1. The most significant difference between a joint venture and a strategic alliance is

(A) ownership
(B) investment
(C) liability
(D) revenue sharing

2. Collusion refers to

(A) withholding product information from consumers
(B) responding to increased demand with overly steep prices
(C) two or more companies collaborating to commit a fraudulent act
(D) an employee who publicizes a company’s fraudulent acts

3. The leader most likely to motivate others is the

(A) charismatic leader
(B) transformational leader
(C) task-focused leader
(D) transactional leader

4. Which of the following accurately describes the concept of lead time?

(A) The period of time between the highest inventory levels through replenishment
(B) The period of time from order placement until goods are received
(C) Introducing new products to respond quickly to customer or market changes
(D) The period of time from product birth through decline

5. According to the principle of risk-return,

(A) the riskier the investment, the lower the return
(B) the safer the investment, the higher the return
(C) the riskier the investment, the higher the return
(D) the more diverse the investment, the lower the return
6. A boutique that sells only one type of merchandise would most likely use a
   (A) grid layout
   (B) free-flow layout
   (C) loop layout
   (D) product layout

7. Which best describes inflation?
   (A) Widespread price increases
   (B) A decline in aggregate output
   (C) A high level of joblessness among people actively seeking work
   (D) When the available money and the level of production grow at different rates

8. To increase employees’ skills and abilities needed to accept new or future job challenges, employers may offer
   (A) employee training
   (B) employee orientation
   (C) employee development
   (D) employee recognition

9. Authority derived from business custom or common practice is
   (A) express authority
   (B) apparent authority
   (C) implied authority
   (D) ostensible authority

10. The standardized rights of buyers and sellers across all states was established through
    (A) the Uniform Commercial Code
    (B) tort law
    (C) the North American Free Trade Agreement
    (D) the Consumer Protection Agency
11. Operating income is

(A) the costs of obtaining materials to make a product sold during the year
(B) the costs incurred to obtain revenues
(C) gross profit minus operating expenses and income taxes
(D) gross profit minus operating expenses

12. Phishing or pharming is a way to

(A) sift and organize pools of data to uncover information
(B) obtain personal information illegally
(C) protect systems from viruses or virus-like characteristics
(D) share resources and Internet connections to avoid costly duplication

13. A goal focused on increasing market share within two years is an example of a(n)

(A) intermediate goal
(B) short-term goal
(C) strategic goal
(D) long-term goal

14. Human resource selection tools must be

(A) valid and impartial
(B) fair and reliable
(C) valid and reliable
(D) reliable and impartial

15. A securities underwriter is responsible for all of the following EXCEPT

(A) introducing new securities to the market
(B) influencing the initial offering price of a security
(C) adjusting the share price once securities hit the secondary market
(D) assuming financial responsibility for unpurchased shares
16. A PERT chart details

(A) the sequence, time allocation, and critical path to complete a project
(B) the type of products to be produced, by when, and by whom in upcoming time periods
(C) the project objectives and parameters for what is included/needed to complete the project
(D) managerial positions, who occupies them, and who is qualified to fill them

17. The practice of selling products overseas for less than the cost of production is commonly known as

(A) outsourcing
(B) off-shoring
(C) subsidizing
(D) dumping

18. In a socialist society, major sources of production are primarily controlled by

(A) private enterprise
(B) both private enterprise and the government
(C) the central government
(D) a select group of large corporate entities

19. A SWOT analysis focuses on

(A) the internal environment only
(B) the external environment only
(C) the competitive landscape only
(D) both the internal and external environments

20. The Fair Labor Standards Act regulates

(A) nondiscrimination in employment
(B) pay
(C) working conditions
(D) the mutual right of employees and employers to terminate the professional relationship for any reason at any time
21. Open-book credit enables a firm to

(A) receive goods prior to making a payment
(B) access a specified amount of money upon request
(C) access funds on demand on a continuing basis
(D) receive goods in exchange for a comparable product or service in lieu of payment

22. The number of individuals in a population divided by the number of businesses in a population calculates the business

(A) mass
(B) volume
(C) density
(D) concentration

23. The most basic level of product satisfaction is the

(A) generic product
(B) core benefit
(C) expected product
(D) augmented product

24. In theory, economic class struggle does not exist in which economy?

(A) A capitalist economy
(B) A market economy
(C) A mixed-market economy
(D) A socialist economy

25. Flood mitigation is an example of

(A) risk avoidance
(B) risk control
(C) risk retention
(D) risk transfer
26. The Myers-Briggs Type Indicator is commonly used to measure

(A) non-cognitive skills and capabilities
(B) the level of expected job performance
(C) personality traits
(D) the category of products that is most likely to succeed with a specific market segment

27. During a strike, labor unions can initiate any of the following legal activities, EXCEPT:

(A) a lockout
(B) picketing
(C) mediation
(D) a boycott

28. Per capita means

(A) for each dollar spent
(B) for each dollar earned
(C) for each person
(D) for each competing company in a market

29. Which of the following describes a company’s value proposition?

(A) The return on investment shareholders can expect to receive
(B) The depth and breadth of the product offering
(C) The total benefits customers receive from the products and/or services
(D) The selection of products that are bundled together with value-added attributes and offered at competitive prices

30. The ISO 9000 label attests to

(A) fair market pricing
(B) environmental compliance
(C) high quality management standards
(D) ownership rights in a creative work
31. Typically, the difference between the manager of a small business and an entrepreneur is that the small business manager

(A) assumes most of the risk

(B) creates the innovation or transformation

(C) oversees implementation of policy and plans

(D) manages stability and business maturity

32. The promotional mix includes all of the following EXCEPT

(A) placement

(B) advertising

(C) personal selling

(D) public relations

33. When an insurance company indemnifies a claim, it essentially

(A) denies the claim

(B) challenges the claim

(C) reimburses the insured for the amount of the claim

(D) pays on behalf of the insured for the amount of the claim

34. When the value of a country’s currency declines, the demand for its products likely

(A) increases

(B) decreases

(C) stays the same

(D) ceases to exist

35. Which manager is responsible for getting products from producers to consumers?

(A) Operations manager

(B) Marketing manager

(C) Information manager

(D) First-line manager
36. Human knowledge, work methods, and physical equipment are factors in the
(A) domestic business environment
(B) political-legal business environment
(C) technological business environment
(D) sociocultural business environment

