

# EIC CMP - Quiz Questions with Answers

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# Financial Management

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Financial Management

1.

Which of the following best describes accrual accounting?

**A method of accounting in which income and expenses are counted when they are earned or incurred**

A way of recording income and expenses only when cash is exchanged

A complex formula that only advanced accountants use

A method of tallying each staff person's expenses

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*Correct answer: A method of accounting in which income and expenses are counted when they are earned or incurred*

*There are two accounting methods used most widely in the events industry: cash accounting and accrual accounting. In the accrual method, accounting occurs not when funds are exchanged but when a promise of income or expense is made.*

*A way of recording income and expenses only when cash is exchanged describes cash accounting, not accrual accounting. Describing accrual accounting as a complex formula used only by advanced accountants misrepresents its general applicability and fundamental accounting principles. Accrual accounting is not focused on tallying individual staff expenses but on recording transactions when they are earned or incurred, regardless of cash flow.*

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**2.**

How should undisputed charges be paid?

**Check, credit card, or electronic funds transfer**

Cash

Debit card

Money order

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*Correct answer: Check, credit card, or electronic funds transfer*

*After you have received the master account bill, acknowledge receipt in writing and pay all undisputed charges by check, credit card, or electronic funds transfer. You should indicate in a written statement to the facility that payments for all properly resolved disputed charges will be made in the near future as well.*

*Cash is less traceable and secure for large transactions. Debit cards may not offer the same protections and limits as credit cards for business transactions. Money orders can be cumbersome for large amounts and lack the convenience of electronic records.*

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**3.**

Which financial management technique describes developing a budget by utilizing the previous budget or actual performance as a starting point?

**Incremental budgeting**

Incremental allocations

Aggressive allocations

Diminishing budgeting

*Correct answer: Incremental budgeting*

*Incremental budgeting involves developing a budget by utilizing the previous budget or actual performance as a starting point and subsequently incorporating necessary modifications for the upcoming budget period. In the context of incremental budgeting, adjustments are made to each variable (line item) by taking into account factors like inflation and other alterations that affect the variable, such as volume or required amount. This approach ensures that the changes reflect the evolving circumstances and requirements for the new budget period.*

*Incremental allocations is not a recognized financial management term, and while it may suggest incremental changes, it does not specifically pertain to the use of prior budgets as a base for updates. Aggressive allocations imply a more forceful or assertive approach to budgeting, which is unrelated to the methodology of basing budgets on historical data. Diminishing budgeting suggests a strategy of progressively reducing budget amounts, which is entirely different from making adjustments based on previous spending patterns.*

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## 4.

Which of the following best describes a cash flow statement?

**A document that looks at operations, investing, and financing as elements of the budget**

A statement that shows overall financial status

A statement of revenue and expenses

A document that only documents cash in and cash out

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*Correct answer: A document that looks at operations, investing, and financing as elements of the budget*

*There are three important accounting tools that can help an event professional with budgeting and forecasting: income statements, balance sheets, and cash flow statements. The cash flow statement is very different from other accounting tools because it doesn't record the future amount of incoming and outgoing cash but does clearly show the transactions by which cash enters and leaves a company. The cash flow statement also looks at operations, investing, and financing as elements of the budget.*

*A statement that shows overall financial status typically refers to a balance sheet, not a cash flow statement, because a balance sheet provides a snapshot of a company's assets, liabilities, and equity at a specific point in time. Describing it as a statement of revenue and expenses usually refers to an income statement, which tracks profitability by detailing revenue and expenses over a certain period, rather than the cash flows associated with these transactions. The description of a document that only documents cash in and cash out simplifies the cash flow statement too much, as it overlooks the importance of categorizing cash flows into operating, investing, and financing activities, which are essential for understanding the financial dynamics of a business.*

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**5.**

Which of the following should not be included in a contract with an event sponsor?

**The budget of the sponsor's organization**

Release forms and waivers

Insurance requirements

Details of the event

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*Correct answer: The budget of the sponsor's organization*

*All expectations should be clearly outlined in your contract with sponsors. The contract should include details of the event, responsibilities of both parties, personnel, entertainment, financial obligations, release forms and waivers, policy regarding event cancellation, and insurance requirements. It does not need to include, and probably should not include, the budget of the sponsor's organization.*

*Release forms and waivers protect both parties by clarifying liability and should always be included in a contract with a sponsor. Insurance requirements ensure that both parties are adequately covered for the event and should be detailed in a contract. Details of the event help the sponsor understand what they are supporting and the expectations around their participation.*

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**6.**

You are working with your supervisor on a new event that is scheduled to occur in one month and you are preparing a report to present to various stakeholders in your organization. By considering both variable and fixed costs, what term accurately represents the complete expenses associated with organizing a meeting?

**Total cost**

Fixed cost

Variable cost

Gross income

*Correct answer: Total cost*

*The Total Cost (TC) of a meeting encompasses all the expenses required for its production. It consists of both Variable Costs (VC) and Fixed Costs (FC), which can be combined using the following formula:  $TC = FC + VC$ .*

*Variable costs refer to expenses that fluctuate, such as the number of attendees or specific requirements, and can be adjusted in the short term. Fixed costs are pre-committed expenses that remain unchanged regardless of changes in attendance or revenue volume. By considering both variable and fixed costs, the total cost of a meeting can be accurately calculated. Gross income describes the total income generated, not the expenses associated with an event.*

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**7.**

In an event planning timeline that spans 18 months, which task should be initiated 18 months prior to the event date?

**Establish expense projections**

Review terms for room rates

Verify master account requirements with the CSM

Meet with the facility's accounting representative

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*Correct answer: Establish expense projections*

*According to a timetable based on an event lead time of 18 months, you should establish expense projections 12 to 18 months before an event. This will help determine a preliminary cash flow schedule that should be updated regularly as service providers are contracted.*

*According to an event lead time of 18 months, you should review terms for room rates about one month before the event, verify master account requirements with the Convention Service Manager (CSM) about three months before the event, and meet with the facility's accounting representative about six months before the event.*

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**8.**

Which of the following is not an accounting tool that can assist with budgeting and forecasting for an event?

**Billing timetable**

Income statement

Balance sheet

Cash flow statement

*Correct answer: Billing timetable*

*A billing timetable shows the budget lifecycle of an event from start to finish, it is not a tool that can help with budgeting and forecasting.*

*An income statement is integral to budgeting and forecasting as it provides a comprehensive overview of revenue and expenses over a specific period, helping planners understand financial performance. A balance sheet gives a snapshot of an organization's financial standing at a particular point in time, detailing assets, liabilities, and equity, which is crucial for financial assessment and planning. A cash flow statement tracks the actual flow of cash within an organization, essential for understanding liquidity and financial health, which aids in effective budget management and forecasting.*

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**9.**

In order to calculate the break-even point, what should be divided by the contribution margin?

**Total fixed costs**

Variable costs

Number of attendees

Registration fee

*Correct answer: Total fixed costs*

*Many events will base their pricing on the break-even point, where income equals expenses. There are two formulas that can help determine what the break-even point is for any given event: one calculates the number of attendees required for the event to break even, and the other calculates the price that should be set in order to break even. To find break-even attendance, divide the total fixed costs by the contribution margin. This will give the break-even point at which an event's income balances out its expenses.*

*Variable costs should not be divided by the contribution margin to calculate the break-even point because variable costs themselves vary with production volume and are not fixed figures necessary for determining the break-even point. Dividing the number of attendees or the registration fee by the contribution margin does not provide the break-even point, as these figures do not account for the total fixed costs that must be covered to achieve a financial balance. The break-even point calculation requires a focus on fixed costs relative to the margin per unit (or per attendee) to determine how many units (or attendees) are needed to cover all fixed expenses.*

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**10.**

What term describes the statistical technique used to evaluate the level of agreement between the budgeted and actual performance of revenues, expenses, and profits, wherein the variance in dollar amount is calculated by subtracting the actual amount from the corresponding budgeted amount?

**Analysis of variance**

Analysis of venues

Analysis of budget

Analysis of profits

*Correct answer: Analysis of variance*

*The analysis of variance is performed to assess the degree of alignment between budgeted revenues, expenses, and profit, and the actual performance. To calculate the variance in dollar amount, each line item's actual amount is subtracted from the corresponding budgeted amount. If the resulting value is positive, it indicates that there will be an increase in revenue, expenses, or profits compared to the budget. Conversely, a negative value signifies a shortfall, indicating that there will be a decrease in revenue, expenses, or profit compared to what was budgeted.*

*Analysis of venues does not relate to financial performance metrics but could involve assessing the suitability of event locations. Analysis of budget is a broader concept that does not specifically measure the detailed variances between planned and actual financial outcomes. Analysis of profits is too narrowly focused and doesn't encompass the full spectrum of revenue, expenses, and their variances as does analysis of variance.*

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11.

What term is used to describe the provision of financial or material assistance, accompanied by recognition or paid opportunities, that enables an entity or exhibitor to enhance its visibility during a meeting, and often serves as a primary source of revenue, contributing substantially to the overall financial success of the event?

**Sponsorships**

Backing

Assistance

Partnerships

*Correct answer: Sponsorships*

*As per the APEX industry glossary (2011), sponsorships refer to the provision of financial or material assistance. They are typically accompanied by recognition or a paid opportunity, enabling an entity or exhibitor to enhance its visibility during a meeting. Sponsorships can play a significant role in revenue generation, particularly when there is a well-established program in place for acquiring suitable sponsorships. In numerous instances, sponsorships serve as a primary source of revenue, contributing substantially to the overall financial success of the meeting.*

*Backing generally implies support but lacks the specific context of providing visibility and commercial opportunities in event settings. Assistance is a broad term that could mean any type of help or support, lacking the commercial and promotional specificity associated with sponsorships. Partnerships imply a collaborative relationship that often involves shared responsibilities and benefits but do not specifically denote the commercial recognition and visibility provided in sponsorships.*

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**12.**

Which of the following best describes costs that can vary based on the number of attendees?

**Variable costs**

Fixed costs

Indirect costs

Direct costs

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*Correct answer: Variable costs*

*In the context of event budgets, there are several different types of costs. Variable costs change according to how many attendees register for an event such as food and beverage and printed materials.*

*Fixed costs are those incurred regardless of the number of attendees such as room rental, marketing, insurance, signage, etc. Indirect costs are organizational expenses not directly related to the event such as staff salaries and equipment repair. Direct costs is not a separate term although it would apply to both fixed and variable costs.*

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**13.**

All of the following are categories of revenue, except:

**Tax returns**

Registration fees

Advertising

Sponsorships

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*Correct answer: Tax returns*

*Tax returns do not represent a category of revenue for an event. Instead, they are financial returns filed with a tax authority that reflect the tax obligations or payments over a previous year and are not a source of income from event activities.*

*During an event, the categories for revenue include registration fees, exhibiting fees, additional badge fees, advertising, and sponsorships. Revenue is generated from participants, promotional activities, and external financial support. Additional revenue items may include social events and revenue-sharing opportunities with the exhibit's official contractors.*

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**14.**

Which of the following types of accounting most accurately represents an organization's finances?

