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

1. Potential drawbacks of small business ownership include:

   a. relatively limited potential for further personal development
   b. a significantly freer personal schedule but less personal income and assets with which to enjoy the more relaxed schedule
   c. a high likelihood of a lower quality of life while starting and establishing the small business
   d. a relatively low guaranteed income

2. A major threat that family businesses face is:

   a. management succession
   b. divorce
   c. having kids
   d. none of the above

3. Part-time entrepreneurship has an additional advantage over starting up a company full-time in that:

   a. the entrepreneur can change products and markets more easily
   b. it is a much lower risk for the entrepreneur
   c. it doesn't require a business plan
   d. the entrepreneur doesn't need to know the industry as well

4. Money driven and wild risk takers are both:

   a. common misconceptions of entrepreneurs
   b. common characteristics of entrepreneurs
   c. entrepreneur's techniques to success
   d. none of the above

5. One key to success with a business startup is to begin with enough ________.

   a. capital
   b. suppliers
   c. sales
   d. accounts payable

6. The nation is rapidly moving from:

   a. capitalism to industrial
   b. industrial to capitalism
   c. industrial to knowledge-based
   d. none of the above

7. According to the text, a strong determinant of moral behavior is:

   a. law
   b. training
   c. society
   d. all of the above

8. The advertisement and resulting product, "A psychically energized weight loss program," which turned out to be a book on how to achieve a positive mental attitude, violates which responsibility to the customer?

   a. the right to choose
   b. the right to know
   c. the right to be heard
   d. the right to safety

9. Business ethics consist of the fundamental ________ values and behavioral standards that form the foundation for the people of an organization as they make decisions and interact with stakeholders.

   a. societal
   b. moral
   c. legal
   d. religious

10. The Audi 5000 sedan was reported to have sudden, violent acceleration when the transmission was put into drive. Audi first blamed the condition on drivers who didn't know how to operate the transmission, but later was forced to recall the sedan and correct the transmission problem. Audi violated which area of responsibility businesses have to their customers?

    a. dependable packaging
    b. investor confidence
    c. truthful advertising
    d. product safety and quality

11. When dealing with AIDS in the workplace, small business owners should:

    a. require HIV screening as part of the hiring process
    b. inform all employees when someone tests HIV positive
    c. treat AIDS-positive employees as they would any other employees with life threatening illnesses
    d. make certain their employment policies comply with local regulations but not worry about federal regulations

12. Some small businesses create innovations ________ by spotting opportunities on which to capitalize.

    a. reactively
    b. compassionately
    c. responsibly
    d. proactively

13. Which of the following is NOT a step in the creative process?

    a. illumination
    b. preparation
    c. investigation
    d. transliteration

14. Focusing on the "________" uses of a product or service limits creativity.

    a. unorthodox
    b. innovative
    c. unconventional
    d. traditional

15. Which part of the brain takes care of the body's emotional, intuitive, and spatial functions?

    a. back
    b. left
    c. right
    d. front

16. ________ thinking is going from one logical conclusion to the next.

    a. Lateral
    b. Simultaneous
    c. Parallel
    d. Vertical

17. Answering the question "What business am I in?" defines the company's:

    a. external opportunities and threats
    b. mission
    c. assessment of its own strengths and weaknesses
    d. goals and objectives

18. Intellectual capital of a company is comprised of which components?

    a. software, patents, copyrights
    b. customer base, reputation and goodwill
    c. talent and skills of its workforce
    d. all of the above

19. Rather than attempting to serve the total market, the small firm pursuing a ________ strategy specializes in serving a specific target segment.

    a. head-to-head
    b. focus
    c. differentiation
    d. cost leadership

20. The primary output of the strategic management process should be:

    a. a complete explanation of the company's product or service
    b. a description of the company's competitive situation
    c. a matching of its strengths and weaknesses to the opportunities and threats in the environment
    d. an enticement to outside investors and lenders to put money into the business

21. Cost leadership has several inherent dangers such as:

    a. an overfocus on the physical characteristics of the product
    b. the identified niche is not large enough to be profitable
    c. an overfocus on costs to the elimination of other strategies
    d. choosing to distinguish the product that does not boost its performance

22. When presenting the business plan it is important to:

    a. use visual aids
    b. avoid technical jargon
    c. show enthusiasm for the venture
    d. All of the above.