37. Government exercises fiscal policies in order to
(A) control the nation’s money supply
(B) influence banks’ ability to lend money
(C) control inflation
(D) manage the collection and spending of its revenues

38. Cognitive dissonance happens during which part of the consumer purchasing process?
(A) Problem recognition
(B) Information search
(C) Evaluation of alternatives
(D) Post-purchase evaluation

39. The speed with which accounts convert to sales are measured in
(A) liquidity ratios
(B) activity ratios
(C) quick ratios
(D) current ratios

40. One advantage of product-distribution franchising versus business-format franchising for the franchisee is
(A) more autonomy
(B) more growth opportunities
(C) expansion opportunities with less capital
(D) bulk purchasing
41. The current trading price of a stock is considered its

   (A) par value
   (B) book value
   (C) market value
   (D) face value

42. Nonexempt status impacts

   (A) tax rates
   (B) overtime pay
   (C) bonus or commission eligibility
   (D) piece work rates

43. To equalize prices in various countries with different currencies, which principle is applied?

   (A) Purchasing power parity
   (B) Trade deficit and trade surplus
   (C) Balance of trade
   (D) Consumer price index

44. Inventory shrinkage refers to

   (A) products becoming obsolete
   (B) reducing stockpiling by ordering the precise amount needed, when needed
   (C) the loss of capital related to keeping inventory on hand
   (D) the loss of goods due to theft or spoilage

45. Credit card transactions are included in which measure of the money supply?

   (A) M-1
   (B) M-2
   (C) M-3
   (D) They are not included in measuring money supply.
46. Speculative risk evaluates the
   (A) possibility of loss or no loss
   (B) possibility of gain or loss
   (C) degree of uncertainty a firm can manage
   (D) options for avoiding risk by ceasing an activity

47. Distributive bargaining differs from integrative bargaining in that it
   (A) creates a win-win situation
   (B) creates a win-lose situation
   (C) encourages long-term relationships
   (D) fosters teamwork

48. A business failure occurs when a business
   (A) ceases operation for any reason
   (B) closes with financial loss to a creditor
   (C) closes due to ineffective management
   (D) is taken over by government agencies

49. The successor to the General Agreement on Tariffs and Trade (GATT) is the
   (A) Doha Agreements
   (B) International Monetary Fund
   (C) European Union
   (D) World Trade Organization (WTO)

50. Advocates of deregulation argue that it would
   (A) increase competition
   (B) decrease competition
   (C) result in an increase in government oversight
   (D) result in an increase in the number of consumer fraud cases
51. A disadvantage of a general partnership versus a limited partnership is

(A) only one member can claim the tax benefits
(B) all members can be held personally liable
(C) they are complex to form
(D) loss of control when company stock is made public

52. Which individual would likely have a stronger locus of control?

(A) A small business manager
(B) A corporate vice president
(C) An entrepreneur
(D) An investor

53. Organizational citizenship does NOT necessarily affect

(A) the corporate culture
(B) co-workers’ perceptions
(C) management’s perceptions
(D) the bottom line

54. A union shop employs

(A) only union workers
(B) nonunion workers for a specified period of time
(C) nonunion workers who pay a fee equivalent to union dues
(D) nonunion workers with no specified time restrictions or fee

55. A retailer’s claim to match any competitor’s price is an example of

(A) constant promotional pricing
(B) image pricing
(C) differential pricing
(D) trial pricing
56. Which of the following is NOT traded in the secondary securities market?

(A) Blue chip stocks
(B) Common stocks
(C) Mutual funds
(D) Bonds

57. A profit and loss statement is also known as

(A) an income statement
(B) a balance sheet
(C) a financial statement
(D) a statement of cash flow

58. Under Chapter 11 bankruptcy, creditors can expect

(A) full payment of monies due
(B) partial payment of monies due
(C) no payment of monies due
(D) Chapter 11 does not address payment to creditors, so no expectations can be made.

59. In international trade, documentary collection, or drafts, ensures the seller that

(A) a bank will pay for a good on behalf of the purchaser
(B) payment for a good or service will be made in advance
(C) a title to sell a good will not be granted until payment has been received
(D) payment will be made in the currency of the supplier

60. A public claims adjuster represents

(A) the policy holder
(B) a third party claiming damages
(C) the insurance company
(D) state and local authorities
61. A proxy fight is a strategy used during

(A) a hostile takeover
(B) a leveraged buyout
(C) a union strike
(D) collective bargaining

62. Which of the following characterizes an organic organization?

(A) A tall decision-making structure
(B) Centralized decision making
(C) Diversified and adaptable duties
(D) Formalized communications

63. All of the following are performance appraisal methods EXCEPT

(A) rubric
(B) 360-degree
(C) ratings scale
(D) Holland’s RIASEC

64. A licensed brand

(A) is produced by, distributed by, and carries the name of the manufacturer
(B) is purchased from the original producer for use by a third-party seller
(C) is commissioned from a manufacturer for exclusive use by a seller
(D) associates a single product or service with more than one company/brand

65. In banking, the term “float” refers to

(A) checks that have not yet been cleared by a Federal Reserve bank
(B) the percentage of deposits that a bank must hold on deposit with the Federal Reserve
(C) the interest rate at which member banks borrow money from the Fed
(D) the Fed’s sale and purchase of securities on the open market
66. Off-shoring has a negative affect on
   (A) the gross national product
   (B) the gross domestic product
   (C) aggregate output
   (D) the balance of trade

