

Exam

Name \_\_\_\_\_

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

1) According to the textbook, the four characteristics of successful entrepreneurs are:

- A) passion for the business, on the cutting edge of technological change, very charismatic, and tenacity despite failure
- B) passion for the business, seeks recognition, young and energetic, and execution intelligence
- C) passion for the business, tenacity despite failure, product/customer focus, and execution intelligence
- D) young and energetic, passion for the business, product/customer focus, and seeks recognition
- E) on the cutting edge of technological change, forward thinking, tenacity despite failure, and product/customer focus

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Objective: Describe the role of entrepreneurs and small business

2) The number one characteristic shared by successful entrepreneurs is:

- A) passion for the business
- B) a desire to employ other people
- C) a desire to fulfill a lifetime dream
- D) a desire to bring a revolutionary new product or service to market
- E) a desire to achieve financial rewards

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Objective: Describe the role of entrepreneurs and small business

3) According to the textbook, entrepreneurs are:

- A) gamblers
- B) minimal risk takers
- C) moderate risk takers
- D) forceful risk takers
- E) aggressive risk takers

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Objective: Describe the role of entrepreneurs and small business

4) A(n) \_\_\_\_\_ is a written document that describes all the aspects of a business venture in a concise manner.

- A) operations plan
- B) corporate plan
- C) contingency plan
- D) business model
- E) business plan

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Objective: Describe the components of a business plan

5) An opportunity has four essential qualities:

- A) practical, opportune, appropriate, and anchored in a product, service, or business that is efficient and effective
- B) attractive, durable, resilient, and opportune
- C) attention-getting, attractive, timely, and anchored in a product, service, or business that creates or adds value for its buyer or end user
- D) attractive, timely, durable, and anchored in a product, service, or business that creates or adds value for its buyer or end user
- E) realistic, striking, timely, and anchored in a product, service, or business that is timely

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Objective: Describe the role of entrepreneurs and small business

6) The three ways to identify an opportunity include:

- A) observing trends, talking to consumers, and finding gaps in the marketplace

- B) observing trends, conducting brainstorming sessions, and studying industry trade journals
- C) studying industry trade journals, talking to consumers, and solving a problem
- D) observing trends, solving a problem, and finding gaps in the marketplace
- E) reading books, solving a problem, and findings gaps in the marketplace

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Objective: Describe the role of entrepreneurs and small business

7) Clothing boutiques and specialty shops often start because there is a need for a particular product but large retailers like Wal-Mart and Costco can't sell enough of the item to stock it on their shelves. If a clothing boutique started to sell designer clothes or clothing for hard-to-fit people because the clothing wasn't being offered by a larger retailer, the best way to describe how that idea was recognized is:

- A) solving a problem
- B) finding a gap in the marketplace
- C) brainstorming
- D) observing trends
- E) talking to consumers

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Objective: Describe the role of entrepreneurs and small business

8) Kelly Pryor, who has launched several successful entrepreneurial firms, seems to have a "sixth sense" that allows him to see opportunities that others miss. Kelly's ability is referred to as:

- A) entrepreneurial alertness
- B) individual awareness
- C) cognitive alertness
- D) cognitive readiness
- E) individual readiness

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Objective: Describe the role of entrepreneurs and small business

9) Most of Jacob's ideas come from interacting with coworkers, friends, his spouse, his parents, and other people that share the same beliefs that he does. Jacob is getting most of his ideas through:

- A) horizontal-tie relationships
- B) weak-tie relationships
- C) multiple-tie relationships
- D) strong-tie relationships
- E) vertical-tie relationships

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Objective: Describe the role of entrepreneurs and small business

10) Alex has a number of casual acquaintances that he interacts with infrequently. The relationships that Alex has with these people are referred to as:

- A) moderate-tie relationships
- B) weak-tie relationships
- C) strong-tie relationships
- D) multiple-tie relationships
- E) lateral-tie relationships

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Objective: Describe the role of entrepreneurs and small business

11) According to research in this area, it is more likely that an entrepreneur will get a new business idea through a \_\_\_\_\_ relationship than the alternatives.

- A) vertical-tie
- B) lateral-tie

- C) moderate-tie
- D) weak-tie
- E) strong-tie

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Objective: Describe the role of entrepreneurs and small business

12) According to the textbook, which is the proper sequence of events in developing successful business ideas?

- A) feasibility analysis, development of a business plan, opportunity recognition
- B) opportunity recognition, feasibility analysis, development of a business plan
- C) development of a business plan, feasibility analysis, opportunity recognition
- D) feasibility analysis, opportunity recognition, development of a business plan
- E) development of a business plan, opportunity recognition, feasibility analysis

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Objective: Explain the process of feasibility analysis

13) \_\_\_\_\_ is the process of determining whether a business idea is viable.

