

Competency-Based  
Competitive Events  
\*Written Exam\*

Test Number 980  
Booklet Number \_\_\_\_\_

# Financial Analysis

**INSTRUCTIONS:** This is a timed, comprehensive exam for the occupational area identified above. Do not open this booklet until instructed to do so by the testing monitor. You will have \_\_\_\_\_ minutes to complete all questions.

This comprehensive exam was developed by the MarkED Resource Center. Items have been randomly selected from the MarkED Resource Center's Test-Item Bank and represent a variety of instructional areas. Competencies for this exam are at the prerequisite, career-sustaining, marketing specialist, marketing supervisor, and manager levels. A descriptive test key, including question sources and answer rationale, has been provided the state DECA advisor.

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1. Businesses that modify work schedules to reasonably accommodate the needs of all employees are complying with the requirements of the
  - A. Civil Rights Act of 1991.
  - B. Equal Employment Opportunity Act.
  - C. Americans with Disabilities Act.
  - D. Occupational Safety and Health Act.
2. In what type of business is the owner personally liable for any debts of the business?
  - A. Sole proprietorship
  - B. Corporation
  - C. Hybrid
  - D. Franchise
3. Which of the following was developed to eliminate trade barriers among three specific countries:
  - A. European Union
  - B. North American Free Trade Agreement
  - C. North Atlantic Treaty Organization
  - D. Southeast Asian Group
4. What should bank employees be willing to accept when defending their ideas objectively?
  - A. Critical feedback
  - B. Additional responsibility
  - C. Nonverbal support
  - D. Personal attack
5. A complex written report is often circulated to many employees working in finance, some of whom may not take time to read it. For this reason, the writer should
  - A. write in an informal, conversational style that is easy to understand.
  - B. include a lot of graphics to reduce the number of words.
  - C. eliminate support materials, such as an appendix and a bibliography.
  - D. present a summary of the findings in the front part of the report.
6. "We will introduce the finance new manager, review financial reports for area B, solve problems in processing, and discuss new items." This is an example of a staff meeting's
  - A. minutes.
  - B. schedule.
  - C. agenda.
  - D. materials.
7. What is often the result of positive customer/client relations?
  - A. Increased training
  - B. More competition
  - C. Additional stress
  - D. Repeat business
8. Which of the following is an example of a bank employee reinforcing a service orientation through communication:
  - A. Telling customers they are misinformed
  - B. Offering to find information for customers
  - C. Agreeing that customers are always right
  - D. Selecting certain customers to help
9. In order for something to be defined as an economic good, it must be capable of
  - A. lasting at least three years.
  - B. meeting budget requirements.
  - C. extended popularity.
  - D. satisfying wants and needs.
10. Which of the following groups of words best describes wants:
  - A. Unlimited, unchanging, and compensating
  - B. Limited, changing, and compensating
  - C. Limited, unchanging, and competing
  - D. Unlimited, changing, and competing
11. What factor affects a product's utility to the individual customer?
  - A. Number of producers
  - B. Number of consumers
  - C. Price of other goods
  - D. Consumer's age
12. For a business, income remaining after payment of expenses is
  - A. debt.
  - B. capital.
  - C. loss.
  - D. profit.