67. In retail, the Pareto Rule of 80-20 means
   (A) 80 percent of business will come from local consumers, and 20 percent from nonlocals
   (B) 80 percent of revenue should be reinvested, and 20 percent retained
   (C) 80 percent of revenue will come from 20 percent of inventory
   (D) 80 percent of employees should be permanent, and 20 percent contingent

68. To classify the level of economic well-being of a nation, the World Bank divides nations based on
   (A) gross domestic product
   (B) balance of trade
   (C) national debt
   (D) average income per capita

69. A process flowchart is used for
   (A) methods planning
   (B) quality planning
   (C) capacity planning
   (D) layout planning

70. Which economic system seeks to eliminate class struggle?
   (A) Capitalist
   (B) Communist
   (C) Socialist
   (D) Market
71. A grid layout would be most effective in a

(A) small boutique
(B) supermarket
(C) specialty store
(D) large department store

72. A wildcat strike

(A) occurs when employees work at a slow pace as a form of protest
(B) is unauthorized by the union
(C) is supported by a third-party union
(D) occurs when workers sit at their stations but perform no work

73. The net profit margin measures income

(A) before expenses and taxes have been paid
(B) before expenses, but after taxes have been paid
(C) after expenses, but before taxes have been paid
(D) after both expenses and taxes have been paid

74. Computer-aided design, or CAD, enables

(A) workers with little technical knowledge to operate design software
(B) computer hardware to know what resources to use and how to use them
(C) electronic prototypes to be created in three dimensional graphics
(D) two or more computers to share data, resources, or software

75. An outcome of changes in the global economy in the late 1990s and the early twenty-first century is that

(A) national borders now limit competition
(B) the economy is now driven by small entrepreneurial firms
(C) businesses are less concerned with environmental issues
(D) there is an increase in parochialism
76. The owner of a limited-liability company is called the

(A) CEO
(B) chairperson
(C) member
(D) president

77. The sales conversion index is helpful in determining the

(A) quantity of inventory needed
(B) best location for retail operations
(C) mark-up required to cover expenses and generate profits
(D) lead time required to fulfill an order

78. Which form is used for federal income tax withholding?

(A) Form W-4
(B) Form W-2
(C) Form I-9
(D) an EIN

79. An example of direct foreign investment is

(A) using an existing import/export company’s resources to move goods
(B) importing or exporting without the use of an intermediary
(C) hiring foreign-based distributors
(D) opening a physical operation abroad

80. Strategic workforce planning is the role of

(A) operations
(B) marketing
(C) human resources
(D) legal
81. No-load funds eliminate

(A) diversity within a portfolio
(B) sales commission
(C) risk
(D) taxes on interest received

82. Competition is a necessary feature of

(A) private enterprise
(B) a natural monopoly
(C) nationalization
(D) socialism

83. A closely-held corporation

(A) is tax-exempt
(B) is operated by one person
(C) does not trade its stock publicly
(D) cannot own property

84. The opposite of niche marketing is

(A) target marketing
(B) mass marketing
(C) individualized marketing
(D) market segmentation

85. The “top line” represents

(A) net income
(B) the summary of an organization’s balances
(C) total debt owed
(D) total revenue
86. Job rotation is a common means of

(A) downsizing
(B) corporate expansion
(C) training/development
(D) performance evaluation

87. The Information Age has significantly increased the need for

(A) knowledge workers
(B) skilled laborers
(C) large corporate infrastructures
(D) multiple physical locations for production

88. The business structure of a credit union is a

(A) cooperative
(B) corporation
(C) partnership
(D) strategic alliance

89. In-store displays, contests, and trade shows are examples of

(A) public relations
(B) personal selling
(C) sales promotions
(D) advertising

90. Pro-forma financial statements

(A) record actual transactions
(B) compare important financial aspects
(C) measure how long it takes to convert credit sales to cash
(D) project future financial conditions
91. The equilibrium price is the price at which

(A) profits are maximized
(B) costs are covered, but no profits are made
(C) costs are covered, but minimal profits are made
(D) costs and profits are equal to that of competitors

92. A merit salary system evaluates

(A) the volume of revenue generated
(B) overall company performance
(C) individual performance levels
(D) the total package of rewards for work performed

93. The media mix includes all of the following EXCEPT

(A) advertising
(B) retailing
(C) personal selling
(D) public relations

94. Continuous improvement is synonymous with

(A) work process engineering
(B) empowerment
(C) right-sizing
(D) quality management

95. A “learning organization” is one that

(A) sells or manufactures educational products or services
(B) provides extensive, on-going training to its employees
(C) has the capacity to continuously adapt and change
(D) is a newcomer to its industry
96. Which of the following statements describes a linked exchange rate?

(A) It equalizes two or more specific currencies.
(B) It fluctuates based on supply and demand with no government intervention.
(C) It is set and controlled by the government or central bank to create global equity.
(D) It sets an exchange rate at today’s price for delivery of the currency at a later date.

97. Which of the following best describes the Small Business Administration’s function?

(A) It provides start-up loans to small businesses.
(B) It provides recovery loans for existing businesses.
(C) It guarantees loans on behalf of small businesses.
(D) It does not provide or guarantee loans, but focuses on providing other helpful resources.

98. Employee handbooks, vacation schedules, and training manuals would most likely be posted on

(A) on an Intranet site
(B) on an Internet site
(C) on an Extranet site
(D) on the local area network

99. To finance public systems, such as transportation or education, a government issues

(A) bearer bonds
(B) municipal bonds
(C) registered bonds
(D) corporate bonds

100. Turning corporate units into independent corporations is called

(A) divestiture
(B) merger
(C) wholly owned subsidiary
(D) spin-off
1. **The correct answer is A.** Shared ownership by all parties is a basic element of a joint venture, but not a strategic alliance, which is simply a cooperative effort. Choice B is incorrect because both types of partnerships typically require some level of joint investment whether it's capital, a good, or a service. Choice C is incorrect because both types of partnerships would share liability. Choice D is incorrect because both types of partnerships would have an agreement for a level of revenue sharing.

