

1. C
To meet business goals. Effective planning and organizing are necessary in order for a business to achieve its goals. Supervisors should plan and organize the work that must be performed and assign specific tasks to employees. When all the employees in a business have been assigned clear job responsibilities, they are able to do the work necessary to accomplish the business's goals. The purpose of effective planning and organizing is to facilitate the business's operations rather than to follow procedures. A business sets minimum standards that it usually expects supervisors to meet. Planning and organizing work may involve establishing schedules to meet goals.
SOURCE: MN:723
SOURCE: pp. 121-123, Business in Action: An Introduction to Business. Bittel, L.R.; Burke, R.S.; Bilbrey, C.P., Gregg Division, Glencoe/Macmillan/McGraw-Hill, 3rd ed., 1990.
2. A
In their own interests. Managers should recognize that people act in their own interests; therefore, motivating employees to accomplish company goals requires that a manager make it possible for employees to satisfy their personal needs. Employees do not necessarily act busy, in the interest of the company, or in a nonproductive fashion.
SOURCE: MN:029
SOURCE: MN LAP 47--Staff Motivation
3. D
Transferring. Transferring employees involves reassigning them to similar jobs in other areas of the business. Many businesses use the results of performance evaluations to transfer employees on a temporary basis in order to even out staffing needs in various departments. The evaluations often indicate that employees have the ability to perform a variety of jobs and will be able to help out in other areas that are short of workers. Unionizing involves organizing workers into labor unions. Mechanizing involves using machines instead of people to perform certain tasks. Boycotting is a union strategy in which union members refuse to buy a company's products.
SOURCE: MN:022
SOURCE: p. 139, Introduction to Business: Our Business and Economic World. Brown, B.J.; Clow, J.E.; Brown, K.W., Glencoe/Macmillan/McGraw-Hill, 1993.
4. D
Explanation of company policies. An important part of most employee orientation programs is an explanation of company policies. Often, a manager or supervisor welcomes the new employees and provides a general introduction to policies, work rules, and benefits. Frequently, new employees are given a company handbook that explains company policies and procedures in detail. Human resource personnel are usually on hand during orientation to further explain and discuss the policies. Classroom training takes place after orientation. Employees are not evaluated until they have been on the job for a period of time. Corrective counseling occurs only if an employee repeatedly violates company rules and regulations.
SOURCE: MN:691
SOURCE: MN LAP 44--Orienting New Employees
5. A
Dollar. The information in an operating budget usually is presented in the numerical form of dollars. Stating the estimated dollar amount of revenue and expenses is the basis of most budgets. Seeing these figures in dollar form helps the business develop financial plans and allocate funds. Percent indicates how big a part of the whole amount one part is. Ratio is a mathematical expression of the comparison between two factors. A fraction is each of the mathematical units created when a whole number is broken down or separated into two or more equal parts.
SOURCE: MN:083
SOURCE: pp. 320-321, Business in Action: An Introduction to Business. Bittel, L.R.; Burke, R.S.; Bilbrey, C.P., Gregg Division, Glencoe/Macmillan/McGraw-Hill, 3rd ed., 1990.
6. B
Performance targets. Managers develop broad objectives for a business such as operate in a cost-efficient manner or earn a sufficient profit. They use these objectives as the basis for setting performance targets. The performance targets are the specific steps a business follows in order to achieve their main objectives. If the main objective is to earn a sufficient profit, the performance targets might include establishing policies to control spending. A business's broad objectives are not used as the basis for setting benefit levels, salary ranges, or recruitment quotas.
SOURCE: MN:074
SOURCE: pp. 225-226, Management for Productivity. Schermerhorn, J.R. Jr., John Wiley & Sons, Inc., 4th ed., 1993.

7. B
Some participants may disagree with the outcome. One of the disadvantages of group meetings is that not all participants feel that the best solution or outcome has been reached. Advantages include bringing staff and management together, encouraging cooperation, and involving employees in decision making.
SOURCE: MN:031
SOURCE: MN LAP 54--Communication and Motivation
8. C
Leadership styles. Different leadership styles result in different working environments, interpersonal relationships, communication structures, and motivational patterns. Leaders develop a style that is unique to them. The different styles have an effect on how employees communicate and work with each other on the job. Some leadership styles encourage employee feedback and initiative while others are domineering and controlling. Personnel policies deal with issues that concern employees on the job such as benefits, pay, and training. Management goals are the objectives that managers set for the business. Aptitudes are abilities needed for a specific job.
SOURCE: MN:030
SOURCE: MN LAP 41--Leadership in Business
9. C
Both serve employers and employees. Businesses can obtain workers, and workers can find jobs through either kind of agency. Government employment agencies are available to the public for free. Private employment agencies are available but charge a fee for use. Government employment agencies are supported by tax funds not by the fees charged as private employment agencies are.
SOURCE: MN:017
SOURCE: MN LAP 52--Recruiting New Employees
10. C
Personality and interest. These tests are used to measure an applicant's motivation and preferences in particular areas. Work samples determine an applicant's skill level. Polygraph tests determine an applicant's truthfulness. Aptitude and intelligence tests are designed to measure a person's natural ability to acquire competence in a particular discipline.
SOURCE: MN:018
SOURCE: MN LAP 51--Selecting New Employees
11. B
Production and quality of work. Training and human resource development benefit businesses by contributing to an increase in their profits. Training increases employees' knowledge of job skills and processes and improves their ability to deal with customers effectively. As a result, their production and quality of work increases which result in increased profits for the business. Training and human resource development decrease employees' rate of turnover and their need for supervision. Training does not necessarily increase employees' salaries and benefits packages which often are regulated by number of years on the job and level of authority.
SOURCE: MN:019
SOURCE: MN LAP 42--Training and Human Resource Development
12. D
Understudy. The understudy method involves having the employee who has been specifically designated to succeed his/her superior learn job-knowledge skills from that superior. This gives the employee a chance to learn the necessary skills without having to be responsible for the results. This training method differs from coaching which occurs when a manager or supervisor is assigned a "coach" to set goals, give assistance in reaching goals, and give ongoing performance feedback. Job rotation involves rotating trainees periodically from one job to another to broaden the trainees' perspective of the business. Role-playing involves giving trainees a situation and assigning them roles to play without a script.
SOURCE: MN:024
SOURCE: MN LAP 50--Manager/Supervisor Training
13. C
Attitude. The subjective method of evaluation allows managers to judge an employee's performance based on personal characteristics such as attitude. The basis of evaluation depends on whether the manager thinks the employee has a positive or negative attitude on-the-job. This is not always a fair method of evaluation because an employee's attitude does not necessarily affect his/her ability to perform effectively. It is illegal for managers to evaluate employees based on their gender. Managers who consider an employee's productivity are using an objective evaluation method. An employee's education is a factor in the hiring process, not in the evaluation process.
SOURCE: MN:021
SOURCE: pp. 408-409, Management: Comprehension, Analysis and Application. Gatewood, R.D.; Taylor, R.R.; Ferrell, O.C.; Irwin, 1995

