



**Competency Based
Competitive Events
Written Exam
Sample**

Financial Analysis Management



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1. Basic torts relating to businesses often involve disputes concerning

- A. emotional stress.
- B. assaults.
- C. defamation.
- D. contracts.

2. The rate of unemployment is an economic factor that may have an impact on a business's

- A. depreciation level.
- B. tax structure.
- C. financial condition.
- D. monetary system.

3. Which of the following do young people often buy that will pay them an income in the future:

- A. Real estate
- B. Escrow accounts
- C. Deferred annuities
- D. Stock dividends

4. Which of the following is one of the methods used to pay financial-services providers:

- A. Cash value
- B. Price point
- C. Trade credit
- D. Hourly fee

5. New businesses estimating start-up costs and operating costs for a period of time are determining the

- A. amount of funds they need.
- B. risk of starting a business.
- C. level of inventory to buy.
- D. profit they plan to earn.

6. When a business determines carrying costs, it is calculating all of the costs associated with

- A. operating a physical facility.
- B. keeping an item in inventory.
- C. paying the maintenance staff.
- D. managing a credit program.

7. One reason why businesses that have stockholders usually prepare annual reports is to

- A. encourage stockholders to provide useful feedback.
- B. analyze the operating procedures of the company.
- C. inform stockholders of the condition of their investment.
- D. use the report to generate worldwide publicity.

8. Which of the following is an example of a risk statistic that investors might calculate:

- A. Credit report
- B. Money order
- C. Type of budget
- D. Price of gold

9. A corporation selling shares of stock to raise money is involved in

- A. debt financing.
- B. diversification.
- C. equity financing.
- D. amortization.

10. To maintain a non-hostile work environment, many businesses establish policies to

- A. prevent harassment.
- B. reduce accidents.
- C. encourage safety.
- D. decrease mistakes.

1. D

Contracts. Business torts are wrongful actions against a business that cause it harm in some way. Disputes concerning contracts are often the basis for businesses suing individuals or other businesses.

Many businesses have contractual arrangements with employees or vendors. If these contracts are broken, the business might be harmed and seek compensation through the legal system. Basic torts relating to businesses do not involve disputes concerning assaults, defamation, or emotional stress.

SOURCE: BL:069

SOURCE: Miller, R.L., & Jentz, G.A. (2005). *Fundamentals of business law* (6th ed.) [pp. 82-86].

Mason, OH: Thomson/South-Western.

2. C

Financial condition. The rate of unemployment indicates the number of individuals who are out of work but who want a job. This is an economic factor that may have an impact on a business's financial condition because if people are unemployed, they do not have extra money to spend on products. As a result, a business's sales and income might decrease. This usually has a negative effect on a business's financial condition. The rate of unemployment does not impact a business's tax structure or depreciation level. Governments develop monetary systems.

SOURCE: EC:086

SOURCE: O'Sullivan, A., & Sheffrin, S.M. (2003). *Economics: Principles in action* (pp. 334-335). Upper

Saddle River, NJ: Prentice Hall.

3. C

Deferred annuities. An annuity is a type of investment that earns interest. There are different types of annuities such as fixed, variable, and deferred. Young people often purchase deferred annuities as a way of supplementing retirement plans because the annuities will pay them an income in the future. Escrow

accounts are set up to deposit funds to cover certain expenses, such as property taxes. Buying real estate will not necessarily provide an income in the future. People buy stock that often pays dividends, but they do not buy dividends.

SOURCE: FI:175

SOURCE: Kapoor, J.R., Dlabay, L.R., Hughes, R.J., & Hoyt, W.B. (2005). *Business and personal*

finance (pp. 495-496). New York: Glencoe/McGraw-Hill.

4. D

Hourly fee. Some financial-services providers charge an hourly rate for their services. For example, a taxpreparation service might charge an hourly fee of \$100 to prepare a client's tax return. If the return is complex and requires a lot of time, the service is adequately compensated for the time spent preparing the return. Price point is the dollar amount at which an item is offered for sale. Trade credit and cash value are not methods used to pay financial-services providers.

SOURCE: FI:188

SOURCE: Kapoor, J.R., Dlabay, L.R., Hughes, R.J., & Hoyt, W.B. (2005). *Business and personal finance* (p. 259). New York: Glencoe/McGraw-Hill.