2. **The correct answer is C.** Choice A is incorrect because this would be a violation of the rights of consumers. Choice B is incorrect because this is considered price gouging. Choice D is incorrect because this describes whistle-blowing.

3. **The correct answer is A.** Choice B is incorrect because this leader's strength is recognizing the need for and managing organizational change. Choice C is incorrect because this leader's strength focuses on how tasks can be performed to meet organizational goals. Choice D is incorrect because this leader's strength is in keeping tight control over an organization.

4. **The correct answer is B.** Choice A is incorrect because this is the inventory cycle. Choice C is incorrect because this is speed to market. Choice D is incorrect because this is the product life cycle.

5. **The correct answer is C.** Choice A is incorrect because, according to the principle of risk-return, riskier investments yield higher returns. Choice B is incorrect because, according to the principle of risk-return, safer investments (less risky) yield lower returns. Choice D is incorrect because, according to the principle or risk-return, diversified investments yield higher returns because the risk of loss is reduced by spreading the total investment across a number of investment types.

6. **The correct answer is B.** Choice A is incorrect because this is typically used in a larger store, such as a supermarket or drugstore where there are multiple categories of merchandise. Choice C is incorrect because this is typically used in a larger retail store where there are multiple categories of merchandise and customers can be quickly led to their desired department. Choice D is incorrect because this is a manufacturing, not retail, layout.

7. **The correct answer is A.** Choice B is incorrect because this describes recession. Choice C is incorrect because this describes high unemployment rates. Choice D is incorrect because this describes economic instability.

8. **The correct answer is C.** Choice A is incorrect because training is specific to a current job and improving performance in that job. Choice B is incorrect because orientation is given to new employees so they will become familiar with the job, co-workers, and the organization. Choice D is incorrect because recognition is a form of rewarding and motivating employees for high performance.

9. **The correct answer is C.** Choice A is incorrect because this power is derived from a written agreement. Choice B is incorrect because this power is derived from a higher level of authority's compliance. Choice D is incorrect because this power is another term for apparent authority, which is derived from a higher level of authority's compliance.

10. **The correct answer is A.** Choice B is incorrect because this refers to any civil injury, in a business relationship, that warrants compensation. Choice C is incorrect because this treaty eliminated tariffs and
barriers to trade between the United States, Mexico, and Canada. Choice D is incorrect because this agency provides information and enforces consumer laws.

11. The correct answer is D. Choice A is incorrect because this is the cost of goods sold. Choice B is incorrect because this is the cost of revenues. Choice C is incorrect because this is net income.

12. The correct answer is B. Choice A is incorrect because this describes data mining. Choice C is incorrect because this is the function of a client-server network. Choice D is incorrect because this is the function of anti-virus software.

13. The correct answer is A. Choice B is incorrect because short-term goals are set for the very near future, typically one year or less. Choice C is incorrect because strategic goals are broad and directly aligned to the firm's mission statement. Choice D is incorrect because long-term goals are set for an extended time, typically 5 years or more.

14. The correct answer is C. Human resources selection tools must be valid (directly correlated to relevant job criteria and candidates' capability) and reliable (measuring the same characteristic across multiple candidates). Choice A is incorrect because only part of the answer, validity, is correct. Choices B and D are incorrect because only part of the answer, reliability, is correct. All parts of a multiple part answer must be correct for the answer to be correct.

15. The correct answer is C. The key word is "EXCEPT." Choices A, B, and D are all functions of a securities underwriter, so they are incorrect answers to the question. Choice C is not a function of a securities underwriter, so it is the correct answer to the question.

16. The correct answer is A. Choice B is incorrect because this is the detail included in a master production schedule. Choice C is incorrect because this detail is included in the project scope. Choice D is incorrect because this detail is included in a management replacement chart typically organized by human resources.

17. The correct answer is D. Choice A is incorrect because this is the practice of paying outside firms to provide a product, service, or process. Choice B is incorrect because this describes outsourcing to a foreign company. Choice C is incorrect because this describes a government providing payments to domestic businesses to help them compete with foreign firms.

18. The correct answer is C. Choices A, B, and D are incorrect. The government owns and controls most major sources of production.

19. The correct answer is D. Choices A, B, and C are incorrect. A SWOT analysis evaluates internal threats and weaknesses as well as external opportunities and threats that may affect a business.

20. The correct answer is B. Choice A is incorrect because this is regulated by equal employment opportunity laws. Choice C is incorrect because this is regulated by the Occupational Safety and Health Act (OSHA). Choice D is incorrect because this is a principle known as employment at will; however, it is not necessarily regulated, and it is often challenged in the court systems by employees who feel they are incorrectly terminated.
21. The correct answer is A. Choice B is incorrect because this describes a firm's line of credit. Choice C is incorrect because this describes a firm's revolving credit agreement. Choice D is incorrect because this describes the barter process.

22. The correct answer is C. Choices A, B, and D are incorrect because dividing the number of businesses by the number of individuals in a population results in the business density.

23. The correct answer is B. Choice A is incorrect because the generic product is the second level of customer satisfaction: the presence of the required materials that comprise the product, for example, in a restaurant, the physical space, seating, and food. Choice C is incorrect because the expected product is the third level of customer satisfaction: the set of characteristics that customers will assume to be present, for example, menu selection, comfortable atmosphere, and quality service in a restaurant. Choice D is incorrect because the augmented product is the final level of customer satisfaction: the additional features or value that differentiate a business, which, for a restaurant, might be the wine list, table-side food prep, etc.

24. The correct answer is D. Choices A, B, and C are incorrect because in capitalist, market, and mixed-market economies, individuals assume the risk and reward of private enterprise that, in turn, create a variety of economic classes and a potential for conflict among them.

