

Multiple Choice Questions (Enter your answers on the enclosed answer sheet)

1. Small businesses thrive in every industry, but the majority of them are in:
 - a. mining and manufacturing
 - b. service industries
 - c. the general construction industry
 - d. retail businesses

2. Forces driving the entrepreneurial trend in our economy include which of the following?
 - a. shift to a service economy
 - b. e-commerce
 - c. technological advancement
 - d. all of the above

3. Money driven and wild risk takers are both:
 - a. common characteristics of entrepreneurs
 - b. common misconceptions of entrepreneurs
 - c. entrepreneur's techniques to success
 - d. none of the above

4. Small businesses suffer high mortality due to which of the following?
 - a. limited resources
 - b. inexperienced management
 - c. lack of financial stability
 - d. all of the above

5. The following is true regarding entrepreneurial education:
 - a. entrepreneurship has become an extremely popular course
 - b. more courses are being offered in entrepreneurship
 - c. universities are not able to meet the demand for courses in entrepreneurship
 - d. all of the above

6. "Copreneurs" are:
 - a. business magazines targeted towards entrepreneurs
 - b. entrepreneurial couples who work together as co-owners of their business
 - c. personality traits of entrepreneurs
 - d. none of the above

7. Sexual harassment is a serious problem in the workplace and:
 - a. employers are only liable if the sexual harassment is “quid pro quo”
 - b. more than 80% of the charges are brought by women
 - c. about 40% of all sexual harassment in the workplace is done by females to males
 - d. is especially bad in small businesses

8. The ethical standards test of ethical behavior in businesses that prioritizes acting in such a way that the action taken under the circumstances could be a universal law or rule of behavior is called:
 - a. the golden rule
 - b. the professional ethic
 - c. Kant’s categorical imperative
 - d. the family test

9. Perhaps the best way to deal with the environmental challenges we face would be to:
 - a. conduct corporate education programs on the issues for employees
 - b. revert society to a simpler, more environmentally friendly economy
 - c. create redesigned, “clean” manufacturing systems
 - d. enhance efforts at recycling existing waste

10. Businesses have which of the following responsibilities to their customers?
 - a. earning a profit while being socially responsible
 - b. the right of choosing the products they buy and use
 - c. reducing packaging, reusing material, and recycling when possible
 - d. properly managing a diverse workforce

11. Creative thinking is no place for _____.
 - a. conformity
 - b. flexibility
 - c. ambiguity
 - d. all of the above

12. The goal of the _____ stage in the creative process is to subject the innovative idea to the test of cold, hard reality.
- a. investigation
 - b. transformation
 - c. verification
 - d. gestation
13. While working for iRobot, Jim Lynch came up with a new product while cleaning the gutters on his house. Lynch is an example of a(n) _____.
- a. manager
 - b. intrapreneur
 - c. entrepreneur
 - d. disruptor
14. _____ are negative internal factors that inhibit the accomplishment of a firm's objectives.
- a. Strengths
 - b. Opportunities
 - c. Threats
 - d. Weaknesses
15. The final step in creating a knowledge management program is:
- a. to continue to add to the knowledge base the company has assembled
 - b. to create company goals and objectives
 - c. to organize the essential knowledge and disseminate it throughout the company to those who need it
 - d. to take an inventory of the special knowledge a company possesses that gives it a competitive advantage
16. How is the strategic planning process for small companies different from that for large companies?
- a. It should be conducted by top management and provided to lower management.
 - b. The process should begin with setting objectives and conclude with competitive analysis.
 - c. The planning horizon should cover at least five years into the future.
 - d. The process should be informal and not overly structured—"a shirtsleeve approach."

17. Entrepreneurial success requires both persistence and _____.
a. reluctance
b. resilience
c. connections
d. education
18. Companies started by women differ from companies started by men in that:
a. women's companies start smaller
b. women's companies tend to be labor-intense businesses and therefore employ more people, even though they have smaller revenues
c. men tend to start their businesses with their own capital, women with others' capital
d. men's start-ups tend to be smaller and less well-financed than women's
19. "Everybody does it." is an example of:
a. consequences and outcomes
b. moral blindness
c. justice
d. public justification
20. _____ is the ability to apply creative solutions to problems and opportunities to enhance or to enrich people's lives.
a. Creativity
b. Showboating
c. Commoditizing
d. Innovation
21. Which of the following is true about successful entrepreneurs and their vision?
a. It is created independently of their market or their customers.
b. It includes their understanding of the competition and their key market segments.
c. They create it in cooperation with their employees.
d. They are able to communicate it and their enthusiasm for it to all those around them.