14. A
Business. The business is responsible for providing proof that an employee has violated company standards, rules, or regulations. Records, in the form of time cards, examples of below-standard work, written complaints from customers, and summaries of appraisal conferences provide the necessary evidence to support the employer's position. Customers may file complaints, but they are not responsible for proving that an employee has violated company regulations. Courts have imposed legal restrictions on businesses' taking remedial action against employees. Unions generally support their members in disputes with management unless the business has maintained accurate and complete records substantiating an employee's violation of regulations.
SOURCE: MN:047
SOURCE: MN LAP 53--Remedial Action
15. A
Product catalogs. A sales-support budget includes those items necessary to support the business's sales effort. It would include the funds necessary to provide salespeople with product catalogs that they can use as selling tools. The sales-support budget also would include funding for other types of selling aids such as videotapes, manuals, and product samples. Businesses do not provide salespeople with personal automobiles although they might provide company cars. Most businesses set a limit on salespeople's expenses. A business's operating budget includes the funding for regular salaries.
SOURCE: MN:061
SOURCE: pp. 547-549, Effective Selling. Hair, J.F. Jr.; Notturmo, F.L.; Russ, F.A., South-Western Publishing Co., 8th ed., 1991.
16. D
Increased absenteeism. Listening to employees' complaints is not enough—management must take action to resolve employees' dissatisfaction. If the business does not take action, complaints might turn into major controversies that result in an increase in absenteeism. By being absent from work more often, employees are telling a business that they are dissatisfied with the way they are being treated. By refusing to respond to employees' complaints, a business might also experience an increase in vandalism, a decrease in production, and an increase in turnover.
SOURCE: MN:034
SOURCE: MN LAP 45--Handling Employee Complaints
17. D
Image. Image is the view that customers have about a business. A business's interior appearance creates a certain feeling which has an effect on the business's image. A plain, no-frills interior might portray an image of economy, whereas an expensively decorated interior might give the feeling of status and quality. A policy is a general rule to be followed by company personnel. Credit is the ability to obtain products or money based on a promise to pay later. A debt is the amount of money a business owes to others.
SOURCE: PP:002
SOURCE: pp. 478-479, Retail Management. Lusch, R.F.; Dunne, P.; Gable, M., South-Western Publishing Co., 1990.
18. C
Sell it at the same price as older models. Customers would expect the new model to meet the same standards as the original model. Since the new model does not meet these standards, it might confuse and possibly irritate customers if this model was sold at the same price as older models. Baker might scrap the new model and design a new model that meets the standards or rework the new model so that it meets the standards. Baker should sell the new model at a lower price because it does not meet the minimum industry standards.
SOURCE: PP:019
SOURCE: PP LAP 8--Grades and Standards
19. C
Position. Brand position is the way consumers see the brand as compared to competitive brands. In brand positioning, the marketer's goal is to separate the brand from its competitors by defining the product's unique characteristics. Brand extension involves using successful brands to introduce new products. Brand licensing involves legal authorization by a brand owner to allow another company to use the brand in exchange for a fee. Brand maintenance means protecting the brand, updating the brand, and evaluating brand strategies.
SOURCE: PP:021
SOURCE: PP LAP 6--Branding

20. B

Target market. Each business must determine the target market for its products. Items in the product mix should be chosen on the basis of their ability to satisfy the needs and wants of those customers. Therefore, if a business decides to add a new product, it should make sure that the product will appeal to its target market. Businesses do not add products that appeal to competitors, although they may add a new product in order to match the offerings of competitors. Businesses do not decide to add new products on the basis of their appeal to the sales staff or to stockholders.

SOURCE: PP:003

SOURCE: PP LAP 3--Product Mix

21. B

Level of service. Level of service is the number and types of services which a company offers its customers and the speed at which those services are performed. Albert's distribution decision is based on improving service by adding a private delivery company that the business would be able to use to accommodate customers and maintain an appropriate distribution system for the business. The company is concerned with using the distribution system that will provide the best service rather than a distribution system based on the type of product, needs of employees, or the number of competitors.

SOURCE: DS:001

SOURCE: DS LAP 1--Distribution

22. D

Perpetual inventory control with scanners at the cash registers. The scanners automatically register the color and size of each item purchased and deduct the items from the inventory. The perpetual inventory control system maintains a running count of the items in stock, so the business has current information about which items are selling quickly and need to be reordered. Perpetual inventory control without scanners would require specialized workers to continually count the items in stock. Periodic inventory control with scanners would require specialized workers, and the information they collected would be out of date. Periodic inventory control without scanners would be time consuming and provide out-of-date information.

SOURCE: DS:019

SOURCE: DS LAP 2--Inventory Control Systems

23. D

Tickler control. Apogee Products will count its products on a rotating basis, counting only a portion of the inventory at a time. This is referred to as tickler control. When employees simply look over the stock from time to time to see what is in short supply, they are using visual control. A physical count determines the precise amount of stock on hand at the time of the count by tallying each unit of stock. Circular count is not a type of unit inventory control.

SOURCE: DS:022

SOURCE: DS LAP 3--Unit Inventory Control Systems

24. C

71. To determine inventory shrinkage, add the previous unit stock count to the unit purchases to obtain the total number of units handled. From this figure, subtract the net sales transactions to determine the perpetual inventory. Compare the perpetual inventory to the periodic stock count to determine inventory shrinkage or overage. In this case, the perpetual inventory is greater than the periodic stock count; thus, shrinkage has occurred.

Previous unit stock count	5,636
+ Unit purchases	2,842
= Total units handled	8,478
- Net sales transactions	4,332
= Perpetual inventory	4,146
- Periodic stock count	4,075
= Inventory shrinkage	71

SOURCE: DS:026

SOURCE: DS LAP 4--Inventory Shrinkage

25. A

Daily sales lists. Small businesses that do not sell large quantities of goods each day may review daily sales lists in order to determine the number of items remaining in inventory. Then they may manually record this information on inventory sheets in order to maintain the unit inventory control system. Maintaining the inventory system by hand is effective if the business stocks and sells a limited number and type of item. Monthly expense reports indicate how much the business is spending to operate each month. Weekly purchase orders indicate the quantity of items being purchased. Annual profit statements indicate how much money the business is earning or losing.

SOURCE: DS:027

SOURCE: p. 517, Retail Merchandising: Consumer Goods & Services. Samson, H.E.; Little, W.G., South-Western Publishing Co., 11th ed., 1993.

