

AI, BUSINESS STRATEGY, AND ETHICS PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR
THE FULL VERSION STUDY GUIDE

<https://aibusinessstratethics.examzify.com>



Copyright © 2026 by Examzify - A Kaluba Technologies Inc. product.

ALL RIGHTS RESERVED.

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

Notice: Examzify makes every reasonable effort to obtain accurate, complete, and timely information about this product from reliable sources.

SAMPLE

Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	5
Answers	9
Explanations	11
Next Steps	17

SAMPLE

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

SAMPLE

- 1. In machine learning, what is the difference between regression and classification?**
- A. Regression predicts continuous outcomes, while classification predicts categorical outcomes.
 - B. Regression predicts categorical outcomes, while classification predicts continuous values.
 - C. Regression and classification both predict continuous values.
 - D. Regression and classification are unrelated to predicting outcomes.
- 2. Which scenario illustrates asymmetric cross-side network effects?**
- A. A marketplace where sellers value many buyers, but buyers care less about the number of sellers
 - B. A marketplace where buyers value many sellers, but sellers care less about buyers
 - C. A marketplace where both sides value the number of participants equally
 - D. A platform where there are no network effects
- 3. Which description best defines a long-tail business model pattern?**
- A. A model that profits from a single mass market.
 - B. A model that profitably serves many niche segments in aggregate, often enabled by lower distribution/serving costs.
 - C. A model that relies on high upfront capital to dominate a small segment.
 - D. A model that ignores niche segments and targets only broad demand.
- 4. What is analytical AI?**
- A. Analytical AI learns from data to make predictions, outputting a prediction rather than generating new content.
 - B. Analytical AI generates new content based on learned patterns.
 - C. Analytical AI uses random exploration to define strategies.
 - D. Analytical AI is identical to rule-based expert systems.

5. What are the five forces in Porter's Five Forces framework?

- A. The threat of new entrants, bargaining power of suppliers, bargaining power of buyers, threat of substitute products, and intensity of competitive rivalry.
- B. The threat of government regulation, tax policy, currency exchange rates, labor costs, and interest rates.
- C. The five performance metrics: revenue, profit, growth, market share, and brand power.
- D. The five stages of product life cycle: introduction, growth, maturity, decline, and renewal.

6. Which is an example of a binary classification task?

- A. Email spam detection (spam or not spam)
- B. Forecasting quarterly revenue
- C. Recommending products
- D. Clustering customers into segments

7. Which model typically involves owning fabrication facilities?

- A. IDM
- B. Fabless
- C. Foundry
- D. ODM

8. In Porter's framework, which force concerns the bargaining power of buyers?

- A. The bargaining power of buyers refers to customers' ability to influence price and terms.
- B. The threat of new entrants.
- C. The threat of substitutes.
- D. The intensity of rivalry among existing firms.

9. Which powers are typically exclusive or winner-ish?

- A. Brand reputation and customer loyalty.
- B. Scale economies and network economies.
- C. Regulatory compliance and patent ownership.
- D. Distribution access and supplier power.

10. What is a new entrant's advantage?

- A. A superior business model that incumbents don't copy due to potential collateral damage to their existing business or underestimation.
- B. Early access to capital markets.
- C. An entrenched customer base.
- D. Superior marketing spend.

SAMPLE

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. In machine learning, what is the difference between regression and classification?

- A. Regression predicts continuous outcomes, while classification predicts categorical outcomes.**
- B. Regression predicts categorical outcomes, while classification predicts continuous values.
- C. Regression and classification both predict continuous values.
- D. Regression and classification are unrelated to predicting outcomes.

The key idea is distinguishing the type of target you're predicting. Regression is used when the goal is to predict a continuous numeric value, such as a house price or a temperature. Classification, on the other hand, is about assigning inputs to discrete categories, like labeling an email as spam or not spam, or identifying an image as a dog, cat, or bird. This difference shapes the whole approach: the loss functions and evaluation metrics differ – regression uses errors like mean squared error, while classification uses accuracy or metrics that account for class balance, often with probabilistic outputs and cross-entropy loss. Therefore, predicting continuous outcomes for regression and predicting categorical outcomes for classification is the correct distinction. The other statements misstate the idea by claiming either that both predict continuous values, or that regression handles categories, or that these tasks aren't about predicting outcomes.

