



# Competency Based Competitive Events Written Exam Sample

## Accounting Applications Series



This comprehensive exam was developed by Marketing Education Resource Center, under contract with National DECA. Copying of this book or its parts for resale is prohibited. Any questions regarding this policy or requests to purchase further reproduction rights should be addressed to: DECA IMAGES . 1908 Association Drive . Reston, VA 20191 . (703) 860-5000. For more information on test design and other DECA support, please visit [www.Mark-ED.org](http://www.Mark-ED.org).

1. David and Ella are in business together and each of them has unlimited liability. David and Ella's business is an example of a
  - A. general partnership.
  - B. corporation.
  - C. joint venture.
  - D. franchise.
  
2. One of the functions of certain types of taxes is to
  - A. regulate business activity.
  - B. limit business profit..
  - C. control employee compensation.
  - D. decrease employee liability
  
3. To be ethical when recording accounting information, businesses should avoid the temptation to
  - A. overestimate future revenue.
  - B. calculate rate of depreciation.
  - C. analyze profit and loss.
  - D. increase accounts payable.
  
4. Calculate an employee's actual take-home pay if the employee works two 40-hour weeks at a rate of \$15.25 per hour and deductions equal 18%.

A. \$1,009.60	C. \$1,015.20
B. \$1,024.80	D. \$1,000.40
  
5. When preparing a master budget, businesses develop financial estimates of
  - A. methods of managing cash.
  - B. daily transactions.
  - C. previous discount rates.
  - D. all areas of operation.
  
6. When coaching employees to increase their productivity, it is effective to
  - A. provide constant criticism.
  - B. be judgmental.
  - C. demand immediate change.
  - D. recognize improvement.

7. By conducting a competitive analysis, businesses often are able to determine if they have a

- A. target market.
- B. competitive advantage.
- C. promotional plan.
- D. security problem.

8. What is the advantage to businesses of reviewing internal records to obtain information?

- A. Research techniques are complex.
- B. Statistics are expensive to compile.
- C. Employees have limited access.
- D. Data are specific to the company.

9. To determine if a product idea is practical to produce, a business should

- A. hire an outside consultant.
- B. assess the marketing plan.
- C. conduct further research.
- D. establish a production committee.

10. Why do some businesses sponsor local events?

- A. To create news
- B. To obtain publicity
- C. To generate revenue
- D. To sell products

1. A

General partnership. A general partnership is a type of partnership agreement in which all partners are liable for a business's losses. A corporation is a form of business ownership that is owned by stockholders who have purchased units or shares in the company. A joint venture is an arrangement that involves two or more businesses entering into a relationship by combining complementary resources for the benefit of all parties. The joint-venture relationship is usually for a short term or for a single project. A franchise is a contractual agreement between a parent company and a franchisee and allows the franchisee to distribute the parent company's goods and services for a certain amount of money.

SOURCE: BL:003

SOURCE: BA LAP 7—Own It Your Way (Types of Business Ownership)

2. A

Regulate business activity. Governments levy taxes on businesses and individuals. One of the reasons for levying certain types of taxes on businesses is to regulate business activity. For example, governments often tax imports to control the amount of foreign products that enter the country. Governments also tax certain products, such as alcohol and tobacco, to discourage consumers from buying them. These taxes have an impact on the businesses that produce and sell these products. Although business profit is taxed, the function of the tax is not to limit profit. Employee compensation is taxed; however, the goal is not to control the compensation. Taxes do not decrease employee liability.

SOURCE: EC:072

SOURCE: Everard, K.E., & Burrow, J.L. (2001). *Business principles and management* (11th ed.)

[p. 178]. Cincinnati: South-Western.

3. A

Overestimate future revenue. Businesses have an obligation to be ethical in their accounting procedures, which includes accurately estimating future revenue. It is unethical to overestimate future revenue to make the business appear to be more profitable and liquid than it is. This might be a temptation if the business is trying to obtain a loan or secure additional funding. However, the practice is not ethical. Calculating rate of depreciation and analyzing profit and loss are ethical activities. Increasing accounts payable involves increasing expenses.

SOURCE: FI:109

SOURCE: Cunningham, B.M., Nikolai, L.A., & Bazley, J.D. (2000). *Accounting: Information for business decisions* (p. 485). Orlando, FL: Harcourt.