26. C
Purchase insurance. One way that businesses deal with risk is to purchase insurance to cover financial loss. There are many types of insurance that businesses can obtain to protect them from loss due to natural disasters, theft, accidents, illness, product liability, etc. By purchasing insurance, businesses transfer the risk to insurance companies that will reimburse the businesses for all or part of their financial losses. Businesses do not deal with risk by eliminating competition, consolidating inventory, or organizing information.
SOURCE: RM:001
SOURCE: pp. 606-607, Marketing Foundations and Functions. Burrow, J.; Egglund, S., South-Western Publishing, 1995.
27. B
Closed-circuit television. Major Company should implement closed-circuit television to monitor business activity. Closed-circuit television is a device that managers and security personnel can use to monitor activities inside and outside of a business. Electronic sensors are a security device that are attached to goods. If someone leaves the building with an item while the tag is still attached, the sensor will set off an alarm at the exit. Convex, one way, and two-way mirrors are security devices that allow employees and security personnel to keep a close eye on customers. Undercover shoppers are security personnel hired by the business to pose as customers in order to detect employee dishonesty.
SOURCE: RM:003
SOURCE: RM LAP 4--Security Precautions
28. B
Workers' compensation. Since Acme Co. provides workers' compensation insurance for its employees, Henderson was able to receive monetary benefits and stay at home while his ankle healed. Workers' compensation is insurance purchased by employers to provide benefits to employees who are injured on the job. Business security is something that provides protection for the business or its property. Surety bonds are guarantees that protect a business when another person or business fails to fulfill the terms of a contract between them. Fidelity bonds are insurance coverage that protect a business from losses due to employee theft.
SOURCE: RM:012
SOURCE: RM LAP 3--Handling Accidents
29. D
Interpret. One of the purposes of a complex written report is to interpret, or analyze, information that pertains to a specific business problem or topic. Complex written reports usually contain a lot of information that must be interpreted in order to be useful to the business. Conclusions are formed based on the interpreted information and then recommendations are made. Information is collected before it is presented in a complex written report. A complex written report may contain unique or confidential information that a business would not want to publicize. Although information is arranged in a complex written report, that is not the purpose of the report.
SOURCE: CO:009
SOURCE: pp. 416-417, Business English and Communication. Clark, L.R.; Zimmer, K.; Tinervia, J., Glencoe/McGraw-Hill, 8th ed., 1995.
30. A
Do their jobs. Employees who are given clear work instructions usually are able to do their jobs well. They have a good understanding of what they are to do and how they are to do it. They do not need to waste time trying to figure out what to do but are able to perform their jobs satisfactorily. If managers do not give clear work instructions, employees may need to ask questions. Employees usually do not teach skills but may learn new skills by following a manager's instructions. Employees are expected to follow a business's rules.
SOURCE: CO:139
SOURCE: pp. 116-117, Working Smart. Schulman, M.; Kowadlo, B.F., South-Western Publishing Co., 1995.
31. A
Ensuring customer satisfaction. By ensuring customer satisfaction, salespeople make sure that all of the customer's needs and wants have been satisfied. In this situation, Sally is ensuring that all of Fred's needs and wants are being satisfied. Salespeople often influence purchase decisions, but they do not determine them. Because Sally did not know Fred was going to be at the business that day, she did not plan what she would say to him. Selling communications and stylistic planning are not parts of the selling definition.
SOURCE: SE:017
SOURCE: SE LAP 117--Selling

32. C
Social concerns. Society may express social concerns about goods offered by a business such as hairsprays containing harmful propellants. In response to these concerns, companies might change product formulation, making the items more expensive. The actions of competitors would not be considered when addressing this environmental issue. Human resources and production capacity are internal factors.
SOURCE: SE:932
SOURCE: SE LAP 121--Selling Policies
33. D
Emphasize manufacturer's claims and suggest care techniques. Both of these are characteristics of a fact-finder personality. Jan has a fact-finder personality. You should show her a variety of products but you demonstrate goods for the practical or frugal customer. When you meet an informed customer, you need to know what facts to give and to reassure them of the value. A fact finder will want the salesperson to exhibit confidence with tact, but it is the informed customer that will want to know what is new.
SOURCE: SE:810
SOURCE: SE LAP 112--Addressing Individual Needs
34. A
Buying motives. Buying motives are the reasons or benefits that cause people to make a purchase to satisfy wants and needs. Listening closely to customers and concentrating on what they are saying is a technique that helps salespeople determine their customers' buying motives and complete successful sales transactions. In order to do that, salespeople must stop talking because they cannot hear what customers are saying when they are talking or thinking about what to say next. While listening to customers, salespeople may also determine their customers' unique interests, career goals, and personal traits. By knowing customers' interests, goals, and traits, salespeople can determine and use customers' buying motives in completing successful sales transactions.
SOURCE: SE:883
SOURCE: SE LAP 109--Using Buying Motives Part II
35. A
Expressing appreciation to the client. By writing a thank-you note or making a simple follow-up phone call, salespeople are showing customers that they are interested in their satisfaction. These efforts make the salesperson-client relationship strong. Showing an interest in the client's business indicates that the salesperson is aware of the customer's needs and wants and will help to develop a solution. Doing favors for customers must be done with caution. Possessing the ability to handle mistakes with care refers to the ability to take responsibility for the mistake and take proper measures to correct it.
SOURCE: SE:828
SOURCE: SE LAP 115--Building Clientele
36. A
Developing a financial plan. The development of a financial plan is the most critical step in reducing business risk. The goal of the financial plan is to reduce the need for capital to the lowest possible level and still produce the desired profit. Managers need to become familiar with financial terms and with the five financial tools that are used to make the necessary estimates in order to alter their marketing strategy to reflect financial realities. Organizing an inventory system, installing a telephone code, and preparing an employment policy are not steps in reducing business risk.
SOURCE: RM:002
SOURCE: RM LAP 1--Risk Management
37. A
Discovering client needs. Discovering client needs involves asking customers questions in order to determine what they are looking for. In this situation, the sales associate was working with Steve to determine exactly what it would take to fulfill his need. Establishing relationships involves the initial contact the salesperson has with the customer. Reaching closure involves identifying customer objections and completing the transaction. Prescribing solutions to needs involves the salesperson offering solutions to the customers' needs.
SOURCE: SE:048
SOURCE: SE LAP 126--The Selling Process
38. B
The intended use of the product. When a customer is undecided, a salesperson should try to find out the intended use of the product in order to help the customer reach a decision. Asking how much they want to pay is inappropriate most of the time. If customers are undecided, they don't know which product they want or how many they want.
SOURCE: SE:024
SOURCE: SE LAP 114--Questioning

