

### Question #1 of 33

Question ID: 1576452

After completing a thorough industry analysis, which of the following is *most likely* an additional element an analyst should examine when analyzing a specific company within the industry?

- A) Competitive strategy.
  - B) Power of buyers.
  - C) Threat of entry.
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### Question #2 of 33

Question ID: 1577366

Adrian Martin, CFA, is tasked with evaluating profitability for a mature industry in the textile space. Given that the industry consists entirely of publicly traded companies, the *best* measure for her to use is:

- A) return on invested capital.
  - B) gross profit margin.
  - C) return on equity.
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### Question #3 of 33

Question ID: 1577359

If an investor is looking for exposure to more industry-specific risk and less company-specific risk, a financial advisor is *most likely* to recommend which of the following approaches?

- A) Smaller investments in fewer companies across many industries.
  - B) Larger investments in fewer companies within a targeted industry.
  - C) Smaller investments in several companies within a targeted industry.
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### Question #4 of 33

Question ID: 1576445

Which of the following types of industries is typically characterized by above-normal expansion in sales and profits independent of the business cycle?

- A) Defensive.
  - B) Counter-cyclical.
  - C) Growth.
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**Question #5 of 33**

Question ID: 1577365

An industry has a Herfindahl-Hirschman Index (HHI) of 2,740. An implication of this measure is that the industry will *most likely* have:

- A) greater competitive intensity.
  - B) less pricing power.
  - C) greater profitability.
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**Question #6 of 33**

Question ID: 1577374

Which of the following statements is *most accurate* regarding a firm that chooses to employ a focus-based competitive strategy?

- A) It is often a hybrid strategy, as it may involve elements of both cost leadership and differentiation.
  - B) The appeal is for customers who are willing to pay more for perceived value.
  - C) The target is a wide range of customers whose needs may differ considerably.
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**Question #7 of 33**

Question ID: 1577373

Which of the following competitive strategies lends itself most to industries where product offerings are relatively stable and the rate of innovation is slow?

- A) Differentiation.
- B) Focus.

C) Cost leadership.

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**Question #8 of 33**

Question ID: 1577362

How would a commercial industry classification system provider classify a firm with two business lines, with one line representing 65% of its total revenue and the other representing 35%?

- A) The firm would be classified into two business lines based on a 65/35 split.
  - B) The firm would be classified equally into the two business lines.
  - C) The firm would be classified into the line that is associated with 65% of its revenue.
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**Question #9 of 33**

Question ID: 1577364

An analyst is using the Herfindahl-Hirschman Index (HHI) to evaluate industry concentration. The industry has four firms with the following market shares: 45%, 25%, 20%, and 10%. This industry's concentration will be considered:

- A) moderate.
  - B) low.
  - C) high.
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**Question #10 of 33**

Question ID: 1577363

If a company shows relatively stable demand for its services through natural fluctuations in the overall economy, the company will be considered a:

- A) defensive company.
  - B) growth company.
  - C) cyclical company.
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### Question #11 of 33

Question ID: 1577356

An analyst is reviewing an industry and its associated barriers to entry and bargaining power of suppliers. This assessment of industry profitability and competitiveness is a part of which step of the industry and competitive analysis process?

- A) Analyze the industry structure.
  - B) Define the industry.
  - C) Survey the industry.
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### Question #12 of 33

Question ID: 1577360

In differentiating between an industry and a sector, an analyst may describe transportation and airlines in what manner?

- A) Transportation is the sector, and airline is the industry.
  - B) Airline is the sector, and transportation is the industry.
  - C) Both airline and transportation are industries.
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### Question #13 of 33

Question ID: 1576449

The competitive forces identified by Michael Porter include:

- A) power of existing competitors and threat of entry.
  - B) rivalry among existing competitors and power of buyers.
  - C) threat of substitutes and rivalry among suppliers.
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### Question #14 of 33

Question ID: 1577368

Which of the following barriers to entry will increase the competitiveness of the companies within an industry?

- A) Pre-existing customer loyalties.

- B) Low up-front capital requirements.
  - C) Significant regulatory costs.
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**Question #15 of 33**

Question ID: 1576443

Which of the following types of industries is typically characterized by stable performance during both expansions and contractions of the business cycle?