4. D

\$1,000.40. Businesses calculate payroll earnings and deductions for each employee in order to prepare payroll checks. To calculate the employee's actual take-home pay, first determine gross earnings for the two-week period. The employee worked 80 hours at a rate of \$15.25 per hour for a total of \$1,220 ( $\$15.25 \times 80 = \$1,220$ ). Multiply that amount by the percent of deductions ( $\$1,220 \times 18\%$  or  $.18 = \$219.60$ ). Subtract deductions from gross earnings to determine actual take-home pay ( $\$1,220.00 - \$219.60 = \$1,000.40$ ).

SOURCE: FI:136

SOURCE: Everard, K.E., & Burrow, J.L. (2001). *Business principles and management* (11th ed.)

[p. 391]. Cincinnati: South-Western.

5. D

All areas of operation. The master budget is based on several specific budgets and is the business's overall financial plan. To prepare a master budget, businesses develop financial estimates for all areas of operation such as sales revenue, cost of selling, promotion, equipment expense, etc. Once a business has these estimates, it can plan its operations to stay within the financial limits of the master budget. Businesses consider total sales rather than daily transactions when developing financial estimates to prepare a master budget. Businesses do not develop financial estimates of previous discount rates or methods of managing cash when preparing a master budget.

SOURCE: FI:156

SOURCE: Cunningham, B.M., Nikolai, L.A., & Bazley, J.D. (2000).

*Accounting: Information for business decisions* (pp. 89-90). Orlando, FL: Harcourt.

6. D

Recognize improvement. When coaching employees to increase their productivity, managers often are helping employees to change the way they work or approach the job in a different way. To bring about change, it is effective to recognize improvement and reward employees for adapting to change and being more productive. Being recognized for improving often increases morale and makes employees more receptive to the coaching process. It is not effective to be judgmental, demand immediate change, or provide constant criticism. In fact, these actions often have adverse effects on employees.

SOURCE: HR:364

SOURCE: Desimone, R., Werner, J., & Harris, D. (2002). *Human resource development* (3rd ed.) [pp. 380-384]. Orlando, FL: Harcourt.

#### 7. B

Competitive advantage. This is the edge achieved by businesses that offer something better than their competitors. By conducting a competitive analysis, businesses can determine if they have a better reputation than their competitors, or if they offer a unique service that their competitors do not offer. These are advantages that give the business an edge over competitors. On the other hand, conducting a competitive analysis might reveal that the company does not have an advantage over competitors and should take steps to improve. A target market is the particular group of customers a business seeks to attract. A promotional plan is a framework for the promotional activities of a business. Conducting a competitive analysis will not enable a business to determine if it has a security problem.

SOURCE: MP:012

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2006). *Marketing essentials* (pp. 29-30). New York: Glencoe/McGraw-Hill.

#### 8. D

Data are specific to the company. Internal data are available within the business, such as in purchase orders, invoices, sales receipts, inventory reports, etc. The information contained in these records is specific to the company and reflects how the company operates. The advantage of reviewing specific data is that the information pertains to the company and can be used to solve specific problems. For example, inventory reports will indicate if certain products are selling well or if the business needs to make adjustments. This is not the type of information that the business can obtain by reviewing external data. Statistics are not necessarily expensive to compile. Employees often have unlimited access to a variety of company information. Research techniques are not necessarily complex. In fact, some are very simple.

SOURCE: NF:082

SOURCE: Mescon, M.H., Bovee, C.L., & Thill, J.V. (1999). *Business today* (9th ed.) [pp. AII.1-AII.2]. Upper Saddle River, NJ: Prentice Hall.

### 9. C

Conduct further research. After generating several product ideas, a business determines the feasibility of each idea. The business should consider many factors when determining if the idea is worth pursuing, such as resources (e.g., human, financial, raw materials) and market demand, which often requires research. Because determining the initial feasibility of an idea occurs in the early stages of product development, a business usually would not assess the marketing plan, hire an outside consultant, or establish a production committee.

SOURCE: PM:129

SOURCE: Grewal, D., & Levy, M. (2008). *Marketing* (p. 643). Woodland Hills, CA: McGraw-Hill Irwin.

### 10. B

To obtain publicity. By sponsoring an event, businesses are using the event as a communications channel to provide information to others. The goal of sponsoring an event is to obtain publicity which is any nonpersonal presentation of ideas, goods, or services that is not paid for by the company or individual that benefits from or is harmed by it. In many cases, the media report the event and include information about the sponsors. As a result, the businesses obtain publicity. Businesses that sponsor local events are not creating news. Businesses do not sponsor local events to generate revenue or to sell products. However, by obtaining publicity, they might attract more customers which will result in selling more products and generating more revenue.

SOURCE: PR:250

SOURCE: Semenik, R.J. (2002). *Promotion and integrated marketing communications* (pp. 458-460). Mason, OH: South-Western.