25. The correct answer is B. Flood mitigation is minimizing the frequency or severity of the loss that may occur because of a flood. Choice A is incorrect because this means eliminating the potential of a flood altogether, not minimizing a loss that may occur. Choice C is incorrect because this would be to assume all of the costs associated with damage from a flood. Choice D is incorrect because this would be to transfer the loss to another party such as an insurance company.

26. The correct answer is C. Choice A is incorrect because this is measured by an emotional intelligence (EI) test. Choice B is incorrect because this is measured by a form of performance-simulation test. Choice D is incorrect because this is measured by various forms of market research.

27. The correct answer is A. The key word is "EXCEPT." Choices B, C, and D are incorrect answers to the question because these are all labor-union initiated, legal activities to support a strike. Choice A is a company action to prevent employees from working during a labor negotiation. Its goal is to pressure the union into accepting company terms. Choice A, therefore, is not a union action, so it is the correct answer to the question.

28. The correct answer is C. Choices A, B, and D are incorrect because per capita means "for each person." It is a measure used to calculate various statistics, such as annual per capita income in a country, number of cars in a country, number of cell phones in a country, etc.

29. The correct answer is C. Choice A is incorrect because this describes a dividend. Choice B is incorrect because this describes a product mix. Choice D is incorrect because this describes a value package.

30. The correct answer is C. Choice A is incorrect because the laws of supply and demand dictate fair market pricing. Choice B is incorrect because the ISO 14000 label assures that the product was manufactured in compliance with environmental regulations. Choice D is incorrect because the copyright symbol shows ownership of creative works.
31. The correct answer is D. The key word is "typically." Only Choice D is a role that the manager of a small business assumes, but an entrepreneur does not, hiring someone else to do it. Choices A, B, and C are incorrect because these are the common roles and responsibilities of an entrepreneur.

32. The correct answer is A. The key word is "EXCEPT." Choices B, C, and D are incorrect answers to the question because each is part of the promotional mix. Choice A is not part of the promotional mix, so it is the correct answer to the question.

33. The correct answer is C. Choices A, B, and D are incorrect because indemnification means an insurance company reimburses the insured party for the amount of the claim once the insured party has paid out-of-pocket for the loss incurred.

34. The correct answer is A. Choices B, C, and D are incorrect because declining currency means that the cost of goods and services decreases. According to the laws of supply and demand, the demand will increase for the country's goods and services.

35. The correct answer is B. Choice A is incorrect because this manager is responsible for production, inventory, and quality control among other tasks. Choice C is incorrect because this manager is responsible for the design and implementation of systems to gather, organize, and disseminate information. Choice D is incorrect because this manager is responsible for supervising employees.

36. The correct answer is C. Choice A is incorrect because this is represented by the physical environment in which a company conducts its business and includes factors such as customer, supplier, and community relationships. Choice B is incorrect because this is represented by the relationship between business and government and includes factors such as regulations and laws. Choice D is incorrect because this is represented by the customs, values, and demographic characteristics of the society in which a company conducts its business.

37. The correct answer is D. Choices A, B, and C are incorrect because these are the purposes and goals of the government's monetary, not fiscal, policies.

38. The correct answer is D. Cognitive dissonance is a feeling of remorse after a buyer makes a major purchase, so it is part of the post-purchase evaluation process. Choice A is incorrect because problem recognition is a pre-purchase phase in which a consumer recognizes a problem or need that requires a good or service to fulfill. Choice B is incorrect because information search is a pre-purchase phase in which consumers research what products exist to fulfill their needs. Choice C is incorrect because evaluation of alternatives is a pre-purchase phase in which several options are evaluated to determine which product will best suit the consumer's specific needs or wants.

39. The correct answer is B. Choice A is incorrect because this measures the ability to meet short-term credit obligations by converting assets to cash after liabilities have been met. Choice C is incorrect because this measures the ability to meet credit obligations with the most liquid forms of assets. Choice D is incorrect because this measures the number of times liabilities can be covered with current assets.

40. The correct answer is A. Choice B is incorrect because growth opportunities are not typically affected
by the chosen system of franchising. Choice C is incorrect because this is a benefit for the franchisor in either system of franchising. Choice D is incorrect because this is a benefit for both the franchisee and franchisor regardless of which franchise system is implemented.

41. **The correct answer is C.** Choice A is incorrect because this is the value of a stock at the time it is originally issued. Choice B is incorrect because this is determined as the owner's equity divided by the number of shares owned by shareholders. Choice D is incorrect because this is the same as the par value, which is the value of the stock at the time it is originally issued.

42. **The correct answer is B.** By law, nonexempt employees must be paid overtime for any work conducted above and beyond a "normal work week," typically 40 hours. Choice A is incorrect because exempt or nonexempt status does not pertain to taxes. Choice C is incorrect because exempt or nonexempt status does not impact eligibility for bonuses or commissions. Choice D is incorrect because nonexempt status does not impact piece work rates.

43. **The correct answer is A.** Choice B is incorrect because these terms refer to a nation's trade in relation to other countries, but does not relate to exchange rates. Choice C is incorrect because this describes the economic value of exports minus the value of imports and does not relate to exchange rates. Choice D is incorrect because this describes the average price of products, but does not relate to changes in currency or exchange rates.

44. **The correct answer is D.** Choice A is incorrect because this describes inventory obsolescence. Choice B is incorrect because this describes just-in-time (JIT) inventory management. Choice C is incorrect because this describes holding costs.

45. **The correct answer is D.** Choice A is incorrect because this is only the most liquid form of money: currency, checking accounts, checkable deposits, and traveler's checks. Choice B is incorrect because this is M-1 plus easily converted forms of money: savings deposits, time deposits, money market deposit accounts, money market mutual funds, and other short-term assets. Choice C is incorrect because this is M-2 plus less liquid deposits, such as time deposits, which include retirement accounts.