2. Which scenario illustrates asymmetric cross-side network effects?

- A. A marketplace where sellers value many buyers, but buyers care less about the number of sellers**
- B. A marketplace where buyers value many sellers, but sellers care less about buyers
- C. A marketplace where both sides value the number of participants equally
- D. A platform where there are no network effects

Cross-side network effects occur when the value a user derives from a platform depends on how many users are on the other side. When this effect is asymmetric, one side gains much more from increases on the opposite side than the other side does. In this marketplace, sellers benefit a lot from more buyers: a larger buyer pool means more demand, better liquidity, and the potential for higher sales and faster turnover. Buyers, however, don't rely as heavily on the sheer number of sellers; their value comes from access, price competition, and convenience rather than simply how many sellers are present. So the size of the buyer side has a strong positive impact on sellers, while the size of the seller side has a weaker impact on buyers—this is precisely an asymmetric cross-side network effect.

3. Which description best defines a long-tail business model pattern?

- A. A model that profits from a single mass market.
- B. A model that profitably serves many niche segments in aggregate, often enabled by lower distribution/serving costs.**
- C. A model that relies on high upfront capital to dominate a small segment.
- D. A model that ignores niche segments and targets only broad demand.

The long-tail pattern centers on turning many small, specialized markets into a big, profitable whole. It relies on offering a wide range of niche products or services and keeping costs low enough to serve them at scale, often through digital platforms, broad catalogs, and efficient fulfillment. That combination—profitable aggregation of many niche segments thanks to lower distribution and serving costs—best fits the description. In contrast, focusing on a single mass market, needing high upfront capital to dominate a small segment, or ignoring niches in favor of broad demand, doesn't capture how the long-tail creates value across diverse niches.

4. What is analytical AI?

- A. Analytical AI learns from data to make predictions, outputting a prediction rather than generating new content.**
- B. Analytical AI generates new content based on learned patterns.
- C. Analytical AI uses random exploration to define strategies.
- D. Analytical AI is identical to rule-based expert systems.

Analytical AI is about learning from data to forecast outcomes and support decisions. It trains on historical information, finds patterns, and then outputs a prediction—such as a probability, classification, or numerical estimate—rather than creating new content. This emphasis on analyzing data to anticipate what will happen distinguishes it from generative AI, which produces new text, images, or other artifacts. It also contrasts with reinforcement learning approaches that rely on exploring actions, and with rule-based expert systems that depend on hand-coded rules rather than learned patterns. So, analytical AI best fits the idea of deriving predictions from data rather than generating content.

5. What are the five forces in Porter's Five Forces framework?

- A. The threat of new entrants, bargaining power of suppliers, bargaining power of buyers, threat of substitute products, and intensity of competitive rivalry.**
- B. The threat of government regulation, tax policy, currency exchange rates, labor costs, and interest rates.
- C. The five performance metrics: revenue, profit, growth, market share, and brand power.
- D. The five stages of product life cycle: introduction, growth, maturity, decline, and renewal.

Porter's Five Forces is a way to gauge how attractive an industry is by looking at external pressures that shape profitability. The five forces are: how easy it is for new competitors to enter the market (threat of new entrants), how much power suppliers have over prices and terms (bargaining power of suppliers), how much power buyers have to push down prices or demand better terms (bargaining power of buyers), how easily customers can switch to alternative products or services (threat of substitute products or services), and how intensely existing firms compete with one another (rivalry among existing competitors). Each force influences margins and long-run profitability, so a market with high entry barriers, weak supplier power, modest buyer power, few substitutes, and mild rivalry tends to be more attractive. The other options describe factors that aren't part of this framework. Regulatory or macroeconomic factors like government rules, taxes, currency, or interest rates influence the environment but aren't the five forces themselves. Performance metrics such as revenue or market share, or stages of the product life cycle, are different concepts and not the competitive pressures Porter identifies.