**Accrual accounting**

Cash accounting

Detailed accounting

General accounting

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*Correct answer: Accrual accounting*

*Accrual accounting records income and expenses as they are earned or incurred but provides a bigger picture of the rise and flow of an organization's finances. This is because it records items as they relate to net worth, which is assets minus liabilities.*

*Cash accounting records transactions only when cash changes hands, which can provide a less comprehensive view of an organization's financial health as it doesn't account for money that is owed or expenses that have been incurred but not yet paid. Detailed accounting is not a recognized type of accounting standard and it seems to imply a focus on detail but does not describe a specific accounting practice. General accounting is a broad term that refers to the overall process of managing financial transactions within an organization but does not specify the method by which transactions are recorded, making it less precise than accrual accounting for presenting a complete financial picture.*

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**15.**

What is a CSM in terms of event planning?

**Convention Services Manager**

Consumer Service Marketer

Cash Services Manager

Chart of Supplier Management

*Correct answer: Convention Services Manager*

*The CSM manages all parts before, during, and after the event. The CSM is an integral part of the financial aspect of an event and should be closely involved in the master account and other areas of events such as the cost of food and beverages.*

*Consumer Service Marketer focuses on marketing to consumers, not managing event services. Cash Services Manager handles financial transactions unrelated to event planning. Chart of Supplier Management is not a recognized role within event planning, but rather a potential tool or process.*

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**16.**

Which type of sponsor source includes the consideration of negotiating a multi-event agreement and is often the first call?

**Previous sponsor**

Current suppliers or exhibitors

Your stakeholders

Research

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*Correct answer: Previous sponsor*

*When it comes to securing sponsorships, opportunities can arise from various sources. However, giving priority to previous sponsors is a prudent approach. The ability to retain sponsors for multiple years heavily relies on their experience and satisfaction. In this regard, considering negotiations for multi-event agreements with previous sponsors becomes essential, as it strengthens relationships and fosters enduring partnerships.*

*Current suppliers or exhibitors are not primarily sought for multi-event sponsorship agreements. Your stakeholders may have an interest in the event's success but are not typically the primary source for initiating sponsorship discussions. Research is a tool for identifying potential sponsors, not a source of sponsorship itself.*

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**17.**

In a strategy session for generating additional revenue and boosting event promotion to draw a bigger crowd, which activity is identified as serving both purposes effectively?

**Advertising**

Promoting

Offering

Strategizing

*Correct answer: Advertising*

*Advertising serves as an additional source of revenue for meetings. A carefully devised marketing strategy plays a vital role in promoting the event and attracting a larger audience. As part of this strategy, it is important to solicit related companies or products to advertise in the meeting's promotional materials and during the event itself. As attendance numbers rise, the opportunity to acquire advertisers also increases, leading to a growth in advertising revenue. This mutually beneficial relationship between increased attendance and expanded advertising opportunities contributes to the overall financial success of the meeting.*

*Promoting is a broader activity that encompasses various techniques, not specifically tied to generating direct revenue. Offering refers to providing services or goods, which may not directly contribute to promotion or audience expansion. Strategizing is about creating plans, which is more general and does not directly imply revenue generation or promotional activity.*

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**18.**

You have just been hired as a new event planner for a large company. While in a meeting with an executive, you are discussing profit, the break-even goal, and a deficit for an event. Which of the following does this best describe?

**Financial goals for meetings**

Financial goals for the organization

Budgeting goals for meetings

Costs incentive goals for meetings

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*Correct answer: Financial goals for meetings*

*Meetings typically encompass three primary financial objectives.*

- *Profit: This objective aims to achieve a surplus of revenue over expenses, resulting in net income.*
- *Break-even goal: This entails generating revenue that precisely matches the incurred expenses, resulting in a balanced financial outcome.*
- *Deficit: In this scenario, expenses surpass the generated revenue, necessitating financial support from the host or organization to cover the shortfall.*

*"Financial goals for the organization" suggests a broader focus on the entire organization's financial strategy, which extends beyond specific event objectives and encompasses long-term financial planning and sustainability. "Budgeting goals for meetings" focuses more narrowly on the planning and allocation aspect of finances specifically for meetings, not directly addressing profit generation or deficit considerations. "Costs incentive goals for meetings" is not a commonly used term and misrepresents the financial objectives discussed, which relate to overall financial performance rather than specific incentives related to cost management.*

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**19.**

You are in a meeting with a senior leader within your organization regarding the next event. You are both performing incremental budgeting to address necessary modification requirements for the upcoming budget period. Which of the following is true regarding incremental budgeting?

**Incremental budgeting ensures that budget adjustments are aligned with the new circumstances and demands of the upcoming budget period.**

This approach ensures that the changes reflect the evolving circumstances and requirements for the previous budget period.

This approach ensures that the changes reflect the evolving circumstances and requirements for the next budget period.

This approach does not ensure that the changes reflect the evolving circumstances and requirements for the new budget period.

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*Correct answer: Incremental budgeting ensures that budget adjustments are aligned with the new circumstances and demands of the upcoming budget period.*

*Incremental budgeting involves developing a budget by utilizing the previous budget or actual performance as a starting point and subsequently incorporating necessary modifications for the upcoming budget period. In the context of incremental budgeting, adjustments are made to each variable (line item) by taking into account factors like inflation and other alterations that affect the variable, such as volume or required amount. This approach ensures that the changes reflect the evolving circumstances and requirements for the new budget period.*

*Stating that incremental budgeting reflects changes for the previous budget period is incorrect as this method focuses on upcoming needs rather than retrospective adjustments. While the correct statement mentions the next budget period, saying it "does not ensure" changes reflect new requirements contradicts the principle of incremental budgeting, which specifically aims to update budget assumptions based on new information and circumstances.*

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**20.**

According to a timetable based on an event lead time of four months, how far in advance of the event should you hold a pre-conference meeting with venue representatives and key suppliers?

**No later than 24 hours before the start of the event**

One week

One month

Three months

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*Correct answer: No later than 24 hours before the start of the event*

*You should hold a pre-conference meeting no later than 24 hours before the start of the event with venue representatives and key suppliers to review the event specifications guide. This is the same no matter if the event lead time is 18 months, 12 months, or four months.*

*A pre-conference meeting held too early may miss last-minute changes, making it essential to schedule it close to the event's start.*

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**21.**

What is the primary revenue source for certain meetings and events where the fee charged to vendors is determined by the allocated space provided to them and may include a percentage of their sales as a contribution to the host organization?

**Vendor fees**

Organizational fees

Event fees

Allocated space fees

*Correct answer: Vendor fees*

*Certain meetings and events, such as festivals, heavily rely on vendor fees as a significant revenue source. Vendor fees operate in a manner similar to exhibit sales, where the rate for each vendor is determined by the allocated space provided to them. Consequently, the larger the space assigned to a vendor, the higher the fee charged. Additionally, at certain events, vendors may also be required to pay a percentage of their sales as a contribution to the host organization. This approach ensures that both the initial vendor fee and a portion of the sales align with the event's revenue goals and support the overall financial success of the gathering.*

*Organizational fees typically refer to charges related to membership or participation in an organization itself, not specifically those tied to vendor space allocation at events. Event fees generally encompass registration or entrance fees charged to attendees rather than fees associated with vendor space. Allocated space fees are not a standard term used to describe specific vendor charges based on space usage as it lacks the broader context of including potential sales contributions that are part of vendor fees.*

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**22.**

You have just been hired by a new company as their leading meetings coordinator. You are prioritizing thorough investigations into prospective sponsors in order to formulate a better proposal. Which sponsorship resource does this best describe?

**Research**

Your stakeholders

Previous sponsors

Referrals

*Correct answer: Research*

*Prioritizing thorough investigations into prospective sponsors' businesses can significantly enhance the likelihood of successful sponsorship outcomes. By understanding the goods and services offered by potential sponsors, you can customize your proposal to highlight how their offerings can benefit your stakeholders. Additionally, assessing the alignment of their brand with your organization, event, and theme becomes crucial. Key focus areas for alignment could include sustainability, innovation, community building, and supporting initiatives for minorities. Tailoring your proposal based on the findings of this research may attract sponsors who share your values and goals, fostering fruitful partnerships.*

*Your stakeholders refer to individuals or groups that have an interest or concern in your event, such as employees, management, or external partners, and while they are important, they are not a resource for gathering detailed information on potential sponsors. Previous sponsors can provide insights based on past collaborations but focusing solely on them might limit the scope of new sponsorship opportunities. Referrals from others can lead to potential sponsors, yet they do not substitute for the comprehensive research needed to understand new sponsors' specific interests and strategic goals.*

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**23.**

Which of the following is not a type of accounting tool that can help an event professional with budgeting?

**Tax return**

Balance sheets

Income statements

Cash flow statements

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*Correct answer: Tax return*

*A tax return is not an accounting tool used for budgeting; it is a document filed with a tax authority that reports income, expenses, and other pertinent tax information.*

*Balance sheets provide a snapshot of a company's financial condition at a single point in time, showing assets, liabilities, and equity, which are essential for comprehensive budget planning. Income statements detail revenues and expenses over a period and are crucial for understanding profitability and guiding budget adjustments. Cash flow statements track the actual cash inflow and outflow, vital for managing liquidity during event planning.*

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**24.**

In planning an upcoming industry conference, Sara, the event organizer, is exploring various strategies to generate revenue. She is considering a method that involves providing financial or material assistance, accompanied by recognition or paid opportunities, to enhance the visibility of entities or exhibitors during the meeting. This method has the potential to play a significant role in revenue generation and has been proven to contribute substantially to the overall financial success of the event.

What is the term that best describes this method?

**Sponsorships**

Assistance

Partnerships

Provisions

*Correct answer: Sponsorships*

*As per the APEX industry glossary (2011), sponsorships refer to the provision of financial or material assistance, typically accompanied by recognition or a paid opportunity, enabling an entity or exhibitor to enhance its visibility during a meeting. Sponsorships can play a significant role in revenue generation, particularly when there is a well-established program in place for acquiring suitable sponsorships. In numerous instances, sponsorships serve as a primary source of revenue, contributing substantially to the overall financial success of the meeting.*

*Assistance broadly indicates help or support but lacks the commercial and recognition aspects inherent in sponsorships. Partnerships imply a deeper, often strategic, mutual collaboration that extends beyond the financial or material support typical of sponsorships. Provisions generally refer to supplies or support given without the associated commercial benefits or recognition that sponsorships entail.*

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**25.**

Which of the following includes management of grants and registration?

**Managing event funding and resources**

Managing the budget

Managing attendee profiles

Managing deadlines

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*Correct answer: Managing event funding and resources*

*Managing event funding and resources encompasses overseeing revenue sources, including grant management and registration processes. This role is crucial for maintaining the financial health of an event by ensuring that all funding avenues are properly administered and participant registration is efficiently handled.*

*Managing the budget primarily focuses on setting financial parameters and oversight rather than specific handling of grants and registration processes. Managing attendee profiles involves collecting and utilizing demographic and preference data for planning purposes but does not directly deal with funding or registration. Managing deadlines is crucial for project management within events, ensuring timely completion of tasks, but it does not cover the financial management aspects such as grants and registration, which are essential components of managing event funding and resources. These distinctions emphasize the specific role of managing event funding and resources in overseeing comprehensive financial aspects, including grant management and the registration process.*

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**26.**

What does accrual accounting record in financial management?

