

Texas Examinations of Educator Standards™ (TE_xES™) Program

Preparation Manual

Business and Finance 6–12 (276)



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About The Test

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| Test Name | Business and Finance 6–12 |
| Test Code | 276 |
| Time | 5 hours |
| Number of Questions | 100 multiple-choice questions |
| Format | Computer-administered test (CAT) |

The TExES Business and Finance 6–12 (276) test is designed to assess whether a test taker has the requisite knowledge and skills that an entry-level educator in this field in Texas public schools must possess. The 100 multiple-choice questions are based on the Business and Finance 6–12 test framework and cover grades 6–12. The test may contain questions that do not count toward the score.

The number of scored questions will not vary; however, the number of questions that are not scored may vary in the actual test. Your final scaled score will be based only on scored questions.

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The Domains

| Domain | Domain Title | Approx. Percentage of Test | Standards Assessed |
|--------|--|----------------------------|---------------------------------------|
| I. | Finance | 20% | Business and Finance 6–12: I-II, IV-V |
| II. | Business Management | 19% | Business and Finance 6–12: III |
| III. | Ethics, Law, Business Communication and International Business | 22% | Business and Finance 6–12: III, VI |
| IV. | Technology and Information Systems | 21% | Business and Finance 6–12: VII |
| V. | Leadership and Career Development | 18% | Business and Finance 6–12: VIII-XI |

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The Standards

Business and Finance 6–12 Standard I

The business and finance teacher understands and applies knowledge of accounting, record keeping, banking, financial systems; securities and investments.

Business and Finance 6–12 Standard II

The business and finance teacher understands and applies knowledge of personal finance and financial planning.

Business and Finance 6–12 Standard III

The business and finance teacher understands and applies principles related to business management, operations, and ownership in e-commerce, domestic and international business.

Business and Finance 6–12 Standard IV

The business and finance teacher understands and applies knowledge of economic systems.

Business and Finance 6–12 Standard V

The business and finance teacher understands and applies knowledge related to personal and commercial insurance.

Business and Finance 6–12 Standard VI

The business and finance teacher understands and applies principles related to laws and ethics affecting business.

Business and Finance 6–12 Standard VII

The business and finance teacher understands and applies principles and methods related to the operation of a broad range of business computer information systems.

Business and Finance 6–12 Standard VIII

The business and finance teacher understands and applies knowledge of interpersonal, leadership, and professional career-development skills for the business and finance industry.

Business and Finance 6–12 Standard IX

The business and finance teacher knows how to advise and assist students in career planning and how to promote students development through work-based learning and participation in career and technical student organizations such as BPA/FBLA.

Business and Finance 6–12 Standard X

The business and finance teacher knows how to organize and manage an effective business and finance education program and how to work with school, community, and industry representatives to support the program.

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Business and Finance 6–12 Standard XI

The business and finance teacher knows how to plan, implement and utilize instruction and student assessment, including academic integration.

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Domains and Competencies

The content covered by this test is organized into broad areas of content called **domains**. Each domain covers one or more of the educator standards for this field. Within each domain, the content is further defined by a set of **competencies**. Each competency is composed of two major parts:

- The **competency statement**, which broadly defines what an entry-level educator in this field in Texas public schools should know and be able to do.
- The **descriptive statements**, which describe in greater detail the knowledge and skills eligible for testing.

Domain I – Finance

Competency 001: *The teacher understands and applies knowledge of money matters.*

The beginning teacher:

- Understands career-planning concepts, tools and strategies for pursuing a career in financial planning.
- Understands economic systems and their history, including the role of risk, private enterprise, market structures, types of currency, global integration and the Constitution of the United States.
- Knows how to explain the impact of taxes and monetary and fiscal policy on a free-enterprise system.
- Understands the function of prices and the concept of economic resources.
- Understands economic indicators that affect financial decision making (price stability, consumer spending, unemployment, inflation, interest rates, the business cycle and gross domestic product).
- Knows how to assess the impact of exchange rates and cultural and social environments.
- Understands the foreign exchange market and its economic determinants.
- Applies sociological and psychological concepts to facilitate collaborative activities.
- Knows how to assess personal financial needs and goals based on current and projected economic conditions.
- Knows how to manage personal finances (budgets, savings and investment, credit, and taxes) to achieve financial goals.
- Understands the use and responsibilities of financial-service providers.
- Knows how to compare and contrast investment strategies.

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- M. Knows how to identify potential business threats and opportunities.
 - N. Knows how to acquire and manage personal credit (e.g., student loans and car loans).
 - O. Knows how to ensure solvency by using budgets, financial statements and cost-benefit analyses to manage financial resources.
 - P. Understands the function of financial markets.
 - Q. Understands the theory and application for efficient financial markets.
 - R. Understands how debt and equity are used to raise capital.

Competency 002: *The teacher understands and applies knowledge of banking and financial services.*

The beginning teacher:

- A. Understands the fundamentals of banking and financial services, including bankruptcy, mergers and acquisitions.
- B. Knows how to evaluate the role of global banking in the modern economy including the roles of the Federal Reserve Bank and other financial institutions.
- C. Understands banking processes and services, including security and risk management.
- D. Understands the roles and responsibilities of positions in the banking services industry, including educational requirements.
- E. Understands how to influence current and future business by identifying and meeting client needs.
- F. Understands how to manage day-to-day activities in order to ensure secure business operations involving the Federal Reserve System, loan underwriting and real estate.
- G. Understands how laws and regulations (e.g., regulatory changes and bankruptcy law) affect business operations and transactions in the banking-services industry.
- H. Knows how financial institutions build positive customer relationships (including giving lectures, seminars, and forums) that enhance their image.
- I. Understands how to leverage financial resources to enhance banking performance.
- J. Understands the purpose of and knows how to utilize banking information systems.

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Competency 003: *The teacher understands and applies knowledge of securities and investments.*

The beginning teacher:

- A. Understands the fundamentals of securities and investments.
- B. Knows how to utilize financial resources effectively to discharge duties and responsibilities.
- C. Understands how a broad array of securities information can be used to identify viable investments.
- D. Knows how to select client investments and calculate asset values.
- E. Understands how businesses manage day-to-day securities and investments operations to ensure optimal business functioning.
- F. Understands the use of career-planning concepts, tools and strategies to pursue a securities and investments career.
- G. Identifies licensing and certification programs in the financial services business.
- H. Understands the acquisition and sale of securities, real estate and other investments.

Competency 004: *The teacher understands and applies knowledge of insurance operation.*

The beginning teacher:

- A. Demonstrates a comprehensive understanding of the insurance industry and its role in society.
- B. Knows how to describe careers in insurance.
- C. Understands practices that ensure compliance with insurance industry regulations.
- D. Understands legal concepts pertinent to the insurance industry.
- E. Knows how to assess the risk posed by potential clients in order to make informed approval and denial decisions.
- F. Understands how to use information technology tools effectively to underwrite an insurance policy.
- G. Knows how to use information and investigative techniques to identify fraud.
- H. Understands how agency and company policies are managed, to ensure a firm's financial well-being.

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- I. Knows how to effectively process a claim consistent with client obligations.
 - J. Knows how to evaluate current client insurance policies and risk-management needs.

Competency 005: *The teacher understands and applies knowledge of basic accounting.*

The beginning teacher:

- A. Applies basic accounting concepts (e.g., accounting cycle, T-accounts).
- B. Understands how accounting systems can ensure the fiscal stability of businesses.
- C. Understands how career-planning concepts, tools and strategies can be used to explore accounting careers.
- D. Utilizes equations, graphical representations, accounting tools, strategies and systems in real-world situations to manage financial resources.
- E. Understands how accounting procedures affect financial statements.
- F. Knows how to maintain cash controls (including petty cash).
- G. Understands how accounting is used in a merchandising business.
- H. Knows how to manage accounts payable and accounts receivable.
- I. Understands how inventory records are maintained and how they are used to track the location, quantity and value of current assets.
- J. Understands payroll procedures required to calculate, record and distribute payroll earnings.
- K. Understands how to track cash flow regarding articles of incorporation, balance sheets and income statements, equity and retained earnings, and dividends.
- L. Understands statutory and regulatory constraints on managing business operations and transactions.
- M. Knows how to gather and utilize financial information to enhance decision making.

Competency 006: *The teacher understands and applies knowledge of advanced accounting.*

The beginning teacher:

- A. Demonstrates how to use equations, graphical representations, accounting tools, strategies and systems to manage financial resources.

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- B. Understands the use of statistic analysis (probability, confidence intervals, etc.) to assess business opportunities.
 - C. Understands corporate and managerial accounting functions.
 - D. Understands how to utilize accounting procedures in equity and fixed income transactions.
 - E. Understands the role of accounting in financial statement analysis.
 - F. Understands how to prepare budget reports that enhance decision making.
 - G. Understands the regulatory requirements for managing business operations and can discuss recent examples of mismanagement.