13. If monopolies are illegal in the United States, why are some utility companies allowed to exist as monopolies?
- A. The government doesn't know they exist.
  - B. The companies are indirect competitors.
  - C. The companies are regulated by government.
  - D. The government owns the companies.
14. A business employee is assigned to handle all incoming phone orders. This specific assignment is considered to be specialization by
- A. profession.
  - B. trade.
  - C. task.
  - D. stage of production.
15. Which of the following is a barrier that affects economies of scale:
- A. Accounting practices
  - B. Fewer competitors
  - C. Input price increases
  - D. Output pricing strategies
16. Which of the following is a type of unemployment that often creates serious economic problems in a country:
- A. Cyclical
  - B. Structural
  - C. Frictional
  - D. Seasonal
17. What is the resulting condition when countries depend upon each other for products they cannot produce alone?
- A. Trade deficit
  - B. Trade surplus
  - C. Comparative advantage
  - D. Economic interdependence
18. Which of the following is an example of a cultural and social characteristic that would have an impact on financial institutions that do business with certain foreign countries:
- A. Source of income
  - B. Type of climate
  - C. Role of women
  - D. Variety of industry
19. Which of the following is an example of a situation in which businesses use persuasion:
- A. Sales presentation
  - B. Classroom instruction
  - C. Interview session
  - D. Job application
20. Which of the following is a common cause of stress in certain employees who work in financial analysis:
- A. Personality
  - B. Anxiety
  - C. Burnout
  - D. Headaches
21. When planning to make your vision a reality, you must first consider
- A. the resources that you will need.
  - B. the wording of your mission statement.
  - C. your personal financial goals.
  - D. how many volunteers to hire.
22. When employees demonstrate adaptability, they are able to be
- A. aggressive.
  - B. flexible.
  - C. honest.
  - D. creative.
23. Authoritarian managers prefer to exercise \_\_\_\_\_ control over employees.
- A. only moderate
  - B. absolutely no
  - C. a high degree of
  - D. very little
24. The number-one reason why people lose their jobs is that they
- A. don't understand the work.
  - B. can't get along with others.
  - C. take too much time off.
  - D. fail to follow directions.
25. Which of the following often is an effective technique for financial planners to use while interviewing prospective clients:
- A. Prepare orders
  - B. Use visuals
  - C. Give instructions
  - D. Take notes



26. The Fair Credit Reporting Act is important to consumers because it
- A. provides guidelines that institutions must use in extending credit.
  - B. gives them the right to inspect the files of their credit history.
  - C. ensures that they are not denied credit for any discriminatory reason.
  - D. makes it easy for them to compare the terms of different credit systems.
27. Which of the following types of insurance do businesses frequently offer as part of their employee benefit plan:
- A. Automobile
  - B. Health
  - C. Property
  - D. Liability
28. Mr. Gates owns two successful businesses and would like to open a third. Which of the following business activities should he consider first:
- A. Accounting
  - B. Marketing
  - C. Production
  - D. Management
29. A business estimates that its cash flow from sales during the coming season will be higher than for the same period last year, based on last year's financial information and
- A. realistic goals.
  - B. future earnings.
  - C. potential costs.
  - D. industry trends.
30. Calculate a business's cash flow if it has cash receipts of \$345,675, operating expenses of \$312,480, and taxes of \$7,500.
- A. \$33,195
  - B. \$31,240
  - C. \$25,695
  - D. \$34,570
31. If an invoice lists terms of 4/10, net 30 on a net amount of \$3,675.50, calculate the total if the customer takes the discount.
- A. \$3,491.73
  - B. \$3,528.48
  - C. \$3,489.41
  - D. \$3,604.30
32. An operating budget projects not only the amount of operating expenses for a certain period of time but also the expected amount of
- A. charges.
  - B. turnover.
  - C. taxes.
  - D. revenue.
33. Calculate a business's profitability ratio if its net profit is \$125,000 and its net sales are \$775,000.
- A. 15%
  - B. 16%
  - C. 17%
  - D. 18%
34. On which of the following would you expect to find a business's actual expenses listed by category:
- A. Balance sheet
  - B. Profit-and-loss statement
  - C. Cash flow projection
  - D. Break-even analysis
35. A method used to determine whether an applicant qualifies for credit is
- A. aging accounts.
  - B. a credit bureau.
  - C. credit scoring.
  - D. garnishment.
36. A financial manager who postpones a major capital investment, such as purchasing an upgraded computer network, is maximizing
- A. long-term profit.
  - B. short-term wealth.
  - C. short-term profit.
  - D. long-term wealth.
37. In order to optimize rate of return when selecting among investments, it is important to consider capital gain or loss as well as
- A. cash dividends.
  - B. treasury note interest rates.
  - C. net sales.
  - D. gross domestic product.