23. An explanation of how the product will be distributed is contained within the:

    a. competitive analysis
    b. marketing strategy portion of the business plan
    c. business strategy section of the business plan
    d. description of the product line

24. The executive summary should contain which of the following information?

    a. a short description of potential buyers
    b. a brief history of the business
    c. a complete description of your business
    d. a brief statement of the financial needs of the business and what the money would be used for

25. A business plan presentation should cover:

    a. the company's background and its products or services with a market analysis and a description of the opportunities it presents
    b. the management team and its members' qualifications and experience
    c. the company's competitive edge and the marketing strategies it will use to promote that edge
    d. all of the above

26. A business plan for the small business owner:

    a. tends to stress how the entrepreneur will operate rather than detailing what he/she wants to accomplish
    b. is of relatively little importance due to the dynamic nature of the marketplace
    c. contains both a marketing plan and a financial plan
    d. is synonymous with the marketing plan

27. ________ is the process of creating and delivering desired goods and services to customers, and involves all of the activities associated with winning and retaining loyal customers.

    a. Personal selling
    b. Marketing
    c. Promotion
    d. Advertising and public relations

28. Small companies with limited financial resources can often use ________ as a way to differentiate themselves from larger competitors.

    a. customer service
    b. innovation
    c. high price and high quality
    d. lower prices with higher quality

29. Effective one-to-one marketing involves:

    a. developing a marketing plan designed specifically to appeal to their customer needs, tastes and preferences
    b. treating each customer as an individual
    c. identifying your best customers
    d. All of the above.

30. Newspapers have a number of disadvantages for the small business, such as:

    a. lack of prominence of the ads
    b. poor timeliness; it's already old news
    c. high expense
    d. readership of primarily older women

31. Which of the following statements is correct?

    a. Advertising, promotion, and public relations can be effective by persuading customers to purchase the firm's goods or services.
    b. Advertising, promotion, and public relations can be effective means of increasing sales by informing customers of the business and its goods and services.
    c. Advertising, promotion, and public relations can be effective by improving the image of the firm and its products.
    d. all of the above

32. ________ is any sales presentation that is nonpersonal in nature and is paid for by an identified sponsor.

    a. Personal selling
    b. Promotion
    c. Advertising
    d. Publicity

33. Effective ads are built on:

    a. a unique selling proposition
    b. a clear picture of the competition's products
    c. a multimedia approach
    d. clearly defined features of the product

34. Malcolm won a contract to provide nuts, bolts, and washers to a small African country's military. Unfortunately, neither his bankers nor venture capitalists would provide the loans needed to buy the material to produce the order. The bank didn't do international loans. Which barrier to international trade is Malcolm experiencing?

    a. information
    b. attitude
    c. financing
    d. cultural

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

36. Issues to be addressed before entering into a joint venture include:

    a. What contributions will each party make?
    b. Under what circumstances can the parties terminate the relationship?
    c. Who will be responsible for making which decisions?
    d. all of the above

37. A ________ is a document the seller draws on the buyer, requiring the buyer to pay the face amount (the purchase price of the goods) either on sight (a sight draft) or on a specified date (a time draft) once the goods are shipped.

    a. letter of credit
    b. line of equity
    c. COD
    d. bank draft

38. One of the Internet's greatest strengths is its ________ nature.

    a. atavistic
    b. interactive
    c. efficiency
    d. collectivistic

39. To increase customer confidence and credibility, join programs such as:

    a. Don and Brad Street
    b. TRUSTe
    c. BBBOnLine
    d. both b and c

40. After launching the Web site, the companies should follow-up by:

    a. including the Web site on their business cards
    b. encouraging people to visit the Web site on their social media pages
    c. promoting the Web site in print ads or company merchandise
    d. all of the above

41. Bill is studying those expenses that contribute directly to manufacturing and distribution of goods. He's reviewing:

    a. cost of goods
    b. current liabilities
    c. operating expenses
    d. general expenses