Competency 007: *The teacher understands and applies knowledge of financial analysis to solve problem.*

The beginning teacher:

- A. Understands and demonstrates a thorough understanding of the tools and application of financial analysis
- B. Understands how accounting systems ensure the fiscal stability of businesses.
- C. Understands tools, strategies and systems used to manage financial resources to ensure solvency.
- D. Demonstrates mathematical knowledge and skills required to pursue the full range of postsecondary education and career opportunities.
- E. Knows how to use financial ratios to assess company performance.
- F. Understands the use of financial statement analysis.
- G. Employs critical-thinking skills independently and in teams.
- H. Understands the role of information technology and its mission-critical applications.

Competency 008: *The teacher uses probability calculations to anticipate and forecast expected outcomes and manage risk.*

The beginning teacher:

- A. Understands and can apply the fundamentals of probability to solve business problems.
- B. Understands how career-planning concepts, tools and strategies can be used to explore a career in risk management.

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- C. Demonstrates an understanding of how financial resources (such as capital budgeting, depreciation, cash flows, net present value, asset management and restructuring) are used to limit risk and to ensure business stability.
 - D. Understands how businesses employ enterprise risk-management strategies and corporate finance techniques to minimize their business loss.
 - E. Knows how to select financial information to be used in statistical tools (e.g., confidence intervals, probability models) to enhance risk management.

Domain II – Business Management

Competency 009: *The teacher understands types of business ownership and entrepreneurial skills and procedures.*

The beginning teacher:

- A. Understands types of business ownership and their characteristics (e.g., sole proprietorships, partnerships, corporations, centralized versus decentralized, retail versus wholesale, franchises).
- B. Understands procedures for creating and carrying out business plans.
- C. Knows how to identify entrepreneurial opportunities and the benefits and liabilities of starting a business.
- D. Understands and implements basic marketing concepts, functions, methods and promotion (advertising, including event-based selling and visual merchandising).
- E. Understands and implements demand management strategies (e.g., inventory management).
- F. Knows how to manage day-to-day activities to ensure efficient purchasing and quality control.
- G. Understands procedures for determining financial start-up projections and methods for generating various types of capital.
- H. Understands the changing nature of business (e.g., technological changes, cultural diversity, global resources and competition).
- I. Applies knowledge of financial accounting to evaluate alternative business options and make good business decisions.
- J. Compares business financing opportunities and investments and understands the services provided by banks and financial institutions.
- K. Knows how to use research techniques effectively to identify and utilize information.

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Competency 010: *The teacher understands the principles of management in a business environment.*

The beginning teacher:

- A. Knows the history and understands the role of management.
- B. Understands the effective application of various functions of management (e.g., planning, organizing, leading, controlling, staffing and project management).
- C. Understands and can apply various management and motivational theories, including the management pyramid.
- D. Understands the selling process and market structures (e.g., brick-and-mortar, hybrid, e-commerce).
- E. Understands the theory and application of quality management.
- F. Applies social and behavioral theories and principles to analyze group structures and behaviors.
- G. Knows how to evaluate leadership styles and their effectiveness in addressing various business needs and goals.
- H. Knows how to evaluate management practices that promote flexibility and adaptability in a global business environment.
- I. Knows how to conduct technical research to secure information necessary for decision making.

Competency 011: *The teacher understands human relations and resource management.*

The beginning teacher:

- A. Understands how to plan, staff and organize human resources to enhance productivity and satisfaction.
- B. Understands the role of human relations and resource management and can apply basic principles and procedures of global human resource planning.
- C. Understands how to implement a compensation system.
- D. Understands the legal and regulatory requirements of a compensation program.
- E. Understands how to implement different types of compensation (e.g., pay for performance, hourly pay, salaried pay).
- F. Understands the economic and social benefits of a well-designed workplace.
- G. Understands the role of organized labor and its influence on business, including collective bargaining, grievance and arbitration.

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- H. Understands the balance between employee privacy rights and employer obligations to provide a safe working environment.
 - I. Recognizes and applies methods of employee recruitment and selection, staff evaluation and employee training and development in accordance with state and federal regulations (e.g., Equal Employment Opportunity Act, Americans with Disabilities Act).
 - J. Understands factors that affect productivity (e.g., interaction of people and technology, employee attitudes and motivation).

Domain III – Ethics, Law, Business Communication and International Business

Competency 012: *The teacher understands issues related to ethics and social responsibility in business and personal behavior.*

The beginning teacher:

- A. Understands the role of personal and business ethics in both conventional and cyber behavior (e.g., distinguishes between ethical and legal choices and ethical and unethical choices).
- B. Analyzes ethical considerations of business situations.
- C. Understands the social responsibilities of businesses regarding the environment, health, safety and diversity.
- D. Recognizes the connection between good public relations and a community's perception of ethical standards in business, and analyzes factors affecting decisions.

Competency 013: *The teacher understands principles of business law.*

The beginning teacher:

- A. Knows the legal requirements for forming, operating and dissolving different types of businesses.
- B. Understands statutory restrictions on retail and commercial sales, including e-commerce (e.g., Federal Trade Commission Act, the Uniform Commercial Code).
- C. Understands the nature and significance of contracts, torts and crimes.
- D. Understands employee and consumer statutory rights and protections (e.g., consumer protection laws, Americans with Disabilities Act, organized labor laws, workplace safety legislation).

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- E. Understands how different jurisdictions influence different legal issues in business situations (e.g., the legal responsibility of individuals for the acts of a business organization, issues related to trademark and copyright laws).
 - F. Understands the role of government regulations in the workplace (e.g., Environmental Protection Agency (EPA), Occupational Safety and Health Administration (OSHA)).
 - G. Knows how to use appropriate online technology to research cases dealing with relevant business-related cases.

Competency 014: *The teacher understands basics of international business.*

The beginning teacher:

- A. Knows how to identify multicultural business opportunities and competitive factors that affect the global business environment (e.g., social, cultural, political, legal, geographic and economic factors).
- B. Understands the potential impact of changes in currency exchange rates, inflation and interest rates.
- C. Understands the structure and purpose of the European Union and the relationship between international trade and the global economy.
- D. Recognizes major trends and developments in international business.
- E. Understands the relationship between foreign trade and taxation policy and tariffs.

Competency 015: *The teacher understands basic elements of communication and applies skills for effective communication in business contexts.*

The beginning teacher:

- A. Understands basic elements of effective business communication (e.g., communication process; barriers to communication; communication channels, including social media; issues of cross-cultural business transactions) as well as how to nurture customer relationships by communicating effectively.
- B. Engages in appropriate oral, written, nonverbal and visual communication such as presentations and videoconferencing (including tables, graphs and charts).
- C. Knows how to input data and produce documents effectively.
- D. Uses current and emerging technologies to produce business documents.
- E. Knows how to use references and appropriately documents information from secondary sources.

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Domain IV – Technology and Information Systems

Competency 016: *The teacher understands, applies fundamentals of, and effectively uses computer systems.*

The beginning teacher:

- A. Navigates networks effectively to locate and exchange information.
- B. Knows how to employ document-creation software to create and publish business-related documents (e.g., instructional manuals, business brochures).
- C. Understands how operating systems perform a variety of tasks (e.g., organizing and maintaining files, exporting data).
- D. Understands options and procedures for exchanging information via telecommunications software (e.g., appropriate telecommunications methods for different situations, correct etiquette when using telecommunications).
- E. Knows how to implement procedures for producing business documents using current and emerging technology (e.g., uses document-creation, spreadsheet and database software; uses correct proofreading symbols and procedures; produces reports containing text and graphics).
- F. Understands health, ergonomic and safety issues related to the use of computer technology.
- G. Understands the use of multiplatform design software to develop websites.
- H. Applies procedures for importing graphics, sound, video and text into documents to produce multiplatform presentation products.
- I. Applies skills for researching and developing effective business presentations (such as multimedia presentations) that use a variety of sources, including big data.

Competency 017: *The teacher understands terminology and principles related to information technology.*

The beginning teacher:

- A. Understands computer terminology and concepts.
- B. Knows how to effectively select, evaluate, install and upgrade computer hardware and software.
- C. Understands how to identify emerging technologies and potential trends.
- D. Understands the role of information technology in specific business contexts (e.g., product design, procurement, manufacturing, sales and marketing, inventory, product delivery, customer service, finance).

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- E. Knows how to manage computer assets (e.g., developing a technology plan, troubleshooting and repairing software and hardware, customizing software, evaluating software and hardware, keeping an inventory of computer components and peripherals).