5. A

Amount of funds they need. It is important for new businesses to determine the amount of funds they need by estimating start-up costs and operating costs for a period of time. Starting a new business often is expensive, and businesses need to be prepared to cover the cost until they begin to earn a profit. By determining the amount of funds they need, businesses can plan to obtain the necessary money by applying for loans or acquiring investors. New businesses estimating start-up costs and operating costs for a period of time are not determining the risk of starting a business, the level of inventory to buy, or the profit they plan to earn.

SOURCE: FI:200

SOURCE: Kapoor, J.R., Dlabay, L.R., Hughes, R.J., & Hoyt, W.B. (2005). *Business and personal finance* (pp. 550-555). New York: Glencoe/McGraw-Hill.

6. B

Keeping an item in inventory. Carrying costs are all of the costs associated with keeping an item in inventory. These include the cost of buying the item as well as the cost of storage, insurance, taxes, depreciation, etc. As the number of items in inventory increases, the carrying costs also increase because there are more items in inventory. Businesses try to maintain the ideal level of inventory to avoid having an excessive amount of money tied up in inventory costs. When a business determines carrying costs, it is not calculating all of the costs associated with operating a physical facility, paying the maintenance staff, or managing a credit program.

SOURCE: FI:215

SOURCE: Cunningham, B.M., Nikolai, L.A., & Bazley, J.D. (2000). *Accounting: Information for business decisions* (pp. 511-512). Orlando, FL: Harcourt.

7. C

Inform stockholders of the condition of their investment. An annual report is a document outlining the financial status of a business. Most annual reports also include a summary of the business's activities throughout the year. Businesses that have stockholders usually prepare annual reports to inform stockholders about the condition of their investment. The report also might contain an analysis of the dividends that were paid to stockholders during the year. This information indicates if stockholders are earning an acceptable return on their investment. The report might summarize the business's activities, but it would not analyze the operating procedures. Annual reports are not intended to encourage stockholders to provide useful feedback or to generate worldwide publicity.

SOURCE: FI:229

SOURCE: Kapoor, J.R., Dlabay, L.R., Hughes, R.J., & Hoyt, W.B. (2005). *Business and personal finance* (p. 286). New York: Glencoe/McGraw-Hill.

8. D

Price of gold. When making investments, individuals examine various statistics to calculate the risk involved. Many people invest in precious metals, such as gold. Before investing in gold, they analyze the rise and fall of the price over a period of time. Because the price of gold fluctuates based on various economic and political factors, it may be low at one time and high at another time. The change in price is a risk statistic that investors calculate. Money order, type of budget, and credit report are not risk statistics that investors calculate. However, the information in a budget or credit report might be analyzed to calculate risk.

SOURCE: FI:247

SOURCE: Kapoor, J.R., Dlabay, L.R., Hughes, R.J., & Hoyt, W.B. (2005). *Business and personal finance* (pp. 362-366). New York: Glencoe/McGraw-Hill.

9. C

Equity financing. Equity financing involves giving up, or selling, some of the assets of the corporation in exchange for money. When a corporation sells shares of stock, it is selling partial ownership (assets) to investors in order to raise money. Debt financing involves borrowing money that must be repaid. A corporation selling shares of stock to raise money is not involved in diversification or amortization.

SOURCE: FI:260

SOURCE: Kapoor, J.R., Dlabay, L.R., Hughes, R.J., & Hoyt, W.B.

(2005). *Business and personal finance* (pp. 251-252). New York: Glencoe/McGraw-Hill.

10. A

Prevent harassment. Harassment is any kind of unwelcomed behavior that is carried out for the purpose of annoying or intimidating another person. Harassment often creates a hostile work environment because it makes employees feel threatened and uncomfortable. Therefore, many businesses establish policies to prevent harassment of any kind in order to maintain a non-hostile work environment. To maintain a non-hostile work environment, businesses do not establish policies to reduce accidents, encourage safety, or decrease mistakes.

SOURCE: OP:156

SOURCE: Mathis, R.L., & Jackson, J.H. (2003). *Human resource management* (10th ed.) [p. 148]. Cincinnati: Thomson/South-Western.