42. 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

43. Dividing gross profit by net sales produces:

    a. gross profit margin
    b. operating expenses
    c. long-term profitability
    d. gross profit flow

44. A ________ is a contract in which a business selling an asset on credit gets a security interest in that asset, protecting the company's legal rights in case the buyer fails to pay.

    a. lock box
    b. cash on delivery agreement
    c. security agreement
    d. none of the above

45. Once the owner determines an adequate minimum cash balance, what is the next step in creating a cash budget?

    a. forecasting sales
    b. forecasting cash disbursements
    c. forecasting cash receipts
    d. forecasting profits

46. A firm whose sales fluctuate widely over a relatively short time might require a ________ cash budget.

    a. weekly
    b. quarterly
    c. biweekly
    d. monthly

47. The area from which a small business expects to draw customers over a reasonable time span is its:

    a. incubator
    b. trading area
    c. enterprise zone
    d. metropolitan statistical area

48. The Americans with Disabilities Act of 1990 requires that:

    a. all businesses must accommodate all disabled customers or job candidates, regardless of the cost
    b. buildings occupied after January 23, 1993 must be designed to accommodate disabled customers and job candidates
    c. all buildings be remodeled to accommodate any disabled customer or employee
    d. businesses with more than 25 employees comply fully with the Act by June 1993

49. Incubator facilities are established in order to:

    a. revitalize central business districts
    b. enhance economic development and diversify the local economy
    c. centralize types of businesses and provide tax breaks to those businesses
    d. encourage businesses to locate in economically depressed areas of a city

50. Albemarle Sprinkler Company purchases the sprinkler heads for its line of lawn sprinklers from a supplier. Albemarle's production manager wonders how many sprinkler heads she should order for the next six months. The company's marketing manager forecasts sales to be 29,400 units for the upcoming six months. The purchasing manager has negotiated a price of $6.47 per head. The production manager estimates that it costs $17.25 to place an order with the supplier and $2.97 to store a sprinkler head in inventory for six months.

    What is Albemarle's total inventory cost using the EOQ point?

    a. $192,388
    b. $192,166
    c. $192,087
    d. $191,954

51. The reorder point model requires that the small business owner know:

    a. holding costs for the product, the usage rate, and the three "Cs" of the product
    b. who the supplier is, statistical process controls, and TQM
    c. the demand pattern for the product, reliability and proximity of the supplier, and who has title
    d. the usage rate, the minimum level of stock, the lead time, and the EOQ

52. A danger of an excessive investment in inventory for the small business is:

    a. tying up an excessive amount of the firm's capital
    b. minimizing reordering costs
    c. creating too quick a turnover of inventory
    d. excessive inventory taxes by local and state government

53. When it comes to catching and prosecuting shoplifters:

    a. women and juveniles are most frequently caught, nearly 98% of the time
    b. the store owner or employees must catch the shoplifter in the store to make the charges stick
    c. there is only a 1 in 100 chance a shoplifter will go before a judge
    d. nearly ½ of all shoplifters are caught and prosecuted

54. One way to reduce employee theft is to:

    a. have a strict company policy about theft and to prosecute when someone is caught
    b. install audio surveillance equipment at key locations in the facility
    c. monitor employees at work and on breaks by having supervisors walk by periodically
    d. hire private investigators to do background checks on prospective employees

55. ________ is simply the cost per unit of an item multiplied by the annual quantity used. For instance, the owner of a stereo shop may find that she sold 190 pairs of a popular brand of speaker during the previous year.

    a. Annual dollar usage volume
    b. Quarterly dollar usage volume
    c. Daily dollar usage volume
    d. None of the above.