Competency 018: *The teacher understands principles and procedures related to information management systems and information technology applications.*

The beginning teacher:

- A. Understands the nature and role of e-commerce.
- B. Knows how to create and manage an online business.
- C. Applies skills for managing information (e.g., maintaining systems for document and information storage, including the cloud, and retrieval; developing and maintaining systems for electronic filing).
- D. Solves business problems by utilizing information technology (e.g., word processing applications, spreadsheets, databases, multimedia, web design, computer programming and graphic design).
- E. Understands the impact of information and communication technology on business and society.
- F. Applies database technology to manipulate (e.g., store, query, retrieve) data and to design databases for solving business problems.
- G. Employs data-mining methods to identify and evaluate trends and patterns to improve business decision making.

Competency 019: *The teacher understands principles and procedures related to confidentiality, security and data integrity associated with computer technology.*

The beginning teacher:

- A. Identifies social, ethical, and legal issues relevant to confidentiality (e.g., cybercrimes and identity theft).
- B. Understands issues and procedures for maintaining data security. (e.g., firewalls, virus protection software).
- C. Understands procedures for ensuring the accuracy and integrity of data.

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Domain V – Leadership and Career Development

Competency 020: *The teacher understands work-based learning, career development, and leadership opportunities.*

The beginning teacher:

- A. Understands how to link classroom learning with work-based learning and incorporate relevant experiences into the business curriculum.
- B. Understands the laws and regulations relating to employment, including Equal Employment Opportunity Commission (EEOC) rules and safety regulations and procedures.
- C. Knows how to assist in the implementation of work-based learning models (e.g., school organizations, mentoring, networking, job shadowing, career preparation, internships and externships).
- D. Knows how to evaluate student progress based on work-based standards and can analyze data to determine program effectiveness.
- E. Identifies career opportunities in business, as well as the education, industry certifications and training requirements one needs for such careers.
- F. Helps students transition from program completion to employment or higher education (e.g., résumé writing, practicing interview skills).
- G. Effectively communicates how personal attributes (e.g., reliability, diligence, punctuality, motivation, attitude, digital footprint) affect career advancement and success in the workplace.

Competency 021: *The teacher knows how to employ interpersonal, employment, and organizational skills in business environments.*

The beginning teacher:

- A. Knows how to apply the social and human relations skills and attitudes needed to work effectively in a culturally diverse business environment.
- B. Identifies procedures for carrying out administrative support responsibilities (e.g., scheduling, meeting planning and organization).
- C. Knows how to select, train and retain employees.
- D. Understands compensation systems and how they are implemented.
- E. Understands how to manage all facets of a benefits plan.
- F. Understands employee-management relations.
- G. Knows how to plan, staff, lead and organize a human resources group to enhance productivity and satisfaction.

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- H. Knows how to assist with staff growth and development and trains staff on system usage.
 - I. Implements initiatives to improve employee satisfaction.

Competency 022: The teacher understands the leadership and community service opportunities available through student organization activities and the importance of promoting a business education program.

The beginning teacher:

- A. Understands the purpose, characteristics and functions of student leadership organizations.
- B. Understands the roles of chapter advisors and their responsibilities to student organizations.
- C. Understands the importance of interacting with others in the school and community to promote a business education program (e.g., advisory committees, businesses, community agencies, postsecondary institutions, civic and service organizations, education and training organizations).
- D. Knows how to use a variety of sources and methods for developing and delivering appropriate business instruction (e.g., collaborating with other school faculty and external partners, identifying the impact of external influences and the requirements for special populations and evaluating performance standards).
- E. Understands the importance of participating in leadership and career-development activities.

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Approaches to Answering Multiple-Choice Questions

The purpose of this section is to describe multiple-choice question formats that you will typically see on the Business and Finance 6–12 test and to suggest possible ways to approach thinking about and answering them. These approaches are intended to supplement and complement familiar test-taking strategies with which you may already be comfortable and that work for you. Fundamentally, the most important component in ensuring your success is knowing the content described in the test framework. This content has been carefully selected to align with the knowledge required to begin a career as a Business and Finance 6–12 teacher.

The multiple-choice questions on this test are designed to assess your knowledge of the content described in the test framework. In most cases, you are expected to demonstrate more than just your ability to recall factual information. You may be asked to think critically about the information, to analyze it, consider it carefully, and compare it with other knowledge you have or make a judgment about it.

Leave no questions unanswered. Questions for which you mark no answer are counted as incorrect. Your score will be determined by the number of questions you answer correctly.

The Business and Finance 6–12 test is designed to include a total of 100 multiple-choice questions, 80 of which are scored. The number of scored questions will not vary; however, the number of questions that are not scored may vary in the actual test. Your final scaled score will be based only on scored questions. The questions that are not scored are being pilot tested to collect information about how these questions will perform under actual testing conditions. These pilot questions are not identified on the test.

How to Approach Unfamiliar Question Formats

Some questions include introductory information such as a map, table, graph or reading passage (often called a stimulus) that provides the information the question asks for.

New formats for presenting this information are developed from time to time; for example, some tests now include interactive questions. These kinds of questions take advantage of technology to assess knowledge and skills that go beyond what can be assessed using standard single-selection multiple-choice questions. If you see a format you are not familiar with, **read the directions carefully**. The directions always give clear instructions on how you are expected to respond.

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For most questions, you will respond by clicking an oval to choose a single answer choice from a list of options. Other questions may ask you to respond by:

- **Selecting all that apply.** In some questions, you will be asked to choose all the options that answer the question correctly.
- **Typing in an entry box.** When the answer is a number, you might be asked to enter a numeric answer or, if the test has an on-screen calculator, you might need to transfer the calculated result from the calculator into the entry box. Some questions may have more than one place to enter a response.
- **Clicking check boxes.** You may be asked to click check boxes instead of an oval when more than one choice within a set of answers can be selected.
- **Clicking parts of a graphic.** In some questions, you will choose your answer by clicking on location(s) on a graphic such as a map or chart, as opposed to choosing from a list.
- **Dragging and dropping answer choices into “targets” on the screen.** You may be asked to choose an answer from a list and drag it into the appropriate location in a table, paragraph of text or graphic.
- **Selecting options from a drop-down menu.** This type of question will ask you to select the appropriate answer or answers by selecting options from a drop-down menu (e.g., to complete a sentence).

Remember that with every question, you will get clear instructions on how to respond.

Question Formats

You may see the following types of multiple-choice questions on the test:

- Single Questions
- Clustered Questions

On the following pages, you will find descriptions of these commonly used question formats, along with suggested approaches for responding to each type.

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Single Questions

The single-question format presents a direct question or an incomplete statement. It can also include a reading passage, graphic, table or a combination of these. Four or more answer options appear below the question.

The following question is an example of the single-question format. It tests knowledge of Business and Finance 6–12 Competency 005: *The teacher understands and applies knowledge of basic accounting.*

Example

1. In the accounting cycle, closing journal entries are required in order to
 - A. identify and record all liabilities, revenues, and expenses at the end of the fiscal year.
 - B. allocate revenues and expenses to the period in which they actually are applicable.
 - C. transfer balances in temporary accounts to retained earnings.
 - D. record a transaction and its effects on net income.

Suggested Approach

Read the question carefully and critically. Think about what it is asking and the situation it is describing. Eliminate any obviously wrong answers, select the correct answer choice, and mark your answer.

The question addresses the function of closing journal entries once an adjusted trial balance has been established. Closing journal entries are used to move trial balances into temporary accounts. Look at the options and consider which of them best describes the function of closing journal entries.

Option A suggests that the purpose of closing journal entries is to identify and record liabilities, revenues and expenses at the end of the fiscal year. However, closing entries are used in all accounting periods, not just the end of the fiscal year. Therefore, option A can be eliminated.

Option B suggests that closing journal entries are used to allocate revenues and expenses to an applicable time period. However, closing journal entries are always made in the same time period as the adjusted trial balance. Therefore, option B can be eliminated.

Option C suggests that the purpose of closing journal entries is to move revenue, expense and capital withdrawal (dividend) accounts from temporary accounts to permanent accounts. Temporary accounts thus have zero balances at the start of the next period. Option C is the best response to the question.

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Option D suggests that closing journal entries are used to record a transaction and its effects on net income in the income summary. However, recording a transaction is only an intermediate step between closing the entries and transferring the balances to retained earnings. Therefore, option D can be eliminated.

Of the four options offered, it's true that the purpose of closing journal entries is to move revenue, expense and capital withdrawal (dividend) accounts from temporary to permanent accounts. Closing entries are based on the account balances in an adjusted trial balance. Therefore, **the correct response is option C.**

Clustered Questions

Clustered questions are made up of a stimulus and two or more questions relating to the stimulus. The stimulus material can be a reading passage, a graphic, a table, a description of an experiment or any other information necessary to answer the questions that follow.

You can use several different approaches to respond to clustered questions. Some commonly used strategies are listed below.

Strategy 1 Skim the stimulus material to understand its purpose, its arrangement and/or its content. Then read the questions and refer again to the stimulus material to obtain the specific information you need to answer the questions.

