motivation. Recognition is a powerful motivator. It often prompts us to take some kind of action. While recognition may indeed allow you to relax, help you to learn, and provide a good example, those are not major benefits.  
SOURCE: EI:014  
SOURCE: LAP-EI-141—Gimme Five! (Recognizing/Rewarding Others)
21. A  
Flexibility. Flexibility is a motivator that attracts many budding entrepreneurs. Entrepreneurs are their own bosses, and they are able to decide when and where to work and for how long. Flexibility allows an entrepreneur to control and manage time based on individual needs and desires and on the nature of the business. Entrepreneurs often have to work very long hours, but this is not a reason to become an entrepreneur. Entrepreneurs face a great deal of risk and responsibility.  
SOURCE: EN:039  
SOURCE: The Intern Group. (2016, February 15). *7 benefits of a career in entrepreneurship*. Retrieved June 7, 2017, from <https://www.theinterngroup.com/our-blog/7-benefits-of-being-an-entrepreneur-and-a-career-in-entrepreneurship/>
22. B  
Dealing with cultural and language barriers. If Mike expands his business internationally, he may run into problems if he doesn't do enough research into the other country's culture. He may also have a problem if he doesn't know the other country's language. Encountering new markets would be an advantage of expanding internationally. Depending on which country he expands to, Mike could have fewer government regulations and he could save money on taxes, but these would be considered advantages.  
SOURCE: EN:041  
SOURCE: Arthur, L. (2015). *The advantages and disadvantages of international franchises*. Retrieved June 13, 2017, from <http://smallbusiness.chron.com/advantages-disadvantages-international-franchises-22488.html>
23. A  
The venture's staffing needs, raw material needs, and estimated return on investment. Prior to writing a business plan, Claire should conduct a feasibility study of her new venture idea. By analyzing factors such as the venture's staffing needs, raw material needs, and estimated return on investment, she can determine the viability of the business. If, after completing the study, she concludes that the idea will work, she can proceed with the planning and actualization of the business venture. Although she might consider potential competitors' past sales while conducting the feasibility analysis, Claire cannot consider the new venture's past sales—the venture has not been actualized yet, so it has no past sales to consider.  
SOURCE: EN:038  
SOURCE: Investopedia. (2017). *Feasibility study*. Retrieved on June 7, 2017, from <http://www.investopedia.com/terms/f/feasibility-study.asp>

24. A

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

SOURCE: EN:007

SOURCE: Clark, B., & Commers, J. (2013). *Entrepreneurship* (p. 358). Tinley Park, IL: The Goodheart-Willcox Co.

25. A

The Internet. After an entrepreneur identifies a venture opportunity, s/he develops the opportunity idea (concept) and determines its feasibility. To do this, the entrepreneur conducts comprehensive research, often by collecting information from external sources, such as the Internet. The entrepreneur may find applicable, free- or low-cost information on the Internet. The entrepreneur might collect information from marketing research firms, focus groups, or professional consultants, but these options are often expensive.

SOURCE: EN:011

SOURCE: Investopedia. (2017). *Feasibility study*. Retrieved on June 7, 2017, from <http://www.investopedia.com/terms/f/feasibility-study.asp>

26. A

Market-segment analysis. A business plan is a detailed document that serves as a blueprint or guide for developing the business. It requires the business owner to think about many factors affecting the business, such as the customers, the competition, necessary resources, and promotional efforts. In most cases, lending institutions require entrepreneurs and potential business owners to submit a business plan when applying for a loan for the venture. One section of the business plan involves providing information about the market segment, or the customers the business wants to attract. The SWOT analysis describes the business (or business owner's) strengths, weaknesses, opportunities, and threats. The promotional plan is the framework for the business's promotional activities. The corporate philosophy is often documented and provides details about the business's core values and its mission.

SOURCE: EN:014

SOURCE: Day, L. (2017). *How to do a market segment analysis*. Retrieved June 7, 2017, from <http://smallbusiness.chron.com/market-segment-analysis-58771.html>

27. A

Necessary skills and affordability. A business owner considers many factors when determining if s/he should hire an employee. An important consideration is the nature of the work that the owner needs to have done. For example, if the owner needs someone to pay bills and mail invoices, s/he would likely hire a person who has bookkeeping skills. The owner must also consider if s/he can afford to pay a full time or a part-time employee. Hiring a full time employee is more costly because the person works longer hours, which increases payroll expenses. Benefits are usually not offered to part-time employees, which makes part-time employees less costly to the business. Training needs are important but depend on the skills the owner needs for the business. Property taxes, the screening process, and attitude are not factors that small-business owners consider when deciding to hire additional employees.

SOURCE: EN:018

SOURCE: Vishnevsky, J. (2011, August 11). *How to know when to hire additional staff*. Retrieved June 8, 2017, from <http://www.businessnewsdaily.com/1279-how-to-know-when-to-hire.html>

28. B

Licensed accountant. Outsourcing is acquiring assistance from individual consultants or outside organizations to obtain goods and services to perform primary business activities. Because business owners are rarely experts in every area of business, they often rely on outside experts to help them. And, because a licensed accountant is knowledgeable about tax laws and tax incentives, s/he is the appropriate person to prepare Connor's tax return. Although a probate attorney, a trusted colleague, and an insurance agent may have some knowledge about tax preparation, they probably do not have the expertise that a licensed accountant has.

SOURCE: EN:022

SOURCE: Patel, N. (2015, November 11). *How to know when it's time to hire your first employee*. Retrieved June 8, 2017, from <https://www.entrepreneur.com/article/251736>

29. D

Comprehensive training. Productivity is the amount of work that employees (human resources) perform in a given period, such as their output per hour. Employees who conduct business activities quickly and accurately are most likely to meet product demand and make customers happy. And, satisfied customers are crucial to the success of a new business. One way to help maximize employee productivity is to provide employees with comprehensive training. Although equipment improvements and management changes can improve productivity, employees need to be trained to use the equipment, and new managers must be trained to perform their jobs. Challenging quotas do not always motivate employees to increase their productivity.

