

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

1) A _____ is a formal statement of an organization's values on certain ethical and social issues. 1) _____

- A) code of conduct
- B) code of principles
- C) code of behavior
- D) code of morals
- E) code of performance

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2) A(n) _____ is a written document that deals with issues such as the relative split of the equity among the founders of the firm, how individual founders will be compensated for the cash or the "sweat equity" they put into the firm, and how long the founder will have to remain with the firm for their shares to fully vest. 2) _____

- A) originators' agreement
- B) entrepreneurs' agreement
- C) founders' agreement
- D) creators' agreement
- E) initiators' agreement

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3) Most founders' agreements include a _____, which legally obligates the departing founder to sell to the remaining founders his or her interest in the firm if the remaining founders are interested. 3) _____

- A) redemption clause
- B) statutory purchase clause
- C) shareholder surrender clause
- D) buyback clause
- E) voluntary recoup clause

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4) The simplest form of business entity is the: 4) _____

- A) sole proprietorship
- B) limited liability company
- C) C Corporation
- D) general partnership
- E) subchapter S corporation

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5) Partnerships are organized as either: 5) _____

- A) narrow or broad partnerships
- B) partial or full partnerships
- C) specific or general partnerships
- D) inward or outward partnerships
- E) general or limited partnerships

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6) A separate legal entity organized under the authority of a state is referred to as a: 6) _____

- A) limited partnership
- B) conglomerate
- C) general partnership
- D) corporation
- E) sole proprietorship

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- 7) Corporations are organized as either: 7) _____
- A) voluntary corporations or statutory corporations
 - B) regular corporations or limited liability corporations
 - C) permanent corporations or temporary corporations
 - D) C corporations or subchapter S corporations
 - E) general corporations or limited corporations

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- 8) A corporation is formed by filing _____ with the Secretary of State's office in the state of incorporation. 8)

- A) corporate credentials
- B) certificate of intent to incorporate
- C) articles of incorporation
- D) articles of business
- E) a corporation permit

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- 9) A disadvantage of corporations is that they are subject to _____, which means that a corporation is taxed on its net income and when the same income is distributed to shareholders in the form of dividends it is taxed again on shareholders' personal income tax returns. 9) _____

- A) double taxation
- B) dual harm
- C) double duty
- D) dual toll
- E) double assessment

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- 10) Which of the following is an advantage of a C Corporation? 10) _____

- A) Stock is liquid if traded on a major stock exchange.
- B) Business losses cannot be deducted against the shareholders' other sources of income.
- C) Setting up and maintaining one is more difficult than for a sole proprietorship or a partnership.
- D) Small shareholders typically have little voice in the management of the firm.
- E) Income is subject to double taxation.

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- 11) A _____ combines the advantages of a partnership and a C corporation. 11) _____

- A) subchapter K corporation
- B) limited partnership
- C) general partnership
- D) subchapter S corporation
- E) sole proprietorship

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- 12) Financial management deals with two things — managing a company's finances and: 12) _____

- A) production management
- B) operations management
- C) raising money
- D) inventory control
- E) supply chain management

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13) The four main financial objectives of a firm are: 13) _____

- A) profitability, liquidity, efficiency, and stability
- B) efficiency, effectiveness, strength, and flexibility
- C) control, effectiveness, liquidity, and power
- D) power, success, efficiency, and effectiveness
- E) success, strength, liquidity, and profitability

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14) _____ is a company's ability to meet its short-term financial obligations. 14) _____

- A) Profitability
- B) Effectiveness
- C) Stability
- D) Efficiency
- E) Liquidity

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15) A company's ability to productively utilize its assets relative to its revenue and its profits is referred to as: 15)

- A) efficiency
- B) profitability
- C) effectiveness
- D) liquidity
- E) stability

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16) _____ depict relationships between items on a firm's financial statements. 16) _____

- A) Fiscal projections
- B) Monetary balances
- C) Financial ratios
- D) Fiscal relations
- E) Financial proportions

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17) _____ are projections for future periods based on forecasts and are typically completed for two to three years into the future. 17) _____

- A) Pro forma financial statements
- B) Historical financial statements
- C) Concurrent financial statements
- D) Chronological financial statements
- E) Ad-hoc financial statements

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18) A firm's _____ reflects the results of its operations over a specified period and shows whether it is making a profit or is experiencing a loss. 18) _____

- A) balance sheet
- B) forecast
- C) income statement
- D) statement of cash flows
- E) operating budget