Strategy 2 Read the questions *before* considering the stimulus material. The theory behind this strategy is that the content of the questions will help you identify the purpose of the stimulus material and locate the information you need to answer the questions.

Strategy 3 Use a combination of both strategies. Apply the “read the stimulus first” strategy with shorter, more familiar stimuli and the “read the questions first” strategy with longer, more complex or less familiar stimuli. You can experiment with the sample questions in this manual and then use the strategy with which you are most comfortable when you take the actual test.

Whether you read the stimulus before or after you read the questions, you should read it carefully and critically. You may want to note its important points to help you answer the questions.

As you consider questions set in educational contexts, try to enter into the identified teacher’s frame of mind and use that teacher’s point of view to answer the questions that accompany the stimulus. Be sure to consider the questions only in terms of the information provided in the stimulus — not in terms of your own experiences or individuals you may have known.

NOTE: After clicking on a link, right click and select “Previous View” to go back to original text.

Example

First read the stimulus.

Read the information below to answer the questions that follow.

Dana owns and operates a business that prepares homes for open-house tours. She locates all the resources to complete each preparation job, negotiates a price with local realtors, and contacts an interior designer to decorate the house for selling. She receives payment from the realtor for her planning services in addition to the fee for the local designer. She pays the designer and keeps her commission. She works with several real estate agents as repeat clients, and frequent referrals.

Now you are prepared to address the questions associated with this stimulus. The first question tests knowledge of Business and Finance 6–12 Competency 009: *The teacher understands types of business ownership and entrepreneurial skills and procedures.*

1. Which of the following types of business is Dana running?
 - A. A franchise
 - B. A service operation
 - C. A manufacturing company
 - D. A production operation

Suggested Approach

This question tests an understanding of different types of ownership, specifically how a service-based economy differs from a production-based one. Look at the options and consider which of them best describes the type of business that Dana is running.

Option A suggests that Dana manages a franchise. However, franchises involve multiple businesses and are based on a common template. Therefore, option A may be eliminated.

Option B suggests that Dana runs a service operation that manages resources, conducts negotiations, and is responsible for a property's interior appearance. In the stimulus we are told that "she locates all the resources to complete each preparation job, negotiates a price with local realtors, and contacts an interior designer to decorate the house for selling." Option B is therefore the best response to the question.

Option C suggests that Dana's business is manufacturing. Since we know that Dana provides services, not products, option C may be eliminated.

NOTE: After clicking on a link, right click and select "Previous View" to go back to original text.

Option D suggests that Dana runs a production operation. However, Dana doesn't produce anything but rather offers a bundle of services. Therefore, option D may be eliminated.

Of the four options offered, a service operation best describes Dana's business. She manages resources, conducts negotiations and is responsible for a property's interior appearance. Therefore, **the correct response is option B.**

2. Which of the following is a service characteristic that Dana incorporates in her business?
- A. Client relationship
 - B. Market segmentation
 - C. Mass marketing
 - D. Uniformity

Suggested Approach

This question assesses an understanding of what characterizes a service. Look at the options and consider which one best describes a service characteristic of Dana's business.

Option A suggests that the service characteristic of Dana's business is the fact that she leverages relationships with realtors and interior designers to offer a service: "She works with several real estate agents as repeat clients, and frequent referrals." Option A is therefore the best response to the question.

Option B suggests that market segmentation is a key service characteristic of Dana's business, but Dana practices no market segmentation. As noted above, she "works with several real estate agents as repeat clients, and frequent referrals." Therefore option B may be eliminated.

Option C suggests that Dana uses a mass marketing approach. Yet in the stimulus we are told that hers is a customized approach: "She locates all the resources to complete each preparation job, negotiates a price with local realtors and contacts an interior designer to decorate the house for selling." Therefore, option C may be eliminated.

Option D suggests that uniformity is a service characteristic of Dana's business. Yet in the stimulus we are told that hers is a customized approach: "She locates all the resources to complete each preparation job, negotiates a price with local realtors and contacts an interior designer to decorate the house for selling." Therefore, option D may be eliminated.

Of the four options offered, it's true that the key service characteristic of Dana's business is relationship management: she repeatedly works with real estate agents and frequent referrals. Therefore, **the correct response is option A.**

NOTE: After clicking on a link, right click and select "Previous View" to go back to original text.

Multiple-Choice Practice Questions

This section presents some sample test questions for you to review as part of your preparation for the test. To demonstrate how each competency may be assessed, each sample question is accompanied by the competency that it measures. While studying, you may wish to read the competency before and after you consider each sample question. Please note that the competency statements do not appear on the actual test.

For each sample test question, there is at least one correct answer and a rationale for each answer option. Please note that the sample questions are not necessarily presented in competency order.

The sample questions are included to illustrate the formats and types of questions you will see on the test; however, your performance on the sample questions should not be viewed as a predictor of your performance on the actual test.

NOTE: After clicking on a link, right click and select "Previous View" to go back to original text.

COMPETENCY 001

1. When a company is trying to regulate its spending and track incoming funds, the accountant should prepare an income statement once
 - A. every month.
 - B. every two months.
 - C. every six months.
 - D. every year.

Answer and Rationale

COMPETENCY 001

2. Which of the following best identifies the use of debt financing to raise capital?
 - A. Convertible securities
 - B. Direct stock offerings
 - C. Promissory notes
 - D. Initial public offerings

Answer and Rationale

COMPETENCY 002

3. Which of the following occurs after a customer withdraws money from an automated teller machine?
 - A. The customer's access privileges are checked.
 - B. The debit is posted to the account.
 - C. The connection to the server is established.
 - D. The system verifies that the customer has an account.

Answer and Rationale

NOTE: After clicking on a link, right click and select "Previous View" to go back to original text.

COMPETENCY 003

4. A lending company will review a borrower's accounting documentation to evaluate
- A. creditworthiness.
 - B. current assets to past liabilities.
 - C. the expenses in terms of employee risk management.
 - D. the aggregate statistics relating to the likelihood that a competitor will enter the market.

Answer and Rationale

COMPETENCY 004

5. Which of the following doctrines prevents a person from insuring a neighbor's house?
- A. Doctrine of contribution
 - B. Doctrine of subrogation
 - C. Doctrine of indemnification
 - D. Doctrine of insurable interest

Answer and Rationale

COMPETENCY 005

6. Which of the following inventory systems is designed to record the actual costs associated with the inventory using a physical count?
- A. The periodic inventory system
 - B. The perpetual inventory system
 - C. The temporary inventory system
 - D. The just-in-time inventory system

Answer and Rationale

NOTE: After clicking on a link, right click and select "Previous View" to go back to original text.

COMPETENCY 006

7. Which of the following valuations is used to calculate the straight-line depreciation of an asset?
- A. Market value
 - B. Salvage value
 - C. Enterprise value
 - D. Replacement value

Answer and Rationale

COMPETENCY 006

8. In which of the following sections of the balance sheet is prepaid insurance recorded?
- A. Expenses
 - B. Assets
 - C. Liabilities
 - D. Equity

Answer and Rationale

COMPETENCY 008

9. Which of the following statements is generally true about the purchasing function today?
- A. A wide supplier base is desired because purchasing prices are lowered.
 - B. The focus of purchasing today has changed from a relational to a transactional one.
 - C. Purchasing is evolving into strategic supply management.
 - D. Relationships with suppliers typically lead to supplier opportunism.

Answer and Rationale

NOTE: After clicking on a link, right click and select "Previous View" to go back to original text.

COMPETENCY 009

10. The owner of a small boat rental company opened the business as a sole proprietorship but has since decided to bring a friend into the business. It is best for the owner, who is concerned about the cost of changing the form of the company's organization, to change the business structure to a
- A. corporation.
 - B. partnership.
 - C. joint venture.
 - D. cooperative.

Answer and Rationale

COMPETENCY 009

11. Kim, a young college student, has decided to start a business. She does not have much capital but believes the business can generate capital through an initial public offering (IPO). An IPO is categorized as
- A. debt.
 - B. an asset.
 - C. equity.
 - D. income.

Answer and Rationale

COMPETENCY 009

12. The marketing department of a small business wants to obtain information about how and why a product continues to be successful after many years. Which of the following research techniques will be most effective?
- A. Obtaining expert reviews
 - B. Organizing focus groups
 - C. Conducting one-on-one interviews
 - D. Requesting user surveys

Answer and Rationale

NOTE: After clicking on a link, right click and select "Previous View" to go back to original text.