SOURCE: EN:030

SOURCE: Bennett, H. (2014, January 23). *5 simple ways to improve employee utilization and productivity*. Retrieved June 8, 2017, from <https://www.keyedin.com/keyedinprojects/article/5-simple-ways-to-improve-employee-utilization-and-productivity>

30. B

Human. As a start-up business grows, a business often needs to obtain additional resources to maximize its growth and efficiency. A resource is any item or person needed to accomplish an objective. People are human resources. When a business needs certain skills to operate, it will hire a person who has the necessary knowledge or ability. Hiring employees is not an example of temporary, analytical, or intangible resources.

SOURCE: EN:032

SOURCE: Perez, D. (2017). *Kinds of business consultants*. Retrieved June 8, 2017, from <http://smallbusiness.chron.com/kinds-business-consultants-21176.html>

31. D

Technology. To reduce the risk of failure and to remain competitive in the marketplace, start-up venture owners should monitor changes that occur in the business environment. If the owner does not recognize the relevant changes and adapt to them, s/he may lose business to competitors. Today, most businesses rely on some form of technology to operate. And because technology is one area that is always evolving, business owners should continuously monitor technological changes and determine if adopting the new technology will increase their businesses' productivity. Whether a company continuously monitors international trends, manufacturing processes, and geography depends on the nature of the business.

SOURCE: EN:033

SOURCE: Vascellari, A. (2014, January). *Environmental Scan: What? Why? How?* Retrieved June 8, 2017, from <http://www.andreavascellari.com/2014/01/environmental-scan/>

32. D

Obtain a loan. Businesspeople prepare cash flow statements to estimate when, where, and how much money will flow into and out of a business during a certain period of time. The information in the cash flow statement can help the business plan and make decisions about its finances. If the cash flow statement indicates that the business will experience a short-term deficit, and it has assets that it can use for collateral, the business can often obtain a bank loan. If the business temporarily closes, it does not have cash coming in. Hiring additional salespeople might help increase cash flow in the long-term, but will not help the business cover expenses in the short-term. The business could sell assets, but a loan would be a better option because the business might be able to deduct the loan interest in terms of its tax obligation.

SOURCE: FI:092

SOURCE: Gilbertson, C.B., Lehman, M.W., & Passalacqua, D. (2012). *Advanced century 21<sup>st</sup> accounting* (9th ed.) [pp. 543-557]. Mason, OH: South-Western Cengage Learning.

33. A

Capturing the business's day-to-day financial activities. Accounting is the process of keeping and interpreting financial records. Managerial accounting primarily focuses on capturing, maintaining, and interpreting the business's accounting information for internal use and decision making. Managerial accounting often summarizes information about the business's day-to-day financial activities, such as sales transactions (accounts receivable) and the monies the business owes others (accounts payable). Financial accounting focuses on capturing, maintaining, preparing, and reporting financial information to external audiences. Examples of financial accounting activities include preparing tax data for the government and developing the annual report for the business's stakeholders. The annual report usually contains information about the business's long-term investment goals.

SOURCE: FI:657

SOURCE: University of North Florida. (2015, January 15). *Introduction to managerial accounting*. Retrieved June 8, 2017, from [http://www.unf.edu/~dtanner/dtch/dt\\_ch1.htm](http://www.unf.edu/~dtanner/dtch/dt_ch1.htm)

34. A

Wholesalers. Wholesalers buy goods from producers or agents and sell them to businesses for resale. Wholesalers often allow businesses to buy goods on credit and pay for them at a later date. The use of trade credit permits businesses to obtain the goods they need for resale without borrowing the money from a lending institution. Corporations are owned by stockholders who have purchased stock. Investors are those who invest their funds in a business. Financiers are individuals skilled in dealing with financial matters.

SOURCE: FI:023

SOURCE: Katz, J. & Green, R. (2011). *Entrepreneurial small business* (3rd ed.) [p. 156]. New York: McGraw-Hill/Irwin.

35. D

\$2,824.20. The discount rate is the processing fee that a business pays for being able to accept credit cards. It is the amount that is deducted from credit sales and paid to the bank. Businesses usually negotiate with banks to obtain the lowest discount rate possible in order to save money. To calculate the amount a business owes the bank, multiply total monthly sales by the discount rate ( $\$78,450 \times 3.6\%$  or  $.036 = \$2,824.20$ ).

SOURCE: FI:040

SOURCE: Gilbertson, C.B., Lehman, M.W., & Passalacqua, D. (2012). *Advanced century 21 accounting* (9th ed.) [p. 281]. Mason, OH: South-Western Cengage Learning.

