

AI, Business Strategy, and Ethics Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

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- 1. In the Ethics mini-case template, which step follows 'Identify harm'?**
 - A. Analyze the mechanism**
 - B. Propose mitigation strategies**
 - C. Evaluate trade-offs**
 - D. Identify stakeholders**

- 2. What is noise in human judgment?**
 - A. Noise is random variability in judgment**
 - B. Noise is systematic directional error**
 - C. Noise is caused by data collection errors**
 - D. Noise is the same across judgments**

- 3. What happens when a regulation makes it cheaper for startups to enter an industry?**
 - A. The threat of new entrants increases, pushing prices down and reducing average industry profitability.**
 - B. Rivalry among incumbents decreases.**
 - C. Average industry profitability increases.**
 - D. Customers become less price sensitive.**

- 4. What is the relationship between business strategy and AI strategy?**
 - A. Business strategy is the competitive game plan for superior performance; AI strategy supports that game plan with AI choices.**
 - B. AI strategy should replace business strategy.**
 - C. They are completely independent and should not align.**
 - D. AI strategy is only about collecting data regardless of business outcomes.**

- 5. What is the purpose of a confusion matrix in business decision-making?**
 - A. It links prediction outcomes to business payoffs to choose actions/thresholds that maximize expected value.**
 - B. It forecasts future sales.**
 - C. It measures customer satisfaction.**
 - D. It computes the statistical variance of outputs.**

- 6. Which of the following is a step in the 5 Forces template?**
- A. Define the industry**
 - B. Benchmark budgets**
 - C. Create a mission statement**
 - D. Develop marketing slogan**
- 7. Indirectly using a protected attribute due to correlation with other features is an example of which bias?**
- A. Redundant encoding**
 - B. Proxy label bias**
 - C. Sampling bias**
 - D. Automation bias**
- 8. What is bargaining power of suppliers?**
- A. Suppliers can capture more value by charging higher prices or tightening terms.**
 - B. Buyers can demand lower prices.**
 - C. Regulators set contract terms.**
 - D. Firms dictate supplier behavior.**
- 9. What does Value Capture consist of in the Business Model Canvas?**
- A. Revenues and costs.**
 - B. Customer relationships and channels.**
 - C. Key activities and resources.**
 - D. Value proposition and customer segments.**
- 10. Which description matches branding as a concept?**
- A. Branding is the durable attribution of higher value to an objectively similar offering due to historical information about the seller, built slowly over time.**
 - B. Branding is the quickest way to lower costs in production.**
 - C. Branding is a process of patenting products.**
 - D. Branding is unrelated to customer perception.**

Answers

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1. A
2. A
3. A
4. A
5. A
6. A
7. A
8. A
9. A
10. A

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Explanations

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1. In the Ethics mini-case template, which step follows 'Identify harm'?

- A. Analyze the mechanism**
- B. Propose mitigation strategies**
- C. Evaluate trade-offs**
- D. Identify stakeholders**

Understanding how harm arises by analyzing the mechanism is the next step after identifying harm. After you confirm harm exists, tracing the causal process that leads to it—how actions, data, system components, and contextual factors interact to produce the bad outcome—lets you see the root causes and where interventions can actually work. This grounding prevents rushing to fixes that only mask symptoms and helps you target changes at the precise point in the process where harm originates. Once the mechanism is understood, you can craft mitigation strategies that address the real underlying causes and then evaluate the trade-offs of those options. Identifying stakeholders matters, but it's best done after you've mapped the mechanism and potential remedies so you know who's affected and who should be involved.

2. What is noise in human judgment?

- A. Noise is random variability in judgment**
- B. Noise is systematic directional error**
- C. Noise is caused by data collection errors**
- D. Noise is the same across judgments**

Noise in human judgment is random variability in judgments across similar cases. It means that even when the input is essentially the same, different judgments can vary in unpredictable ways due to moment-to-moment factors like attention, interpretation, or how evidence is weighed at that moment. This randomness reduces reliability and explains why two experts might rate the same situation differently. This is different from bias, which would push judgments in a systematic direction for many cases. Data collection errors can introduce problems in measurement, but the defining idea of noise is the inherent, unpredictable variation in the judgments themselves. If judgments were the same every time, there would be no noise. That's why this description—random variability in judgment—best captures the concept.

3. What happens when a regulation makes it cheaper for startups to enter an industry?

- A. The threat of new entrants increases, pushing prices down and reducing average industry profitability.**
- B. Rivalry among incumbents decreases.**
- C. Average industry profitability increases.**
- D. Customers become less price sensitive.**

Lowering entry costs through regulation raises the threat of new entrants. When it becomes cheaper to start a firm, more competitors can enter the market, increasing rivalry. That extra competition tends to push prices down and squeeze profit margins, reducing average industry profitability. So, the correct idea is that easier entry heightens competition and lowers profits. The notion that rivalry would decrease, profits would rise, or customers would be less price sensitive doesn't fit this dynamic, because more entrants typically intensify competition, compress margins, and make buyers more, not less, price sensitive.