COMPETENCY 010

13. Which of the following best describes management practices that promote adaptability in a global business environment?
- A. Changing strategies to accommodate local conditions
 - B. Developing a set of fixed responses to anticipated problems
 - C. Establishing procedures to be used systematically in all regions
 - D. Launching sales initiatives to conform to the corporate calendar

Answer and Rationale

COMPETENCY 011

14. Which of the following types of compensation has the greatest positive effect on employee motivation and productivity?
- A. High pay level at beginning salary
 - B. Varied and attainable pay mix
 - C. Regularly scheduled pay raises
 - D. Uniform employee pay increases

Answer and Rationale

COMPETENCY 011

15. To have the greatest impact on long-term employee productivity, businesses must
- A. conduct effective employee evaluations.
 - B. increase production quotas.
 - C. implement a pushing management style.
 - D. raise performance expectations.

Answer and Rationale

NOTE: After clicking on a link, right click and select "Previous View" to go back to original text.

COMPETENCY 012

16. Which of the following situations is legal but not ethical?

- A. A business goes beyond the letter of the law to preserve the environment for future generations.
- B. A top company executive uses questionable accounting practices to manipulate the company's stock price for financial gain.
- C. A company imports and sells goods from a company that uses child labor in unsafe conditions in its manufacturing plants.
- D. A group of pharmacists agree to charge the same prices because of the rising costs of prescription medicines.

Answer and Rationale

COMPETENCY 012

17. RXJW is a publicly traded company that is required by law to register its code of ethics with the Securities and Exchange Commission and ensure that its senior financial officers are aware of the policy. Which of the following mandates this requirement?

- A. Single Audit Act
- B. Sarbanes-Oxley Act
- C. Code of Federal Regulations
- D. National Labor Relations Act

Answer and Rationale

COMPETENCY 013

18. Which of the following federal organizations regulates overall workplace safety?

- A. Occupational Safety and Health Administration
- B. Equal Employment Opportunity Commission
- C. United States Department of Agriculture
- D. Environmental Protection Agency

Answer and Rationale

NOTE: After clicking on a link, right click and select "Previous View" to go back to original text.

COMPETENCY 013

19. Which of the following best describes the responsibilities of the Equal Employment Opportunity Commission?
- A. Enforces federal law against discrimination
 - B. Enforces state laws regarding sex, gender, and religion in the workplace
 - C. Ensures the number of men is equal to the number of women in the workplace
 - D. Legislates on behalf of pregnant women for unchanged pay rate during maternity leave

Answer and Rationale

COMPETENCY 013

20. Which of the following advertising claims is most likely to prompt an inquiry by the Federal Trade Commission?
- A. Using our cream guarantees no more wrinkles.
 - B. Our apple juice gives you more.
 - C. Eat our burgers; they are the best in the world.
 - D. Our diamonds are the finest.

Answer and Rationale

COMPETENCY 013

21. In which of the following situations has a tort occurred?
- A. A firework spark lands on a neighbor's tree and burns it down.
 - B. A one-year lease is terminated by the renter before it ends.
 - C. A pet dog runs into the street and is struck by a vehicle.
 - D. A credit card is stolen and used to make several purchases.

Answer and Rationale

NOTE: After clicking on a link, right click and select "Previous View" to go back to original text.

COMPETENCY 014

22. Which of the following policies will most likely increase foreign trade?

- A. Implementing ad valorem tariffs
- B. Establishing free-trade zones
- C. Employing packaging regulations
- D. Applying specific tariffs

Answer and Rationale

COMPETENCY 014

23. Which of the following statements regarding the taxation and international business operations of a company in its residence and source states is true?

- A. The company pays taxes to the state with the lowest tax rate.
- B. The residence state mitigates the tax.
- C. The source state mitigates the tax.
- D. The company pays taxes only to the residence state.

Answer and Rationale

COMPETENCY 015

24. An effective form of communication is the use of graphs and charts to convey information. A pie chart is an effective way of

- A. identifying the parts of a subject and their spatial or functional relationship.
- B. offering a visual representation of large changes over a space.
- C. communicating varying values or percentages in relation to each other that is not related to time.
- D. comparing the qualities to two variables to clearly show the changes over time.

Answer and Rationale

NOTE: After clicking on a link, right click and select "Previous View" to go back to original text.

COMPETENCY 015

25. Which of the following notations is most appropriate for citing a specific page within a specific section of a book with one author?
- A. Anthony Sorbo, Handbook of Trust Law (1987).
 - B. Brown's Law Dictionary 602 (10th ed. 2008).
 - C. Children and the Law 24 (Connie L. Hercot ed., 1992).
 - D. Eric James, Civil Procedure § 2.3, at 124 (8th ed. 2012).

Answer and Rationale

COMPETENCY 016

26. Which of the following proofreaders' marks means to "delete"?
- A. my ~~dad~~'s watch
 - B. friends ~~(both were)~~
 - C. ~~car~~ mufflers should ~~should~~
 - D. some ~~(~~body

Answer and Rationale

COMPETENCY 016

27. Which of the following types of illustrations best represents continuous processes?
- A. Line graph
 - B. Table or figure
 - C. Schematic
 - D. Flow chart

Answer and Rationale

NOTE: After clicking on a link, right click and select "Previous View" to go back to original text.

COMPETENCY 016

28. Which of the following is the best function on a presentation software toolbar for importing graphics into a presentation?
- A. Edit
 - B. Insert
 - C. Design
 - D. Animations

Answer and Rationale

COMPETENCY 017

29. Which of the following approaches is best to use when creating a business presentation?
- A. Including the goal at the end of the presentation
 - B. Closing the presentation with a question-and-answer period
 - C. Using supporting material sparingly in the presentation
 - D. Establishing the presenter's credibility at the beginning of the presentation

Answer and Rationale

COMPETENCY 018

30. Which of the following is most important to consider when developing a technology plan for schools in a school district?
- A. The average school has more Internet connectivity than the average home.
 - B. Most schools have the network capacity to meet all teaching needs.
 - C. Teachers in general need more training to integrate technology in their lessons.
 - D. The future of learning is less individualized because of digital technologies.

Answer and Rationale

NOTE: After clicking on a link, right click and select "Previous View" to go back to original text.

COMPETENCY 018

31. An individual uploads items to sell on an international Web site and occasionally purchases items from the same source. This practice is best known as
- A. e-commerce.
 - B. market economy.
 - C. foreign exchange.
 - D. electronic signature.

Answer and Rationale

COMPETENCY 019

32. Which of the following best describes a digital footprint?
- A. A technological interaction that can be traced to an individual
 - B. An image embedded in a word processing document
 - C. An erasable online interaction
 - D. An online digital identity

Answer and Rationale

COMPETENCY 019

33. A teacher is instructing students on the importance of firewalls. To best explain the security provided by firewalls, the teacher should explain that firewalls
- A. check all incoming data for viruses.
 - B. provide complete confidentiality.
 - C. replace host security procedures.
 - D. restrict how data exits the system.

Answer and Rationale

NOTE: After clicking on a link, right click and select "Previous View" to go back to original text.

COMPETENCY 019

34. Which of the following is an advantage of parallel data mining over distributed data mining?
- A. Parallel data mining relies on data partitioning and global blending.
 - B. Communication occurs among multiple process units in parallel data mining.
 - C. In parallel data mining, knowledge differs between data sets and the global unit.
 - D. In parallel data mining, an algorithm is applied to the entire data set.

Answer and Rationale

COMPETENCY 020

35. For businesses, identity-based encryption (IBE) is preferable to other forms of encryption because it
- A. generates a public key automatically upon demand.
 - B. requires servers to store and locate the encryption keys.
 - C. ensures message security by using digital certificates.
 - D. has superior key-management and key-recovery infrastructure.

Answer and Rationale

COMPETENCY 020

36. Which THREE of the following personal attributes are most likely to have a positive effect on a person's career advancement and success?
- A. Confidence
 - B. Energy
 - C. Inquisitiveness
 - D. Obedience
 - E. Traditionalism

Answer and Rationale

NOTE: After clicking on a link, right click and select "Previous View" to go back to original text.

COMPETENCY 020

37. A teacher is designing a unit that will engage students in an extended project and connect learning and work. It is most appropriate for the teacher to incorporate which of the following experiences into the unit?
- A. A job-training internship
 - B. A job-shadowing opportunity
 - C. A work-study job
 - D. A field-based investigation

Answer and Rationale

COMPETENCY 022

38. Which TWO of the following benefits are employers required by law to provide?
- A. Retirement plans or pensions
 - B. Workers' compensation
 - C. Medical leave for childbirth
 - D. Medical insurance plans
 - E. COBRA coverage

Answer and Rationale

COMPETENCY 022

39. Which of the following is an objective of the National Business Education Association?
- A. To manage the teacher evaluation process
 - B. To promote students with terminal degrees
 - C. To promote legislation on behalf of its members
 - D. To promote professional development in all United States Department of Labor clusters

Answer and Rationale

NOTE: After clicking on a link, right click and select "Previous View" to go back to original text.