38. A person who purchases a contract with an insurance company that will pay the person a sum of money for life is purchasing a(n)
- A. annuity.
  - B. pension plan.
  - C. trust.
  - D. mutual fund.
39. By reviewing a client's previous tax returns, a financial advisor is able to determine the client's tax
- A. benefits.
  - B. status.
  - C. history.
  - D. forms
40. In addition to age, marital status, dependent status, and wages (including tips and other compensation), what information is necessary to complete a client's personal income tax forms?
- A. Taxable interest, deductions, and adjustments to income
  - B. Taxable interest, deductions, and the previous year's income
  - C. Taxable interest and deductions
  - D. Deductions, adjustments to income, and the previous year's income
41. When developing a client's account statement, what do businesses often use to calculate the labor charges?
- A. Monthly salary
  - B. Hourly billing rate
  - C. Overhead expense
  - D. Profit margin
42. Which of the following assists clients in establishing financial goals:
- A. Requesting clients' financial documents
  - B. Evaluating clients' favorite pastimes
  - C. Postponing clients' questions until a later meeting
  - D. Ignoring clients' upcoming life changes
43. Financial planners who sell insurance and mutual funds often are compensated on a \_\_\_\_\_ basis.
- A. commission
  - B. monthly
  - C. flat-rate
  - D. tax-exempt
44. Which of the following is a factor that businesses consider when determining the overall cost of raising capital by obtaining a bank loan:
- A. Trade credit
  - B. Legal fees
  - C. Interest rates
  - D. Cash flow
45. In the process of verifying a company's financial statements, independent auditors examine which of the following:
- A. Levels of compensation
  - B. Internal controls
  - C. Human resource management
  - D. Stock price
46. A business estimating the expected return on investments, such as dividends from stocks and bonds, is evaluating future
- A. cash flow.
  - B. depreciation.
  - C. liability.
  - D. sales risk.
47. Other than conducting a SWOT analysis, what could an individual do to determine the financial strengths or weaknesses of a business?
- A. Review the marketing plan.
  - B. Interview the Human Resources Director.
  - C. Examine the financial statements.
  - D. Discuss employee satisfaction with the steering committee.
48. When determining the optimal mix and type of assets to acquire, businesses consider their long-term financial needs as well as the need to
- A. purchase property.
  - B. access cash quickly.
  - C. issue stock dividends.
  - D. calculate income taxes.

49. A business borrowing money to purchase an investment that will have more worth than what it costs to borrow the money is an example of
- A. expansion.
  - B. leverage.
  - C. equity.
  - D. liquidity.
50. In order to accelerate cash receipts, a company might do all of the following except:
- A. Establish a lockbox
  - B. Reduce frequency of payments
  - C. Provide return envelopes
  - D. Use pre-authorized debits
51. Which of the following is a factor that businesses usually consider when deciding when to spend cash:
- A. Preferred cash balance
  - B. Estimated capital budget
  - C. Projected interest rate
  - D. Required loan schedule
52. One reason why some businesses decide to factor accounts receivable is to obtain
- A. trade credit.
  - B. needed cash.
  - C. equity financing.
  - D. leverage.
53. Which of the following is a characteristic of marketable securities:
- A. Short-term investments
  - B. Long-term liabilities
  - C. Short-term debts
  - D. Long-term assets
54. When computing the cost of inventory, businesses include the cost of purchasing the items as well as the cost of
- A. shipping and transporting.
  - B. handling and storing.
  - C. preparing visual displays.
  - D. marking prices.
55. When projecting future operations, it is important for businesses also to develop projected
- A. tax schedules.
  - B. financial plans.
  - C. stock options.
  - D. inventory methods.
56. One reason why it is important for businesses to manage the cash-flow cycle is to make sure funds are available to
- A. award employee bonuses.
  - B. make investments.
  - C. declare dividends.
  - D. pay operating expenses.
57. A business comparing standard costs with actual costs is an example of
- A. analyzing variances.
  - B. calculating expenses.
  - C. estimating payables.
  - D. predicting returns.
58. By preparing quarterly reports, corporations are able to analyze
- A. inventory systems.
  - B. investment options.
  - C. collection procedures.
  - D. current financial data.
59. One important similarity between horizontal and vertical financial data analyses is the comparison of figures
- A. from different categories.
  - B. within the same category.
  - C. from different time periods.
  - D. within the same time period.
60. If McDonald's Corp. has 1.26 billion shares of common stock outstanding and its stock price is currently \$33.58, what is the value of its common stock?
- A. \$26.65
  - B. \$42.31 million
  - C. \$33.58
  - D. \$42.31 billion