**Net worth**

Each attendee

Staff members

The geographical area

*Correct answer: Net worth*

*Net worth is also known as assets minus liabilities. Accrual accounting counts income and expenses as they are earned or incurred rather than when funds are exchanged.*

*Accrual accounting does not track each attendee individually as its focus is on financial transactions, not individual participant records. It also does not record information specifically about staff members as its primary function is to manage financial entries, not human resources. Additionally, accrual accounting does not concern itself with geographical areas since it is a method of financial recording based on transactions rather than location specifics.*

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27.

What term is used to describe the comprehensive sum of expenses involved in organizing a meeting, including both Variable Costs (VC) and Fixed Costs (FC)?

**Total cost**

Fixed cost

Estimated cost

Variable cost

*Correct answer: Total costs*

*The Total Costs (TC) of a meeting encompass all the expenses required for its production. It consists of both Variable Costs (VC) and Fixed Costs (FC), which can be combined using the following formula:  $TC = FC + VC$ . Variable costs refer to expenses that fluctuate based on various factors, such as the number of attendees or specific requirements, and can be adjusted in the short term. On the other hand, fixed costs are pre-committed expenses that remain unchanged regardless of changes in attendance or revenue volume. By considering both variable and fixed costs, the total cost of a meeting can be accurately calculated.*

*Fixed cost refers only to expenses that do not change with the level of output or participation. Estimated cost is a projection and may not represent actual spending. Variable cost changes with the level of output or participation and does not include fixed expenses.*

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**28.**

When including a contingency fund in your budget, what is the minimum amount you should allow?

**10 percent of the total budget**

Five percent of the total budget

15 percent of the total budget

25 percent of the total budget

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*Correct answer: 10 percent of the total budget*

*Some organizations elect to include contingency costs in their budgets and allow around 10 percent of the total overall budget for this category. This can provide an element of safety in case you inadvertently miss some expenses. When deciding on how much to include in a contingency category, consider whether this is a new or repeated event, how far into the future the event will be held, and whether there are exchange rate risks.*

*Allowing only five percent of the total budget for a contingency fund may not provide adequate financial coverage for unexpected expenses, making it riskier for events with variable costs or unknown factors. Setting aside 15 percent might be considered too cautious or unnecessary for events with well-defined costs and lower risk, potentially tying up funds that could be used more effectively elsewhere. Allocating 25 percent of the total budget for contingencies is typically excessive for most events, potentially leading to inefficient use of resources and overly conservative financial planning.*

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**29.**

Bob is an event planner organizing a large-scale conference. As he finalizes the event budget, he encounters the essential expenses incurred in the day-to-day operations of the conference that remain consistent, regardless of fluctuations in attendance or revenue volume. These costs may include salaries, insurance, lease expenses, utilities, and similar items.

What is this financial management term called?

**Fixed cost**

Variable cost

Gross income

Net income

*Correct answer: Fixed cost*

*Fixed Costs (FC) refer to the essential expenses incurred in the day-to-day operations of a business that are predetermined and remain consistent, irrespective of fluctuations in attendance or revenue volume. These costs include salaries, insurance, lease expenses, utilities, and similar items. Fixed costs are often referred to as non-controllable costs because they remain unchanged regardless of any alterations in other factors related to the meeting.*

*Variable costs change directly in proportion to event activity, such as the number of attendees, and do not remain consistent as fixed costs. Gross income refers to the total revenue generated from the event before any expenses are deducted, not the consistent expenses involved. Net income is the profit remaining after all expenses have been subtracted from gross income, focusing on profitability rather than the nature of the expenses.*

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**30.**

You want to use a break-even formula to set the registration fee for an event. Fixed costs are \$20,000. You think there will be 100 attendees with a variable cost of \$100 per person. How much must you charge each attendee to break even?

**\$300**

\$200

\$600

\$100

*Correct answer: \$300*

*You can use a break-even formula to determine how much you need to charge. Divide the fixed costs by the number of attendees and then add the variable costs. Thus,  $\$20,000/100 = \$200 + \$100 = \$300$ .*

*Charging \$200 per person only covers the fixed costs per attendee and does not account for the variable costs of \$100 per person, making it insufficient to break even. Charging \$600 per person significantly exceeds the required amount to cover both fixed and variable costs, potentially making the event less accessible or desirable. Charging only \$100 per person covers just the variable cost per attendee and does not contribute at all to the fixed costs, falling short of the break-even requirements.*

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**31.**

Which of the following describes a detailed list of the individual line items that make up the revenue and expense categories of a budget?

**Chart of accounts**

Daily budget

Detailed account

Byline statement

*Correct answer: Chart of accounts*

*A chart of accounts is a very detailed list of individual line items that make up the revenue and expense categories in a budget. It is important that event planners consult with accounting staff so income and expenses are posted to the correct master account during the event and then again when they are presented for payment. A chart of accounts represents a structured list detailing individual line items that define the revenue and expense categories within an organization's budget. This tool is essential for event planners to collaborate effectively with accounting departments, ensuring that all financial transactions are accurately categorized and tracked during and after an event.*

*A daily budget typically refers to the allocation of funds for day-to-day operations rather than providing a detailed breakdown of revenue and expense categories. A detailed account may imply a comprehensive report but it does not specifically organize financial information into standardized categories as a chart of accounts does. A byline statement is not a recognized financial term relevant to categorizing budgetary elements and does not provide the structured detail of a chart of accounts.*

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**32.**

Paul is strategizing with a colleague about the financial planning for their upcoming international symposium. They are discussing different financial objectives, including the targets for revenue generation and the management of expenses. Which of the following would not typically be considered a financial objective when planning the finances for such a meeting?

**Liquidation**

Profit

Break-even goal

Deficit

*Correct answer: Liquidation*

*Financial goals for meetings typically do not include liquidation, which refers to dissolving assets or a business, not a typical or desirable outcome for meeting financial planning.*

*Profit, as a financial objective, aims to generate a surplus by exceeding the costs with the revenue. The break-even goal seeks to match the total revenues directly with the total expenses, ensuring no loss or gain. A deficit, while not ideal, is sometimes an accepted outcome where the event's costs surpass its revenues, and the hosting organization covers the gap.*

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**33.**

Which of the following best describes the break-even point?

**The point at which income equals expenses**

Usually about \$100

The amount an attendee is expected to pay for registration

The amount an organization needs to fund itself

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*Correct answer: The point at which income equals expenses*

*Many events will base their pricing on the break-even point, where income equals expenses. There are two formulas that can help determine what the break-even point is for any given event: one calculates the number of attendees required for the event to break even, and the other calculates the price that should be set in order to break even.*

*Stating that the break-even point is usually about \$100 is misleading because break-even calculations vary widely depending on event costs and scale, not a fixed sum. The amount an attendee is expected to pay for registration is a component of revenue but does not define the break-even point itself, which involves total costs and revenues. The amount an organization needs to fund itself is broader and relates to overall financial requirements, not specifically to the point where event income equals expenses.*

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**34.**

Which of the following is an advantage that Application Service Providers (ASPs) offer to event planners?

**They offer online registration**

They can be used by event planners free of charge

They collect registration information in person

They can be reconciled with all organizations' accounting and banking systems

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*Correct answer: They offer online registration*

*Application Service Providers (ASPs) are online registration companies that offer customizable registration forms, secure sites, credit card transaction processing, and automated confirmations. They can provide an easy way for organizations to collect registration information and payment.*

*ASPs charge for their services as they are not free to event planners. ASPs provide a digital means of collecting information, not in-person, which addresses modern efficiency needs. While ASPs are versatile, their compatibility with any specific organization's systems needs verification as they do not universally reconcile with all accounting and banking systems.*

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**35.**

Which of the following best describes a sponsor prospectus?

**A sponsor benefit package**

Any potential sponsor

A business that has sponsored an event in the past

A legal agreement between the event host and a sponsor

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*Correct answer: A sponsor benefit package*

*A sponsor prospectus is also known as a sponsor benefit package and is one way to secure a sponsorship from an organization. The prospectus contains information to assist the prospective sponsor in making a decision; the package may be posted on a website or distributed to companies and organizations.*

*A potential sponsor refers to any entity that might sponsor an event but does not describe the contents or purpose of a sponsor prospectus. A business that has sponsored an event in the past indicates prior involvement but does not capture the proactive offering of benefits outlined in a prospectus. A legal agreement between the event host and a sponsor, typically a sponsorship contract, specifies the terms of the sponsorship but is not the same as the prospectus, which is designed to outline potential benefits and attract sponsors. The sponsor prospectus, or benefit package, provides detailed information and incentives for organizations considering sponsorship, making it a critical tool for securing future sponsorships.*

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**36.**

What term is used to describe the financial result that represents the difference between total revenue generated and the expenses incurred while taking into account deductions such as federal taxes, Value-Added Tax (VAT), sales tax, and tax on goods and services, based on the applicable accounting system?

**Net income**

Gross income

Variable cost

Fixed cost

*Correct answer: Net income*

*Net income represents the disparity between the total revenue generated and the expenses incurred. The calculation of net income may involve subtracting various taxes such as federal taxes, Value-Added Tax (VAT), sales tax, and tax on goods and services, depending on the accounting system in use. These deductions are typically made prior to determining the final net income figure.*

*Gross income refers to the total revenue generated before any deductions, not considering taxes or other operational costs. Variable cost describes costs that fluctuate with production volume or service levels and does not represent a financial result like net income. Fixed cost relates to expenses that do not change with the volume of business activity and is also unrelated to the overall profitability calculation like net income.*

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**37.**

Which of the following types of budget is created by using historical information, like the financial performance of past events, to determine the likely costs of a future event?

**Incremental budget**

Zero-based budget

Stable budget

Implementation budget

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*Correct answer: Incremental budget*

*Incremental budgeting uses past budgets and/or actual performance of the financial aspects of events to determine the money needed for an upcoming event.*

*Zero-based budget starts from scratch each time, without relying on past data. The other two terms do not exist in standard budgeting terminology within the events industry.*

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38.

Factors like the price of past and comparable exhibitions, types of available booths, pricing methodology, market response, event costs, and inclusions planned for the booth area (e.g., furnishings, material handling fees, etc) play a significant role in establishing appropriate financial management. Which of the following describes this pricing technique for events?