COMPETENCY 022

40. The Occupational Safety and Health Administration is primarily responsible for which FOUR of the following?
- A. Controlling workplace noise exposure
 - B. Regulating work walking surfaces
 - C. Establishing requirements for electrical standards
 - D. Driving commercial diving requirements
 - E. Supervising distribution of dietary supplements
 - F. Monitoring the development of X-ray equipment

Answer and Rationale

NOTE: After clicking on a link, right click and select "Previous View" to go back to original text.

Answer Key and Rationales

| Question Number | Competency Number | Correct Answer | Rationales |
|-----------------|-------------------|----------------|--|
| 1 | 001 | A | <p>Option A is correct because income statements are usually produced once a month to ensure expense review and control. This will allow a company to determine how much money is coming in and how it's being spent. Options B and C are incorrect because in order to track incoming money and regulate spending, an income statement needs to be prepared more frequently. Option D is incorrect because annual income statements are usually prepared to be reviewed, audited and used to determine tax obligations for the year.</p> <p>Back to Question</p> |
| 2 | 001 | C | <p>Option C is correct because a promissory note would indicate a loan and debt financing to raise capital. Option A is incorrect because convertible securities (a type of security, usually a stock or bond, that can be converted to another type of security, usually another type of stock or bond) are used to raise capital by way of equity financing. Option B is incorrect because direct stock offerings are used to raise capital by equity financing. Option D is incorrect because an initial public offering raises capital through equity financing.</p> <p>Back to Question</p> |

| Question Number | Competency Number | Correct Answer | Rationales |
|-----------------|-------------------|----------------|--|
| 3 | 002 | B | <p>Option B is correct because after the customer has withdrawn money from the account via the ATM, the amount is deducted from the customer's account balance. Option A is incorrect because checking the customer's access privileges occurs after the server connection has been established and the verification that the customer holds an account has occurred. Option C is incorrect because establishing the server connection is the first step that must occur for the process to begin. Option D is incorrect because verification that the customer holds an account must occur before a withdrawal can occur.</p> <p>Back to Question</p> |
| 4 | 003 | A | <p>Option A is correct because credit-worthiness is the key determinant of how likely it is that the loan will be repaid. Option B is incorrect because the lending company will be examining current cash flow, not past liabilities. Option C is incorrect because the expenses associated with employee risk management are unrelated to any of the characteristics that a lending company will be reviewing. Option D is incorrect because the entrance of a competitor to the market is unrelated to the characteristics that a lending company will be reviewing.</p> <p>Back to Question</p> |

| Question Number | Competency Number | Correct Answer | Rationales |
|-----------------|-------------------|----------------|--|
| 5 | 004 | B | <p>Option D is correct because doctrine of insurable interest means that a person will suffer financial or other kinds of loss when they lose or damage a particular property. Option A is incorrect because the doctrine of contribution means that a defendant who has paid more than his or her share of the award has a claim against other jointly liable parties for the excess payment. Option B is incorrect because the doctrine of subrogation refers to the ability of one person to take the place of another in regard to a lawful claim, demand or right against a third party. Option C is incorrect because doctrine of indemnification refers to the ability to financially restore a property as it was prior to the incident.</p> <p>Back to Question</p> |
| 6 | 005 | B | <p>Option B is correct because the perpetual inventory system is designed to record the actual costs affiliated with inventory using a physical count. Option A is incorrect because in a periodic inventory system, the inventory does not become part of the count of goods to be sold. Option C is incorrect because a temporary inventory system does not account for inventory errors. Option D is incorrect because in a just-in-time inventory system, inventory goods are not on hand until needed.</p> <p>Back to Question</p> |

| Question Number | Competency Number | Correct Answer | Rationales |
|-----------------|-------------------|----------------|---|
| 7 | 006 | B | <p>Option B is correct because salvage value is used as a component of the depreciation calculation. Option A is incorrect because market value bases its price on supply and demand of the item and is not used in straight-line depreciation. Option C is incorrect because enterprise value refers to the economic value of a company and is not used in straight-line depreciation. Option D is incorrect because replacement value equals the cost to replace an asset at market prices and is not used in straight-line depreciation.</p> <p>Back to Question</p> |
| 8 | 006 | B | <p>Option B is correct because prepaid insurance is paid in advance and holds value. A refund could be requested for the unused portion. Option A is incorrect because prepaid insurance is expensed only as it is used. Option C is incorrect because a liability is an obligation that is due and is unrelated to the sale of a product or service. Option D is incorrect because equity refers to ownership in stock or other securities.</p> <p>Back to Question</p> |

| Question Number | Competency Number | Correct Answer | Rationales |
|-----------------|-------------------|----------------|--|
| 9 | 008 | C | <p>Option C is correct because the traditional purchasing department has evolved into a position of greater importance and esteem within a company, becoming known as “supply management.” Option A is incorrect because this is no longer true; if suppliers are constantly forced to reduce prices, quality of goods and services can decrease. When the company offers inferior products and services, loss of standing among consumers and in the market can occur. Damage control is expensive and may not work. Option B is incorrect because the opposite has occurred: purchasing has changed to relational because it has been discovered that relationships with suppliers can lead to cooperation so that mutual benefit occurs. Option D is incorrect because the opposite is true. Relationships grow cooperation among both parties so that supplier opportunism does not occur.</p> <p>Back to Question</p> |
| 10 | 009 | B | <p>Option B is correct because the cost to form a partnership is less expensive than the cost to form a corporation, joint venture, or cooperative. Option A is incorrect because forming a corporation is expensive and requires extensive documentation. Option C is incorrect because a joint venture involves two or more businesses pooling their resources and expertise to achieve a particular goal. Option D is incorrect because a cooperative is a group whose members agree on a common need and a strategy for how to meet that need.</p> <p>Back to Question</p> |

| Question Number | Competency Number | Correct Answer | Rationales |
|-----------------|-------------------|----------------|--|
| 11 | 009 | C | <p>Option C is correct because IPO stock is considered equity for the buyer.</p> <p>Option A is incorrect because debt comes from taking loans and selling bonds. Option B is incorrect because an asset is a resource that is owned and has value. Option D is incorrect because income is derived from the sale of a good or service.</p> <p>Back to Question</p> |
| 12 | 009 | D | <p>Option D is correct because user surveys are a relatively quick and inexpensive way of gathering and quantifying public opinion and monitoring change over time, which is most appropriate for answering the desired question. Option A is incorrect because expert reviews do not provide the same quality of insight as real end-user testing does. Option B is incorrect because focus groups can be time-consuming and expensive, and they may provide findings that are not statistically significant.</p> <p>Option C is incorrect because one-on-one interviews can be time-consuming and expensive, and they may provide findings that are not statistically significant.</p> <p>Back to Question</p> |

| Question Number | Competency Number | Correct Answer | Rationales |
|-----------------|-------------------|----------------|--|
| 13 | 010 | A | <p>Option A is correct because changing strategies to accommodate local conditions indicates management’s willingness to adapt to local environments. Option B is incorrect because developing a set of fixed responses does not allow the flexibility to adapt differently if the situation deviates from what has been anticipated. Option C is incorrect because establishing procedures to be used systematically implies that the procedures are the same regardless of local conditions and do not acknowledge the need to adapt. Option D is incorrect because launching sales initiatives that conform to a corporate calendar means that the sales initiatives are developed independently of what might be most appropriate for a given region, and it does not make it possible to adapt to local calendars or needs.</p> <p>Back to Question</p> |

| Question Number | Competency Number | Correct Answer | Rationales |
|-----------------|-------------------|----------------|--|
| 14 | 011 | B | <p>Option B is correct because making a varied pay mix available to workers has been shown to improve employee motivation and therefore productivity. Pay mix includes merit pay plans and incentives for groups, departments, and individuals. Option A is incorrect because a high pay level at a beginning salary has been shown to be beneficial to hiring but not to improving employee motivation and productivity. Option C is incorrect because, although welcomed by employees, regularly scheduled pay raises have not been shown to improve employee morale and productivity. Option D is incorrect because receiving the same pay increase tends to cause dissatisfaction among employees because all are being rewarded equally, regardless of performance. It therefore has a negative effect on employee motivation and productivity.</p> <p>Back to Question</p> |

| Question Number | Competency Number | Correct Answer | Rationales |
|-----------------|-------------------|----------------|--|
| 15 | 011 | A | <p>Option A is correct because an effective employee evaluation will allow the employee to adjust and improve his or her performance, thus improving productivity. Option B is incorrect because, while production quotas may produce short-term improvements in productivity, they have been less successful over the long term. Option C is incorrect because a push management style means that employees have a limited understanding of their role; they are not being challenged to develop and do not know if they are adding value to the company. This limited understanding of problems and their solutions can be frustrating and make an employee less productive. Option D is incorrect because having expectations that exceed an employee’s job description or background knowledge can make the employee feel unprepared and diminish that employee’s performance.</p> <p>Back to Question</p> |
| 16 | 012 | C | <p>Option C is correct because it is legal to import goods from other countries, but clearly unethical to buy and sell goods produced by child labor in unsafe conditions. Option A is incorrect because going beyond the law to preserve the environment is both legal and ethical. Option B is incorrect because the scenario is illegal and unethical. Option D is incorrect because the situation is illegal, but ethical.</p> <p>Back to Question</p> |