39. B
Service and warranty. This customer needs to be reassured of the service after the sale. He needs to know company policies related to the repair of the product and warranty information. He needs to feel comfortable with this company. The product uses for this customer are not a concern as much as the service aspect. This customer isn't concerned with having the prettiest product on the market, just in knowing that the one he has will work properly or be repaired promptly. This customer's biggest concerns do not have to do with the novelty of the product, just in knowing if anything happens, it can be corrected.
SOURCE: SE:873
SOURCE: SE LAP 113--Feature-Benefit Selling
40. A
Inquiry. In this method of handling objections, the salesperson asks questions of customers to enable customers to answer their own objections. Asking questions allows the salesperson to learn more about what features and benefits the customers want in the product. Asking questions often encourages customers to compare products which helps them to identify differences and answer their own objections. Show 'em is the demonstration method of handling objections. In the "deny it" method of handling objections, the salesperson directly denies the customer's objection. In the "yes, but. . ." method of handling objections, the salesperson tactfully acknowledges an objection and then courteously answers the objection without directly contradicting the customer.
SOURCE: SE:874
SOURCE: SE LAP 100--Handling Objections
41. C
"I feel we've narrowed your favorites down to these two selections. Which one fits your needs best, Mr. Travis?" In a choice close, a salesperson helps a customer reach a buying decision by reducing the number of items from which to choose and then asking the customer to choose between the remaining ones. The statement concerning the items being an excellent choice is an example of a direct close. The statement asking to deliver the product is an example of an assumption close. The statement offering a free gift is an example of a bonus close.
SOURCE: SE:895
SOURCE: SE LAP 107--Closing Sales
42. A
Value. Value is the amount of satisfaction a good or service will provide a customer. Salespeople often stress the value of goods and services when selling to undecided customers who want to buy but don't know what they want. Salespeople need to sell these customers on the value and benefit of the items in order to encourage them to make a selection and buy. The customers want to buy, but salespeople must help them make buying decisions by selling the value and benefits of the goods and services. Quantity is amount or volume. Loyalty involves being faithful and keeping promises.
SOURCE: SE:046
SOURCE: pp. 148-149, Selling: Helping Customers Buy. Ditzenberger, R.; Kidney, J., South-Western Publishing Co., 3rd ed., 1992.
43. A
Follow up. Follow-up is the determination of a customer's satisfaction with a good or service after the sales presentation. Follow-up is essential for maintaining long-term buyer-seller relationships. Customers appreciate a salesperson's effort to make sure they are satisfied or to correct any problems. Follow-up leads to satisfied customers who frequently become long-term buyers. Salespeople do not set quotas, manage time, or raise prices in order to maintain long-term buyer-seller relationships.
SOURCE: SE:057
SOURCE: SE LAP 119--Follow-up Techniques
44. D
Update information. In order to be successful, salespeople must develop, utilize, and maintain accurate, complete records, which includes updating their prospect files regularly. If a client moves or the contact changes, a salesperson should note this information in the prospect file. If a client goes out of business, the card should be removed from the file. All information must be accurate and up-to-date. Maintaining prospect files does not involve establishing goals, organizing statistics, and prioritizing data; however, these are other steps in the prospecting process.
SOURCE: SE:001
SOURCE: SE LAP 116--Prospecting

45. A
Price changes. Company promotional materials, such as advertising, often contain information about the price of a product. Frequently, the focus of the advertisement is that the price of the product has been changed or reduced. Salespeople can use this information to sell the product by telling customers that the product is on sale at a reduced price. A company's business hours and location might be included in its promotional materials, but that is not product information. Businesses usually do not promote information about their competitors.
SOURCE: SE:012
SOURCE: p. 582, Marketing Foundations and Functions. Burrow, J.; Egglund, S., South-Western Publishing, 1995.
46. C
Visiting manufacturing facilities. Many manufacturers regularly invite business managers to visit their facilities in order to acquaint them with the production process. During the visit, business managers learn valuable information about the design, construction, and quality of the products they sell. Managers then are able to share this information with their salespeople. Attending press conferences, touring advertising agencies, and joining professional organizations will not provide managers with detailed product information.
SOURCE: SE:045
SOURCE: p. 98, Creative Selling. Faria, A.J.; Johnson, H.W., South-Western Publishing Co., 5th ed., 1993.
47. B
Obtain any special delivery instructions. Telephone order processors need to obtain any special delivery instructions from the customer in order to correctly fill a customer's request. Some customers may want their orders shipped by overnight air in order to receive them quickly, while others may request parcel post in order to reduce the cost of shipping. Sometimes, customers order items that are to be delivered as a gift to another person at a different address. Order processors need to make sure that they accurately record the delivery instructions so the orders are shipped correctly. Telephone order processors would not suggest competitors' products. They have access to current pricing information at all times and would not need to ask a manager. Order processors should give their full attention to customers rather than doing other work while listening to the customer.
SOURCE: SE:835
SOURCE: p. 442, Retail Merchandising: Consumer Goods & Services. Samson, H.E.; Little, W.G., South-Western Publishing Co., 11th ed., 1993.
48. C
Fair. The company ignored the fact that in order to be effective, quotas must be fair and should be based on an individual salesperson's ability and territory. Salespeople with larger territories will be able to sell more than salespeople with smaller territories. Companies should set quotas that are fair and realistic rather than too high or too low. It is not always possible or desirable for quotas to be equal for all salespeople.
SOURCE: SE:864
SOURCE: SE LAP 118--Sales Quotas
49. A
Improved customer relations. Sales training ensures that representatives treat customers similarly and consistently. Customers appreciate trained sales representatives who can help solve problems and know how to serve their customers. Therefore, many companies train salespeople in order to get and retain customers. Other benefits of sales training include decreased employee turnover, improved performance level, and increased sales.
SOURCE: SE:055
SOURCE: SE LAP 123--Sales Training
50. D
Executive summary. An executive summary is a brief synopsis of the most important points in a company's business plan. The summary is intended to get the reader's attention and to explain the interesting aspects of a business and why it should be granted credit. The executive summary encourages potential lenders to read the entire business plan which contains all of the financial information needed for a credit application. A disbursement journal is an accounting record for recording daily expenditures. A labor contract is an agreement between a union and a company outlining the wages, fringe benefits, and rules under which employees will work. A promissory note is a legal form signed by a borrower promising to repay a loan.
SOURCE: FI:004
SOURCE: p. 261, Entrepreneurship and Small Business Management. Meyer, E.C.; Allen, K.R., Glencoe/Macmillan/McGraw-Hill, 1994.