22. Entrepreneurs start businesses for a number of reasons including:
- a. having to deal with less government regulation than as an executive of a large company
 - b. an opportunity to make a difference
 - c. a much lower risk of career failure due to layoff or acquisition than working for a large company
 - d. the opportunity to get rich much quicker than if they work for a large company
23. An entrepreneur's _____ and _____ influence the way she leads her firm through every decision that is made; every policy written; and every action taken.
- a. management; family
 - b. personal values; beliefs
 - c. management; finances
 - d. none of the above
24. _____ is the ability to develop new ideas and to discover new ways of looking at problems and opportunities.
- a. Creativity
 - b. Showboating
 - c. Innovation
 - d. Commoditizing
25. A strategic plan should not:
- a. encourage participation by employees
 - b. begin with extensive objective setting
 - c. be informal and not structured
 - d. be relatively small

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1. The executive summary should contain which of the following information?
 - a. a short description of potential buyers
 - b. a complete description of your business
 - c. a brief statement of the financial needs of the business and what the money would be used for
 - d. a brief history of the business
2. An explanation of how the product will be distributed is contained within the:
 - a. competitive analysis
 - b. description of the product line
 - c. marketing strategy portion of the business plan
 - d. business strategy section of the business plan
3. A business plan performs a number of functions including:
 - a. identifying how many employees will be needed in the business start-up phase
 - b. attracting capital for the start-up
 - c. providing the basis for purchasing property and casualty insurance for the new company
 - d. providing the entrepreneur with a plan for managing inventory
4. The C of the five Cs that is a synonym for “cash flow” is:
 - a. character
 - b. capacity
 - c. collateral
 - d. capital
5. Competitor's analysis should identify:
 - a. What are their strategies?
 - b. Who are the company's key competitors?
 - c. What images do they have in the marketplace?
 - d. all of the above
6. The phrase, “avoid the off-the-shelf, ‘cookie-cutter’ approach that produces look-alike plans” means:
 - a. that every business plan is unique
 - b. avoiding a business plan that looks ordinary
 - c. the business plan should reflect the excitement of the entrepreneur
 - d. all of the above

7. The product life cycle concept means that small businesses must:
- a. constantly be involved in product innovation
 - b. use a market penetration strategy if they are to be successful
 - c. create both place and time utility if they are to survive
 - d. track demographic and psychographic trends carefully
8. Numerous surveys have concluded that the most important element of service is:
- a. the personal touch
 - b. speedy transactions
 - c. innovative product design
 - d. convenient business hours
9. Small companies with limited financial resources can often use _____ as a way to differentiate themselves from larger competitors.
- a. high price and high quality
 - b. innovation
 - c. customer service
 - d. lower prices with higher quality
10. Shifting patterns in the age, income, education, race, and other characteristics of the population are the subject of _____ and exert a potent force on a company's marketing plan.
- a. psychographics
 - b. geo-demographics
 - c. geographics
 - d. demographics
11. If a small business owner wants to use television advertising, he/she should:
- a. remember that television is one of the least flexible media
 - b. consider radio instead because they have identical advantages
 - c. try to use cable which costs \$200 or less for a 30 second spot
 - d. go for national advertising to get the maximum absolute cost advantage

12. A tip for effective advertising is:
- a. set long-run advertising objectives.
 - b. advertise in all media.
 - c. include many texts in your ads.
 - d. All of the above.
13. The typical household receives an average _____ pieces of direct mail annually.
- a. 52
 - b. 236
 - c. 624
 - d. 354
14. A type of non-tariff barrier to trade that consists of selling large quantities of products in foreign countries below cost is referred to as:
- a. clearance selling
 - b. exporting
 - c. dumping
 - d. bartering
15. Which of the following is true about global competition?
- a. It is largely the domain of small businesses due to their flexibility.
 - b. It tends to shorten the life cycle of a product or service.
 - c. It makes companies more customer-focused.
 - d. There is less of a focus on quality and more of a focus on price internationally.
16. Domino's Pizza, McDonald's, etc., in Japan and Europe are examples of:
- a. foreign management companies
 - b. foreign licensing
 - c. international franchising
 - d. joint venturing
17. An executive summary should:
- a. briefly describe the owners and key employees, target market(s), and financial highlights
 - b. briefly describe the company's competitive advantage
 - c. explain the basic business model and the problem the business will solve for customers
 - d. all of the above