4. What is the relationship between business strategy and AI strategy?

- A. Business strategy is the competitive game plan for superior performance; AI strategy supports that game plan with AI choices.**
- B. AI strategy should replace business strategy.**
- C. They are completely independent and should not align.**
- D. AI strategy is only about collecting data regardless of business outcomes.**

The main idea here is that AI should be used to execute and amplify what the business is trying to achieve. A business strategy lays out how the company competes, what value it aims to deliver, and where it will allocate its resources to win. An AI strategy then translates that into concrete choices about where AI adds the most value, what data and capabilities are needed, how governance and ethics are handled, and how impact will be measured. The best answer recognizes that AI is a tool to support and strengthen the strategic plan, not a separate driver or an afterthought. It emphasizes applying AI in ways that directly advance strategic goals—improving efficiency, enhancing customer experience, or sharpening competitive differentiation. The other options miss this alignment. Replacing business strategy with AI treats AI as the destination rather than a means to achieve stated objectives. Seeing them as completely independent ignores the way AI capabilities should be guided by value creation and strategic priorities. Focusing only on data collection without tying it to business outcomes overlooks the purpose of investing in AI in the first place.

5. What is the purpose of a confusion matrix in business decision-making?

A. It links prediction outcomes to business payoffs to choose actions/thresholds that maximize expected value.

B. It forecasts future sales.

C. It measures customer satisfaction.

D. It computes the statistical variance of outputs.

A confusion matrix helps translate model predictions into business value by attaching financial consequences to each type of prediction outcome. It shows how many correct and incorrect decisions the model would make at a given threshold, categorized as true positives, false positives, true negatives, and false negatives. By assigning business payoffs (profits, costs, penalties) to each of these outcomes, you can calculate the expected value for different actions or thresholds and choose the option that maximizes that value. This is what makes it directly useful for decision-making: you're not just measuring accuracy, you're optimizing how predictions drive money in the real world. Other tasks like forecasting future sales, measuring customer satisfaction, or computing variance address different questions and don't tie prediction outcomes to financial consequences in the same structured way.

6. Which of the following is a step in the 5 Forces template?

A. Define the industry

B. Benchmark budgets

C. Create a mission statement

D. Develop marketing slogan

Defining the industry boundaries is essential because Porter's Five Forces analysis rests on a clear scope. The five forces—threat of new entrants, bargaining power of suppliers, bargaining power of buyers, threat of substitutes, and rivalry among existing competitors—only make sense when you know what constitutes the industry being analyzed. If you don't specify the industry (the products or services, geography, and time horizon included), you can misidentify who the competitors and substitutes are, leading to flawed insights about competitive pressure and profitability. Once the industry is defined, you can accurately assess each force within that context. The other options don't fit this framework: benchmarking budgets is a financial management activity, a mission statement expresses purpose, and a marketing slogan is a branding element. None are steps in analyzing competitive structure using the Five Forces.

7. Indirectly using a protected attribute due to correlation with other features is an example of which bias?

- A. Redundant encoding**
- B. Proxy label bias**
- C. Sampling bias**
- D. Automation bias**

This question tests how a model can leak protected information through features that are correlated with that attribute. When a protected trait isn't used directly, the model may still infer it from other inputs that carry the same signal. That's why this is described as redundant encoding: the protected information is encoded in multiple features, so even without the direct attribute, the model ends up using it indirectly and exhibits biased behavior. Other biases don't capture this mechanism. Sampling bias comes from how data is collected, automation bias from over-relying on automated systems, and proxy label bias relates to biases in the labels themselves rather than the input features conveying the protected information.

8. What is bargaining power of suppliers?

- A. Suppliers can capture more value by charging higher prices or tightening terms.**
- B. Buyers can demand lower prices.**
- C. Regulators set contract terms.**
- D. Firms dictate supplier behavior.**

Bargaining power of suppliers measures how much suppliers can influence the price and terms of the inputs they sell to firms. When suppliers have strong power, they can capture more value for themselves by charging higher prices or tightening the terms of supply, such as longer payment times, stricter quality requirements, or fewer delivery options. This happens when inputs are essential or highly differentiated, there are few substitute inputs, suppliers are concentrated, switching costs for buyers are high, or the supplier could threaten forward integration. The correct statement captures this dynamic by stating that suppliers can capture more value through higher prices or tighter terms. The other ideas describe different forces: buyers' ability to push prices down, regulators setting contract terms, or a firm dictating supplier behavior, none of which describe the supplier's leverage in setting terms and prices.

9. What does Value Capture consist of in the Business Model Canvas?

- A. Revenues and costs.**
- B. Customer relationships and channels.**
- C. Key activities and resources.**
- D. Value proposition and customer segments.**

Value Capture is about how a business monetizes and sustains itself—the money it takes in and the costs it incurs. In the Business Model Canvas, this is represented by revenues and costs, i.e., the Revenue Streams and Cost Structure. These elements show how value delivered to customers translates into financial value for the company, shaping profitability and long-term viability. The other blocks focus on different aspects: how you interact with customers and deliver the offering (customer relationships and channels), what you need to create and deliver it (key activities and resources), and what value you offer and to whom (value proposition and customer segments).

10. Which description matches branding as a concept?

- A. Branding is the durable attribution of higher value to an objectively similar offering due to historical information about the seller, built slowly over time.**
- B. Branding is the quickest way to lower costs in production.**
- C. Branding is a process of patenting products.**
- D. Branding is unrelated to customer perception.**

Branding describes how customers perceive and value a product mainly through signals tied to the seller's history and reputation, and this value builds over time. The best description captures that branding creates a durable premium for an offering that is objectively similar to others, because people trust and recognize the seller's name, quality, and story. It's not about cutting production costs, nor about patenting a product, and branding is by definition tied to customer perception, not unrelated to it. For example, a well-known brand can command higher willingness to pay even when the actual product difference is small, thanks to the trust and associations built up over time.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://aibusinessstratethics.examzify.com>

We wish you the very best on your exam journey. You've got this!

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