51. C
Credit card. Business owners may use their personal credit cards to obtain cash if that is the only option available at the time. Using credit cards is an expensive way to obtain cash because the interest rate charged by credit card companies usually is much higher than that charged by financial institutions. Obtaining a bank loan is one of the most commonly used ways of getting needed cash and one that businesses probably would use first. Business owners often use their personal funds if they need cash quickly because the cash is immediately available, and there are no finance charges. Trade credit involves negotiating a long repayment time with suppliers in order to maintain cash flow. Many businesses routinely negotiate trade credit because it is not expensive.
SOURCE: FI:023
SOURCE: pp. 307-308, The Language of Small Business. Trautmann, C.O., Upstart Publishing Co., Inc., 1994.
52. D
To remain competitive. Businesses need to be aware of the prices being charged by similar businesses in the area. One business would not want to charge significantly more than its local competitors are charging for similar goods and services. If a business does not monitor what others are charging and sets high prices, it might lose customers because it is not competitive. Businesses do not keep track of the prices that similar businesses are charging in order to improve their advertising, offer new services, or promote an image. However, businesses may follow the lead of their competitors when developing advertising, offering new services, and promoting an image.
SOURCE: PI:001
SOURCE: PI LAP 2--Pricing
53. B
\$50. Break-even point is the level of sales at which revenues equal total cost. To find break-even, first identify the costs and revenues and classify costs as fixed or variable. \$45 rental is a fixed cost. \$10 for 10 pounds of corn, seasoning, and bags is a variable cost. Calculate the variable cost per unit. $\$10 + 100 \text{ bags} = \$.10 \text{ per bag}$. Subtract the variable cost per unit from the selling price to obtain the variable-cost margin. $\$1.00 - \$.10 = \$.90$. Divide the total fixed costs by the variable-cost margin to determine the break-even point ($\$45 + \$.90 = 50$). To express break-even in dollars, multiply the number of units needed to break even by the selling price per unit ($50 \times \$1.00 = \50).
SOURCE: PI:006
SOURCE: PI LAP 4--Calculating Break-Even
54. B
Customer reaction. A business's target market, image, decor, advertising, and selling objectives determine, and must be consistent with, its pricing objectives. Customers did not want higher priced items from the business and did not purchase them. Although demand for the items at the high price is an issue, no information indicated that supply is a problem. Future markdowns will probably be necessary, but this is not a factor at this point. Competing products could be a factor with their competition, but this business went against its image and what its customers expected.
SOURCE: PI:004
SOURCE: PI LAP 6--Company Pricing Policies
55. B
Gather cost information. An important step in setting the prices of goods or services is gathering complete information on the cost of selling the good or service. This information includes how much it costs to produce, buy, transport, market, etc., the specific good or service. Businesses need this information in order to set prices that adequately cover all the selling costs and also earn a profit. Obtaining credit reports, reviewing advertising data, and analyzing marketing plans are not steps in setting the prices of goods or services.
SOURCE: PI:007
SOURCE: pp. 285-286, Marketing Practices and Principles. Mason, R.E.; Rath, P.M.; Husted, S.W.; Lynch, R.L., Glencoe, Macmillan/McGraw-Hill School Publishing Co., 5th ed., 1995.
56. A
New. Markdowns expressed as a percentage are calculated by subtracting the new price from the original price and dividing the difference by the new price. For example, an item priced at \$75 is marked down to \$50. To calculate the markdown expressed as a percentage, subtract the new price from the original price to determine the difference ($\$75 - \$50 = \$25$), and divide the difference by the new price ($\$25 + \$50 = .50$ or 50%). The difference between the new price and the original price is not divided by the list price, the original price, or the wholesale price.
SOURCE: PI:008
SOURCE: pp. 283-284, Marketing Fundamentals. Husted, S.W.; Varble, D.; Lowry, J.R., Delmar Publishers, Inc., 1993.

57. D
Deception. Some promotions are deceptive because they make false or exaggerated claims about a product. Losing seven pounds in one week is a false claim about a product. Offensiveness involves being insulting to the customer. Some promotions reinforce stereotypes through portrayals of women or minorities. Fear involves focusing on people's insecurities.
SOURCE: PR:002
SOURCE: PR LAP 4--Types of Promotion
58. C
Advertising. Advertising is any paid form of nonpersonal presentation of ideas, images, goods, or services. It is the most visible element of the promotional mix because it can be delivered to a wide range of consumers through a variety of mass media. Sales promotion includes promotional activities other than advertising, personal selling, and publicity which stimulate consumer purchases. Publicity is any nonpersonal presentation of ideas, goods, or services that is not paid for by the company or individual which benefits from it. Personal selling is the form of promotion that uses planned, personalized communication in order to influence purchase decisions and enhance future business opportunities.
SOURCE: PR:003
SOURCE: PR LAP 1--Promotional Mix
59. C
Regional magazines. Regional magazines are intended for audiences within a certain geographic area. Some regional magazines are circulated on a statewide basis, such as *Arizona Highways*. These publications appeal to customers within their state and attract advertisers who want to reach that specific market. A statewide chain of specialty businesses might choose to advertise in a regional magazine in order to reach a large number of potential customers who live in the area that the chain serves. Suburban radio stations and transit advertising serve only certain suburban and city areas and would not reach customers in the chain's entire area. National television would reach customers far beyond the chain's geographic area.
SOURCE: PR:007
SOURCE: PR LAP 3--Types of Promotional Media
60. D
Target audience. A newspaper's target audience is the number of consumers who are considered to be regular readers of the paper. When calculating cost per thousand (CPM), a business takes into consideration a newspaper's cost per column inch as well as the size of its target audience. The purpose of calculating cost per thousand is to determine how much it will cost to reach 1,000 customers. The formula for cost per thousand is cost per column inch times 1,000 divided by the size of the target audience. Businesses use this formula when deciding which newspaper or other medium is the most economical vehicle to use for advertising. Circulation area is a geographic size and does not refer to the number of consumers. Delivery system is the way that newspapers are transported and delivered to consumers. A business's local competitor is not part of the formula for calculating cost per thousand.
SOURCE: PR:009
SOURCE: PR LAP 6--Calculating Media Costs
61. B
Flighting. Flighting is a media timing strategy that concentrates promotion during peak sales periods. Pulsing is a media timing strategy that involves regular, intermittent bursts of advertising. Spacing is not a type of media timing strategy. Continuous is a media timing strategy that emphasizes a steady, even scheduling of media following a regular pattern.
SOURCE: PR:010
SOURCE: PR LAP 5--Selecting Advertising Media
62. A
Under actual market conditions. An advantage of posttesting promotions is that the effectiveness of the promotions can be evaluated under actual market conditions when consumers are seeing or hearing the promotions. Businesses can test consumers' responses to the promotions and measure if the promotions are having the desired effect. Posttesting is often costly and time consuming, but it is the most effective way of evaluating promotions. The pretesting of promotions often occurs before launching a major campaign, during the developmental stage, and while scheduling media space.
SOURCE: PR:013
SOURCE: pp. 197-198, Contemporary Advertising. Arens, W.F.; Bovee, C.L., Irwin, 5th ed., 1994.