18. The loan proposal portion of the business plan should include:

- a. three sets of forecasts: optimistic, realistic, and pessimistic
- b. a listing of anyone who owns more than 20% of the business
- c. pro forma for two to three years
- d. a realistic timetable for repayment or for investors to exit

19. Market research for a small business can be:

- a. haphazard
- b. informal
- c. random
- d. arbitrary

20. The choice of advertising medium is primarily determined by:

- a. the unique selling proposition and budget
- b. what media the competition uses
- c. the target audience and the message
- d. what media the industry focuses on

21. Countertrades have significant drawbacks, including:

- a. being limited in size to \$100,000 per deal
- b. needing a trading intermediary to arrange the countertrade, thereby raising costs
- c. receiving currency that cannot be exchanged outside the foreign nation
- d. getting goods that are of no direct use to the seller

22. A business plan:

- a. should be done by professional writers in consultation with the owner
- b. should be kept in outline form to avoid over structuring the company
- c. reduces the risk and uncertainty involved in starting a new company
- d. is a guarantee of success for the small company

23. Free trial offers, free delivery, lengthy warranties, and money back guarantees are examples of:

- a. non-price competition
- b. product differentiation
- c. customer discounts
- d. promotion

24. Transit advertising's advantages include:

- a. the high quality color reproduction
- b. its wide coverage
- c. its generality
- d. the prominence of display

25. If you can't afford to invest in foreign facilities, don't have time to even learn the foreign market, but you are willing to give someone else the right to make and market your product for a fee and royalties, your best bet for entering the foreign market is:

- a. international franchising
- b. a foreign management company
- c. foreign licensing
- d. joint venturing

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1. Which of the following is part of the guidelines for building a successful Web strategy for a small e-company?
 - a. have advanced technology
 - b. bring advertising revenue by selling banners
 - c. have a lot of products on sale
 - d. fill a niche

2. The _____ is the cost a company incurs to generate each purchase.
 - a. CSA
 - b. CPA
 - c. CMA
 - d. CTA

3. The key to promoting a Web site is networking, building relationships with other companies, customers, trade associations, _____, and other Web sites your company's customers visit.
 - a. e-mail access
 - b. on-line directories
 - c. shopping carts
 - d. all of the above

4. Reasons for leaving a Web site without purchasing are:
 - a. for security purposes, multiple steps are necessary to get to the check out page
 - b. insufficient product information
 - c. having to check back to view items in the shopping cart
 - d. having a phone number when encountering problems

5. Which technology encrypts the customer's data as the information travels across the Internet?
 - a. Secure Socket Layer
 - b. virus protection
 - c. firewall
 - d. none of the above

6. One of the Internet's greatest strengths is its _____ nature.
 - a. efficiency
 - b. interactive
 - c. collectivistic
 - d. atavistic

7. Investors mainly want to see that entrepreneurs:
 - a. have inflated the projections
 - b. will make profit immediately
 - c. have realistic expectations about income and expenses
 - d. all of the above

8. _____ measure the financing supplied by the company's owners against that supplied by its creditors and serve as a gauge of the depth of a company's debt.
 - a. Leverage ratios
 - b. Operating ratios
 - c. Liquidity ratios
 - d. Profitability ratios

9. Projecting financial statements helps the small business owner to:
 - a. transform business goals into reality
 - b. measure liquidity of the firm
 - c. calculate his/her return on the amount invested in the company
 - d. track and monitor current expenses

10. Evaluates the firm's overall performance and show how effectively it is putting its resources to work. This is called:
 - a. accounts receivable turnover ratio
 - b. operating ratios
 - c. debt to equity ratio
 - d. all of the above

11. One important characteristic of bartering is that:
 - a. no cash is being exchanged when bartering
 - b. the value of exchange of products or services could vary
 - c. the exchange is in cash only
 - d. the value of the products must be identical and the difference can be paid in cash