36. B  
\$42,500. In some situations, a bank will loan only a percentage of the price of new equipment, and the business must obtain additional capital in order to make the purchase. In this case, first calculate the amount that the bank will loan ( $\$250,000 \times 75\%$  or  $.75 = \$187,500$ ). The bank will loan \$187,500, and the business has \$20,000 in available cash to put towards the purchase. Add those figures and subtract the total from the purchase price to determine the amount of additional capital the business needs to obtain ( $\$187,500 + \$20,000 = \$207,500$ ;  $\$250,000 - \$207,500 = \$42,500$ ).  
SOURCE: FI:043  
SOURCE: Katz, J., & Green, R. (2011). *Entrepreneurial small business* (3rd ed.) [pp. 478-485]. New York: McGraw-Hill/Irwin.
37. D  
State or local governments. State and local governments often have programs that offer low-interest loans for start-up businesses. Many of these loans are intended to encourage businesses to develop in economically depressed areas of the city or state. Other sources may include friends or relatives, private foundations offering program-related investments, credit unions featuring small-business lending, and universities with targeted research and development funds. Until the business develops a track record, commercial banks and traditional lenders are not the best sources of business credit. The stock market sells stock in well-established companies that are publicly owned.  
SOURCE: FI:031  
SOURCE: Katz, J., & Green, R. (2011). *Entrepreneurial small business* (3rd ed.) [pp. 478-485]. New York: McGraw-Hill/Irwin.
38. B  
They will have to pay interest on the borrowed amount. A downside of acquiring capital through debt financing is that the borrower must pay interest on the money borrowed. This means that John and Damien will end up owing more than the amount of money they initially borrowed. In equity financing, stocks are sold to shareholders and those shareholders own a stake in the company. Damien and John would not be required to repay the money immediately.  
SOURCE: FI:340  
SOURCE: Katz, J., & Green, R. (2011). *Entrepreneurial small business* (3rd ed.) [pp. 483-495]. New York: McGraw-Hill/Irwin.
39. B  
31.02%. To calculate ROE, multiply the net profit margin (14.39%) by the asset turnover rate (1.0455) by the equity multiplier (2.0621) to obtain 31.02. ROE is an indicator of a company's profitability and potential growth. Businesses that have high ROE figures with little debt can grow without large outlays of capital. This enables business owners to have money to invest elsewhere. Revenue, net income, assets, and shareholders' equity are used to calculate net profit margin, asset turnover, and equity multipliers.  
SOURCE: FI:097  
SOURCE: Weygandt, J.J., Kimmel, P.D., & Kieso, D.E. (2012). *Managerial accounting: Tools for business decision making*. (pp. 659-670). Hoboken, NJ: John Wiley & Sons.
40. A  
Liquid. Current assets are considered to be liquid because they can be converted to cash in a short period of time (less than a year). Examples of current assets include cash and inventory on hand. Businesses should understand the concept of liquid assets when interpreting financial statements in order to determine the amount that can easily be converted to cash. Fixed assets are items the business expects to own for more than a year. Their value decreases over time, or depreciates. Both current and fixed assets are tangible items that can be seen and touched.  
SOURCE: FI:102  
SOURCE: Investopedia. (2017). *Current assets*. Retrieved on June 8, 2017, from <http://www.investopedia.com/terms/c/currentassets.asp>

41. D  
Net sales. Vertical analysis is often used to show the relationship of each component to the total within a single financial statement. Net sales is the base amount used for vertical analysis of items on the income statement. Total assets are used for vertical analysis of asset amounts on the balance sheet. Total liabilities and equity are used for vertical analysis of liability or equity amounts on the balance sheet.  
SOURCE: FI:334  
SOURCE: Crosson, S.V., & Needles, B.E. (2008). *Managerial accounting: Instructor's copy* (8th ed.) [p. 672]. Boston: Houghton Mifflin Company.
42. B  
Assets = Liabilities + Owner's Equity. A balance sheet is a financial statement that captures the financial condition of the business at that particular moment. Three main elements are included on the balance sheet—assets, liabilities, and owner's equity. Available cash is one part of the business's total assets. If the assets do not equal the liabilities when the liabilities are added to the owner's equity (Assets = Liabilities + Owner's Equity), information on the balance sheet is incorrect.  
SOURCE: FI:335  
SOURCE: Peavler, R. (2017, March 17). *What is the accounting formula?* Retrieved on June 8, 2017, from <https://www.thebalance.com/the-accounting-equation-392966>
43. A  
Productivity. Productivity is the amount of work that employees perform in a given period. Before a business decides to hire new employees, it must have the financial resources to pay the employee and it must have the need to increase its outputs. When a business expects higher sales, it needs to increase its outputs, and therefore, needs more inputs (e.g., personnel) to satisfy the higher product demand. When deciding to hire employees, a business does not first consider its secondary, uniform, or temporary needs.  
SOURCE: HR:353  
SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2012). *Marketing essentials 2012* (pp. 257-261). Columbus, OH: Glencoe/McGraw-Hill.
44. D  
Put the notice in writing. Putting the notice in writing provides documentation that the employee has been given notice if termination becomes necessary. The written notice serves as a warning and gives employees an opportunity to improve. Email notification would not provide a permanent written record and may violate confidentiality. Giving verbal notification only would not provide a record in case of termination. Posting the notice on the bulletin board would violate employee confidentiality.  
SOURCE: HR:358  
SOURCE: EEOC. (2017). *Recordkeeping requirements*. Retrieved on June 8, 2017, from <https://www.eeoc.gov/employers/recordkeeping.cfm>
45. D  
Job applications. One type of personnel record that businesses usually keep on file is the job application. Businesses maintain the applications of current employees as well as new applicants who have applied for advertised positions. Many businesses keep new applications on file for a certain period of time, such as six months or one year, in order to access those records in the event that another position becomes available. Then, the business can contact former applicants who are qualified and have expressed an interest in working for the business. Safety regulations and office newsletters are not personnel records, although businesses usually keep copies of them. Payroll stubs are attached to employees' paychecks and are meant to be receipts for the employees.  
SOURCE: HR:359  
SOURCE: SHRM. (2014, July 14). *Recordkeeping policy: Record maintenance, retention and destruction*. Retrieved on June 8, 2017, from [https://www.shrm.org/resourcesandtools/tools-and-samples/policies/pages/cms\\_017186.aspx](https://www.shrm.org/resourcesandtools/tools-and-samples/policies/pages/cms_017186.aspx)

46. D

Structure. Managers who supervise staff are overseeing and directing the activities of employees. By guiding and directing activities, managers are providing employees with the structure they need to be able to perform effectively on the job. They make sure the work is done by giving employees a structured environment that may include specific rules to follow, and clearly-defined job responsibilities. Managers do not necessarily provide privacy. The business provides compensation. Employees shadow managers at work, not vice versa.