61. How much money will you have if you deposit \$1,500 a year for six years into an account that pays 4%. Using a table that shows the future value of an annuity of \$1, you find a value of 6.633. How much will you have at the end of six years?
- A. \$9,360.00  
B. \$6,633.00  
C. \$9,949.50  
D. \$9,066.33
62. Diversifying investments primarily protects investors against
- A. unemployment.  
B. market fluctuations.  
C. rising inflation rates.  
D. international events.
63. When using the accrual method of accounting, a business pays income tax
- A. on revenues that have been invoiced, but that have not yet been received.  
B. on cash actually received.  
C. on expected revenues from orders that have been placed.  
D. according to a separate set of financial records.
64. In foreign exchange markets, the major dealers are
- A. large banks.  
B. small businesses.  
C. third-world countries.  
D. North American companies.
65. Which of the following is a benefit to a business of issuing convertible bonds:
- A. Interest rate  
B. Call feature  
C. Maturity date  
D. Put feature
66. You have incorporated your graphic design business and have been authorized to issue 100,000 shares of common stock. As a result, you are able to issue
- A. up to 100,000 shares of common or preferred stock.  
B. up to 100,000 shares of common stock.  
C. exactly 100,000 shares of common stock.  
D. exactly 100,000 shares of common or preferred stock.
67. Which of the following is a factor that a growing investment business might consider when determining hiring needs:
- A. Bonuses that customers demand  
B. Type of application required  
C. Qualifications of staff  
D. Employee to customer ratio
68. Verifying the information on a job applicant's résumé is often an important part of the \_\_\_\_\_ process.
- A. reference  
B. interview  
C. orientation  
D. evaluation
69. One way that businesses often use current employees during the process of orienting new employees is as
- A. managers.  
B. interviewers.  
C. trainers.  
D. evaluators.
70. Is the following statement true or false: All businesses need the same types of training and human resource development.
- A. False; training/development needs vary from business to business.  
B. True; all businesses have the same types of employees.  
C. False; employees who transfer in do not need training.  
D. True; all employees need some kind of classroom training.
71. Which of the following are examples of nonfinancial rewards that businesses might give to employees:
- A. Gift certificates  
B. Sweepstakes and contests  
C. Praise and recognition  
D. Retirement watches

72. What is the overall purpose of the Americans with Disabilities Act (ADA)?
- A. To prevent businesses from asking job applicants about their disabilities
  - B. To make it possible for qualified individuals with disabilities to get and to keep jobs
  - C. To require businesses to screen applicants with physical and/or mental disabilities
  - D. To require businesses to modify their facilities
73. What law affects remedial action by making discrimination in any condition of employment illegal?
- A. The Civil Rights Act of 1964
  - B. The Wagner Act of 1935
  - C. The Age Discrimination in Employment Act of 1967
  - D. The Occupational Safety and Health Act of 1970
74. The benefits that employees receive in addition to their regular wages usually increase the employees'
- A. tax liability.
  - B. value to the business.
  - C. total compensation.
  - D. financial obligation.
75. Which of the following marketing functions is most likely to affect the image of a business:
- A. Product/Service management
  - B. Risk management
  - C. Financing
  - D. Selling
76. What do managers expect tellers to do to assist with the process of auditing bank operations?
- A. Continue working as usual
  - B. Follow standard procedures
  - C. Point out problem areas
  - D. Verify cash drawer amounts
77. A benefit to a business that uses collaborative computer software is that it enables the employees to
- A. develop keyboarding skills.
  - B. search the Web.
  - C. prepare written reports.
  - D. share information quickly.
78. What is one of the main causes of accidents in the workplace?
- A. Safety hazards
  - B. physical injuries
  - C. First-aid methods
  - D. Employee grievances
79. Many businesses use a variety of security precautions in order to protect the businesses from
- A. threat of foreclosure.
  - B. natural disasters.
  - C. economic depressions.
  - D. the risk of theft.
80. Why is it important to build in a safety net, or padding, when identifying resources?
- A. To find substitutes
  - B. To try to cut corners
  - C. To plan for the unexpected
  - D. To obtain financial support
81. Comparing the prices offered by different vendors for the same goods and services is what part of the purchasing process?
- A. Receipt of goods
  - B. Price fixing
  - C. Invoice payment
  - D. Bid analysis
82. Do businesses such as banks and dry cleaners engage in production?
- A. Yes, these businesses produce a line of tangible products.
  - B. Yes, the services provided by these businesses are their products.
  - C. No, the services provided by these businesses are intangible.
  - D. No, these businesses do not engage in production.
83. Employees who use office equipment only for company business are helping to
- A. identify theft.
  - B. control expenses.
  - C. spend revenues.
  - D. reduce waste.