| Question Number | Competency Number | Correct Answer | Rationales |
|-----------------|-------------------|----------------|--|
| 17 | 012 | B | <p>Option B is correct because section 406 of the Sarbanes-Oxley Act requires filing a code of ethics with the SEC and ensuring that financial officers are aware of the policy. Option A is incorrect because the Single Audit Act provides provisions for entities that receive federal funds. Option C is incorrect because the Code of Federal Regulations is divided into 50 titles that represent broad areas that are subject to federal regulation. Option D is incorrect because the National Labor Relations Act protects the rights of employees and employers.</p> <p>Back to Question</p> |
| 18 | 013 | A | <p>Option A is correct because the Occupational Safety and Health Administration is the federal agency that regulates workplace safety. Option B is incorrect because the Equal Employment Opportunity Commission enforces federal employment discrimination laws. Option C is incorrect because the United States Department of Agriculture regulates policies on farming, agriculture, forestry, and food. Option D is incorrect because the Environmental Protection Agency protects human health and the environment.</p> <p>Back to Question</p> |

| Question Number | Competency Number | Correct Answer | Rationales |
|-----------------|-------------------|----------------|---|
| 19 | 013 | A | <p>Option A is correct because the EEOC enforces federal laws against discrimination. Option B is incorrect because the EEOC is a federal agency and regulates discrimination against more than sex, gender and religion. Option C is incorrect because the EEOC does not regulate the actual number of employees based on gender. They do, however, regulate against gender discrimination. Option D is incorrect since the EEOC ensures equal pay, but does not require employers to pay absent employees a specific rate.</p> <p>Back to Question</p> |
| 20 | 013 | A | <p>Option A is correct because the company is making a claim that its cream can guarantee no more wrinkles. The Federal Trade Commission's (FTC) duties include investigating unsubstantiated claims; especially when they concern health, safety, or performance. An unsubstantiated claim about a product affecting the health of the consumer would probably prompt the FTC to act. Option B is incorrect because this is an example of an unfinished claim. Option C is incorrect because this is an example of hyperbole. Option D is incorrect because this is an example of hyperbole.</p> <p>Back to Question</p> |

| Question Number | Competency Number | Correct Answer | Rationales |
|-----------------|-------------------|----------------|--|
| 21 | 013 | A | <p>Option A is correct because the person shooting fireworks was careless and caused harm to a neighbor's property. Option B is incorrect because a lease is a contract, and contracts are not part of tort law. Option C is incorrect because the dog was in the street and was injured because it was not controlled by the owner, such as being restrained by a leash or contained in a house or closed yard. The dog's injuries are not the result of the negligence of the driver but the negligence of the owner of the dog. Option D is incorrect because this is a criminal action not a tort, which is classified as civil law.</p> <p>Back to Question</p> |
| 22 | 014 | B | <p>Option B is correct because free-trade zones encourage trade by establishing areas where goods are treated as if they are from the country to which they are being imported, thereby reducing duty and tax costs and streamlining production and processes. Option A is incorrect because ad valorem tariffs increase the price of imported goods, making them less competitive with domestic goods. Option C is incorrect because packaging regulations, especially those that differ from those of the exporting countries, require additional processing and raise the price of the goods, thereby decreasing their competitiveness with domestic goods. Option D is incorrect because adding a fixed fee to a particular imported good increases its price and reduces its competitiveness with domestic goods.</p> <p>Back to Question</p> |

| Question Number | Competency Number | Correct Answer | Rationales |
|-----------------|-------------------|----------------|--|
| 23 | 014 | B | <p>Option B is correct because allowing the residence state to mitigate the tax is a long-standing international tax agreement that prevents a company from being subject to double taxation when doing business in two countries. Option A is incorrect because the company must pay the source-state taxes regardless of the rate. Option C is incorrect because the company's source state is the one to which the taxes are paid; the residence state mitigates the tax. Option D is incorrect because the company pays taxes to the source state.</p> <p>Back to Question</p> |
| 24 | 015 | C | <p>Option C is correct because a pie chart is a graphic representation of quantitative information by means of a circle divided into sectors, in which the relative sizes of the sectors correspond to the relative sizes or proportions of the quantities of the whole. Option A is incorrect because this is the definition of a diagram. Option B is incorrect because this is the definition of a bar graph. Option D is incorrect because this is the definition of a line graph.</p> <p>Back to Question</p> |

| Question Number | Competency Number | Correct Answer | Rationales |
|-----------------|-------------------|----------------|---|
| 25 | 015 | D | <p>Option D is correct because this citation includes references to a specific page within a specific section as well as the name of the author. Option A is incorrect because this citation does not include a reference to a specific page within a specific section. Option B is incorrect because this citation does not include the name of an author or a specific page within a specific section. Option C is incorrect because this citation refers to an editor but not an author and to a page but not a section.</p> <p>Back to Question</p> |
| 26 | 016 | C | <p>Option C is correct because the symbol means to delete. Option A is incorrect because this is an example of the symbol to indicate that lowercase should be used. Option B is incorrect because this is an example of the symbol for transpose or switch around. Option D is incorrect because this is an example of the symbol that means to close up the space.</p> <p>Back to Question</p> |
| 27 | 016 | A | <p>Option A is correct because line graphs represent continuous processes. Option B is incorrect because tables are lists of data presented in rows and columns. Figures are any other visual depiction. Option C is incorrect because schematics are usually used for illustrating more abstract ideas. Option D is incorrect because flow charts illustrate stages in a process or a step-by-step view of a process.</p> <p>Back to Question</p> |

| Question Number | Competency Number | Correct Answer | Rationales |
|-----------------|-------------------|----------------|--|
| 28 | 016 | B | <p>Option B is correct because the insert tool makes it possible to import a graphic, text, audio, and video. Option A is incorrect because the edit tool makes it possible to make changes to the presentation. Option C is incorrect because the design tool makes it possible to choose a template. Option D is incorrect because the animation tool makes it possible to arrange the text, graphics, audio and video in the presentation.</p> <p>Back to Question</p> |
| 29 | 017 | D | <p>Option D is correct because establishing credentials and authority at the beginning of the presentation will make the audience be more accepting and open to what the presenter has to say. Option A is incorrect because the goal of the presentation should be stated up front so the audience understands what to expect. Option B is incorrect because, although the question and answer period should follow the presentation, the presentation should end with a brief closing to summarize the main points. Option C is incorrect because the opposite is actually true. Using supporting material throughout the presentation adds to both your credibility and underscores the reliability of the information being presented.</p> <p>Back to Question</p> |

| Question Number | Competency Number | Correct Answer | Rationales |
|-----------------|-------------------|----------------|---|
| 30 | 018 | C | <p>Option C is correct because most teachers are not receiving the training needed to meet the needs of digital learning. Option A is incorrect because the average school and home actually have the same amount of Internet connectivity, although the school Internet has many more users. Option B is incorrect because less than 20 percent of teachers have the network capacity in the classroom needed for lessons. Option D is incorrect because the opposite is true: digital technologies facilitate more individualized instruction.</p> <p>Back to Question</p> |
| 31 | 018 | A | <p>Option A is correct because international business refers to all business activities that involve cross-border transactions of services, goods and resources between two or more nations, including commercial transactions conducted electronically over the Internet, which is considered E-Commerce (Electronic Commerce). Option B is incorrect because a market economy reflects decisions about resource allocations based on supply and demand. Option C is incorrect because foreign exchange involves trading currencies. Option D is incorrect because the U.S. Federal ESIGN Act defines an electronic signature as an “electronic sound, symbol or process, attached to or logically associated with a contract or other record and executed or adopted by a person with the intent to sign the record.”</p> <p>Back to Question</p> |

| Question Number | Competency Number | Correct Answer | Rationales |
|-----------------|-------------------|----------------|---|
| 32 | 019 | A | <p>Option A is correct because a digital footprint is a trail or history left behind by a user’s interactions with technology. Option B is incorrect because a digital footprint is not an image embedded in a word processing document. Option C is incorrect because a digital footprint is not erasable. Option D is incorrect because a digital footprint is not a digital identity but data collected about actions and communications online.</p> <p>Back to Question</p> |
| 33 | 019 | D | <p>Option D is correct because restricting how data exits the system is a characteristic of firewalls and demonstrates that a firewall is a viable component of network security. Option A is incorrect because firewalls cannot perform this function because there are too many file formats, and often files are sent in compressed form. Option B is incorrect because this is possible only if two firewalls are from the same manufacturer. Therefore, firewalls have limited confidentiality. Option C is incorrect because the opposite is true: a firewall is no replacement for good host security practices and procedures. A firewall provides some security, but it cannot provide complete security for a system. The best plan for security is to implement host security practices and procedures and install a firewall.</p> <p>Back to Question</p> |