46. **The correct answer is B.** Choice A is incorrect because this describes pure risk. Choice C is incorrect because this describes risk tolerance. Choice D is incorrect because this describes risk avoidance.

47. **The correct answer is B.** Choice A is incorrect because this is the result of integrative bargaining. Choice C is incorrect because this is often an outcome of integrative bargaining. Choice D is incorrect because this is often an outcome of integrative bargaining.

48. **The correct answer is B.** Choice A is incorrect because this describes a business termination. Choice C is incorrect because this describes a possible reason for business failure or termination, but is not the definition of a business failure. Choice D is incorrect because this describes nationalization.

49. **The correct answer is D.** The World Trade Organization was established in 1995 as a successor to GATT and has broader authority over services and agricultural products. The WTO's charge is to be the arbiter of global trade, and it focuses on nontariff barriers to trade. Choice A is incorrect because Doha was the site of a round of WTO negotiations begun in 2001 that never reached agreement on trade. Choice B is
incorrect because the IMF is an international body affiliated with the United Nations whose task is to develop international monetary cooperation, to stabilize exchange rates, and to lend credit to nations, especially developing nations. Choice C is incorrect because it is a political, economic, and cultural organization of European nations.

50. The correct answer is A. Choice B is incorrect because, according to advocates of deregulation, it will allow for greater innovation in products, processes, and services, which would encourage more, not less, competition. Choice C is incorrect because deregulation means the removal of government rules that opponents believe constrain the operation of market forces. Oversight would decrease, not increase. Choice D is incorrect because deregulation does not mean the removal of laws protecting consumers from fraud or fraudulent business practices.

51. The correct answer is B. Choice A is incorrect because in a general partnership, members pay taxes as individuals and each can claim his/her share of profits or losses for tax purposes. Choice C is incorrect because a partnership only requires a business license and tax identification number to be established. Choice D is incorrect because only corporations may publicly sell stock, which is not an option for partnerships.

52. The correct answer is C. Locus of control is defined as a person's belief in his/her degree of control over events that affect his/her future. An entrepreneur would be the most likely individual to exhibit this characteristic in order to assume the risks and rewards of entrepreneurship. Therefore, choices A, B, and D are incorrect answers to the question.

53. The correct answer is D. Organizational citizenship is described as positive behaviors that improve overall contributions to the company, but do not directly contribute to the bottom line. Choices A, B, and C are incorrect because organizational citizenship does affect people's perceptions at all levels and the overall culture of the company.

54. The correct answer is B. A nonunion worker may work in a union shop for a specified time period. After that time period, the worker must either cease work or join the union. Choice A is incorrect because this defines a closed shop. Choice C is incorrect because this defines an agency shop. Choice D is incorrect because this defines an open shop.

55. The correct answer is A. Choice B is incorrect because this is the practice of pricing based on what the consumer will pay to attain the image that the product conveys, for instance, high price tags for designer bags simply because of their label, not necessarily for their quality or value. Choice C is incorrect because this is the practice of shifting prices based on the consumer or consumer segment, for instance, where locals pay one price for park admission, but tourists pay another price. Choice D is incorrect because this is the practice of lowering the financial risk for new customers to try a product or service.

56. The correct answer is C. The key word is "NOT." Mutual funds are not sold or traded in either the primary or secondary securities market. They are managed independently by financial professionals. Choices A, B, and D are incorrect because all three options are traded in the secondary securities market.

57. The correct answer is A. A profit and loss statement is also known as an income statement and lists a company's annual revenues and expenses to produce a bottom line. Choice B is incorrect because a balance sheet supplies detailed information about a company's assets, liabilities, and owner's equity. Choice C is
incorrect because this is a broader definition of several types of reports that summarize a company's financial status, and it includes balance sheets, income statements, and statements of cash flow. Choice D is incorrect because this details the yearly cash receipts and payments.

58. The correct answer is B. Chapter 11 of the bankruptcy code allows the company filing for bankruptcy to remain in business under a court approved reorganization plan and mandates the creation of a payment schedule for all outstanding debt. Less than 100 percent of payment is typical, but it is more likely that a creditor will receive at least partial payment for the debt under Chapter 11. Choices A, C, and D are, therefore, incorrect.

59. The correct answer is C. Choice A is incorrect because this describes a letter of credit. Choices B and D are incorrect because these describe parts of an independent term of agreement that may be made between a supplier and purchaser.

60. The correct answer is A. A public claims adjuster is a paid representative of the policy holder and the only type of adjuster who can legally represent the rights of the insured during a claims process. Choice B is incorrect because this would be the job of an independent adjuster or an attorney. Choice C is incorrect because this would be the responsibility of the staff adjuster or, in some cases, an independent adjuster. Choice D is incorrect because this is not the responsibility of a public claims adjuster.

61. The correct answer is A. A proxy fight is initiated by an acquiring company in an effort to persuade a majority of stockholders to force a change in ownership of a company it wants to acquire and whose management does not want to sell to it. The tactic is used during a hostile takeover attempt and may be used by disgruntled shareholders to force a change in management. Choice B is incorrect because a leveraged buyout is one in which a group of investors use borrowed money to acquire a company; the loans are secured by the assets of the company being bought. Choices C and D are incorrect because a proxy fight is not related to a union strike or collective bargaining by a union.

62. The correct answer is C. Organic organizations are defined by decentralization, low levels of formalization, and high levels of flexibility and adaptability in the areas of management, division of labor, rules and regulations, and supervision. Choices A, B, and D are incorrect because they are all characteristics of a mechanistic organization.

63. The correct answer is D. The key word is "EXCEPT." Choices A, B, and C are incorrect answers to the question because each is a performance appraisal method. Choice A is incorrect because a rubric is a scoring tool that lists a set of objectives and cross references them to job performance indicators. It is a common evaluation method for performance. Choice B is incorrect because a 360-degree evaluation is an assessment tool used to obtain performance feedback from a variety of sources, up, down, and lateral. Choice C is incorrect because a ratings scale is a list of objectives that are rated, commonly from 1 to 10, to indicate the level at which the employee met the stated objectives. Choice D is not used in performance appraisals. Holland's RIASEC is a personality assessment tool used to match a personality type with an occupation, not to measure job performance. The acronym stands for Realistic, Investigative, Artistic, Social, Enterprising, and Conventional. Therefore, choice D is the correct answer to the question.