SOURCE: HR:393

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2012). *Marketing essentials 2012* (pp. 257-261). Columbus, OH: Glencoe/McGraw-Hill.

47. D

Charges of favoritism can be prevented. Consistent discipline ensures that employees who need discipline receive it, that the same discipline is applied to the same offense each time, and that it is meted out in the same manner to all employees. By following this guideline, supervisors can avoid charges of favoritism. Discipline is no longer thought to cause individuals great psychological damage. By being aware of company rules and policies, employees know what behavior is likely to result in discipline. Taking remedial action does not guarantee that further problems with the employee can be avoided.

SOURCE: HR:369

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2012) *Marketing essentials 2012* (p. 264). Columbus, OH: Glencoe/McGraw-Hill.

48. A

To develop new products. Businesses often use marketing information to analyze what customers want and need in order to develop new products. Many businesses maintain internal records that indicate the types of products that currently are selling well and to which customers are attracted. Businesses can use this information to develop similar products that will appeal to specific markets. In order to use marketing information, businesses often need to calculate statistics and interpret findings. Businesses do not use marketing information to identify new vendors, although vendors are often a source of marketing information.

SOURCE: IM:012

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2012). *Marketing essentials 2012* (pp. 656-660). Columbus, OH: Glencoe/McGraw-Hill.

49. A

To develop a profile of the typical customer. Demographic data are often gathered through marketing research. The business can use such data to develop a profile of the typical customer. The business cannot create a mailing list from these data since names and addresses are not included in the data. The data also would not help the business to identify internal problems or set up an operating budget.

SOURCE: IM:010

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

50. B

Fixing mistakes consistently and quickly. Customers who are pleased with the way the business handles problems are likely to recommend the business to others, which results in a favorable reputation for the business. On the other hand, a business that fails to apologize and fix mistakes is unlikely to keep customers. As a result, customers tell others about their negative experiences with the business, which can damage the business's reputation. The delivery of unpredictable product quality, the use of high-pressure sales techniques, and the use of minimal touch points to connect with customers are actions that are more likely to damage the business's reputation than safeguard it.

SOURCE: MK:019

SOURCE: LAP-MK-003—Just Do It...Right (Company Actions and Results)



51. C

Marketing strategies can be changed as needed. Marketing strategies are plans of action for achieving marketing goals and objectives. There is no formula for selecting the best strategies. Strategies that are appropriate for an organization at one point in time may be totally inappropriate for the company at another time. Therefore, marketers need to review their marketing strategies on an ongoing basis and change them as needed. Marketing strategies vary from company to company and industry to industry.

SOURCE: MP:001

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

52. A

Market. A market consists of customers or potential customers who have unfulfilled desires and are financially able and willing to satisfy those desires. An economic system is the organized way in which a nation handles its economic decisions and solves its economic problems. A corporate chain consists of a number of similar stores owned and managed by a corporate organization. A cooperative is a business that is owned and operated by its customers.

SOURCE: MP:003

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

53. B

Customer profile. Customer profiles are used by companies to create a clear picture of their target market for use in decision making. A customer profile contains a variety of information about customers, such as age, income level, ethnic background, occupation, etc. This type of record is not known as a preference list, a demographic breakdown, or a consumer composite.

SOURCE: MP:005

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2012). *Marketing essentials 2012* (pp. 824-825). Columbus, OH: Glencoe/McGraw-Hill.

54. D

Measurable and achievable. A marketing objective is a specific goal or desired outcome for a specific marketing activity. Businesses set many types of marketing objectives including sales, advertising, pricing, product development, etc. After setting its marketing objectives, a business uses them to measure the success or performance of its marketing activities. To be able to determine the success of marketing activities, the business should set specific, measurable objectives that are tied to a time frame, such as increasing sales of product X by 20 percent in the next three months. The marketing objectives should be compatible with the company's overall goals, and they should be challenging but achievable and flexible. The business sets both qualitative (opinion- or experience-based) and quantitative (numerical-based) objectives. Objectives do not need to be costly to be effective.

SOURCE: MP:015

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2012). *Marketing essentials 2012* (p. 37). Columbus, OH: Glencoe/McGraw-Hill.

55. D

Online tracking devices. Development and widespread use of the computer software, hardware, and the Internet has made it possible for companies to track hits, purchases, and information gathered or requested by consumers. This provides information to understand and develop profiles of consumers. The profiles are used to develop and assess marketing and advertising objectives. The reason this method is controversial is because many feel that the process invades the privacy of the consumer. Consumer questionnaires and phone surveys are ways to collect data, but are not necessarily considered controversial. Indirect response techniques are not terms used in data collection for profiling use.

SOURCE: MP:031

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2012). *Marketing essentials 2012* (p. 20). Columbus, OH: Glencoe/McGraw-Hill.

56. C

Quantifying strategies. Quantifying strategies are methods of determining or measuring amounts or quantities. When linking performance measures to the financial outcomes of marketing, businesses need ways to find out if sufficient quantities, whether in money or volume, were achieved to make the marketing effort worthwhile. For example, one strategy might involve calculating if increasing price by a certain percent resulted in the planned increase in sales revenue. If increasing price had a negative effect on sales, the money spent was not worth the return on investment. Businesses do not develop operational tactics, positioning procedures, or bookkeeping methods to link performance measures to the financial outcomes of marketing.