56. The first step in establishing a feedback loop is deciding:

    a. how to measure performance criteria
    b. what will be measured
    c. who will be responsible for the measurement of performance
    d. why it will be measured

57. Gustavo is writing up a ________ in order to describe the best job candidate in terms of skills, education, experience, and other personal job-related characteristics.

    a. job analysis
    b. job description
    c. human resource plan
    d. job specification

58. Rupert, a very old man, suffers from bouts of senility. During a lucid moment, he contracts to buy a new freezer from a local appliance dealer. This contract is:

    a. voidable
    b. enforceable
    c. illegal
    d. void

59. The terms of the ________ must be defined and reasonably certain.

    a. consideration
    b. offer
    c. payment
    d. none of the above

60. “Copreneurs” are marked by:

    a. a division of labor by expertise
    b. a greater success at raising venture capital than sole proprietorship-type businesses
    c. their similarity to the traditional mom-and-pop operation
    d. a decline in the number of businesses

61. The key ingredient—the crucial element—to avoiding the failure of a new business is:

    a. the business plan
    b. knowing the business
    c. differentiating the business and product from the competition
    d. technical expertise regarding the product

62. Which of the following statements is correct?

    a. The reputation of a business can be harmed severely by the actions of a single employee. Trust, once broken, is difficult to mend.
    b. Entrepreneurs must recognize that actions taken which conflict with society’s ethical standards incur a very high price.
    c. Customers are not likely to do business with a firm with whom they feel treated them in an unethical fashion.
    d. All of the above are true.

63. 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. Kant’s categorical imperative
    b. the family test
    c. the professional ethic
    d. the golden rule

64. Research suggests that innovative companies are structured like ________ rather than a traditional pyramid.

    a. spaghetti
    b. linguini
    c. circles
    d. boxes

65. Another word for vertical thinking is ________ thinking.

    a. linear
    b. lateral
    c. parallel
    d. simultaneous

66. ________ are relationships between a controllable variable—plant size, quality, packaging—and a critical factor influencing the firm's ability to compete in the marketplace.

    a. Key success factors
    b. Core competencies
    c. Goals and objectives
    d. Competitive advantages

67. Which of the following is true about successful entrepreneurs and their vision?

    a. They create it in cooperation with their employees.
    b. It is created independently of their market or their customers.
    c. It includes their understanding of the competition and their key market segments.
    d. They are able to communicate it and their enthusiasm for it to all those around them.

68. The ________ is the first part of the business plan. It summarizes all the relevant points of the deal, but it should be the last part written.

    a. marketing strategy
    b. mission statement
    c. executive summary
    d. industry analysis

69. Which of the following statements is true?

    a. Officers' personal assets that can be used as collateral must be included in the financial statement.
    b. The useful life of the financed asset must be less than the maturity of the loan.
    c. Projected financial statements should prove the company's ability to repay the loan.
    d. An entrepreneur should try to camouflage any weaknesses in the small business.

70. The time span between stages in the product life cycle:

    a. depends on the types of market strategy the small business owner is pursuing
    b. is highly influenced by the amount of promotion that is done
    c. generally runs about six months to one year per stage
    d. depends entirely on the type of products involved

71. What advertising media attract a large percentage of the advertising dollars nationwide?

    a. newspaper
    b. Internet
    c. radio
    d. television

72. The simplest and least expensive way to conduct international business is through:

    a. trade intermediaries
    b. foreign licensees
    c. a Web site
    d. joint ventures

73. Perhaps the most visible impact of the Internet is in the world of ________.

    a. education
    b. services
    c. retailing
    d. manufacturing

74. John is reviewing the company's costs and expenses against revenue for the last year. John is reviewing the firm's:

    a. pro forma
    b. balance sheet
    c. income statement
    d. sources and uses of funds statement

75. Marking down inventory items that don't sell will result in:

    a. reduction in inventory turn over ratio
    b. paying expenses on time
    c. keeping the inventory lean
    d. all of the above

76. When selecting a city, an entrepreneur will need to factor into her decision:

    a. the cost of the location
    b. the population density and growth trends
    c. the nature of competition
    d. all of the above

77. Generally, quality control impacts:

    a. revenues
    b. profitability
    c. costs
    d. all of the above

78. Which of the following functions will the typical point-of-sale system perform?

    a. reconciling actual inventory levels with inventory levels reported by the system
    b. calculating the EOQ on any item in inventory
    c. allowing the owner to check on the inventory level of any item listed in the database
    d. computing the annual dollar usage value of every item in the inventory

79. The implementation of teams fails sometimes because:

    a. the team leader and team members do not receive adequate training
    b. too many high performers are placed on one team and they compete with each other
    c. the implementation of team-based pay inhibits individual achievement and the whole team suffers
    d. all of the above