64. The correct answer is B. Choice A is incorrect because this describes a national brand. Choice C is incorrect because this describes a private-label brand. Choice D is incorrect because this describes co-
branding.

65. The correct answer is A. Choice B is incorrect because this describes the reserve requirement. Choice C is incorrect because this describes the discount rate. Choice D is incorrect because this describes open-market operations as directed by the open-market committee of the Fed.

66. The correct answer is B. Off-shoring is the practice of outsourcing goods and services overseas, therefore, the total value of all goods and services produced domestically declines when production is off-shored. Choice A is incorrect because the location of production is not a component of the gross national product. Choice C is incorrect because aggregate output does not take into account where the products are produced. Choice D is incorrect because the balance of trade measures the value of imported versus exported goods and does not relate to production.

67. The correct answer is C. The Pareto Rule pertains to inventory planning and control. The principle suggests a focus on the "vital few" rather than the "trivial many." According to the theory, 80 percent of revenue will come from 20 percent of inventory. Choices A, B, and D do not define the Pareto Rule and are, therefore, incorrect answers to the question.

68. The correct answer is D. The World Bank uses average income per person to measure nations' economic stability and divides countries into four categories: High income, upper-middle income, middle income, or low income, also referred to as developing countries. Choices A, B, and C are not factors in assessing the level of economic well-being of nations, and are, therefore, incorrect answers to the question.

69. The correct answer is A. The key word is "process," meaning method. A process flowchart specifically details the methods of production or the sequence of production activities, materials needed, and specific work to be performed at each stage. Choice B is incorrect because process flowcharts are not used to plan for performance or consistency in production. Choice C is incorrect because process flowcharts do not measure the quantity of products that can be produced under normal conditions. Choice D is incorrect because process flowcharts do not represent the process or product layouts that are utilized during production.

70. The correct answer is C. Socialism is based on the principle that goods and services should be distributed equally among all members of society, thereby, eliminating class struggle. Choice A is incorrect because economic activity in a capitalist system enriches only those who are participating in that activity. Choice B is incorrect because this is a political, not an economic, system. Choice D is incorrect because economic activity in a market system enriches only those who are participating in that activity.

71. The correct answer is B. Choice A is incorrect because a free-flow layout would be most effective in a small boutique where there is no established traffic pattern and customers are encouraged to wander. Choice C is incorrect because a free-flow layout would be most effective in a specialty store where there are fewer items that are not generally categorized, there is no established traffic pattern, and customers are encouraged to wander. Choice D is incorrect because a loop layout would be most effective in a large department store where customers can travel through a major aisle past a large amount of merchandise directly to the checkout registers. This layout gives the most exposure to a variety of items.

72. The correct answer is B. Choice A is incorrect because this is a work slow down. Choice C is incorrect because this is a sympathy strike, or secondary strike. Choice D is incorrect because this is a sit-down strike.
and is to prevent management from hiring contingent workers, or strike-breakers, to do their jobs during a strike.

73. The correct answer is D. Choice A is incorrect because this is considered gross profit. Choices B and C are incorrect because both expenses and taxes must be paid before a net profit margin can be calculated.

74. The correct answer is C. Choice A is incorrect because this may be accomplished by specialized software programs, whereas CAD requires great technical skills. Choice B is incorrect because this is the description of software. Choice D is incorrect because this is the description of a computer network.

75. The correct answer is B. Choice A is incorrect because the rise of multinational, transnational, and borderless organizations as well as more lenient trade laws removed national barriers. Choice C is incorrect because businesses have been forced to become more socially and environmentally responsible. Choice D is incorrect because parochialism, or the narrow focus in which a company views the world solely through its own perspective, has decreased significantly because of a more diverse marketplace and competition in the global economy.

76. The correct answer is C. The owner of a limited-liability company is called the member. If there is only one owner, that owner is the sole member. If there is more than one owner, each is considered a member. Choices A, B, and D are not the correct titles of the owners of a limited-liability company, therefore, they are incorrect answers to the question.

77. The correct answer is B. The sales conversion index is a technique for comparing different locations based on the residents' ability to use income for retail purchases. This is commonly used to analyze the spending characteristics of an area to determine the plausibility of retail success. Choices A, C, and D are not measured by the sales conversion index and, therefore, are incorrect answers to the question.

78. The correct answer is A. Choice B is incorrect because Form W-2 shows wages paid and taxes withheld in a given year and is furnished to the employee at the end of each year for the purpose of filing individual income taxes. Choice C is incorrect because Form I-9 verifies employment eligibility and employee identity (citizen or noncitizen). Choice D is incorrect because an EIN is an Employer Identification Number, or federal taxpayer identification number, and is used to identify business entities much like a social security number is used to identify individuals.

79. The correct answer is D. Direct foreign investment is using capital and resources to open a physical operation abroad and thereby investing assets in another country's economic system. Choice A is incorrect because this describes piggy-back importing/exporting. Choice B is incorrect because this describes direct importing or exporting. Choice C is incorrect because this describes the use of intermediaries.

80. The correct answer is C. The key word is "workforce," meaning labor. Choice A is incorrect because the operations function is responsible for ensuring the effectiveness and efficiency of all systems related to the production of a good or service. Choice B is incorrect because marketing is responsible for controlling how and when products go from concept to customer. Choice D is incorrect because legal is responsible for overseeing compliance with internal and external laws by employees and management.