| Question Number | Competency Number | Correct Answer | Rationales |
|-----------------|-------------------|----------------|--|
| 34 | 019 | D | <p>Option D is correct because one algorithm can be applied to a data set so that the information returned is uniform and more reliable. Option A is incorrect. This is true of distributed data mining and is a disadvantage, because after the data is gathered from each dataset, it has to be analyzed, combined and stored elsewhere. Option B is incorrect. This is true of distributed data mining and is a disadvantage because the search using the algorithm has to be applied to the different datasets, analyzed and combined to form an answer. Option C is incorrect. This is true of distributed data mining and is a disadvantage. The knowledge must be examined to find a uniform pattern in order to give a solution.</p> <p>Back to Question</p> |

| Question Number | Competency Number | Correct Answer | Rationales |
|-----------------|-------------------|----------------|---|
| 35 | 020 | A | <p>Option A is correct because IBE uses an algorithm to calculate and generate the public key automatically on an as needed basis which is much faster and more secure than other methods. Option B is incorrect because IBE does not require public-key servers; there is no storage needed for the public key because it is calculated on demand using a cryptographic algorithm. This is actually a disadvantage of other forms of encryption. Option C is incorrect because digital certificates are not needed as public keys are calculated only on demand and are not stored on servers. Digital certificates are used by other forms of encryption. Option D is incorrect because IBE requires no key management or key infrastructure as do other forms of encryption. The public key is calculated on demand using a cryptographic algorithm.</p> <p>Back to Question</p> |
| 36 | 020 | A, B, C | <p>Option A is correct because confidence is rated as one of the top three traits sought by employers. Option B is correct because energy and confidence are two traits that reflect on an individual's professionalism. Option C is correct because an inquisitive employee is more likely to anticipate and adjust to future changes. Option D is incorrect because obedience may signify lack of independence and personal reflection, both of which are desirable character traits. Option E is incorrect because traditionalism suggests resistance to change and innovation, traits that are desirable for employment.</p> <p>Back to Question</p> |

| Question Number | Competency Number | Correct Answer | Rationales |
|-----------------|-------------------|----------------|--|
| 37 | 020 | D | <p>Option D is correct because field-based investigations transform classroom studies by engaging students in fieldwork and contact with adults who have expertise in the area of study. Option A is incorrect because an internship provides on-the- job experience for only a short time. Option B is incorrect because job-shadowing involves following a person throughout a workday to see what the job involves. Option C is incorrect because work-study is a program that provides employment to college students to help defray expenses.</p> <p>Back to Question</p> |
| 38 | 022 | B, C | <p>Option B is correct because federal law requires businesses to provide workers' compensation. Option C is correct because federal law requires businesses to provide medical leave for childbirth. Option A is incorrect because a retirement plan is an optional benefit that employers may offer as a hiring incentive. Option D is incorrect because a medical insurance plan is an optional benefit that employers may offer as a hiring incentive. Option E is incorrect because COBRA is an optional benefit that employers may offer to former employees.</p> <p>Back to Question</p> |

| Question Number | Competency Number | Correct Answer | Rationales |
|-----------------|-------------------|----------------|--|
| 39 | 022 | C | <p>Option C is correct because legislative advocacy is one of the National Business Education Association's (NBEA) endeavors. Option A is incorrect because NBEA does not manage teacher evaluation processes. Option B is incorrect because NBEA encourages students in undergraduate programs in business to join. Option D is incorrect because NBEA focuses on business education, not all United States Department of Labor clusters.</p> <p>Back to Question</p> |
| 40 | 022 | A, B, C, D | <p>Option A is correct because noise in the workplace can affect a person's health. Option B is correct because the condition of workplace walking surfaces can cause employee accidents. Option C is correct because electrical requirements and standards in the workplace affect the worker's environment and prevent accidental electrocutions. Option D is correct because commercial diving requirements are regulated by OSHA to protect employees who repair equipment underwater or dive for commercial seafood. Option E is incorrect because the distribution of dietary supplements is regulated by the FDA not OSHA. Option F is incorrect because the FDA regulates development of equipment that emits radiation.</p> <p>Back to Question</p> |

Preparation Resources

The resources listed below may help you prepare for the TExES test in this field. These preparation resources have been identified by content experts in the field to provide up-to-date information that relates to the field in general. You may wish to use current issues or editions to obtain information on specific topics for study and review.

JOURNALS

American Journal of Business Education, The Clute Institute.

<http://www.cluteinstitute.com/american-journal-of-business-education-ajbe/>

Journal of International Business in Education, Emerald Insight.

<http://www.emeraldinsight.com/journal/jieb>

Journal of Business Ethics Education, Neilson Journals Publishing.

<http://www.neilsonjournals.com/JBEE/>

OTHER RESOURCES

Allen, Kathleen. (2016). *Launching New Ventures: An Entrepreneurial Approach*. San Francisco, Calif.: Cengage Learning.

Ball, Donald A., Geringer, Michael J., Minor, Michael S., and McNett, Jeanne (2012). *International Business: The Challenge of Global Competition*. New York, N.Y.: McGraw-Hill Education.

Bearden, William O., Ingram, Thomas, and LaForge, Raymond. (2007). *Marketing: Principles and Perspectives*. Chicago, Ill.: McGraw-Hill/Irwin.

Kerin, Roger, Hartley, Steven, and Rudelius, William. (2014). *Marketing*, Twelfth Edition. Boston, Mass.: McGraw-Hill/Irwin.

Lamb, Charles W., Hair, Joseph F., and McDaniel, Carl. (2012). *Essentials of Marketing*, Seventh Edition. Mason, Ohio: Cengage Learning.

Lesikar, Raymond V., and Marie E. Flatley. (2004). *Basic Business Communication: Skills for Empowering the Internet Generation*, Tenth Edition. Burr Ridge, Ill.: McGraw-Hill/Irwin.

McGraw-Hill Education. (2016). *Marketing Essentials*, New York, NY.: Glencoe/McGraw-Hill.

Meyers, Mike. (2016). *Mike Meyers' CompTIA A+ Guide to Managing and Troubleshooting PCs*, Fifth Edition (Exams 220–901 & 220–902). Berkeley, Calif.: McGraw-Hill Education.

Nickels, William G., McHugh, James, and McHugh, Susan. (2015). *Understanding Business*, Eleventh Edition. New York, N.Y.: McGraw-Hill Education.

Remp, Ann, ed. (2002). *Technology, Methodology, and Business Education*. Reston, Va.: National Business Education Association.

Silbiger, Steven. (2012). *The Ten-Day MBA: A Step-by-Step Guide to Mastering the Skills Taught in America's Top Business Schools*. New York, N.Y.: HarperBusiness.

The George Lucas Educational Foundation. (2002). *Edutopia: Success Stories for Learning in the Digital Age*. Ed. Milton Chen and Sara Armstrong. San Francisco, Calif.: Jossey-Bass.

Rothaermel, Frank T. (2012). *Strategic Management: Concepts and Cases*, First Edition. Burr Ridge, Ill.: McGraw-Hill Education.

Wells, Dolores J. (2009). *Computer Concepts BASICS*, Fourth Edition. Boston, Mass.: Cengage Learning.

ONLINE RESOURCES

Association for Career and Technical Education — <http://www.acteonline.org>

DECA: An Association of Marketing Students — <http://www.deca.org>

International Association of Business Communicators — <http://www.iabc.com>

International Society for Technology in Education — <http://www.iste.org>

Marketing Education Association — <http://www.nationalmea.com>

MBA Research and Curriculum Center — <http://www.mbaresearch.org/>

National Association for Business Economics — <http://www.nabe.com>

National Association for Career Technical Education Information — <http://www.nactei.org>

National Association of Economic Educators — <http://www.naee.net/home.shtml>

National Board for Professional Teaching Standards — <http://www.nbpts.org>

National Business Education Association — <http://www.nbea.org>

National Career Development Association — <http://www.ncda.org>

National Economic Association — <http://www.neaecon.org/>

National Education Association — <http://www.nea.org>

National Educational Technology Standards for Teachers — <http://www.iste.org/standards/standards-for-teachers>

National Business Administration Standards — <http://www.mbaresearch.org/index.php/curriculum-teaching/business-admin-standards>

Texas Education Agency Educator Certification — http://tea.texas.gov/Texas_Educators/Certification/

Texas Education Agency — <http://tea.texas.gov/>

Texas Essential Knowledge and Skills (TEKS) — <http://tea.texas.gov/curriculum/teks/>

U. S. Department of Education — <http://www.ed.gov>

Vocational Information Center: Business and Finance Career Resources — <http://www.khake.com/page13.html>