**Pricing exhibit booths**

Pricing events

Price of attendance

Pricing and rentals

*Correct answer: Pricing exhibit booths*

*For exhibitions to achieve success, it is essential to have a well-defined plan and budget that outlines all the anticipated income and expenses in advance. When determining the pricing of exhibit booths, several factors should be taken into account, including:*

- *Price of past and comparable exhibitions*
- *Types of available booths (e.g., standard, premium, corner, island)*
- *Pricing methodology (based on the size of the unit, area, etc.)*
- *Market response*
- *Event costs*
- *Inclusions planned for the booth area (furnishings, material handling fees, etc.)*

*By carefully considering these factors, exhibition organizers can establish appropriate booth pricing that aligns with market expectations and maximizes revenue while effectively managing costs.*

*Pricing events broadly refers to setting prices for the overall event participation, which encompasses more than just the exhibition booth factors, such as tickets, meals, and additional activities. The price of attendance typically focuses on how much attendees pay to enter the event, which doesn't directly relate to the specific costs associated with setting up and managing exhibit booths. Pricing and rentals could imply a broader range of event-related costs, including venue hire and equipment rentals, but it lacks the specific focus required for nuanced pricing of exhibit booths based on detailed market and cost factors.*

**39.**

You are in the process of managing the finances for your next event. What revenue source plays a crucial role in generating income for events like festivals, operating similarly to exhibit sales and determined by the allocated space provided to vendors?

**Vendor fees**

Meeting fees

Event fees

Festival fees

*Correct answer: Vendor fees*

*Certain meetings and events, such as festivals, heavily rely on vendor fees as a significant revenue source. Vendor fees operate in a manner similar to exhibit sales, where the rate for each vendor is determined by the allocated space provided to them. Consequently, the larger the space assigned to a vendor, the higher the fee charged. Additionally, at certain events, vendors may also be required to pay a percentage of their sales as a contribution to the host organization. This approach ensures that both the initial vendor fee and a portion of the sales align with the event's revenue goals and support the overall financial success of the gathering.*

*Meeting fees generally refer to charges for attending the event rather than contributing to its commercial activities. Event fees are broader, typically encompassing entry or participation costs, not specific enough to match the income-generating specifics of vendor fees. Festival fees could imply a general admission or participation charge but lack the specificity tied to space allocation and direct sales involvement like vendor fees.*

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**40.**

Which of the following includes establishing and monitoring internal controls?

**Managing monetary transactions**

Managing the budget

Managing financial systems

Managing event funding and resources

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*Correct answer: Managing monetary transactions*

*There are three critical skills event planners should be aware of for the financial success of an event. These include managing monetary transactions, which includes establishing and monitoring internal controls and cash-handling procedures, managing event funding and resources, which includes the management of revenue sources, and managing the budget, which includes developing the budget, establishing pricing, and monitoring and revising the budget as needed. Managing financial systems is a responsibility of the financial department and is not one of the three critical skills.*

*Managing the budget primarily involves planning, tracking, and adjusting the financial plan for an event, focusing more on the overall fiscal structure rather than the specifics of internal controls. Managing financial systems is generally broader and relates to the overarching systems used for financial operations within an organization, which could include but is not specifically focused on, internal controls. Managing event funding and resources deals with securing and allocating financial resources and sponsorships, distinct from the operational controls involved in handling monetary transactions directly.*

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**41.**

James, an experienced event planner, is organizing a grand meeting and wants to explore innovative revenue-generation methods. In addition to selling tickets, he is considering introducing meeting-related products. James envisions creating a diverse range of items like hats, t-shirts, and bags that attendees can purchase during the meeting. Which of the following best describes this?

**Merchandise**

Equipment

Meeting products

Meeting items

*Correct answer: Merchandise*

*Additional income can be generated by the sale of merchandise that features a sponsor's logo. This option can generate revenue at meetings, parties, golf tournaments, or charitable events, with items such as hats, t-shirts, and bags available for purchase.*

*Equipment is incorrect because it refers to the tools and devices needed for the execution of the meeting, not items sold for revenue generation. Meeting products is too broad and could encompass any items used or distributed in a meeting, not specifically merchandise for sale. Meeting items is vague and does not specifically denote items sold for revenue enhancement like merchandise does.*

---

**42.**

What term is used to describe the result of subtracting the total expenses incurred, including various taxes, from the total revenue generated?

**Net income**

Gross income

Variable cost

Fixed cost

*Correct answer: Net income*

*Net income represents the disparity between the total revenue generated and the expenses incurred. The calculation of net income may involve subtracting various taxes, such as federal taxes, Value-Added Tax (VAT), sales tax, and tax on goods and services, depending on the accounting system in use. These deductions are typically made prior to determining the final net income figure.*

*Gross income refers to the total revenue before any expenses are deducted, not accounting for the specifics of costs like net income does. Variable cost pertains to expenses that fluctuate with production or service levels and does not describe a profit metric. Fixed cost is unrelated to revenue calculations as it denotes costs that remain constant regardless of business activity levels.*

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**43.**

You are working on an important process at the beginning of your event. What term is used to describe the essential task performed by event professionals to ensure a smooth and efficient process for attendees' initial interaction with an event?

**Manage Registration Process**

Manage Attendees Process

Manage Entrance Process

Manage Interaction Process

*Correct answer: Manage Registration Process*

*Effective management of the registration process is crucial as it often serves as attendees' initial interaction with the event. This experience greatly influences their perception of the event, making it a significant task for event professionals. Online registration is the prevalent method, and there are several key considerations when developing the registration process, such as the following:*

- *Create a user-friendly registration form that collects comprehensive information.*
- *Determine the necessary attendee information for tracking and ensuring their needs are met while avoiding unnecessary data requests.*
- *Customize registration systems to gather specific data based on registrant types (e.g., exhibitors, speakers, attendees).*
- *Integrate scheduling information into the system to alert registrants of any conflicts with their selections.*
- *Enable post-launch editing to close full options or make necessary changes.*
- *Integrate secure payment transactions into the registration system.*
- *Offer one-stop shopping by combining registration, housing, and travel arrangements in a single system.*
- *Automate confirmation generation and facilitate communication with registered attendees. Some application service providers offer targeted messaging capabilities, allowing event professionals to send specific notices to attendees at certain sessions (e.g., room change notifications).*
- *Integrate advanced systems with the event website and mobile applications to ensure updates automatically synchronize across different components.*

*By effectively managing the registration process and considering these factors, event professionals can enhance attendees' experience and streamline event logistics.*

*Managing attendees encompasses broader responsibilities beyond initial interactions and is too vague for describing the registration specifics. Managing the entrance*

*process involves security and logistics at entry points which is distinct from the registration specifics. Managing interaction covers all forms of attendee communication and engagement, not specifically the structured registration process.*

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**44.**

Building a budget by analyzing projected and actual figures from a previous year's budget is known as which of the following?

**Incremental budgeting**

Zero-based budgeting

Breaking even

Simple budgeting

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*Correct answer: Incremental budgeting*

*Incremental budgeting refers to building a budget by analyzing projected and actual figures from a previous year's budget. It often helps budgeting departments look at previous budgets to determine the successes and failures of those past budgets. Best practices for incremental budgeting include reviewing the post-event report for guidance, determining whether there have been any changes to the event goals and objectives, updating the revenue and expense items with current fees and costs, and being aware of any factors that could significantly impact attendance or costs.*

*Zero-based budgeting starts from a "zero base," with every expense needing justification, unlike incremental budgeting, which builds on existing figures. Breaking even is a financial condition, not a budgeting technique, that indicates no profit or loss. Simple budgeting is not a recognized budgeting methodology within the context of formal financial management practices.*

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**45.**

Lauren is evaluating the level of agreement between the budgeted revenues, expenses, and profits and their actual performance. She subtracts the actual amount of each line item from its corresponding budgeted amount to calculate the variance in dollar amount, where a positive value indicates an increase in revenue, expenses, or profits compared to the budget, while a negative value indicates a shortfall or decrease compared to what was budgeted. What is this called?

**Analysis of variance**

Analysis of profits

Analysis of deviations

Analysis of meetings

*Correct answer: Analysis of variance*

*The analysis of variance is performed to assess the degree of alignment between budgeted revenues, expenses, profit, and actual performance. To calculate the variance in dollar amount, each line item's actual amount is subtracted from the corresponding budgeted amount. If the resulting value is positive, it indicates that there will be an increase in revenue, expenses, or profits compared to the budget. Conversely, a negative value signifies a shortfall, indicating a decrease in revenue, expenses, or profit, compared to what was budgeted.*

*Analysis of profits focuses narrowly on profitability without encompassing other financial aspects such as revenues or expenses directly. Analysis of deviations could imply any departure from norms or expectations but lacks specificity in financial terms. Analysis of meetings doesn't relate to financial assessment and is too broad, encompassing overall event management rather than fiscal evaluation. Each of these terms fails to accurately describe the detailed comparison between budgeted figures and actual financial outcomes that is encapsulated by an analysis of variance.*

---

**46.**

You are an event planner for an upcoming meeting and are estimating income and expenses in great detail. Which activity does this best represent?

**Budgeting**

Auditing

Scaling

Planning

*Correct answer: Budgeting*

*When it comes to meetings, budgeting entails the meticulous planning and estimation of both income and expenses, with the aim of attaining the financial objective of the meeting. The process of budgeting offers a numerical blueprint for the efficient execution of a meeting. The significance of budgeting and its direct correlation to financial goals cannot be overstated. A budget serves as a comprehensive breakdown of projected revenues and expenditures over a specified timeframe, categorized by relevant subjects and organized according to primary sources of income and areas of expenditure.*

*Auditing involves reviewing financial records to ensure accuracy and compliance but does not include the active creation and adjustment of a financial plan. Scaling generally refers to adjusting the size and scope of event elements, not specifically managing financial details. Planning is a broader term encompassing all aspects of event preparation, it is not as specifically focused on financial estimations and allocations as budgeting, which directly involves setting financial parameters and forecasting financial outcomes for an event.*

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**47.**

Why is accrual accounting more complicated than cash accounting?

**It requires the bookkeeper to make more entries**

It requires complicated formulas

It uses Roman numerals

It requires more computerized calculations

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*Correct answer: It requires the bookkeeper to make more entries*

*Accrual accounting is a method in which income and expenses are counted when they are earned or incurred. It is less concrete than cash accounting as it is a method in which events are recorded as they relate to net worth rather than when cash has exchanged hands. The bookkeeper usually has to make more entries than he or she would have to make using the method of cash accounting.*

*Accrual accounting's complexity is not due to complicated formulas but due to the need to track receivables and payables over time. It does not use Roman numerals as this aspect is unrelated to the complexity of the accounting method. The complexity arises from the accrual method's nature of recording transactions when they occur, not from more extensive computerized calculations.*

---

**48.**

What term describes expenses that do not change with the number of attendees at an event?

**Fixed costs**

Indirect costs

Variable costs

Personal costs

*Correct answer: Fixed costs*

*In the context of event budgets, there are several different types of costs. Fixed costs are those incurred regardless of the number of attendees such as room rental, marketing, insurance, signage, etc.*

*Indirect costs relate to overall operational expenses and are not tied directly to event specifics like attendance numbers. Variable costs adjust based on the number of event participants, such as catering expenses. Personal costs are not a standard term in event budgeting, focusing more on individual rather than organizational financial planning.*

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**49.**

Zero-based budgeting relies heavily on accurate forecasting of the potential revenue and expenses within the goal organization's meetings. Which of the following is true regarding zero-based budgeting?