81. The correct answer is B. By definition, a no-load fund is a mutual fund for which no sales commission is
charged for transactions. Choice A is incorrect because no-load funds have no restriction on how many
securities or the type of securities that can be purchased. Choice C is incorrect because no-load funds are not
more or less risky than other mutual funds. Choice D is incorrect because this describes a municipal bond;
no-load funds are taxed the same as other mutual funds.

82. The correct answer is A. Choice B is incorrect because in a natural monopoly there is no competition. A
single entity supplies the goods or services to meet all the needs of a marketplace. Choice C is incorrect
because nationalization is the government's taking control of private enterprise. It does not necessarily require
the existence of competition, and typically nationalization removes much of the competition. Choice D is
incorrect because socialism is a system in which a majority of production is controlled by the government,
and competition is not a desired outcome.

83. The correct answer is C. Choice A is incorrect because this describes a nonprofit corporation. Choice B
is incorrect because this describes a sole proprietorship. Choice D is incorrect because any category of
corporation is entitled to own, buy, or sell property.

84. The correct answer is B. Niche marketing concentrates marketing efforts on small, targeted groups of
people. Choice A is incorrect because this is the practice of breaking down the population into smaller groups
of consumers with specific needs; these groups are typically larger than niche markets. Choice C is incorrect
because this breaks down the market into individualized segments treating each consumer as a separate target
market. Choice D is incorrect because niche marketing is a method of market segmentation in which the
population is broken down into smaller, specific audiences with unique needs.

85. The correct answer is D. Choice A is incorrect because net income is referred to as the "bottom line," or
the amount retained after all expenses have been paid. Choice B is incorrect because this is what is calculated
on a balance sheet. Choice C is incorrect because this is referred to as a company's liability.

86. The correct answer is C. Job rotations are lateral transfers that provide employees exposure to a number
of different tasks and responsibilities in order to enhance their overall contribution to the company and their
professional growth. Choice A is incorrect because downsizing reduces jobs. Choice B is incorrect because
job rotation doesn't affect the size of a corporation. Choice D is incorrect because job rotations are not a
method of evaluating performance.

87. The correct answer is A. Knowledge workers are those whose jobs are designed around the acquisition
and application of information versus workers who are skilled in a trade. Choice B is incorrect because
skilled labor was most critical in the Industrial Age and the need has declined during the so-called
Information Age. Choices C and D are incorrect because the advent of technological advances has decreased
the need for formal, large corporate infrastructures as well as the establishment of multiple physical locations
to produce a good or service.

88. The correct answer is A. A credit union is a cooperative financial institution that is owned and
controlled by its members for the benefit of its members. Therefore, choices B, C, and D are incorrect
answers to the question.

89. The correct answer is C. Sales promotions are activities that stimulate sales without being advertising
per se or personal selling. Choice A is incorrect because public relations involves communications and
activities designed to build goodwill between a business and its environment. Choice B is incorrect because personal selling involves the face-to-face presentation (or some other "live form" of presenting) to build sales and/or relationships. Choice D is incorrect because advertising involves publishing or broadcasting a message about a company, good, or service.

90. The correct answer is D. Choice A is incorrect because this describes a general ledger. Choice B is incorrect because this describes financial ratios. Choice C is incorrect because this describes an average collection period.

91. The correct answer is A. The equilibrium price refers to the profit-maximizing price at which the amount of goods demanded equals the amount of goods supplied. Therefore, choices B, C, and D are incorrect answers to the question. Choice B is the breakeven point.

92. The correct answer is C. Choice A is incorrect because this is the basis for a commission salary system. Choice B is incorrect because although this is often a factor in incentive or evaluation programs, it is not a factor in merit salary systems. Choice D is incorrect because this describes a compensation system.

93. The correct answer is B. The key word is "EXCEPT." Retailing is part of the distribution, not the promotional or media mix. Choices A, C, and D are all activities that fall under the promotional mix and, therefore, are incorrect answers to the question.

94. The correct answer is D. Choice A is incorrect because this term means a radical or quantum change in an organization. Choice B is incorrect because, in this scenario, empowerment means increasing the decision-making authority of workers. Choice C is incorrect because right-sizing means terminating people until the point at which the correct number of employees is retained to meet organizational goals.

95. The correct answer is C. A learning organization is defined as an organization that has developed the ability to continuously change and adapt to its environment. Choices A, B, and D are not definitions of a learning organization, so are incorrect answers to the question.

96. The correct answer is A. Choice B is incorrect because this describes a floating exchange rate. Choice C is incorrect because this describes a fixed exchange rate. Choice D is incorrect because this describes a forward exchange rate.

97. The correct answer is C. The Small Business Administration does not provide loans. It offers programs in which it acts as a guarantor for small business loans with banks and other lending institutions that participate in the SBA programs. Choices A and B are incorrect because the loan programs are for existing as well as start-up businesses. Choice D is partially true, but also partially false, so it's an incorrect answer to the question. The SBA does provide many nonfinancial programs for small businesses, and it does not provide loans, but it does guarantee loans.

98. The correct answer is A. The key words are "most likely." These documents are typically accessible to employees only. An Intranet site is an organization's private network accessible to employees only. Choice B is incorrect because an Internet site is accessible to the general public. Choice C is incorrect because an Extranet site allows outsiders access to the content. Choice D is incorrect because a local area network is the means by which computers are linked in a small area, not a location for content.
99. The correct answer is B. Choice A is incorrect because bearer bonds are issued by corporations and require the bondholder to submit a coupon to receive an interest payment. Choice C is incorrect because registered bonds are issued by corporations and bear the name of the holder that is then registered with the issuing company. Payment for registered bonds are automatic and do not require the submission of a coupon. Choice D is incorrect because a corporate bond is a bond issued by a company as a source of long-term funding.

100. The correct answer is D. Choice A is incorrect because a divestiture occurs when a firm sells off one or more business units. Choice B is incorrect because a merger is the union of two corporations to form one, new company. Choice C is incorrect because the parent company owns all the stock in a wholly owned subsidiary; it is not an independent company.