12. The American Collector's Association has found that only about _____ of accounts over 90 days delinquent will be paid voluntarily.
- a. 5%
 - b. 2%
 - c. 10%
 - d. 13%
13. When it comes to trade credit, the small business owner:
- a. should know that its use makes little difference in the company cash flow and therefore should be avoided
 - b. should only consider it if they have a strong accounts receivables situation
 - c. should avoid it as it generally leads to overextension of his/her credit line
 - d. should almost always take advantage of it
14. Foreign trade zones were created in:
- a. 1902
 - b. 2001
 - c. 1992
 - d. 1934
15. Entrances should invite entry. The way to accomplish this is to:
- a. offer discounts
 - b. have large doors and attractive displays set back from the doorway that can lure customers into the store
 - c. have displays as close to the entry of the store as possible
 - d. have a big sign to attract customers
16. The manufacturing layout that groups workers and equipment according to the general function performed, and that works best with short production runs or when there are considerable variations in the finished product, is called:
- a. function layout
 - b. product layout
 - c. process layout
 - d. fixed-position layout

17. KHA.com started selling sporting goods designed for senior citizens who live in retirement homes and apartments. KHA.com is selling its products using a:
- a. senior citizens strategy
 - b. niche strategy
 - c. mass strategy
 - d. community strategy
18. What is CVV or CVV2?
- a. customer tracking technology
 - b. card verification value
 - c. credit verification value
 - d. customer verification value
19. As a general rule, financial analysts suggest that a small business maintain a(n) _____ ratio of at least 2:1.
- a. current
 - b. inventory turnover
 - c. quick
 - d. debt-to-net worth
20. The first step to building a workable credit policy is:
- a. establishing a firm credit policy in writing
 - b. screening customers carefully before granting them credit
 - c. developing a policy for pursuing past-due accounts
 - d. creating a thorough credit application
21. A glass manufacturer that requires an extremely pure, very fine type of sand in its production process would be most concerned with which location criteria?
- a. wage rates
 - b. proximity to raw materials
 - c. business climate
 - d. proximity to markets

22. Each time an ad is displayed on a Web site is called a(n):
- a. filtering
 - b. loading
 - c. clustering
 - d. impression
23. In reviewing the company's balance sheet, Andy noticed that the total asset is stated as \$5,500,000 and the total liability is \$3,250,000. There is no paid-in capital or value for common stock. What are the company's retained earnings?
- a. \$8,750,000
 - b. unable to determine with the information given
 - c. there are no retained earnings
 - d. \$2,250,000
24. The cash budget is based on the _____ method of accounting.
- a. accrual
 - b. hybrid
 - c. financial
 - d. cash
25. At the broadest level of the location decision, entrepreneurs usually identify regions of the country that:
- a. are experiencing substantial population growth
 - b. consist of the most employed inhabitants
 - c. have many professional sports teams
 - d. contain many car drivers

Multiple Choice Questions (Enter your answers on the enclosed answer sheet)

1. The small business gains what advantage by selling on consignment?
 - a. better customer service
 - b. receiving absolute title to the goods prior to paying for them
 - c. shorter lead time when reordering than with standard contracts
 - d. not bearing the risk of loss for the consigned goods

2. Improving quality:
 - a. reduces rework time
 - b. increases worker productivity
 - c. lowers the associated cost with scrap
 - d. all of the above

3. Holding or carrying costs include the costs of:
 - a. processing a purchase order
 - b. ordering materials and inventory
 - c. receiving and inspecting items and all administrative costs
 - d. insurance, taxes, depreciation, etc

4. The small business owner needs to know _____ in order to avoid stockouts and calculate safety stock.
 - a. the minimum level of stock allowable
 - b. the lead time
 - c. the EOQ
 - d. the usage rate

5. A buyer owns a retail shop in Baltimore. A seller is a manufacturer in San Diego. The buyer orders from seller to be shipped "F.O.B. San Diego." Risk of loss passes to the buyer when:
 - a. the goods are identified to the contract
 - b. the goods are delivered to the buyer's retail shop
 - c. the contract is made
 - d. the seller delivers the goods to the carrier

6. The first rule governing transfer of title and risk of loss states that:
 - a. the buyer has both title and risk of loss as soon as the goods are paid for, regardless of their physical location
 - b. title transfers to the buyer as soon as the goods are in the hands of the carrier
 - c. title transfers to the buyer as soon as the goods are delivered
 - d. the supplier and small business may agree to a shift of the risk of loss at any time during the transaction between them

7. An alternative to a two-bin system, wherever space or the type of item doesn't fit the system, would be a:
 - a. tag system
 - b. POS system
 - c. punch card system
 - d. physical inventory system