63. C
Testimonial. A testimonial is a statement by an identified user of a product, proclaiming the benefits received from the use of the product. Comparisons occur when the features or claims that are stated in the copy are compared with those made for competitive products. An endorsement cites a reputable outside source to strengthen the sales message. A tag line is a slogan used in an advertisement.
SOURCE: PR:014
SOURCE: PR LAP 7--Parts of Print Ads
64. D
Prepare an outline. There are several steps that advertising copywriters can follow in order to develop effective copy. One of these steps involves preparing an outline that will help the copywriter organize information and ideas. An outline will provide structure for the copy by listing the main points to cover. Before preparing an outline, copywriters usually gather information in order to identify the audience and develop a theme. This activity is not one of the steps in the step-by-step procedure that copywriters follow in writing copy. Copywriters usually try to avoid using passive voice because it creates less effective copy than the use of active voice.
SOURCE: PR:016
SOURCE: PR LAP 9--Preparing Print Ad Copy
65. D
Correct typographical errors. One of the main reasons for checking advertising proofs is to find typographical errors and mark them on the proof so that corrections can be made. Businesses do not want ads to appear in print if they contain typographical errors such as misspelled words or incorrect prices. The only way to make sure that ads are correct is to carefully check the proofs before the ads are printed. The printing technique used depends on the medium the ad is running in and the quantity. Businesses do not check advertising proofs in order to revise production schedules or to replace outdated typefaces.
SOURCE: PR:021
SOURCE: p. 525, Advertising: Planning, Implementation, and Control. Nylen, D.W., South-Western Publishing Co., 4th ed., 1993.
66. B
Hold a news conference. A news conference, or press conference, is a meeting to which the business invites members of the media in order to make an announcement to all media at one time. This gives all media equal access to the information and prevents any problems that might arise if one medium is given an important story ahead of another. A business holding a news conference might hand out press kits which include articles and pictures about the topic being publicized. A fact sheet is a list of basic information about a person, place, or thing that often is mailed to the media so it arrives at different times. A radio announcement is intended to be used only by radio stations.
SOURCE: PR:055
SOURCE: PR LAP 8--Promoting Through Publicity
67. A
Promotional plan. A promotional plan is a framework for the promotional activities of a business. A business must identify its target market, the group of customers it wants to attract, before it can begin to develop a promotional plan to effectively reach those customers. For example, the promotional plan a business develops to appeal to senior citizens might be very different from the type of plan it designs to appeal to young adults. A distribution channel is the path a product takes from producer to consumer. A production schedule establishes the timetable to be followed in production. The receiving process is all of the activities involved in accepting delivery of goods and preparing them for sale to customers.
SOURCE: PR:073
SOURCE: pp. 534-536, Marketing Foundations and Functions. Burrow, J.; Egglund, S., South-Western Publishing, 1995.
68. A
Price. Many businesses select products to promote based on their price. They often select products to promote that they can sell at a price that is lower than the price offered by their competitors. Businesses that promote products based on price do so in order to attract customers away from their competitors. A tariff is a tax levied by a government on imports. Credit is the ability to obtain products or money based on a promise to pay later. Quotas are specific goals to be met.
SOURCE: PR:074
SOURCE: p. 338, Retail Buying. Diamond, J.; Pintel, G., Regents/Prentice Hall, 4th ed., 1993.

69. B
 Special events. Special events are promotional activities that may include a wide variety of activities such as lectures, demonstrations, and celebrity appearances. A business should coordinate its advertising and special events in order to obtain the maximum results. The advertising will inform customers of the special events, and once these customers have been drawn into the business, the sales staff will have the opportunity to encourage them to buy. Market trips involve the buyers for a business visiting a certain market in order to purchase products for resale. Trade shows are exhibitions at which manufacturers and suppliers in a particular industry display their goods. Customer services are activities, such as free delivery and gift wrapping, that increase customer satisfaction and create goodwill.
 SOURCE: PR:076
 SOURCE: pp. 349-350, Retail Buying: From Staples to Fashions to Fads. Clodfelter, R., Delmar Publishers Inc., 1993.
70. B
 Competitors' spending. New businesses that do not have other guidelines, such as past sales records, might take into consideration their competitors' level of spending when preparing their own advertising budgets for the coming year. Businesses usually try to plan their advertising budgets in order to remain competitive, which involves spending a comparable amount of money promoting their goods and services. A new business would not take into consideration its suppliers' schedules when preparing an advertising budget. Government does not regulate advertising budgets. Communities do not have expectations of how much businesses should spend on their advertising.
 SOURCE: PR:070
 SOURCE: pp. 255-257, Advertising: Principles and Practice. Wells, W.; Burnett, J.; Moriarty, S., Prentice-Hall, 3rd ed., 1995.
71. C
 To have more money available for promotions. By using cooperative advertising, businesses obtain funds from the producers of goods to help pay for the business's advertising expenses. This enables businesses to increase the amount of money they have available to spend on promotional activities. Businesses may use the cooperative advertising funds to purchase local advertising and spend their own advertising funds to sponsor other types of promotional activities. Businesses do not obtain cooperative advertising in order to negotiate discounts on finance charges, arrange for marketing-research studies, or get personal attention from representatives.
 SOURCE: PR:071
 SOURCE: pp. 718-719, Advertising: Principles and Practice. Wells, W.; Burnett, J.; Moriarty, S., Prentice-Hall, 3rd ed., 1995.
72. A
 \$30.45. The algebraic equation for determining gross profit is $GP = SP - C$, or selling price - cost = gross profit. To calculate the gross profit in this problem, subtract the cost of the item from the selling price ($\$46.95 - \$16.50 = \$30.45$).
 SOURCE: MA:103
 SOURCE: MA LAP 44--Algebraic Expressions
73. C
 \$27,200. A business calculates net loss or net income by subtracting the cost of merchandise sold from the net sales to determine gross margin ($\$384,600 - \$235,250 = \$149,350$). Then, the business deducts total operating expenses from gross margin to calculate net income or net loss. In this case, operating expenses are greater than the gross margin; therefore, the business deducts gross margin from operating expenses to calculate net loss ($\$176,550 - \$149,350 = \$27,200$).
 SOURCE: MA:352
 SOURCE: pp. 177-186, Marketing Math. Stull, W.A., South-Western Publishing Co., 3rd ed., 1991.
74. D
 A broad view of customers' changing buying patterns. The scope of marketing has become wider and more complicated, and product life cycles have become shorter. Customers buy the same items for a shorter amount of time, which means that businesses must bring out new products at a faster rate. A marketing-information management system helps businesses to track buying trends and develop new products to meet consumer demand.
 SOURCE: IM:001
 SOURCE: IM LAP 2--Marketing-Information Management