**Zero-based budgeting involves the creation of a budget without relying on the previous year's budget or historical performance.**

Zero-based budgeting involves the creation of a budget while relying on the previous year's budget or historical performance.

Zero-based budgeting involves the deletion of a budget without relying on the previous year's budget or historical performance.

Zero-based budgeting involves the creation of a budget without relying on the current year's budget or future performance.

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*Correct answer: Zero-based budgeting involves the creation of a budget without relying on the previous year's budget or historical performance.*

*This approach relies heavily on accurate forecasting of the potential revenue and expenses associated with the organization's meetings. In zero-based budgeting, each variable (line item) must undergo thorough justification and review before being implemented into the budget. This meticulous evaluation ensures that every component of the budget is scrutinized and justified based on the organization's current needs and priorities.*

*Zero-based budgeting explicitly avoids using the previous year's budget or historical performance as a baseline, making it inaccurate to say it relies on these elements. Zero-based budgeting is about creating and justifying each budget item once more, not deleting a budget, so this description is not applicable. Zero-based budgeting does not ignore the current year's budget or future performance; instead, it does not presume expenses based on past budgets, focusing on the justification for each item regardless of historical spending.*

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**50.**

In your role as a meeting events coordinator for a large conference, you are tasked with overseeing the financial operations to ensure accuracy and security. Specifically, your responsibilities include setting up robust internal controls and stringent cash handling procedures. Which critical skill in financial management does this scenario primarily involve?

**Managing monetary transactions**

Managing budget

Managing event funding and resources

Managing financial planning

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*Correct answer: Managing monetary transactions*

*Managing monetary transactions includes establishing and monitoring internal controls and cash-handling procedures. There are three components to financial management including managing event funding and resources, managing the budget, and managing monetary transactions.*

*Managing the budget involves the allocation of resources and is not focused on transactional security. Managing event funding and resources concerns the broader scope of financial sourcing and usage, rather than detailed transaction management. Managing financial planning is concerned with strategic financial forecasts and long-term fiscal health rather than specific cash-handling activities.*

---

**51.**

What should be the initial consideration when setting your sponsorship goals and objectives?

**The value the event will offer potential sponsors**

The budgetary constraints of potential sponsors

The relationship potential sponsors have with attendees

The value the sponsor will offer the event owner

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*Correct answer: The value the event will offer potential sponsors*

*When developing your sponsorship goals and targets, begin with an understanding of the value that your event offers potential sponsors, who will be seeking a return for their investment. There are many elements to consider when developing a value proposition for sponsors, including your audience, your market reach, the potential for expanding the visibility of the sponsor, and the depth of the exposure you can offer.*

*Understanding the budgetary constraints of potential sponsors is secondary to recognizing the event's intrinsic value. The pre-existing relationship between sponsors and attendees, while relevant, is not the starting point for sponsorship strategy. Evaluating what sponsors bring to the event owner focuses on benefits to the event, not the initial appeal to sponsors.*

---

**52.**

Your supervisor asks you to discuss the fee participants are going to pay to attend your next event. Which of the following best describes this figure?

**Registration fees**

Cost to enter

Event price

Membership

*Correct answer: Registration fees*

*Registration fees are the costs participants will pay in order to attend a conference, which may vary depending on their level of participation or membership type. When determining the appropriate registration fees, engaging in a thoughtful and deliberate projection process is crucial. This ensures that an adequate amount is charged to meet the financial objectives of the meeting. In certain instances, members of an association may be offered a discounted rate compared to non-members, reflecting the benefits of membership within the organization.*

*Cost to enter is a vague term that could refer to any type of entry fee and lacks the specific context of a structured event fee. Event price suggests the total cost of the event rather than a specific fee charged to individual participants for attendance. Membership refers to the status or affiliation with an organization rather than a fee and is unrelated to the specific costs of attending an event.*

---

**53.**

Sponsors may originate from different sources. Which type of sponsor has an interest in meeting attendees but may need an additional explanation of the advantages of sponsorship?

**Current suppliers or exhibitors**

Previous sponsors

Stakeholders

Research

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*Correct answer: Current suppliers or exhibitors*

*Although current suppliers or exhibitors may not have previously offered sponsorships, they possess a vested interest in connecting with attendees. Explaining the advantages of sponsorship to them becomes crucial in establishing mutual understanding and unlocking the benefits they can gain from such opportunities.*

*Previous sponsors are already familiar with the benefits of sponsorship based on their prior engagement, typically requiring less persuasion or explanation about the advantages. Stakeholders, such as investors or owners, may understand the strategic benefits but are often more concerned with overarching organizational goals rather than specific event sponsorship details. Research as a source of sponsorship implies a methodological approach to identifying potential sponsors but does not inherently require additional explanation of sponsorship advantages, as it primarily involves data gathering and analysis.*

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**54.**

How can the likelihood of unforeseen costs be reduced?

**Use of all-inclusive packages**

Using separate accommodations and catering providers

Hiring a financial consulting team

Reduce the event staff to a bare minimum

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*Correct answer: Use of all-inclusive packages*

*The likelihood of unforeseen costs can be reduced with all-inclusive packages, as some venues or caterers will offer packages that include meals, breaks, equipment, and function space. These can reduce the need to revise the budget in the middle of planning as unforeseen costs occur.*

*Using separate accommodations and catering providers typically increases the complexity of event logistics, potentially leading to unforeseen costs due to coordination challenges and variable pricing. Hiring a financial consulting team may help with budget management but does not directly prevent unforeseen costs related to event logistics. Reducing event staff to a bare minimum can lead to insufficient support during the event, potentially increasing costs if emergency staffing solutions are required or if service quality impacts event outcomes negatively.*

---

**55.**

What term refers to the document that serves as an informational guide, providing prospective sponsors with essential details and a comprehensive overview of an event? This document will include the event's history, return on investment measures, sponsorship value, a proposal letter, audience demographics, sponsorship benefits and limitations, and terms and conditions, as well as a draft program of the event content, to assist them in making informed decisions.

**Sponsor prospectus**

Sponsor conditions

Sponsor evaluations

Sponsor measurements

*Correct answer: Sponsor prospectus*

*The sponsor prospectus is an informational document aimed at assisting prospective sponsors with their decision-making process. It encompasses various elements, including:*

- *An overview and history of the event*
- *Return on investment measures and opportunities*
- *A description of the value of sponsorship*
- *A letter of proposal*
- *Audience demographics*
- *Sponsorship benefits and limitations*
- *Terms and conditions*
- *A draft program of the event content*

*By including these components, the sponsor prospectus provides a comprehensive overview and essential details to help potential sponsors make informed decisions.*

*Sponsor conditions focus narrowly on the terms and legal stipulations of sponsorship, while sponsor evaluations deal with assessing past sponsors rather than providing information for potential ones. Sponsor measurements involve metrics for assessing sponsorship effectiveness and do not offer the extensive overview needed for potential sponsors to make decisions, unlike a sponsor prospectus which provides all essential details and outlines the event comprehensively.*

---

**56.**

What term describes the expenses in event planning that fluctuate based on factors, such as the number of attendees, and can be controlled and adjusted in the short term?

**Variable cost**

Fixed costs

Net income

Gross income

*Correct answer: Variable cost*

*Variable Costs (VC) are the expenses that fluctuate based on different factors, including the number of attendees. These costs can be controlled and adjusted in the short term to align with changes in attendance. Examples of variable costs typically include expenses related to food and beverages, specialty items, overnight accommodations, and other consumables.*

*Fixed costs remain constant regardless of the event size. Net income represents the profit after all expenses are deducted; it is not a type of cost. Gross income refers to total revenue before expenses and is not specific to variable or fixed costs.*

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**57.**

It is very important to designate specific people who are authorized to sign for which of the following?

**Master account charges**

Registration

Attendee purchases such as books and CDs

Medical care

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*Correct answer: Master account charges*

*To ensure that the master account is handled properly, event planners should give clear and comprehensive instructions to the facility. The best way to do this is with a master account authorization form. This is a clear and comprehensive way to communicate the way that charges should be posted, the people who are authorized to sign for expenses, and the limits of financial responsibility. Only select people in your organization should have this responsibility, and it is very important to be clear with the facility regarding who is authorized to do so.*

*While certain people may be able to keep track of registrations, attendee purchases, or medical care needed at events, it is especially important to designate specific names of people authorized to sign for master account charges.*

---

**58.**

Which of the following is a difference between a sponsor and a donor?

**Sponsors exchange money for services while donors require less direct benefits.**

Sponsors require public acknowledgment while donors generally like to remain anonymous.

Sponsors provide goods or services while donors often provide money.

Donors provide the biggest funding sources for events while sponsors are less common.

*Correct answer: Sponsors exchange money for services while donors require less direct benefits.*

*Sponsorship is often a major funding source for events and is an important element in effectively maintaining relationships with suppliers that provide products and services to meeting attendees. Sponsorship involves a meaningful exchange of value such as money, goods, or services for marketing benefits to the sponsor. Donations involve less direct benefits such as acknowledgment or expectations of public relations benefits to the donor.*

*Sponsors often require public acknowledgment as part of their sponsorship agreement to gain marketing exposure, which contradicts the claim that donors typically seek anonymity; in fact, many donors also appreciate public acknowledgment of their contributions. It's incorrect to say that sponsors only provide goods or services as they can also provide financial support, which is similar to donors who may provide money or other resources. The statement that donors provide the biggest funding sources while sponsors are less common is misleading, as both sponsors and donors can be major contributors to an event's funding depending on the context and structure of the event.*

---

**59.**

As a best practice, when should deposits of cash from an event be made at a financial institution?

**Frequently**

At the event's conclusion

One hour after the last attendee has departed

At the beginning of the security guard's shift

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*Correct answer: Frequently*

*Frequently can mean several times throughout an event, daily, or at whatever interval is deemed appropriate and planned for with proper security.*

*Depositing cash at the conclusion of the event risks accumulating large sums on-site, which could increase security concerns. Waiting until one hour after the last attendee has departed to make a deposit does not ensure safety or efficient financial management throughout the event duration. Depositing cash at the beginning of a security guard's shift does not align with best practices for cash handling as it ties financial procedures to security shift patterns rather than to financial transaction peaks.*

---

**60.**

What are the three categories of expenses?

**Indirect costs, fixed costs, and variable costs**

Excellent, good, and poor

Outgoing, incoming, and balance

Staff, attendees, and venue

*Correct answer: Indirect costs, fixed costs, and variable costs*

*There are three categories of costs included in a budget: indirect costs, fixed costs, and variable costs. Indirect costs are organizational expenses not directly related to the event, such as staff salaries and equipment repair. Fixed costs are those incurred regardless of the number of attendees, such as room rental, marketing, insurance, signage, etc. Variable costs change according to how many attendees register for an event, such as food and beverage and printed materials.*

*The option of excellent, good, and poor incorrectly categorizes expenses based on quality evaluation rather than financial nature, which does not apply to the classification of business or event expenses. Outgoing, incoming, and balance misrepresent expenses, as they relate to financial transactions rather than specific expense categories; this distinction is more akin to accounting terms for overall financial status. Staff, attendees, and venue mistakenly identify groups or elements involved in an event as types of expenses, rather than categorizing the nature of the costs associated with them.*

---

**61.**

In evaluating the success of a corporate conference, which factors would serve as Key Performance Indicators (KPIs) for assessing whether revenue targets are being met effectively?

