



# California Subject Examinations for Teachers®

## TEST GUIDE

### BUSINESS SUBTEST II

### Subtest Description

This document contains the Business subject matter requirements arranged according to the domains covered by Subtest II of CSET: Business. In parentheses after each named domain is the domain code from the Business subject matter requirements.

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CS-TG-SD176X-01

**California Subject Examinations for Teachers (CSET®)**

**Business**  
**Subtest II: Accounting and Finance; Economics**

**Part I: Content Domains for Subject Matter Understanding and Skill in Business**

**ACCOUNTING AND FINANCE (SMR Domain 2)**

Candidates demonstrate an understanding of financial analysis and accounting concepts, principles, and procedures. Candidates analyze, apply, interpret, and communicate financial data. They understand how to make decisions using accounting data. Candidates use principles of finance to analyze business situations and apply basic principles of personal financial management.

**0001 Accounting Principles (SMR 2.1)**

- a. Understand the basic theory of accounting (e.g., accounting equation, classification and matching, historical cost) as it relates to the accounting cycle for a sole proprietorship, partnership, and corporation.
- b. Identify components of the accounting cycle (e.g., analysis of source documents, procedures for journalizing and posting transactions to ledgers, creating financial statements, performing adjusting and closing entries).
- c. Understand and apply specific accounting principles related to recognition and measurement for reporting financial performance, financial position, and cash flows (e.g., cash management, receivables and payables, inventory, investments, non-concurrent assets and liabilities, owner's equity, foreign currency).
- d. Recognize the uses of computerized accounting packages and other financial software applications.
- e. Interpret, prepare, and use financial accounting data to make ethical business decisions.

**0002 Principles of Finance (SMR 2.2)**

- a. Understand basic financial analysis terminology (e.g., time value of money, interest rates, risk).
- b. Apply financial analysis principles to common business situations and problems.
- c. Interpret and communicate financial data in a business.

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**0003 Personal Finance (SMR 2.3)**

- a. Understand principles and procedures for personal financial management (e.g., budgeting, saving, personal income tax, investing, retirement planning, personal banking).
- b. Apply consumer skills in evaluating the purchase of various consumer products (e.g., house, automobile).
- c. Understand financial and investment options offered by banks, credit unions, and other financial institutions.
- d. Describe how income from employment is affected by various factors (e.g., supply and demand, geographical location, level of education, type of industry, union membership, productivity, skill level, work ethic).
- e. Understand principles and factors that affect credit and personal debt management (e.g., choice of credit, cost of credit, legal aspects of using credit).

(Challenge Standards for Student Success: Career Preparation—Business Education [2000]: Standards 2.1–2.3, 3.1.2. Business Teacher Preparation in California: Standards of Quality and Effectiveness for Subject Matter Programs [1999]: Standard 5.)

**ECONOMICS (SMR Domain 5)**

Candidates demonstrate an understanding of basic economic principles. Candidates understand the basic principles and applications of microeconomics and macroeconomics and recognize how economic concepts affect business in domestic and international economies.

**0004 Economic Concepts (SMR 5.1)**

- a. Understand basic terminology, concepts, and theories related to domestic and international economics (e.g., opportunity costs, allocation of resources, scarcity, choice, circular flow, production possibilities curve).
- b. Interpret economic charts and graphs.

**0005 Microeconomics (SMR 5.2)**

- a. Apply principles of supply and demand, price, profits, and incentives in product markets.
- b. Identify and understand characteristics of different economic structures (e.g., perfect competition, monopolistic competition, oligopoly, monopoly).
- c. Understand and apply economic factors and concepts (e.g., law of diminishing returns, costs, competition, efficiency, profit maximization, productivity) as they relate to a business organization.
- d. Understand the four input factors of production (i.e., land, labor, capital, and entrepreneurial ability) and their costs.

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**0006 Macroeconomics (SMR 5.3)**

- a. Compare and contrast different economic systems and philosophies (e.g., capitalism, socialism, communism).
- b. Understand the significance of a variety of economic indicators (e.g., domestic output, unemployment, inflation, deflation).
- c. Understand principles associated with money and banking (e.g., concepts of money, money supply, financial institutions, the role of the Federal Reserve).
- d. Understand and evaluate the effects of fiscal and monetary policy on the U.S. economy and international trade.
- e. Understand aggregate supply and demand.
- f. Understand the influence of government (e.g., taxation, regulation, public vs. private goods, externalities) on business decisions.

**0007 International Economics (SMR 5.4)**

- a. Understand factors affecting international trade (e.g., trade agreements, trade barriers—quotas and tariffs) and the relationship of international trade to domestic and international economics.
- b. Recognize the role of international currency markets, including foreign exchange and monetary exchange rates.
- c. Recognize how differences in culture, language, values, and social behavior affect the ethical conduct of business across national borders.

(Challenge Standards for Student Success: Career Preparation—Business Education [2000]: Standards 1.4, 3.1. Business Teacher Preparation in California: Standards of Quality and Effectiveness for Subject Matter Programs [1999]: Standards 6, 7.)

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**SUBTEST II: ACCOUNTING AND FINANCE; ECONOMICS**

**Part II: Subject Matter Skills and Abilities**  
**Applicable to the Content Domains in Business**

Candidates understand and are able to effectively communicate the central role that business plays in the lives of all individuals. They understand the skills, attitudes, and knowledge that students need to compete and succeed in a rapidly changing global marketplace. Candidates apply critical thinking and creativity to investigate and solve business-related problems. They understand how to collect and analyze business information, make business decisions, and implement those decisions by communicating and interacting effectively in a diverse workplace.

Candidates understand the organizational, team, leadership, and communication skills needed to work effectively with business and community leaders. They understand the fundamentals of supervising, advising, and supporting people. Candidates understand the characteristics, functions, and organizational structures of leadership organizations. They are able to effectively network in individual and group settings in educational institutions, the community, and industry. Candidates understand the need to include all stakeholders and are able to respond to issues related to diversity and equity in business.

Candidates understand historical events, current research, and recent developments in business. They are familiar with social, economic, legal, and ethical issues in the field. They apply strategies (e.g., accessing resources, joining professional organizations) for staying abreast of current issues and developments in business. They are able to identify industry trends and job opportunities, employers' expectations, and the personal characteristics (e.g., appropriate work habits, social and communication skills) necessary for a successful career in business. They apply their knowledge to assist in career planning and development and in applying for, obtaining, maintaining, and exiting employment in business and related fields.

Candidates understand the interrelationships and connections among the various subdisciplines of business and the integration of business and other disciplines commonly taught in public schools. They understand the importance of technology, reading, writing, mathematics, speaking, and active listening skills and how to apply this knowledge in a variety of business situations.