75. A
Sales forecasts. Sales forecasts are predictions of what a firm's sales will be during a specific future time period using a certain marketing plan. Many businesses say that the sales forecast is the cornerstone of their planning and is used as the basis for making a wide variety of decisions. Sales forecasts help a business to allocate funds by indicating what the company's cash flow is expected to be. Sales forecasts tell a business what amounts of materials and equipment will be needed to produce the products it expects to sell. Personal budgets are the budgets of individuals. Credit policies are guidelines for businesses to follow in controlling the use of payment plans that allow customers to purchase now and pay later. Financial quotas are quotas that attempt to relate sales to an organizations' total expenses or profits.
SOURCE: IM:003
SOURCE: IM LAP 3--Nature of Sales Forecasts
76. D
Seasonal factors. A business's sales potential is an estimate of how much of its goods or services it can realistically expect to sell. A business's sales potential is affected by seasonal factors because certain products sell better during certain times of the year than they do during other times. Sleds, skis, snowblowers, and shovels sell during the winter, but there is little demand for them during warm weather. A business selling those goods would have high sales potential in the winter but low sales potential in the summer. Personal issues, research methods, and labor standards do not have an effect on a business's sales potential.
SOURCE: IM:007
SOURCE: p. 121, Entrepreneurship and Small Business Management. Meyer, E.C.; Allen, K.R., Glencoe/Macmillan/McGraw-Hill, 1994.
77. D
Reduce prices. A business that wants to increase its market share might try reducing prices in order to take sales away from competitors. Lower prices may encourage customers to buy from one business rather than others. For example, if one candy manufacturer lowered its prices, it might increase its market share until competitors also lowered their prices. Decreasing costs, lowering salaries, and cutting discounts might save a business money but would not necessarily increase its market share unless those savings were passed on to consumers.
SOURCE: IM:008
SOURCE: pp. 380-381, Marketing Essentials. Farese, L.S.; Kimbrell, G.; Woloszyk, C.A., Glencoe McGraw-Hill, 2nd ed., 1997.
78. A
Top-down approach. In the top-down approach, the sales forecast is prepared for the company as a whole. The forecast may then be broken down into forecasts for specific areas of the company. In the bottom-up approach, the sales forecast is prepared by starting with separate forecasts for specific products, salespersons, territories, etc. Jury of executive opinion and the Delphi technique are both methods of forecasting.
SOURCE: IM:009
SOURCE: IM LAP 4--Forecasting Sales
79. C
Yes, businesses sometimes have more than one marketing-research objective. Businesses may have one or more than one objective for their research, e.g., exploring a situation and testing solutions. They do not usually combine several objectives as this is not likely to be cost-effective or efficient.
SOURCE: IM:010
SOURCE: IM LAP 5--Nature of Marketing Research
80. A
Organized work area. An unorganized work area often causes a lot of time to be wasted on the job. Employees who have cluttered desks often have trouble finding what they need and spend time looking for materials. Employees can make the best use of their time by keeping their work areas organized and arranged so that everything they need is within easy reach. Employees are entitled to a certain amount of time for a daily lunch break. Communication should not be limited but should be sufficient to meet the needs of the employees doing the work. Strict supervision does not necessarily promote the best use of time.
SOURCE: HR:044
SOURCE: HR LAP 22--Time Management

81. C
Summarize benefits. Slow/Methodical customers need to have the salesperson draw out the needed information, to be treated patiently, and to have the benefits of the good/service summarized in order to guide them to a close. The other three approaches are aimed at the domineering/superior type, who need to do most of the talking, be complimented and praised, and allowed to sell themselves on the good/service.
SOURCE: HR:045
SOURCE: HR LAP 21--Handling Difficult Customers
82. B
Decentralized purchasing structure. A decentralized structure is a way of organizing purchasing in which responsibility and authority are distributed among many departments and individuals. Centralized purchasing structure is a way of organizing purchasing in which responsibility and authority are held in one department and/or by a few individuals. Concentrated buying strategy is a tactic of purchasing from only a few suppliers that is used to gain more favorable prices and better relations. Dispersed buying strategy is a tactic of purchasing from many vendors, which can lead to merchandise variety, alternate sources of supply, and competition between sources.
SOURCE: PU:001
SOURCE: PU LAP 1--Purchasing
83. B
Transportation terms. Negotiating transportation terms is an important step in the buying process. Transportation terms refer to how products will be shipped and who will pay the shipping costs. Businesses that want to receive products as quickly as possible without incurring additional expenses should negotiate these terms with the vendor in order to select the most satisfactory shipping method. Some shipping methods are more expensive than others, and businesses will want to negotiate for the fastest but most economical method. Return privileges involve having the right to return unsold goods. Special allowances and cooperative programs involve promotional considerations such as cooperative advertising and displays.
SOURCE: PU:003
SOURCE: pp. 291-292, Retail Buying: From Staples to Fashions to Fads. Clodfelter, R., Delmar Publishers Inc., 1993.
84. B
To satisfy customers. A business develops an image that is intended to appeal to its target market. The types of products that a business selects for purchase should match its image in order to satisfy its customers. Customers expect to find a certain type and quality of products depending on the business's image and may become confused and dissatisfied if the products do not match that image. For example, customers who frequent discount stores would be dissatisfied if those stores suddenly began carrying expensive items. Businesses do not select the products that match their image in order to coordinate displays, reduce expenses, or set policies.
SOURCE: PU:012
SOURCE: p. 129, Retail Buying. Diamond, J.; Pintel, G., Regents/Prentice Hall, 4th ed., 1993.
85. A
\$0. Terms of 3/10, net 30 mean that a discount of 3% is given if the invoice is paid within 10 days. Since this invoice is going to be paid in 20 days, High Wire and Cable Company is not eligible for any discounts.
SOURCE: PU:013
SOURCE: PU LAP 3--Merchandising-Related Discounts
86. B
Advance. Businesses that place advance orders negotiate the delivery for some time in the future. The advantage of placing an advance order is that vendors are often willing to give special discounts to buyers. If businesses do not need the products quickly and are able to wait for delivery in the future, they are able to save money and still receive the necessary items. A blanket order is used to purchase frequently used, low-priced items at one time. A regular order is placed directly with the vendor, but delivery usually occurs immediately. A standing order is an arrangement with a supplier to provide a certain quantity of a particular product on a daily or other regular basis.
SOURCE: PU:015
SOURCE: p. 303, Retail Buying: From Staples to Fashions to Fads. Clodfelter, R., Delmar Publishers Inc., 1993.