SOURCE: MP:020

SOURCE: Lake, L. (2016, December 19). *How to measure your marketing efforts*. Retrieved on June 8, 2017, from <https://www.thebalance.com/how-to-measure-your-marketing-efforts-2295830>

57. A

Financial outcomes. Although marketing costs money, there are financial benefits associated with implementing marketing activities. To justify spending money on marketing activities, it is important to translate performance measures for those activities into financial outcomes. Translating performance measures of marketing activities into financial outcomes puts a dollar figure on the result of the marketing activity, which will make it easier for management to understand the value of spending money on marketing. For example, if a marketing activity costs \$5,000 to implement but generates \$25,000 in additional sales, the expense is justified. Marketers do not translate the performance measures of marketing activities into operating budgets, sales forecasts, or variable expenses.

SOURCE: MP:021

SOURCE: Beattie, A. (2015, May 30). *How to calculate ROI of a marketing campaign*. Retrieved on June 8, 2017, from <http://www.investopedia.com/articles/personal-finance/053015/how-calculate-roi-marketing-campaign.asp>

58. D

Discover relationships. Data mining is the process of searching computer databases for patterns of information and correlations or relationships among information. Businesses use the information they obtain from data mining to make different types of business decisions. For example, a business might want to increase its sales. The business might use data-mining techniques to determine and analyze which customers possess the highest buying potential. The primary purpose of data mining is not to stabilize sales, develop services, or summarize ideas.

SOURCE: NF:148

SOURCE: Boone, G., & Kurtz, D.L. (2013). *Contemporary marketing 2013*. Mason, OH: South-Western Cengage Learning.

59. D

Developing tour products specifically designed to appeal to retirees. Demographics are the physical and social characteristics (e.g., age, gender, education) of a population or market segment. Businesses consider demographic trends because changes in the population have an effect on the existing and potential products they market. Because trends indicate that a large segment of the population is aging and reaching retirement, hospitality/tourism businesses are developing products to attract retirees who are no longer in the workforce and have more time to travel. Tour products designed for retirees would not likely appeal to recent college graduates, families with young children, or business travelers.

SOURCE: NF:013

SOURCE: Feigenbaum, E. (2016). *Definition of business trends*. Retrieved June 13, 2017, from <http://smallbusiness.chron.com/definition-business-trends-3399.html>

60. B

Internal records. Companies keep many types of internal records about their various business activities. These records might contain information about sales, agreements with vendors, financial status, etc. Management and employees use the records to make decisions about day-to-day and future actions. For example, records that indicate that sales are increasing and the company is profitable might encourage the business to decide to expand. Businesses monitor their activities on an internal basis. Trade publications, industry trends, and government statistics are examples of external data.

SOURCE: NF:014

SOURCE: Power Home Biz. (2013, February 20). *Good record keeping for your small business*. Retrieved June 13, 2017, from <https://www.powerhomebiz.com/financing-a-business/accounting/good-record-keeping-for-your-small-business.htm>

61. B

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

SOURCE: NF:093

SOURCE: Investopedia. (2014). *What is variance*. Retrieved on June 8, 2017, from <http://www.investopedia.com/terms/v/variance.asp>

62. C

Logistics. Logistics refers to managing the flow of goods and services from production to consumption. This includes all of the people, information, and processes involved in storing and transporting goods. Operations managers must decide where and how to store goods as well as how and when to transport them to customers. Scheduling is an operations activity that establishes the timetable to be followed in production. It controls the flow of the entire production process. In quality inspection, products are checked for defects after they've already been produced. The goal of quality assurance is to prevent defective products from being created in the first place.

SOURCE: OP:189

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

63. C

Trade secrets. A trade secret is undisclosed information within a particular business or industry. Since a trade secret is information, it is a type of intangible property. Businesses often establish policies to protect trade secrets because the use of those secrets sets the businesses apart from competitors. For example, a secret ingredient is a trade secret. Production systems usually are made up of tangible items such as equipment. Inventory methods and delivery routes are not types of intangible property that businesses establish policies to protect.

SOURCE: OP:155

SOURCE: Katz, J., & Green, R. (2011). *Entrepreneurial small business* (3rd ed.) [pp. 596-603]. New York: McGraw-Hill/Irwin.

64. C

Business use. Doormats, carpeting, telephones, and cleaning chemicals are all items that an office might buy for its own use, rather than for resale or transformation. These items would not be purchased for production, negotiations, or competitive bidding.

SOURCE: OP:015

SOURCE: LAP-OP-002—Buy Right (Purchasing)

65. A

Identify the most capable suppliers. During the process of evaluating vendor performance, businesses are able to weed out those vendors that do not perform as promised. As a result, they are able to narrow their vendor list to include only those suppliers that are the most capable. The benefit is that businesses will know which vendors are most likely to perform well, even though this might mean buying from only a few suppliers. Businesses establish product specifications before contacting vendors. Businesses do not evaluate vendor performance to negotiate future discounts or to organize the receiving areas.

SOURCE: OP:162

SOURCE: Sageworks. (2011, July 11). *Four steps to evaluating suppliers before signing a contract*. Retrieved on June 8, 2017, from <https://www.sageworks.com/blog/post/2011/07/11/Four-Steps-to-Evaluating-Suppliers-Before-Signing-a-Contract.aspx>

66. B

Update the product. A company's products may need to be updated or changed in order to compete effectively with similar products produced by other companies. Planning to update a product is part of a business's production process. Updating a product is less expensive than designing a new product. A popcorn company may decide to update its popcorn products by adding vitamins or flavorings rather than spending a lot of money designing completely new products. A business would not produce more popcorn unless there was an increase in demand. Changing production methods is expensive and would not necessarily make a business more competitive.

SOURCE: OP:017

SOURCE: LAP-OP-017—Can You Make It? (Nature of Production)

67. D

Remain competitive. Business today is highly competitive, and one way for a business to compete successfully is to maintain quality throughout the organization. Businesses try to provide quality products that meet customers' needs. If all other factors are the same, quality is often what makes customers select one business over another. Businesses may implement change to improve quality. Allocating resources and delegating authority are not reasons why management focuses on improving quality throughout the organization.