**Volume and pace of sales**

Speaker presentation charges

Tax rates

The cost of food and beverage programs and room rentals

---

*Correct answer: Volume and pace of sales*

*Key performance indicators for revenue targets include volume and pace of sales. From this perspective, you can determine whether your registration numbers or sponsorship numbers are similar to those of previous years.*

*Speaker presentation charges reflect specific fees associated with part of an event's content delivery and do not universally indicate the overall revenue success. Tax rates affect financial outcomes but are not a measure of revenue generation effectiveness. Similarly, the costs associated with food, beverage, and room rentals are critical expense metrics but do not serve as KPIs for revenue, which are typically evaluated through indicators like the volume and pace of sales. These sales metrics provide direct insights into the financial health and efficacy of revenue strategies in achieving set targets.*

---

**62.**

Who decides on the method of accounting to be used for an event?

**The CFO**

The CEO

The COO

The staff accountant

---

*Correct answer: The CFO*

*In the United States, publicly traded companies are required to use accrual accounting while most small businesses can choose their accounting method. The Chief Financial Officer (CFO) is responsible for making large financial decisions for an organization such as which accounting systems to use.*

*The CEO, while overseeing overall company operations and strategy, typically delegates specific financial system decisions to the CFO. The COO primarily focuses on the organization's operational aspects, making it less involved in financial accounting decisions. The staff accountant executes and manages day-to-day financial transactions and reporting, but they do not have the authority to decide on the accounting method used by the organization.*

---

**63.**

Dillon, an event planner, is in the process of organizing and categorizing various sources of income generated from different aspects of an event. These categories include exhibiting fees, registration fees, additional badge fees, advertising, sponsorships, as well as additional revenue items like social events and revenue-sharing opportunities with the exhibit's official contractors. Which of the following best describes these categories?

**Categories for revenue**

Categories for advertising

Categories for sponsorships

Categories for income

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*Correct answer: Categories for revenue*

*When categorizing revenue sources, it is recommended to include at least the following categories:*

- *Exhibiting fees*
- *Registration fees (if not included with exhibiting fees)*
- *Additional badge fees*
- *Advertising*
- *Sponsorships*
- *Additional revenue items, such as social events and revenue-sharing opportunities with the exhibit's official contractors*

*By organizing revenue sources into these categories, event organizers can effectively track and manage the various streams of income generated from different aspects of the event, ensuring comprehensive financial oversight.*

*Categories for advertising specifically relate to promotional income, not the broader range of event revenues. Categories for sponsorships would only encompass funds from sponsors, omitting other revenue forms like registration fees. Categories for income is too broad and nondescriptive an answer to accurately define the specific streams of event revenue.*

---

**64.**

At a large music festival, you are the event manager overseeing the financial transactions at various vendor stations. One of your responsibilities includes setting up the cashier stations. Which of the following is not true about managing cashiers at an event?

**They should never be well-stocked with change**

They should have plenty of change, particularly on weekends

They should acknowledge the amount of cash received and collected

Both the cashier and the person collecting the money should agree on how much cash is in the cash bank

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*Correct answer: They should never be well-stocked with change*

*There is often a need for on-site cashiers. They should have plenty of change, particularly on weekends as banks are closed during this time. Both cashiers and the person collecting the money should acknowledge the amount of cash received and collected; this should be agreed upon by both parties.*

*Cashiers should indeed be well stocked with change, especially on weekends when obtaining extra change can be challenging due to bank closures. It is standard practice for cashiers to acknowledge the amount of cash received to ensure transparency and accuracy in transactions. Additionally, both the cashier and the person overseeing the cash should regularly verify and agree on the amount in the cash bank to prevent discrepancies and enhance accountability. Each of these points underscores the importance of preparedness and clear communication in managing event finances effectively.*

---

**65.**

Which of the following is an essential event management tool?

**Budgeting**

Traveling

Talking on the phone

Engaging others

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*Correct answer: Budgeting*

*The budget is a key piece of event planning information. The meeting budget is an estimate of anticipated income and expenses for the event and provides financial control and accountability.*

*Traveling, while important for site visits or international events, is not a management tool but a logistical aspect of event planning. Talking on the phone is a communication method and not a dedicated event management tool, crucial for coordination but not foundational to event planning like budgeting. Engaging others encompasses networking and stakeholder interaction, essential for building relationships and promoting the event, but it does not provide the structured oversight and control that budgeting does in managing an event's financial resources.*

---

66.

Laura is in the process of coordinating an event for her organization, including budgeting the income and expenses. Which of the following is true regarding budgeting?

**The process of budgeting offers a numerical blueprint for the efficient execution of a meeting.**

The process of budgeting offers an alphabetical blueprint for the efficient execution of a meeting.

The process of budgeting offers a numerical blueprint for the efficient execution of financial management.

The process of budgeting offers a numerical blueprint for the efficient execution of stakeholder engagement.

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*Correct answer: The process of budgeting offers a numerical blueprint for the efficient execution of a meeting.*

*Budgeting entails the meticulous planning and estimation of both income and expenses, with the aim of attaining the financial objective of the meeting. The process of budgeting offers a numerical blueprint for the efficient execution of a meeting. The significance of budgeting and its direct correlation to financial goals cannot be overstated. A budget serves as a comprehensive breakdown of projected revenues and expenditures over a specified timeframe, categorized by relevant subjects and organized according to primary sources of income and areas of expenditure.*

*The description of budgeting as an "alphabetical blueprint" is inaccurate because budgeting fundamentally involves numbers and financial estimates, not alphabetic elements. Referring to budgeting as a blueprint for "financial management" while true in a broad sense, narrows its scope unnecessarily to just financial operations without encompassing the broader logistical and operational aspects of meeting execution. Describing budgeting as a blueprint for "stakeholder engagement" is misleading because, while budget decisions may impact stakeholder interactions, the primary purpose of budgeting is financial planning and control, not directly managing stakeholder relations.*

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**67.**

How can exchange rates present a financial risk for events?

**Income may be earned in one currency and expenses in another**

Events typically do not make as much money overseas as they would in their home countries

Costs to exchange currencies are often prohibitively expensive

Attendees often do not like to travel internationally

---

*Correct answer: Income may be earned in one currency and expenses in another*

*An important risk to manage for events is exchange rates, the rate at which one country's currency may be exchanged for another. It represents a financial risk for events if income is earned in one or more currencies and expenses are incurred in another, especially if the value of the currencies changes relative to each other.*

*Events typically not making as much money overseas as they would in their home countries is a generalization that doesn't directly address the financial risk associated with exchange rates. Costs to exchange currencies can be a consideration, but they are usually not so high as to be prohibitively expensive, and this does not inherently pose a significant financial risk related to fluctuating exchange rates. The reluctance of attendees to travel internationally is more of a logistical or marketing challenge rather than a direct financial risk due to exchange rates.*

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**68.**

Which of the following best describes costs that can change depending on the number of guests or attendees?

**Variable costs**

Fixed costs

Total costs

Indirect costs

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*Correct answer: Variable costs*

*Variable costs are those that can change because of the number of attendees, like food, printed materials, and beverages. The fewer attendees, the lower the variable costs, the reverse is also true.*

*Fixed costs are those that do not change based on the number of attendees, like the cost of audio-visual equipment and venue rental. The total cost is all the expenses needed to produce an event which includes the variable plus fixed costs. Indirect costs are those that remain regardless of the event itself, including administrative expenses like staff salaries and equipment repair.*

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**69.**

Which of the following refers to a funding source that can be generated through the sale of published works created by the host?

**Royalties**

Commissions

Exhibits

Advertising

*Correct answer: Royalties*

*Royalties are sums of money paid to an author of a published work every time a copy of the work is sold. This is one additional potential funding source for an event. In some cases, content captured at the conference can be made available online and on-demand afterward, possibly for a fee.*

*Commissions typically refer to earnings from sales activities such as accommodations or tickets, unrelated to intellectual property revenue. Exhibits generate income through space rentals at events, not from sales of publications. Advertising involves income from promotional activities and sponsorships, distinct from royalties derived from selling intellectual content.*

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**70.**

You have been called into a meeting with your supervisor to discuss the most significant portion of total revenue from a recent event. This typically involves the booths' size and location for the particular show floor. Which of the following does this best describe?

**Exhibit sales**

Floor sales

Revenue

Income

*Correct answer: Exhibit sales*

*The revenue generated from exhibits can vary significantly from one meeting to another. When an event primarily focuses on exhibitions, exhibit sales typically contribute the largest portion of the total revenue. The revenue from exhibitions is generally determined by factors such as the size and location of booths on the exhibition show floor. However, an additional consideration is the value derived from engaging with the audience and establishing meaningful contacts during the event. This factor also plays a significant role in determining the overall revenue generated from exhibits.*

*Floor sales, while related to activities conducted on the event floor, do not specifically describe revenue generated from the sales of exhibition space, which is the primary source of revenue in this context. "Revenue" and "income" are broader financial terms encompassing the total earnings from all sources associated with an event, not specifically those tied to the sales of exhibit booths.*

---

**71.**

Which of the following could help increase your chances of securing a grant?

**Write as many grant requests as you are able**

Provide a general rather than a detailed budget

Request more money than you will need

Apply to organizations you do not know

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*Correct answer: Write as many grant requests as you are able*

*Grants are typically given to organizations for a particular purpose and require organizations to submit an application. Multiple grant requests should be written to increase your chances of receiving an award.*

*Providing a general budget lacks the specificity grantors look for to understand how their funds will be used. Requesting more money than needed can undermine credibility and trust with grantors. Applying to organizations without prior interaction or knowledge lessens the likelihood of grant approval due to unfamiliarity.*

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72.

Which of the following is a statement that shows overall financial status?

**Balance sheet**

Cash flow statement

Income statement

Timetable

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*Correct answer: Balance sheet*

*There are three important accounting tools that can help an event professional with budgeting and forecasting: income statements, balance sheets, and cash flow statements. A balance sheet is a statement that indicates overall financial status by subtracting expenses from income and providing the total amount of assets, liabilities, and net worth at a particular point in time.*

*A cash flow statement only reflects the movements of cash in and out of a business, not the complete financial status. An income statement, also known as a profit and loss statement, shows revenues and expenses but does not provide a full picture of financial health like assets and liabilities. A timetable is unrelated to financial status as it primarily outlines scheduling rather than fiscal details. Each of these points highlights specific aspects of financial management without encompassing the comprehensive snapshot provided by a balance sheet.*

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**73.**

If no financial history exists, which of the following should serve as the foundation of the budget?