80. Gusti agrees to maintain Mrs. Poppendraius's yard, pulling weeds, cutting the grass weekly, and trimming the shrubbery once during the summer for $30 a month. Gusti makes a half-hearted attempt at pulling weeds, cuts the lawn once all summer and never touches the shrubbery. No damage is done except that Mrs. Poppendraius's yard appears neglected and unkempt. In terms of contract law:

    a. Gusti is not contractually obligated because he is a minor
    b. Mrs. Poppendraius may collect consequential damages
    c. Gusti is in breach of contract
    d. Mrs. Poppendraius may collect compensatory damages

81. "Copreneurs" are:

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

82. “Everybody does it.” is an example of:

    a. public justification
    b. consequences and outcomes
    c. justice
    d. moral blindness

83. According to research, creativity among both children and adults in the United States has declined markedly since:

    a. 2005
    b. 1995
    c. 1990
    d. 2000

84. Which strategy recognizes that not all markets are homogeneous?

    a. cost leadership
    b. price sensitive
    c. differentiation
    d. focus

85. The focus of the competitor analysis section of the business plan is to:

    a. show that your experienced management team is better than your competitors’
    b. describe your overall product line
    c. demonstrate your company’s advantage over competitors
    d. demonstrate the existence of the market for your product

86. Companies with strong reputations for quality products follow certain guidelines, such as:

    a. establishing long-term relationships with suppliers
    b. fostering individual effort and pride of workmanship
    c. building an extensive quality inspection system with many quality inspectors
    d. rewarding employees for compliance to rules and procedures

87. The ________ becomes the heart of a company’s advertising message.

    a. brand equity
    b. USP
    c. product
    d. price

88. The North American Free Trade Agreement:

    a. brought Chile, Mexico, the United States, and Canada together as one market
    b. created a unified market of 478.5 million people and $19.2 trillion in goods and services
    c. eliminated all tariffs among member nations, effective immediately, and raised them to nonmembers
    d. benefits the trading relationship between Canada and the United States most

89. The ________ is the proportion of people who see a company's online ad and actually click on it to reach the company's Web site.

    a. CTR
    b. CPA
    c. AVPV
    d. none of the above

90. The ________ ratio measures the owner's rate of return on the investment in the business.

    a. net sales-to-working capital
    b. net profit-to-equity
    c. quick profit
    d. net profit on sales

91. ________ companies are most likely to suffer cash shortages.

    a. Manufacturing
    b. Service
    c. Slow-growth
    d. Fast-growth

92. Central business districts:

    a. are experiencing a resurgence in popularity
    b. provide ample parking in front of the stores
    c. are characterized by one-stop shopping
    d. tend to have better prices and selection than malls do

93. Deming's 14 Points include:

    a. awarding business to suppliers on the basis of the best price
    b. establishing production quotas
    c. adopting a total quality philosophy
    d. correcting defects at the end of the production process

94. In general, a(n) ________ inventory control system works best in firms in which daily sales are relatively consistent.

    a. periodic
    b. visual
    c. perpetual
    d. ABC

95. When workers are empowered:

    a. the company will lose about 20% of its workforce that doesn't want the responsibility
    b. there tends to be increased confusion over specific responsibilities
    c. they are more successful on the job
    d. they initially experience significant anxiety of using their skills

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

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

97. Bill and Sally have tired of the corporate rat race. They leave their investment banking positions in New York, move to Colorado and start a business raising Mohair sheep. This couple is an example of the entrepreneurial phenomenon of:

    a. corporate castoffs
    b. corporate dropouts
    c. corporate downsizing
    d. corporate raiders

98. Small businesses have a number of responsibilities to their investors including:

    a. providing an attractive return on their investments
    b. observing all government requirements for product manufacture
    c. selling a high-quality product at a reasonable price
    d. earning the lowest profits at the highest cost of production

99. ________ thinking is considering a problem from all sides and jumping into it at different points.

    a. Parallel
    b. Simultaneous
    c. Vertical
    d. Lateral

100. The small firm's "master plan" is its:

    a. competitive edge
    b. objectives
    c. strategy
    d. goals