SOURCE: OP:020

SOURCE: Dlabay, L.R., Burrow, J.L., & Kleindl, B.A. (2012). *Principles of business* (8th ed) [pp. 185-188]. Mason, OH: South-Western Cengage Learning.

68. C

Variable. Operating costs that fluctuate with changes in production are called variable expenses. When production goes up, variable expenses go up. When production goes down, variable expenses go down. Fixed expenses do not increase or decrease with changes in production. Capital expenses are one-time purchases a business makes, such as land or equipment. Total expenses are the sum of the operating and direct expenses it costs to make a product.

SOURCE: OP:024

SOURCE: LAP-OP-009—Watch Your (Over) Head (Overhead/Operating Costs)

69. D

Lease equipment. There are many ways that businesses can control their operating expenses. One of these is to lease equipment rather than buy it. Businesses often are able to lease equipment and pay for it on a monthly basis over a period of time, which saves paying the purchase price in one lump sum. Also, leased equipment can be returned at the end of the lease agreement and replaced with new equipment, which often saves the business repair expenses. Sometimes, businesses need specialized equipment for a certain project, and it is more economical to lease it for a short time than to buy equipment that will not be needed again. Buying in small quantities is often more costly than buying in large quantities. Obtaining credit does not control expenses because a business must repay the loan with interest. Organizing inventory space does not necessarily help to control operating expenses.

SOURCE: OP:029

SOURCE: Miksen, C. (2017). *How to cut operational expenses to increase profit margins*. Retrieved June 8, 2017, from <http://smallbusiness.chron.com/cut-operational-expenses-increase-profit-margins-26219.html>

70. C

Money. Supply chain management deals with material flow, information flow, and money flow. Information flows from the customer to the supplier. Material flow typically moves from the supplier to the customer. Money flows from the customer to the supplier.

SOURCE: OP:303

SOURCE: TPSynergy.com. (2014, June 25). *Flows in supply chain management*. Retrieved June 13, 2017, from <http://tpsynergy.com/blogs/flows-in-supply-chain-management/>

71. A

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

Production is the process of producing goods and services.

SOURCE: OP:327

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2009). *Marketing essentials* (pp. 454, 465). Woodland Hills, CA: Glencoe/McGraw-Hill.

72. B

Consulted. ARCI stands for accountable (who is in charge of the process), responsible (who will carry out specific tasks), consulted (roles that need to be consulted before an action), and informed (who needs to be kept in the picture).

SOURCE: OP:474

SOURCE: Cunningham, W. (2010). *Process thinking*. Retrieved June 13, 2017, from <http://wcunningham.com/DMM/Concepts/Process.html>

73. B

Human. Business process design is influenced by human factors, such as stress and fatigue. A business process may not work if it causes stress to employees, or if they are too fatigued to complete their work properly. These are not examples of technological, regulatory, or government factors.

SOURCE: OP:475

SOURCE: Taylor, H. (1999-2015). *Factors that affect process design*. Retrieved June 13, 2017, from [http://www.ehow.com/list\\_7444011\\_factors-affect-process-design.html](http://www.ehow.com/list_7444011_factors-affect-process-design.html)

74. D

Put company data at risk by using unsecured Wi-Fi networks. Many employees work outside of the office or access their work email from mobile devices. While these employees do not usually knowingly put company data at risk by sharing it with others, they often connect via unsecured Wi-Fi networks. This can allow company data to get into the wrong hands and put the company at risk. Employees will not often get viruses on their mobile devices by using them outside of the office.

SOURCE: OP:473

SOURCE: National Cyber Security Alliance. (2015, October 5). *Small and midsized businesses learn to protect their digital assets during National Cyber Security Awareness Month*. Retrieved June 13, 2017, from <https://www.staysafeonline.org/about-us/news/small-and-midsized-businesses-learn-to-protect-their-digital-assets-during-national-cyber-security-awareness-month>

75. D

Loss of jobs. Innovation can certainly lead to the creation of jobs, but on the flipside, it can also lead to job loss. Innovative automation equipment can manufacture goods quickly and efficiently. This can make a company more productive and profitable, but it also eliminates the need for some jobs. An economic downturn is not a common risk of innovation—in fact, innovation is good for the economy. Paradigm innovation occurs when there is a significant change or shift in thinking. Competitive advantage is the edge achieved by businesses that offer something better than their competitors. Competitive advantage is a reason why innovation is important, not one of the reasons why it's a risk.

SOURCE: PD:126

SOURCE: LAP-PD-018—Ideas in Action (Innovation Skills)

76. D

Routine. Routine decisions are easy to make. They are made quickly and don't require a lot of thought or planning. Routine decisions, such as buying a bouquet of flowers, are based on personal feelings or are reactions to certain occurrences. Buying flowers is not a major, important, or urgent decision.

SOURCE: PD:017

SOURCE: LAP-PD-010—Weigh Your Options (Decision Making in Business)

77. D

Mitigate risk and avoid problems. Corporate governance is intended to help a company mitigate risk and avoid problems. It's meant to increase accountability. A marketing department would be in charge of promoting the company. Lawyers would be in charge of defending a company in court.

SOURCE: PD:213

SOURCE: Sun, L. (2015). *Why is corporate governance important?* Retrieved June 13, 2017, from <http://www.businessdictionary.com/article/618/why-is-corporate-governance-important/>

78. D

Stockholders. Stockholders are the owners of a corporation. Therefore, their interests are an important factor in corporate governance. Managers, the president, and lower level employees are not considered the owners of a corporation.

SOURCE: PD:302

SOURCE: Burrow, J.L., Kleindl, B., & Everard, K.E. (2008). *Business principles and management* (12th ed.) [pp. 137-139]. Mason, OH: South-Western Cengage Learning.