87. C
\$332.80. The final cost of a product to a business is calculated by taking all the discounts and adding the delivery fee. In this situation, the business takes the chain trade discount in successive order. The first discount is calculated on the original price ($\$450 \times 20\%$ or $.20 = \$90$, $\$450 - 90 = \360), the second discount is calculated on the first discounted price ($\$360 \times 10\%$ or $.10 = \$36$, $\$360 - \$36 = \$324$), and the third discount is calculated on the second discounted price ($\$324 \times 5\%$ or $.05 = \$16.20$, $\$324.00 - \$16.20 = \$307.80$). Then the business adds the delivery fee to the total discounted price to determine the final cost of the product ($\$307.80 + \$25.00 = \$332.80$).
SOURCE: PU:014
SOURCE: pp. 429-433, Retailing. Lewison, D.M., Prentice-Hall, 6th ed., 1997.
88. A
Improved the quality of life. Marketing has improved the quality of life by encouraging the development of safer, better goods and services. In addition, marketing has increased awareness of the need for environmental controls to protect our physical surroundings, which has led to an improvement in our existence. Making people aware of the need for environmental controls does not add usefulness to products or make buying more convenient, although those are other benefits of marketing. Marketing does not regulate the standard of living but usually helps to raise it by improving the general conditions in which people live.
SOURCE: MB:003
SOURCE: MB LAP 1--Marketing
89. A
\$4,000. Liabilities are debts owed by the business. In this case, Patrick's Marketing Company owes the \$4,000 it borrowed from the Fifth National Bank. The \$7,000 worth of supplies is an asset because it's owned by the business. The \$24,000 is Patrick's equity in the business.
SOURCE: MB:005
SOURCE: MB LAP 9--Nature of Accounting
90. D
Product users. Product users are the ultimate consumers of a product. By printing the warning, McDonald's is being sensitive to the well-being of the ultimate consumers of the toys in the Happy Meals. Because only the users of their products are being affected by this warning, McDonald's is not benefitting the community as a whole. Employees are not being affected because, as adults, they are most likely not using the product. The company is not affected because the warning label is not affecting their profits.
SOURCE: MB:009
SOURCE: MB LAP 2--Marketing Functions
91. C
Behavior. Behavior is the division of a market based on consumers' responses to a product. A type of behavioral segmentation is the loyalty response, which involves those customers who purchase from one business regardless of price or availability of other products. Demographics is the division of a market based on its physical and social characteristics. Psychographics is the division of a market based on consumers' lifestyles and personalities. Geographics is the division of a market based on where the consumers are located.
SOURCE: MB:012
SOURCE: MB LAP 5--Market Identification
92. A
Agent. An agent is a channel member that assists in the sale and/or promotion of goods and services but does not take title to them. Large lumber producers often contract with agents to sell the lumber while in transit to eliminate the need to warehouse the lumber. An industrial distributor is a channel member who buys industrial goods and sells them to industrial users. A service provider is a person who makes or provides goods and services. A wholesaler is a business that buys goods from producers or agents and sells them to retailers.
SOURCE: MB:013
SOURCE: MB LAP 3--Channels of Distribution
93. B
Installations. Industrial goods are classified according to their uses. These classifications include installations which are high-cost, long-lasting items that are used to produce other goods and services. Robots are examples of installations. Equipment are industrial goods used in the operation of a business but not used in the actual production of a good or service. Supplies are industrial goods that are constantly being purchased and used up in the operation of a business. Materials are industrial goods that become part of the finished product after they have been processed.
SOURCE: EC:002
SOURCE: EC LAP 10--Goods and Services

94. D
Human resources. Human resources are people, or employees, valued for mental and physical labor. Astro Corporation lacked the employees, or human resources, needed to continue business operations. Natural resources are any resource that is found in nature and used to produce goods and services. Capital goods are manufactured materials used in the production of goods and services. Economic wants are desires for items that can be valued in terms of money.
SOURCE: EC:001
SOURCE: EC LAP 6--Economics
95. C
Certain occupations must be licensed. Even though there are many economic freedoms in a private enterprise system, there are certain limits. Economic freedom is limited by laws which have been created to protect everyone. Workers in certain occupations must be licensed in order to safeguard public health and safety. Pay scales are not regulated but vary greatly depending on the occupation, area of the country, and current economic conditions. The law does not require all workers to take tests, although some businesses require applicants to take and pass ability tests before they are hired. Employees are not required to register with the state.
SOURCE: EC:009
SOURCE: EC LAP 15--Private Enterprise
96. A
Changes in consumer demand. A common economic risk involves shifts in consumer demand. When consumers' needs and wants change, their demand for products change also. Items that are hot sellers one season might not be in demand the next season. Businesses try to predict changes in consumer demand in order to avoid or reduce economic risk. Unfavorable weather conditions are natural risks. Careless employee behavior and the spreading of false rumors are human risks.
SOURCE: EC:011
SOURCE: EC LAP 3--Business Risk
97. D
The manager of a business selects the monthly specials and designs a newspaper advertisement. Selecting the specials and designing an advertisement represent a variety of tasks and also a high degree of latitude concerning decision making. The relationship of scope and depth can change with a specific task, so the amounts of scope and depth vary at different times. A manager developing a monthly work schedule is an example of high depth. Signing time cards is low scope. Following guidelines to evaluate performance is an example of low depth.
SOURCE: EC:014
SOURCE: EC LAP 7--Specialization of Labor
98. B
Underground economy. The underground economy involves transactions in which money changes hands, but no receipts are kept. Since this income is not reported to the government, it does not become part of GDP. Uncounted production, double counting, and inflation do not deal directly with the exchange or transaction of money.
SOURCE: EC:017
SOURCE: EC LAP 1--Gross Domestic Product
99. A
Money supply. The federal government can increase the amount of money in circulation by lowering interest rates, thus increasing consumers' spending power. The 1999 tax cut would have increased the amount of money in circulation by keeping it in the hands of consumers, allowing them to spend it on economic goods and services. Aggregate demand is the total demand for an economy's goods and services. Investment in capital goods is when producers, hopeful about the future of business, will invest more money in new equipment. Inventory levels are the amounts of products businesses keep in stock.
SOURCE: EC:018
SOURCE: EC LAP 9--Business Cycles
100. C
Lower labor costs. One reason that multinational corporations move their operations to foreign countries is to take advantage of lower labor costs. In many underdeveloped countries, the pay scale is very low, and people will work for minimal wages. Multinational corporations sometimes relocate to those areas in order to benefit from low labor costs that translate into increased profits for the business. Multinational corporations would not move to countries that have high tax bases and increased restrictions, because those factors would increase the cost of operating. Limited natural resources also would make it more expensive to operate in some countries.
SOURCE: EC:016
SOURCE: EC LAP 4--International Trade