**Estimates of income and expenses**

Other organizations' budgets

A general template

Staff's personal expenses

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*Correct answer: Estimates of income and expenses*

*Zero-based budgeting is used when there is no financial history and the budget needs to be created using estimates of anticipated income and expenses. This can be difficult in the first year of budgeting because income and expenses can end up being different than what was projected.*

*Using other organizations' budgets as a basis does not account for the unique circumstances and needs of your specific event, leading to potential inaccuracies. A general template might provide structure but cannot offer the specific financial insights needed for a new event without previous data. Including staff's personal expenses in the event budget is inappropriate as these do not directly relate to event costs and could distort the financial planning necessary for event success.*

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**74.**

What factors primarily determine the revenue from exhibit sales at events?

**The revenue from exhibitions is generally determined by factors such as the size and location of booths on the exhibition show floor.**

The revenue from exhibitions is generally determined by factors such as the meeting attendance count.

The revenue from exhibitions is generally determined by factors such as the type of sponsors.

The revenue from exhibitions is generally determined by the fixed price of the event.

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*Correct answer: The revenue from exhibitions is generally determined by factors such as the size and location of booths on the exhibition show floor.*

*The revenue generated from exhibits can vary significantly from one meeting to another. When an event primarily focuses on exhibitions, exhibit sales typically contribute the largest portion of the total revenue. The revenue from exhibitions is generally determined by factors such as the size and location of booths on the exhibition show floor. However, an additional crucial consideration is the value derived from engaging with the audience and establishing meaningful contacts during the event. This factor also plays a significant role in determining the overall revenue generated from exhibitions.*

*The revenue from exhibitions is not primarily determined by the meeting attendance count, as booth sales can be lucrative regardless of overall attendance figures. Revenue is not primarily influenced by the type of sponsors but rather by the exhibition layout and booth sales strategy. Fixed prices for events do not directly correlate with varying exhibition revenue, which depends more significantly on booth attributes and placement.*

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**75.**

Which of the following is true regarding Value-Added Tax (VAT)?

**In general, only companies are entitled to reclaim VAT.**

Both companies and individuals can reclaim VAT.

Only individuals with an income over a certain amount can reclaim VAT.

Only government-sponsored organizations can reclaim VAT.

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*Correct answer: In general, only companies are entitled to reclaim VAT.*

*Value-Added Tax (VAT) is a point-of-sale tax levied by various countries at different rates for different commodities. Typically, only companies, not individuals, are entitled to reclaim VAT. These companies do not have to be government-sponsored.*

*The assertion that both companies and individuals can reclaim VAT is generally inaccurate, as VAT reclaim privileges are typically reserved for businesses under most tax systems, primarily to avoid cascading tax effects on goods and services. The claim that only individuals with an income over a certain amount can reclaim VAT is misleading as VAT recovery is not typically an option for individuals regardless of income level. Similarly, stating that only government-sponsored organizations can reclaim VAT narrows the scope too much; VAT recovery is available to a broader range of businesses, not just those with government ties.*

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**76.**

You are a new event planner for a large organization. A senior leader has asked you to develop the budget, establish the pricing, and monitor and revise the budget when it is necessary. Which of the following best describes this?

**Managing the budget**

Managing event funding and resources

Managing monetary transactions

Managing financial planning

*Correct answer: Managing the budget*

*Managing the budget includes developing the budget, establishing pricing, and monitoring and revising the budget as necessary. There are three components to financial management including managing event funding and resources, managing the budget, and managing monetary transactions.*

*Managing event funding and resources is broader and includes more than just budgetary concerns. Managing monetary transactions focuses on the handling of financial exchanges, not the overarching budget management. Managing financial planning involves a broader scope of financial activities beyond just the budget.*

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77.

Which of the following is not a regular source of event funding?

**Insurance payments**

Products

Government programs

Exhibits

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*Correct answer: Insurance payments*

*Managing event funding and financial resources is a critical skill event planners should have. There are many possible sources for event funding including grants, government programs, sponsors, registrations, products, commissions, and exhibits. Insurance payments are not a regular source of event funding because they typically occur as a response to specific circumstances, such as damage or cancellation due to unforeseen events, rather than as planned revenue streams for the event.*

*Products sold at an event, such as merchandise or promotional items, can generate revenue contributing to the event's funding. Government programs may offer grants or financial support for events that align with public interest or governmental goals, providing a viable source of funding. Exhibits generate income through fees paid by exhibitors who rent space to showcase their products or services, supporting the overall financial structure of an event.*

---

**78.**

What is cash accounting characterized by in financial management?

**A method of counting income and expenses as they are received and paid**

A method of accounting in which funds are calculated when they are earned or incurred

A way for accounting departments to communicate electronically

A method of teaching basic accounting principles to an organization's staff members

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*Correct answer: A method of counting income and expenses as they are received and paid*

*A cash accounting system counts income and expenses as they are actually received and paid. Cash accounting does not take into consideration expected revenue or expenses, it simply tracks both as they occur.*

*A method of accounting in which funds are calculated when they are earned or incurred describes accrual accounting, not cash accounting. Accounting departments communicating electronically is concerned with processes and tools not specific to cash accounting principles. Teaching basic accounting principles is educational and not specifically related to the operational method of cash accounting.*

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**79.**

The registration fee for an event is \$250. The variable cost is \$75 per person. What is the contribution margin?

**\$175**

\$325

\$75

\$225

*Correct answer: \$175*

*The contribution margin is calculated by subtracting the variable costs per person from the registration fee. Therefore,  $\$250 - \$75 = \$175$ . The fixed cost is then divided by the contribution margin to determine the number of attendees needed to break even.*

*\$325 is incorrectly calculated and exceeds the registration fee, which is not possible in this context. \$75 is simply the variable cost per person, not the contribution margin. \$225 would imply subtracting a different amount, not the specified variable cost of \$75, from the registration fee.*

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**80.**

Which of the following is a way to transmit master account information to the facility?

**Master account authorization form**

Billing timetable

Legal agreement

Cash flow statements

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*Correct answer: Master account authorization form*

*To ensure that the master account is handled properly, event planners should give clear and comprehensive instructions to the facility. The best way to do this is with a master account authorization form. This is a clear and comprehensive way to communicate the way that charges should be posted, the people who are authorized to sign for expenses, and the limits of financial responsibility.*

*A billing timetable is an illustration of the budget lifecycle of the event that helps monitor cash flow. A master account authorization form is not a legal agreement. Cash flow statements clearly show the transactions by which cash enters and leaves a company while looking at operations, investing, and financing as elements of the budget.*

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**81.**

You are in a meeting with your supervisor and a former sponsor. You ask your sponsor if he will refer some of his contacts to you so you can possibly gain another sponsor. Which of the following sponsorship sources does this best describe?

**Referrals**

Your stakeholders

Current suppliers or exhibitors

Previous sponsors

*Correct answer: Referrals*

*When seeking sponsorships, it is beneficial to ask your existing sponsors for referrals. This approach can not only expand your network but also create opportunities for sponsors to collaborate with their own partners, potentially reaching a higher level of sponsorship. By harnessing these referrals, you can foster strategic alliances and tap into a wider pool of potential sponsors, maximizing the chances of securing valuable partnerships.*

*Your stakeholders typically refer to individuals or groups directly involved with your organization or event who may not necessarily be in a position to provide referrals for sponsorships. Current suppliers or exhibitors are connected to your event through business transactions and might not be tapped for sponsor referrals as their primary engagement is service or product provision. Previous sponsors are those who have already supported your events, and while they might provide introductions, the context here directly refers to using current relationships to generate new sponsor leads through direct referrals.*

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**82.**

How often are balance sheets typically generated?

**Monthly or quarterly**

Weekly

Daily

Yearly

*Correct answer: Monthly or quarterly*

*There are three important accounting tools that can help an event professional with budgeting and forecasting: income statements, balance sheets, and cash flow statements. A balance sheet is a statement that indicates overall financial status by subtracting expenses from income and provides the total amount of assets, liabilities, and net worth at a particular point in time. While they are often generated monthly or quarterly, this doesn't mean they can't be produced more frequently. Most organizations prefer to look at the bottom line once every month or once every few months.*

*Weekly balance sheets are generally too frequent for most organizations, as the level of detail and analysis required does not usually change significantly from week to week. Daily production of balance sheets is uncommon and impractical for most businesses due to the substantial effort involved in compiling such detailed financial data each day. Yearly balance sheets do not provide sufficient regularity for effective financial management and decision-making, as they would offer too broad a time frame to address immediate financial changes or to engage in proactive financial planning.*

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**83.**

As a meeting professional, part of your responsibility is to manage funding and resources. Which of the following best describes this financial management critical skill?

**Overseeing revenue, sponsorship, registration fees, grants, and exhibit sales**

Overseeing expenses and overhead

Overseeing indirect costs associated with financial sustainability

Overseeing non-profit monetary allocations

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*Correct answer: Overseeing revenue, sponsorship, registration fees, grants, and exhibit sales*

*Managing funding and resources entails overseeing various revenue sources such as sponsorship, registration fees, grants, exhibit sales, and miscellaneous items like merchandise sales. This comprehensive approach ensures the efficient allocation and utilization of resources to support the event's financial sustainability.*

*Overseeing expenses and overhead focuses on the cost side of financial management, not revenue generation. Overseeing indirect costs involves managing costs not directly tied to specific event activities, which don't directly contribute to revenue generation. Overseeing non-profit monetary allocations deals specifically with funds in non-profit organizations, which is a narrower scope than general revenue management.*

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**84.**

As a meetings professional, you are working on the overall income generated from your registration fees, exhibit sales, vendor fees, sponsorships, advertisements, and merchandise. Which of the following financial management concepts does this best describe?

**Revenue**

Profit

Depreciation

Inflation

*Correct answer: Revenue*

*When it comes to meetings, revenue encompasses the overall income generated from various sources such as registration fees, exhibit sales, vendor fees, sponsorships, advertisements, and merchandise sales. However, meeting professionals should exercise caution and thoroughly identify the total expenses before planning the revenue segment of the budget. This careful evaluation is necessary to ensure that the projected revenue will sufficiently cover the entirety of the expenses incurred. By conducting this assessment, meeting organizers can effectively align their revenue goals with the corresponding expenses, ensuring financial viability and a balanced budget.*

*Profit represents the amount of money that remains after all expenses have been subtracted from total revenue, not just the income itself. Depreciation refers to the decrease in the value of an asset over time, which is a concept unrelated to the direct generation of income from event activities. Inflation is the general increase in prices and falls in the purchasing value of money, which affects the cost of organizing events but does not describe the income generated from them.*

---

**85.**

You are a meeting coordinator for your organization. You are utilizing a sponsor source in which you ask your existing sponsors for their contacts. Which of the following sources does this best describe?