79. D

Adjust prices. Because pricing is a tug-of-war, businesses will need to be willing to adjust their prices. These adjustments can be increases or decreases, depending on the circumstances faced by the business. For example, when economic conditions are good, businesses might increase prices because customers are more willing to spend. Businesses are not always able to reduce expenses because many expenses are fixed. The goal of business is to increase sales, but that often depends on the state of the economy, which is beyond the control of the business. Not all businesses offer discounts, which are reductions from the price of goods.

SOURCE: PI:001

SOURCE: LAP-PI-002—The Price Is Right (Nature of Pricing)

80. A

Talking with customers and employees. A product opportunity is a situation in which a business acts on the chance to provide a good or service to a market segment that wants and is willing to pay for the product. Businesses must develop processes for recognizing product opportunities so that they can continue to compete in the marketplace. By talking with customers and the employees who are in contact with customers, a business can get ideas about what customers want. Then, the business can analyze the feedback to develop new products to meet the customers' needs. Reviewing sales forecasts, analyzing corporate objectives, and adding items to the product mix do not help businesses recognize product opportunities.

SOURCE: PM:136

SOURCE: Kurtz, D. (2013). *Contemporary marketing 2013* (pp. 396-398). Mason, OH: South-Western Cengage Learning.

81. A  
Items. Product items are the individual goods, services, or ideas that a business offers for sale. A product line is a group of related product items. Product mix is the particular assortment of products that a business offers in order to meet its market's needs and its company's goals. Product recalls remove defective or hazardous products from the marketplace.  
SOURCE: PM:003  
SOURCE: LAP-PM-003—Mix and Match (The Nature of the Product Mix)
82. D  
Financial, human. A business must consider many factors when determining which services it should provide to customers. A primary consideration involves determining if the business has the resources to provide the service. It must have the financial resources (money) to provide the service and make a profit. It must also have human resources—employees with skills—to carry out the service. Environmental resources refer to natural resources such as coal, water, etc. Businesses do not always require environmental resources to offer services. If a resource is not important, then the business would not consider it when determining which services to provide to customers.  
SOURCE: PM:036  
SOURCE: Clark, B., Basteri, C.G., Gassen, C., & Walker, M. (2014). *Marketing dynamics* (3rd ed.) [pp. 287-290]. Tinley Park, IL: Goodheart-Willcox.
83. A  
Higher than customer expectations. By providing high quality service, businesses often are able to set themselves apart from competitors and be more appealing to customers. However, to do this, businesses need to identify their service standards to make sure that they are higher than customer expectations. By doing more than customers expect, businesses will attract and keep loyal customers. For example, if the standard for delivery is five days, but the business delivers in three days, the business will have exceeded customer expectations. Service standards are not necessarily easy to achieve, and businesses often work very hard to provide quality service. It is not important for service standards to be described in the operating manual or printed on all invoices.  
SOURCE: PM:273  
SOURCE: Clark, B., Basteri, C.G., Gassen, C., & Walker, M. (2014). *Marketing dynamics* (3rd ed.) [pp. 289-290]. Tinley Park, IL: Goodheart-Willcox.
84. B  
Sales volume. To survive in today's competitive marketplace, a business must make a profit. By providing good customer service, the business builds ongoing customer relationships. These relationships lead to repeat business, which increases sales volume. Employee responsibility and the number of salespeople may not increase, as the service offered may attract only a limited number of customers who purchase a lot of products or high-priced products. Increased use of facilities may result from customer services but would not be a primary reason.  
SOURCE: PM:013  
SOURCE: LAP-PM-001—Customer Service Supersized (The Role of Customer Service in Positioning/Image)
85. D  
Take legal action to protect the brand. Brand recognition is one of a product's greatest assets. Businesses value a successful brand and do everything in their power to protect it. If a competitor uses a similar brand mark and brand name, a business might take legal action to force the competitor to stop using the similar mark and name. A business would not take the competitor's actions as a compliment. A business would probably make some changes in its marketing strategy while taking legal action against the competitor. A business would not assume that its brand recognition will continue if a competitor is using a similar brand mark and brand name.  
SOURCE: PM:126  
SOURCE: LAP-PM-010—Build Your Corporate Brand... (The How-To's of Corporate Branding)

86. D

Promotion. Promotion is the communication of information about goods, services, images, and/or ideas. It is used by businesses to inform consumers about products and to persuade them to buy. Distribution is the marketing function that is responsible for moving, storing, locating, and/or transferring ownership of goods or services. Purchasing is a business activity which involves the planning and procedures necessary to obtain goods and services for use in the operation of a business or for resale. Financing is a business activity which involves understanding the financial concepts used in making business decisions.

SOURCE: PR:001

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

87. D

Hot-air balloon. Transit media is a form of out-of-home advertising that businesses place in various modes and locations of mass transportation. An example of transit advertising is a hot-air balloon with a company's logo that flies over a city. Radio is a form of broadcast media that uses electronic waves to reach consumers. Opt-in email is a direct-marketing media that communicates messages through the Internet.

SOURCE: PR:007

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

88. B

The message appeals to a small audience interested in a specific product. The use of email allows a business to target small audiences spread over a vast geographic area. Email, however, can be ignored as easily as other advertising messages. Most email advertising does not deal specifically with computer-related products. Message length is irrelevant.

SOURCE: PR:089

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2012). *Marketing essentials 2012* (pp. 396-397). Columbus, OH: Glencoe/McGraw-Hill.

89. C

Rebate. Sales-promotion techniques are activities other than advertising, selling, and personal selling that stimulate customer purchases. A rebate is a sales-promotion technique in which a business (manufacturer) returns part of the price that a customer (Ben) pays for a good (cell phone) or service. Rebates stimulate sales because customers want to receive money back for their purchases. Couponing involves the use of printed certificates that entitle the holder to a reduced purchase price. Coupons are generally processed at the point of sale. Sweepstakes involve a game of chance in which a customer wins a prize. A warranty is a promise made by the seller to the customer that the seller will repair or replace a product that does not perform as expected. A warranty is a benefit of purchase rather than a sales-promotion technique.