84. A business leases 2,225 square feet of space at \$2.30 per square foot per month. If the rent will increase by 3% next year, calculate the yearly amount the business will pay in rent.
- A. \$61,410.00
  - B. \$63,252.30
  - C. \$64,225.50
  - D. \$62,300.70
85. A business's budget estimated \$165,500 in sales each month for the next four months with 55% of that amount each month for expenses. If actual sales for the four-month period were \$690,000 and expenses stayed at 55%, by what amount did the business's income increase?
- A. \$13,900
  - B. \$12,600
  - C. \$14,500
  - D. \$15,100
86. Businesses that offer flextime usually schedule all employees to work during \_\_\_\_\_ time.
- A. peak
  - B. sale
  - C. core
  - D. lead
87. Which of the following would be most helpful in achieving a financial goal that involves a major purchase:
- A. Looking for ways to save money
  - B. Establishing a short time limit
  - C. Discussing the goal with friends
  - D. Comparing the quality of various brands
88. Which of the following is an example of creativity:
- A. Greeting customers by name
  - B. Suggesting a new way to organize stock
  - C. Reporting for work on time
  - D. Turning in a \$20 bill a customer left on the counter
89. Which of the following is a source of career information that is easy to contact:
- A. Government agencies
  - B. Employers
  - C. Research institutions
  - D. Relatives
90. Is it ever appropriate for an individual looking for a job to send a letter of application to a business that has not advertised a job opening?
- A. Yes, the worker can write if s/he has heard about a job opening.
  - B. Yes, the worker should write to each business in the industry.
  - C. No, the business will discard the letter if it has no openings.
  - D. No, a letter is used only in response to job advertisements.
91. Which of the following is a characteristic of employees who are often promoted and given supervisory responsibilities:
- A. Defensive
  - B. Aggressive
  - C. Productive
  - D. Submissive
92. In most businesses, the treasurer is not responsible for which of the following:
- A. Managing the firm's cash
  - B. Managing the accounting department
  - C. Planning the firm's capital structure
  - D. Managing risk
93. In selling, effective salespeople use the art of good questioning in order to determine the customer's
- A. needs, wants, and buying motives.
  - B. personal income bracket.
  - C. attention to detail.
  - D. personal responsibilities.
94. An investment business's ultimate goal is to sell products in order to stay in business. Therefore, the substitute product that a salesperson recommends should always
- A. satisfy the client's needs.
  - B. be high quality.
  - C. be expensive.
  - D. have many client benefits.
95. At what point in the selling process is it best to close the sale?
- A. After handling all objections thoroughly
  - B. Anytime during the presentation
  - C. Before any discussion of payment
  - D. After the presentation of the product

96. When a financial client pays you with a traveler's check, you should
- A. require the check to be certified.
  - B. encourage the client to use a personal check.
  - C. watch the client countersign the check.
  - D. ask the client to show you identification.
97. A check presented for payment is presumed to be "stale-dated" when the date on which it is presented is
- A. the day after it is drawn.
  - B. 10 days after the date shown.
  - C. after 4:00 p.m. on the day it is drawn.
  - D. more than 30 days from the date it is drawn.
98. Susan has a middle management position in her company. Her primary job responsibility is likely to be
- A. establishing the weekly work schedules for employees.
  - B. developing the plans and goals for the company.
  - C. spending one day a week on each management function.
  - D. being responsible for other managers or supervisors.
99. Ethical managers have the ability to make impartial judgments about employees and their actions without
- A. expressing criticism.
  - B. being emotional.
  - C. feeling inferior.
  - D. showing favoritism.
100. In which of the following situations will a business plan that includes monthly sales goals help a company to track its progress and make adjustments:
- A. Each salesperson has a monthly sales quota.
  - B. Monthly sales are the same as last month.
  - C. Sales figures decrease 10% in the summer.
  - D. Actual sales are 75% of estimate.