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19) A(n) _____ is a snapshot of a company's assets, liabilities, and owners' equity at a specific point in time. 19)

- A) balance sheet
- B) income statement
- C) statement of cash flows
- D) effectiveness statement
- E) efficiency statement

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20) According to the textbook, the most practical way to interpret or make sense of a firm's historical financial statements is through: 20) _____

- A) the preparation of pro forma financial statements
- B) profit analysis
- C) regression analysis
- D) percentage analysis
- E) ratio analysis

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21) According to the textbook, the most important function of the pro forma statement of cash flows is to project whether the firm will have sufficient: 21) _____

- A) income to exceed industry norms
- B) income to meet its payroll on a weekly or monthly basis
- C) inventory to meet its sales and production forecasts
- D) cash to meet its needs
- E) short-term assets to cover its short-term liabilities

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22) A _____ is the group of founders, key employees, and advisers that move a new venture from an idea to a fully functioning firm. 22) _____

- A) startup cadre
- B) new venture panel
- C) startup team
- D) new project team
- E) new venture team

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23) The fact that companies often falter because the people who start the firms can't adjust quickly enough to their new roles and because the firm lacks a "track record" with outside buyers and sellers, is referred to as the: 23) _____

- A) burden of freshness
- B) liability of newness
- C) millstone of innovation
- D) liability of preparedness
- E) burden of novelty

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24) The members of heterogeneous teams are: 24) _____

- A) similar in terms of their abilities and experiences
- B) sometimes diverse in terms of their abilities and experiences and sometimes similar along the same dimensions
- C) diverse in terms of their abilities, but very similar in terms of their experiences
- D) diverse in terms of their abilities and experiences
- E) diverse in terms of their experiences, but very similar in terms of their abilities

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25) The members of homogeneous teams are: 25) _____

- A) diverse in terms of their abilities, but very similar in terms of their experiences
- B) diverse in terms of their experiences, but very similar in terms of their abilities
- C) sometimes diverse in terms of their abilities and experiences and sometimes similar along the same dimensions
- D) diverse in terms of their abilities and experiences
- E) similar in terms of their abilities and experiences

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26) Jason Andersen just finished writing a business plan for a new type of office supply store. One thing Jason included in the "Management Team & Company Structure" section of his business plan is a chart that depicts the most important skills that are needed for his business and where skills gaps exist. Jason included a(n) _____ in his business plan.

26) _____

- A) skills profile
- B) talent report
- C) expertise report
- D) talent summary
- E) abilities profile

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27) A skills profile is a chart that depicts the: 27) _____

- A) most important skills that are needed in a business startup and where skills gaps exist
- B) the skills of a company's customers and how those skills impact the product and services a company provides
- C) preferable skills and abilities of the members of a firm's board of directors
- D) skills and abilities that will be needed for a firm to maintain an aggressive growth strategy
- E) preferable skills and abilities of the members of a firm's board of advisors

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28) If a new venture organizes as a corporation, it is legally required to have a(n) _____, which is a panel of individuals who are elected by a corporation's shareholders to oversee the management of the firm. 28) _____

- A) review team
- B) board of advisors
- C) team of advisors
- D) accountability panel
- E) board of directors

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29) A board of directors has three formal responsibilities: 29) _____

- A) appoint the officers of the firm, declare dividends, and oversee the affairs of the corporation
- B) periodically update the firm's business plan, declare dividends, and write the firm's marketing plan
- C) provide funding to the firm, write the firm's strategic plan, and submit the firm's annual report to the Securities & Exchange Commission
- D) appoint the officers of the firm, conduct the annual meeting, and submit the firm's annual report to the Securities & Exchange Commission
- E) write the firm's strategic plan, declare dividends, and conduct the annual meeting

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30) William Woods recently launched a printing company. One thing William is thinking about creating is a panel of experts who can provide him ongoing direction and advice regarding the future of his business. William is thinking about creating a(n): 30) _____

- A) analysis panel
- B) advisory board
- C) discussion board
- D) accountability panel
- E) suggestion panel

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- 1) A
- 2) C
- 3) D
- 4) A
- 5) E
- 6) D
- 7) D
- 8) C
- 9) A
- 10) A
- 11) D
- 12) C
- 13) A
- 14) E
- 15) A
- 16) C
- 17) A
- 18) C
- 19) A
- 20) E
- 21) D
- 22) E
- 23) B
- 24) D
- 25) E
- 26) A
- 27) A
- 28) E
- 29) A
- 30) B