SOURCE: PR:249

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2009). *Marketing essentials* (pp. 372, 555). Woodland Hills, CA: Glencoe/McGraw-Hill.

90. A

Consumer pressure. Consumer pressure is a factor that keeps quality at the forefront of the modern business world. Customers demand quality, and if a company doesn't provide it, they'll take their business elsewhere. Various consumer groups also keep the pressure on companies to make quality a top priority. Weather patterns, outdated technology, and currency fluctuations are not factors keeping quality as a main concern for today's businesses.

SOURCE: QM:001

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



91. D

Most risks are predictable and manageable. Enterprise risk management is important and helpful because most business risks are predictable and manageable. If a company can plan for risks, it can minimize its losses. Although some risks are surprises, most of them are not. Not managing risks can cause loss of shareholder value. ERM should reduce business costs in the long run by helping a business avoid or manage risks that could lose money.

SOURCE: RM:062

SOURCE: Kaplan, R., & Mikes, A. (2012, June). *Managing risks: a new framework*. Retrieved June 8, 2017, from <https://hbr.org/2012/06/managing-risks-a-new-framework>

92. B

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

SOURCE: RM:094

SOURCE: Department of Homeland Security. (2017). *Risk assessment*. Retrieved June 7, 2017, from <https://www.ready.gov/risk-assessment>

93. D

Influence. The salesperson's role is to guide customers in making effective buying decisions that will lead to customer satisfaction. Salespeople do not determine what the customer will buy—the customer does. A salesperson should never try to compel a customer to purchase a product. Customers personalize their own purchase decisions by basing those decisions on their own personal needs and desires.

SOURCE: SE:017

SOURCE: LAP-SE-117—Sell Away (The Nature and Scope of Selling)

94. D

Supervisory. Supervisory, or first level, management is made up of the supervisors who work directly with the employees carrying out the directions of top and mid-level management. Middle, or mid-level, management is the link between top and first-line management that would determine what needed to be done in order to enter the new market. Executive, or top-level, management is responsible for strategic planning, including making the decisions about entering a new market.

SOURCE: SM:001

SOURCE: LAP-SM-003—Manage This! (Concept of Management)

95. B

Estimate financial needs. Before starting a new business, owners develop a business plan in order to establish objectives, outline the steps to take to achieve the objectives, and estimate financial needs. Estimating financial needs is extremely important because the owners need to know how much money it will take to operate the new business until it begins to generate a profit. If the owners do not have sufficient funds or cannot obtain those funds, it may not be feasible to start the business. Owners do not develop a business plan to organize production processes, identify qualified workers, or prepare operating manuals.

SOURCE: SM:007

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2012). *Marketing essentials 2012* (pp. 819-835). Columbus, OH: Glencoe/McGraw-Hill.

96. D

Proactively. Rather than waiting for viruses and spyware to cause significant damage to his business's computer network, Chuck built a firewall to protect the network from malicious software and worms. Chuck did not act reactively, haphazardly, or carelessly. A reactive individual waits until there is a problem or change before taking action. Someone who acts haphazardly does things at random and without much reason. Someone who acts carelessly is sloppy and imprecise in his/her actions.

SOURCE: SM:011

SOURCE: Katz, J., & Green, R. (2011). *Entrepreneurial small business* (3rd ed.) [pp. 30-32]. New York: McGraw-Hill/Irwin.

97. C

Dashboard. Dashboards are technology applications that allow management to view and evaluate a process or activity as it occurs. In the example, managers can view the number of callers waiting in queue for service at a given time. If the calls in queue increase, management may take steps to relieve the wait by having additional employees take calls. Dashboards may be used to forecast or predict future needs. By monitoring and analyzing dashboards, businesses can detect changes or patterns in activity, and use the information to make appropriate adjustments. If dashboards indicate a higher volume of calls between 7 p.m. - 9 p.m. on Tuesdays, the business can take steps to add staff, so customers' wait time is decreased. In the situation described, the business is not using a projectory or capillary.

SOURCE: SM:027

SOURCE: Dlabay, L.R., Burrow, J.L., & Kleindl, B.A. (2012). *Principles of business* (8th ed.) [pp. 369-374]. Mason, OH: South-Western Cengage Learning.

98. B

Realistic. A business plan should be clear, concise, focused, realistic, and accurate with a logical structure and flow. Each section should begin with a short summary. The executive summary should be interesting and intriguing. The goods and services should be explained simply. The marketing analysis should include only pertinent information. The financial plan should be simple. And you should plan ahead for tracking, follow-up, reviews, updates, and corrections. A successful business plan should not be as long as possible, idealistic, or complicated.

SOURCE: SM:013

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

99. B

Accept change. Innovation is the process of creating new or more effective products, processes, services, technologies, or ideas. Creating something new requires change. When a business encourages its employees to learn about new processes, customer wants, market needs, and trends, innovation is more likely to occur. Exhibiting bias and suppressing ideas may have a negative effect on innovation. Following certain types of business procedures is important for creating a safe and fair work environment and does not necessarily affect innovative processes.

SOURCE: SM:094

SOURCE: Free Management Library. (n.d.). *Cultivating innovation in the workplace*. Retrieved June 12, 2017, from <http://managementhelp.org/innovation/>

100. B

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

SOURCE: SM:095

SOURCE: Mind Tools. (2016). *Change management*. Retrieved June 12, 2017, from [https://www.mindtools.com/pages/article/newPPM\\_87.htm](https://www.mindtools.com/pages/article/newPPM_87.htm)