- A) Defensive.
  - B) Growth.
  - C) Cyclical.
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**Question #16 of 33**

Question ID: 1576451

A firm that pursues a differentiation strategy is *most likely* to emphasize:

- A) gains in market share.
  - B) market research.
  - C) operating efficiency.
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**Question #17 of 33**

Question ID: 1576442

Commercial index providers typically classify companies by:

- A) principal business activity.
  - B) statistical grouping.
  - C) sensitivity to business cycles.
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**Question #18 of 33**

Question ID: 1576441

Commercial industry classification systems such as the Global Industry Classification Standard (GICS) typically classify firms according to their:

- A) principal business activities.
  - B) correlations of historical returns.
  - C) sensitivity to business cycles.
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### Question #19 of 33

Question ID: 1577371

An analyst studying the defense industry will focus on political influences in a PESTLE analysis for which of the following reasons?

- A) Defense spending is the number-one priority for governments.
  - B) The primary buyers are governmental entities.
  - C) Political parties determine whether or not to spend on defense.
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### Question #20 of 33

Question ID: 1577367

An analyst develops a style box that categorizes industries based on growth rate and sensitivity to economic business cycles. Which of the following industries will *most likely* land in the box for (higher) growth and defensive sensitivity to cycles?

- A) Biotechnology.
  - B) Utilities.
  - C) Crude oil production.
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### Question #21 of 33

Question ID: 1576447

The threat of substitutes is *most likely* to be low for a firm that:

- A) operates in a fragmented market with little unused capacity.
- B) produces a commodity product in an industry with significant unused capacity.
- C) produces a differentiated product with high switching costs.

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**Question #22 of 33**

Question ID: 1576023

Industry analysis is *most likely* to provide an analyst with insight about a company's:

- A) competitive strategy.
  - B) financial performance.
  - C) pricing power.
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**Question #23 of 33**

Question ID: 1576450

An aggressive price reduction to gain market share is *most likely* to be associated with a:

- A) product differentiation strategy.
  - B) service differentiation strategy.
  - C) cost leadership strategy.
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**Question #24 of 33**

Question ID: 1577370

In conducting a PESTLE analysis of external factors impacting an industry, an analyst will examine economic influences focused on trends in which types of structural measures?

- A) Interest rates.
  - B) Unemployment rates and labor force numbers.
  - C) Growth in gross domestic product.
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**Question #25 of 33**

Question ID: 1577372

Company X runs a series of high-end hotels in the Northeastern United States. The average room rate per night is higher than any other hotel in the region. Which of the following *best* allows the company to build upon its differentiation strategy?

- A) Economies of scale and low variable costs.
  - B) Strong cost controls, which allow the company to maintain profit margins.
  - C) A culture of strong customer experience.
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### Question #26 of 33

Question ID: 1576448

Economic profits are *most likely* to be earned by firms in an industry that is characterized by:

- A) low threat of substitutes and high rivalry among existing competitors.
  - B) high barriers to entry and low power of buyers.
  - C) high power of suppliers and low threat of entry.
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### Question #27 of 33

Question ID: 1576444

Food, beverage, and utility companies are examples of:

- A) cyclical industries.
  - B) declining industries.
  - C) defensive industries.
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### Question #28 of 33

Question ID: 1577361

A commercial industry classification system has a hierarchical structure: economic sectors, business sectors, industry groups, industries, and activities. Which of the following classifications does this represent?

- A) Refinitiv Business Classification (TRBC).
  - B) Industry Classification Benchmark (ICB).
  - C) Global Industry Classification Standard (GICS).
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### Question #29 of 33

Question ID: 1577375

Regarding competitive strategy and Porter's Five Forces, the bargaining power of customers can be overcome by successfully implementing which type of strategy?

- A) Cost leadership and focus.
  - B) Differentiation and cost leadership.
  - C) Cost leadership, differentiation, and focus.
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### Question #30 of 33

Question ID: 1576446

Factors that increase competition in an industry *most likely* include:

- A) low barriers to entry, high concentration, and high unused capacity.
  - B) low barriers to entry, low concentration, and high unused capacity.
  - C) high barriers to entry, low concentration, and low unused capacity.
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### Question #31 of 33

Question ID: 1577369

An analyst studying an industry notices that the rivalries among the companies in the industry are fairly significant. Which of the following characteristics of the industry supports the analyst's assessment?

- A) Fixed costs are low relative to variable costs.
  - B) The costs to exit the market exceed the costs of staying in.
  - C) Product offerings are relatively unique.
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### Question #32 of 33

Question ID: 1577358

In an industry and competitive analysis, the industry base rate is *best* described as the:

- A) average market share for each company within an industry.
- B) maximum number of companies an industry can support.

**C)** overall baseline profitability for the industry as a whole.

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**Question #33 of 33**

Question ID: 1577357

As part of an industry and competitive analysis, an analyst first defines and then surveys an industry. Which of the following assessments will be made as part of the survey step?

- A)** The growth rate of the industry over the last several years.
- B)** Political and economic impacts on the industry.
- C)** The geographical region in which the industry operates.