8. Kleptomaniacs have a compulsive need to steal even though they have little, if any, need for the items they shoplift. Kleptomaniacs account for less than _____ percent of shoplifters.
 - a. 15
 - b. 7
 - c. 10
 - d. 5

9. Which of the following could be a reason why an employee steals?
 - a. greed
 - b. temptation
 - c. opportunity
 - d. all of the above

10. The primary human elements on which successful JIT systems are built are:
 - a. mutual trust and teamwork and empowerment
 - b. high profit and lower labor cost
 - c. lower labor cost and productivity
 - d. mutual trust and teamwork & productivity

11. The first objective of a job analysis is to develop a job description. The second objective is to create a:
- a. job specification
 - b. advertisement in the newspaper
 - c. job interview outline
 - d. none of the above
12. A _____ is used by the owner of a small business to determine wage and salary increases, need for training, overall job progress, etc., among other things.
- a. job redesign
 - b. human resource plan
 - c. compensation plan
 - d. performance appraisal
13. When a small business owner increases the variety of skills needed on a job, permits the worker to complete an entire job rather than a portion of it, and gives the worker more freedom of decision on how to perform the job, the owner is using:
- a. job enlargement
 - b. job rotation
 - c. job simplification
 - d. job enrichment
14. This act was passed by Congress to supplement the Clayton Act, providing the power to prevent "unfair methods of competition in commerce or unfair or deceptive acts in commerce."
- a. The Miller-Tydings Act
 - b. The Robinson-Patman Act
 - c. The Federal Trade Commission Act
 - d. The Sherman Act
15. Which of the following phrases is sufficient to disclaim an implied sales warranty?
- a. "Seller makes no warranties on this product whatsoever"
 - b. "No warranties"
 - c. "As is"
 - d. None of the above. A merchant cannot disclaim sales warranties.

16. An agent's duties when executing agency include:
- a. performance of duties according to the principal's instruction and notification of the principal of all facts concerning the subject matter of the agency
 - b. reimbursement of the principal for all expenses incurred in the execution of the agency
 - c. indemnification of the principal for any authorized payments or any loss incurred by the agency
 - d. all of the above
17. The small company's purchasing plan is closely linked to which of the other functional areas?
- a. marketing and sales
 - b. production and engineering
 - c. finance and accounting
 - d. all of the above
18. "F.O.B. buyer" means that:
- a. both title and risk of loss pass to the buyer immediately upon payment of the contract regardless of location of the goods
 - b. title passes to the buyer when the seller delivers the goods to the shipper
 - c. risk of loss passes to the buyer when the seller delivers the goods to the buyer's place of business
 - d. the buyer pays all shipping and transportation costs
19. The most effective businesses know that what is required is not simply the technology but the _____ with suppliers who are themselves technologically sophisticated enough to interact on a real time basis to deliver what is needed when it is needed.
- a. electronic data interchange
 - b. critical strategic alliances
 - c. credit terms
 - d. none of the above
20. In the stages of team development, a team is at the performance stage when it:
- a. achieves commitment to the process and task
 - b. has its highest expectations
 - c. begins to reset its goals and roles
 - d. recognizes fully the time and effort that will be involved

21. In terms of contractual capacity:

- a. intoxicated individuals are generally always held liable for their contractual obligations, regardless of their condition upon execution of the contract
- b. if a minor benefits from a contract and then disaffirms it, he/she must fulfill the duty of restoration
- c. a minor can disaffirm and walk away from a contract even if already executed and the minor has benefited from it
- d. an insane person can never have contractual capacity by definition

22. Quality improvement efforts must ultimately focus on:

- a. the manufacturing process
- b. the product
- c. the customer
- d. the purchasing process

23. A firm's _____ expresses the number of times per year the business sells all of its inventory.

- a. liquidity ratio
- b. inventory turnover ratio
- c. quick ratio
- d. operating ratio

24. If you were evaluating your college administration for effective leadership behaviors, you need to look for:

- a. their short-term focus, their ability to see the detail needing to be accomplished
- b. the ability to encourage creativity in employees
- c. their ability to husband and protect resources from misuse
- d. all of these things

25. What are, if any, the possible defenses against a valid contract which may cause it to be unenforceable?

- a. control and offer
- b. agreement and offer
- c. genuineness of assent and form
- d. agreement and legal