6. Which is an example of a binary classification task?

- A. Email spam detection (spam or not spam)**
- B. Forecasting quarterly revenue
- C. Recommending products
- D. Clustering customers into segments

Binary classification involves predicting one of two possible labels for each input. In email spam detection, every email is labeled as either spam or not spam, so there are exactly two classes and the task is to assign one of them to each message. This contrasts with forecasting quarterly revenue, which predicts a numeric value (a regression task). Recommending products is about selecting items to suggest and often involves ranking or multi-label decisions rather than a single binary label. Clustering customers into segments is an unsupervised approach that groups data without predefined labels.

7. Which model typically involves owning fabrication facilities?

- A. IDM**
- B. Fabless
- C. Foundry
- D. ODM

Owning fabrication facilities is what defines an IDM: an integrated device manufacturer designs and builds its own semiconductor chips in its own fabrication plants. This vertical integration gives the company full control over process technology, yields, supply timing, and product roadmap, since the production side is owned and operated by the same company that designs the chips. Fabless firms focus on design and IP but contract out manufacturing to external fabs, so they don't own the production facilities. Foundries specialize in manufacturing for other companies and typically don't own the chip designs themselves. ODMs design and manufacture products for other brands, but the distinguishing feature in this context is the direct ownership and operation of fabrication plants, which is characteristic of the IDM model.

8. In Porter's framework, which force concerns the bargaining power of buyers?

- A. The bargaining power of buyers refers to customers' ability to influence price and terms.**
- B. The threat of new entrants.
- C. The threat of substitutes.
- D. The intensity of rivalry among existing firms.

Porter's framework examines how different forces shape profitability, including how buyers can influence price and terms. The force that concerns the bargaining power of buyers is precisely this: how much customers can pressure sellers on price, quality, and contract terms. This power grows when buyers are concentrated, switch costs are low, products are standardized, or good substitutes exist, which can squeeze margins for the seller. The option that states customers' ability to influence price and terms captures this dynamic directly. Other forces describe different aspects: the threat of new entrants relates to barriers to entering the market, the threat of substitutes concerns alternative products that could replace your offering, and the intensity of rivalry among existing firms measures competition among current players. So the description of buyers' ability to influence price and terms is the best fit.

9. Which powers are typically exclusive or winner-ish?

- A. Brand reputation and customer loyalty.
- B. Scale economies and network economies.**
- C. Regulatory compliance and patent ownership.
- D. Distribution access and supplier power.

The idea tested here is how some competitive advantages become self-reinforcing and can lead to winner-takes-most dynamics: economies of scale and network effects. Economies of scale happen when increasing production lowers average costs, letting larger players offer lower prices or reinvest more aggressively, which pushes competitors with smaller scale out of the market. Network effects occur when the value of a product or platform grows as more people use it—think social networks, payment networks, or operating systems—so each additional user makes the offering more attractive to everyone else. These two forces together create a powerful barrier to entry and a path for dominance: the big can get bigger, the value proposition strengthens with scale and adoption, and newcomers find it hard to overcome the entrenched position. Other factors can influence competition, but they don't inherently generate the same self-reinforcing dominance. Brand reputation and customer loyalty matter, yet they can be built over time by competitors and can be eroded. Regulatory protections and patent ownership can create barriers, but they are often finite or subject to legal change. Distribution access and supplier power influence market dynamics, but they don't automatically produce the kind of escalating value that scales and networks do.

10. What is a new entrant's advantage?

- A. A superior business model that incumbents don't copy due to potential collateral damage to their existing business or underestimation.**
- B. Early access to capital markets.
- C. An entrenched customer base.
- D. Superior marketing spend.

A new entrant gains an edge when it brings a business model that incumbents can't safely copy because it would undercut their existing profitable activities or because they underestimate its potential. This kind of model creates new value in a way that doesn't align with the incumbents' current structure, making imitation costly or risky. It's not just about having more capital, a bigger customer base, or heavier marketing spend; those are advantages that incumbents can also leverage, and they don't inherently explain why a newcomer would win. The unique, sustainable edge comes from the novel way value is created and captured—the model itself—rather than from chasing resources or superficial spending.

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!

SAMPLE