**Referrals**

Your stakeholders

Research

Previous sponsors

*Correct answer: Referrals*

*When seeking sponsorships, it is beneficial to ask your existing sponsors for referrals to their contacts. This approach can not only expand your network but also create opportunities for sponsors to collaborate with their own partners, potentially reaching a higher level of sponsorship. By harnessing these referrals, you can foster strategic alliances and tap into a wider pool of potential sponsors, maximizing the chances of securing valuable partnerships.*

*"Your stakeholders" typically refers to those already involved or invested in your organization and does not necessarily extend to sourcing external contacts for sponsorship. "Research" involves a more systematic approach to identifying potential sponsors through various methods such as market analysis and competitor sponsorships, not directly asking for contacts. "Previous sponsors" could be a valuable resource for repeat sponsorships or endorsements but in this context, it does not specifically involve the action of leveraging their networks for new contacts.*

---

**86.**

When a budget is based on estimates of income and expected expenses rather than a previous year's budget, it is known as which of the following?

**Zero-based budgeting**

Incremental budgeting

Estimated budgeting

Targeted budgeting

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*Correct answer: Zero-based budgeting*

*It can be challenging to build a budget when there is no previous data and very little is known about actual expenses and income. Zero-based budgeting creates a budget based on estimates of income and expected expenses instead of using historical data.*

*Incremental budgeting builds on previous budgets and is not based purely on current estimates without regard to past figures. Estimated budgeting is not a formally recognized budgeting method like zero-based budgeting. Targeted budgeting is not a recognized term in financial management.*

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**87.**

Variable costs are subtracted from the registration fee to determine which of the following?

**Contribution margin**

Break-even point

Zero-based budget

Program profit

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*Correct answer: Contribution margin*

*The contribution margin can be calculated by subtracting the variable costs, such as food and beverage, from the registration fee. When calculating the break-even point for an event, divide the fixed costs by the contribution margin. The result will give you the number of attendees needed for the event to break even.*

*The break-even point calculation involves understanding how many units (or registrations) must be sold to cover all expenses, not just subtracting variable costs from fees. Zero-based budgeting starts from a zero base, and every function within an organization is analyzed for its needs and costs, rather than the budget being directly calculated from registration fees minus variable costs. Program profit refers to the total earnings after covering all costs associated with an event, which includes both fixed and variable expenses, making it a broader financial measurement than just the result of subtracting variable costs from registration fees.*

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**88.**

What is the reason for selectively avoiding certain sponsors in event planning?

**They may damage the reputation of the event**

They may not have enough money to help the event

They might require more from the event than appropriate

They might be too far away from the event location

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*Correct answer: They may damage the reputation of the event*

*Sponsorships can be a main source of event funding. For some events, however, certain sponsors should be avoided, as their presence or sponsorship may damage the reputation of the event. Their organization may be out of alignment with the purpose and mission of your organization, so you should prepare a response in case they contact you to sponsor the event.*

*Sponsors should not be avoided simply because you think they don't have enough money, might make certain demands, or are not in the same geographical location as the event.*

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**89.**

You are working with your event planning team to determine the registration fee for an upcoming exhibition. Which of the following is correct about registration fees?

**Registration fees refer to the amount participants are required to pay in order to attend a conference.**

Registration fees refer to the amount participants are required to pay in order to control a conference.

Registration fees refer to the amount participants are required to pay in order to expand a conference.

Registration fees refer to the resources that are required to conduct a conference.

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*Correct answer: Registration fees refer to the amount participants are required to pay in order to attend a conference.*

*The fee may vary depending on their level of participation or membership type. When determining the appropriate registration fees, it is crucial to engage in a thoughtful and deliberate projection process that will ensure that an adequate amount is charged to meet the financial objectives of the meeting. In certain instances, members of an association may be offered a discounted rate compared to non-members, reflecting the benefits of membership within the organization.*

*Registration fees are not meant to give participants control over a conference but to cover the costs of their attendance. The fees do not fund the expansion of the conference only the current operational expenses. Registration fees are monetary contributions, not a list of physical resources needed for conducting a conference.*

---

**90.**

As an event planning professional, you will often oversee different types of revenue sources. These will include sponsorships, registration fees, grants, etc. Which of the following best describes this financial management critical skill?

**Managing event funding and resources**

Managing the budget

Managing monetary transactions

Managing resource requirements

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*Correct answer: Managing event funding and resources*

*Managing event funding and resources entails overseeing various revenue sources such as sponsorships, registration fees, grants, exhibit sales, and miscellaneous items like merchandise sales. This comprehensive approach ensures the efficient allocation and utilization of resources to support the event's financial sustainability.*

*Managing the budget refers specifically to overseeing the allocation and expenditure of financial resources according to a pre-determined plan, which is distinct from actively sourcing and managing diverse revenue streams. Managing monetary transactions focuses on the operational aspect of handling financial exchanges rather than the broader scope of resource acquisition and management. Managing resource requirements generally pertains to the logistical aspects of resource allocation, such as manpower and materials, rather than the financial sourcing aspect covered by managing event funding and resources.*

---

**91.**

What term is used to describe a credit arrangement between a host organization and a venue that enables the host organization to directly settle expenses and require regular review to ensure accuracy and track changes, particularly in the context of financial management in meetings?

**Master account**

Leader account

Venue account

Management account

*Correct answer: Master account*

*The master account review is a crucial aspect of financial management in meetings. A master account is established as a credit arrangement between the host organization and the venue, allowing the host organization to settle the expenses directly. It is important to regularly review the master account, both daily and as part of the post-meeting follow-up, to ensure accuracy and track any changes that may occur.*

*Leader account, venue account, and management account are not recognized terms for a credit arrangement that allows a host organization to directly settle event expenses with a venue. Leader account suggests a focus on individual leadership rather than financial operations. Venue account incorrectly implies that the account is controlled or maintained by the venue itself. Management account generally refers to accounts used for internal management purposes within a company, not for handling transactions between a host organization and a venue.*

---

**92.**

As an event planner for an upcoming conference, you are creating a budget without relying on the previous year's budget or historical performance. Which of the following budgeting techniques does this best describe?

**Zero-based budgeting**

One-based budgeting

Infinite-based budgeting

Quantitative budgeting

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*Correct answer: Zero-based budgeting*

*Zero-based budgeting involves the creation of a budget without relying on the previous year's budget or historical performance. This approach relies heavily on accurate forecasting of the potential revenue and expenses associated with the organization's meetings. In zero-based budgeting, each variable (line item) must undergo thorough justification and review before being implemented into the budget. This meticulous evaluation ensures that every component of the budget is scrutinized and justified based on the organization's current needs and priorities.*

*One-based budgeting is not a recognized budgeting technique within financial management practices. Infinite-based budgeting does not exist as a standard approach in budgeting terminology or methodology. Quantitative budgeting focuses on numerical data and statistical methods, which, although it involves numbers, does not specifically refer to starting a budget from scratch each fiscal cycle as zero-based budgeting does.*

---

**93.**

What term refers to the sale of meeting-related items, such as hats, t-shirts, and bags, that feature a sponsor's logo as a means of generating additional revenue during meetings, parties, golf tournaments, or charitable events?

**Merchandise**

Discounts

Items

Equipment

*Correct answer: Merchandise*

*Additional income can be generated by offering meeting-related merchandise for sale that features a sponsor's logo. This opportunity to generate revenue through the sale of merchandise can arise during meetings, parties, golf tournaments, or charitable events, with items like hats, t-shirts, and bags available for purchase.*

*The other answer options are not applicable in this scenario.*

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**94.**

You are in a meeting with your team regarding the financial management of your next event. What term describes the credit arrangement between the host organization and the venue, which enables the host organization to settle expenses directly and is subject to regular reviews in financial management meetings?

**Master account**

Key account

Meetings account

Leader account

*Correct answer: Master account*

*The master account review is a crucial aspect of financial management in meetings. A master account is established as a credit arrangement between the host organization and the venue and allows the host organization to settle expenses directly. It is important to regularly review the master account, both daily and as part of the post-meeting follow-up, to ensure accuracy and track any changes that may occur.*

*A key account typically refers to the most important clients or customers, not specifically to event financial arrangements. Meetings account is not a recognized term for describing financial arrangements in event planning. Leader account is not an established term in the context of event financial management.*

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**95.**

Which type of sponsorship includes a sponsor who underwrites the majority of the event and whose name is associated with the event?

**Main sponsorship**

Tiered sponsorship

Credit sponsorship

In-kind sponsorship

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*Correct answer: Main sponsorship*

*A main or title sponsorship is when the sponsor underwrites the majority of the event. Their name is also often associated with the name of the event. A title or main sponsor is likely to be involved in the design, planning, and execution of the event.*

*A tiered sponsorship gives sponsors the opportunity to become one of several levels of sponsors, with predetermined benefits for each level. The credit model of sponsorship is a hybrid between a tiered model with pre-set benefits and a customized model, as sponsors may choose from a list of benefits assigned credit values. In-kind sponsors provide goods or services, not money, at no cost to the event.*

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96.

What is the most important initial step when seeking sponsorship for an event?

**An understanding of the value your event offers sponsors**

The hosting organization's expected annual income

The theme of the conference or event

Close friends and family who may be affiliated with potential sponsors

---

*Correct answer: An understanding of the value your event offers sponsors*

*Sponsorship is often a major funding source for events and is an important element in effectively maintaining relationships with suppliers that provide products and services to meeting attendees. Sponsorship involves a meaningful exchange of value such as money, goods, or services for marketing benefits to the sponsor. When developing your sponsorship goals and targets, begin with an understanding of the value that your event offers potential sponsors, who will be seeking a return on their investment.*

*While it might be helpful to have connections already, it is not always necessary to have close friends or family who may be affiliated with potential sponsors. You should be able to tell sponsors the theme of the conference or event though you may not necessarily begin with this information. The annual income of the organization hosting the event may be asked about, but again, this is not information that you would begin with when approaching potential sponsors.*

---

**97.**

Regarding event planning, which type of expense fluctuates depending on factors such as the number of attendees?

**Variable costs**

Estimated cost

Fixed cost

Total cost

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*Correct answer: Variable costs*

*Variable Costs (VC) are the expenses that fluctuate based on different factors, including the number of attendees. These costs can be controlled and adjusted in the short term to align with changes in attendance. Examples of variable costs include expenses related to food and beverages, specialty items, overnight accommodations, and other consumables.*

*Estimated cost refers to an approximation of expenses and does not inherently adjust with changes in attendee numbers. Fixed costs remain constant regardless of the number of attendees, such as venue rental fees or salaries. Total cost represents the complete financial expenditure for an event and is not specifically linked to variations based on attendee numbers.*

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**98.**

All of the following are reasons subvention is used to attract large events, except:

**It does not require binding contracts**

It helps generate economic and industrial growth

It generates employment

It can lead to longer-term growth and investment

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*Correct answer: It does not require binding contracts*

*Subvention is financial support provided by the host destination or government as an incentive to event organizers. It is often used by countries and cities where competition is high and it can help generate growth in economies and industries. Subvention also helps generate employment and tax revenues and may lead to longer-term growth and investment if the event is prestigious. Subvention agreements often include binding contracts about the number of delegates, attendees, or visitors at an event.*

*Subventions are financial incentives that help stimulate economic and industrial growth, generate employment, and encourage long-term investment, usually formalized through binding agreements.*

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