- A) Opportunity recognition
- B) Scenario analysis
- C) Achievability analysis
- D) Viability analysis
- E) Feasibility analysis

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Objective: Explain the process of feasibility analysis

14) Does it make sense? Is it reasonable? Is it something consumers will get excited about? Does it take advantage of an environmental trend, solve a problem, or fill a gap in the marketplace? These are the types of questions asked during the \_\_\_\_\_ component of a complete feasibility analysis.

- A) industry/target market feasibility
- B) organizational feasibility
- C) financial feasibility
- D) concept feasibility
- E) product/service feasibility

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Objective: Explain the process of feasibility analysis

15) Al Jenkins is in the process of developing an exciting new product in the smartphone industry. He'd like to show a preliminary description of the product to industry experts and prospective customers to solicit their feedback. Al should complete and distribute a(n):

- A) concept statement
- B) perception statement
- C) usability statement
- D) early adopter statement
- E) adoption risk-reward statement

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Objective: Explain the process of feasibility analysis

16) A(n) \_\_\_\_\_ is a group of firms producing a similar product or service. A firm's \_\_\_\_\_ is the limited portion of the industry that it goes after or to which it wants to appeal.

- A) industry, target market
- B) trade group, industry
- C) industry, trade group
- D) competitive group, target market
- E) target market, industry

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Objective: Explain the process of feasibility analysis

17) A(n) \_\_\_\_\_ is a group of firms producing a similar product or service, such as electronic games, smartphones, or computers.

- A) conglomerate
- B) business group
- C) commerce group
- D) industry
- E) trade group

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Objective: Explain the process of feasibility analysis

18) The two primary issues to consider in organizational feasibility analysis are:

- A) capital requirements and industry attractiveness
- B) industry attractiveness and overall attractiveness of the investment
- C) management prowess and resource sufficiency
- D) target market attractiveness and financial rate of return
- E) concept testing and financial rate of return

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Objective: Explain the process of feasibility analysis

19) According to the textbook, two of the most important factors to consider regarding "management prowess" are:

- A) the educational and functional backgrounds of the management team or sole entrepreneur
- B) whether the members of the management team are good "networkers" and the passion the sole entrepreneur or the management team has for the business idea
- C) the passion the sole entrepreneur or the management team has for the business idea and the extent to which the management team or sole entrepreneur understands the markets in which the firm will participate
- D) whether the members of the management team have worked successfully together before and the passion the sole entrepreneur or the management team has for the business idea
- E) whether the members of the management team are good "networkers" and the extent to which the management team or sole entrepreneur understands the markets in which the firm will participate

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Objective: Explain the process of feasibility analysis

20) The most important issues to consider in financial feasibility analysis are:

- A) resource sufficiency, industry attractiveness, and total startup cash needed
- B) total startup cash needed, management prowess, and product/service demand
- C) target market attractiveness, resource sufficiency, and product/service demand
- D) concept testing, total startup cash needed, and financial performance of similar businesses
- E) total startup cash needed, financial performance of similar businesses, and the overall financial attractiveness of the proposed venture

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Objective: Explain the process of feasibility analysis

21) Which of the following is the main purpose for writing a business plan?

- A) The plan helps the company develop a "road map" to follow.
- B) The plan introduces potential investors and other stakeholders to the business opportunity.
- C) Both A and B are equally important.
- D) Neither A nor B captures the true purpose of a business plan.
- E) Reason A is the most important for experienced entrepreneurs and reason B is the most important for inexperienced entrepreneurs.

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Objective: Describe the components of a business plan

22) According to the textbook, a business plan is best described as a(n):

- A) agreement
- B) contract
- C) narrative description of a new business
- D) budget
- E) marketing initiative

Page Ref: 112

Objective: Describe the components of a business plan

23) A business plan is important for two reasons: it forces the founding team to systematically think through every aspect of their new venture and:

- A) it is a public relations document that can be used to promote the firm
- B) it is a budget
- C) it communicates the merits of a new venture to outsiders, such as investors and bankers
- D) it is a financial analysis
- E) it is a contract that is signed by the founders of the firm

Page Ref: 113

Objective: Describe the components of a business plan

24) There are three types of business plans:

- A) opportunity plan, feasibility plan, full business plan
- B) functional business plan, contingency plan, full business plan
- C) summary business plan, contingency plan, full business plan
- D) functional business plan, full business plan, feasibility plan
- E) summary business plan, full business plan, operational business plan

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Objective: Describe the components of a business plan

25) Match the business plan with its appropriate emphasis:

- A) summary business plan, is meant primarily for an internal audience; works best as a tool for creating a blueprint for a company's operations and providing guidance to operational managers
- B) summary business plan, works best for companies who are at the point where they need funding or financing; serves as a "blueprint" for the company's operations
- C) operational business plan, works best for companies in the early stages of development that want to "test the waters" to see if investors are interested in their idea
- D) full business plan, works best for companies in the early stages of development that want to "test the waters" to see if investors are interested in the idea
- E) summary business plan, works best for companies in the early stages of development that want to "test the waters" to see if investors are interested in their idea

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Objective: Describe the components of a business plan

26) Paul Hempken just spoke to an investor, who is interested in his business idea. Paul offered to send the investor a copy of his full business plan, but the investor asked for a short overview of the business plan instead. What portion of his business plan should Paul send the investor?

- A) elevator pitch
- B) marketing plan
- C) executive summary
- D) operations plan
- E) company description

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Objective: Describe the components of a business plan

27) According to the textbook, in many instances an investor will first ask for a copy of a firm's \_\_\_\_\_ and will request a copy of the full business plan only if that portion of the plan is sufficiently convincing.

- A) industry analysis
- B) appendix
- C) financial plan
- D) operations plan
- E) executive summary

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Objective: Describe the components of a business plan

28) Industry structure refers to how:

- A) traditional or progressive an industry is
- B) hierarchical or flat an industry is
- C) concentrated or fragmented an industry is
- D) large or small an industry is
- E) innovative or conservative an industry is

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Objective: Describe the components of a business plan

29) A(n) \_\_\_\_\_ describes why a company exists and what it aspires to become.

- A) mission statement
- B) operations statement
- C) values statement
- D) tactical statement
- E) strategic statement

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Objective: Describe the components of a business plan

30) The \_\_\_\_\_ section of a business plan breaks the industry into segments and zeroes in on the specific segment (or target market) to which the firm will try to appeal.

- A) marketing plan
- B) competitive analysis
- C) operations plan
- D) current status
- E) market analysis

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Objective: Describe the components of a business plan

31) A competitor analysis should be included in the \_\_\_\_\_ section of a business plan.

- A) industry analysis
- B) operations plan
- C) management team and company structure
- D) company description
- E) market analysis

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Objective: Describe the components of a business plan

32) The \_\_\_\_\_ section of the business plan addresses the basic logic of how profits are earned in the business.

- A) Operations Plan
- B) Executive Summary
- C) Economics of the Business
- D) Design and Development plan

E) Market Analysis

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Objective: Describe the components of a business plan

33) According to the textbook, many investors and others who read business plans look first at the executive summary and then go directly to the \_\_\_\_\_ section of the business plan to make their preliminary assessment.

- A) marketing plan
- B) management team and company structure
- C) product (or service) design and development plan
- D) industry analysis
- E) operations plan

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Objective: Describe the components of a business plan

34) The document that lays out specifically how much money a firm needs, where the money will come from, and what the money will be used for is referred to as a(n):

- A) capital and operational budgeting statement
- B) assumptions sheet
- C) pro forma financial statement
- D) credit and debit statement
- E) sources and uses of funds statement

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Objective: Describe the components of a business plan

35) Once a firm decides to enter an industry and chooses a market in which to compete, it must gain an understanding of its competitive environment. This challenge can be undertaken by completing a(n):

- A) industry analysis
- B) business analysis
- C) market analysis
- D) competitor analysis
- E) strategic analysis

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Objective: Describe the role of entrepreneurs and small business

36) According to the textbook, how do well-managed firms respond to the five-forces that determine industry profitability?

- A) They switch industries if the forces are too compelling.
- B) They ignore the forces.
- C) They focus on one force intently and excel by overcoming that force.
- D) They try to position their firms in a way that avoids or diminishes the forces.
- E) They overcome each of the forces.

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Objective: Describe the role of entrepreneurs and small business

37) In general, industries are more attractive when:

- A) the threat of each of the forces is neutral—neither low nor high
- B) the threat of each of the five forces is high
- C) the threat of each of the five forces is low
- D) the majority of the threats are high
- E) the majority of the threats are low

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Objective: Describe the role of entrepreneurs and small business

38) The price of prescription medicine is high, partly because when someone is sick there is no real alternative to buying

medicine if they want to get better. Which of Porter's five forces explains how this aspect of the prescription medicine industry helps keep profitability high?

- A) bargaining power of suppliers
- B) rivalry among existing firms
- C) threat of substitutes
- D) bargaining power of buyers
- E) threat of new entrants

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Objective: Describe the role of entrepreneurs and small business

39) Which of Porter's five forces is most closely associated with the concept "barrier to entry"?

- A) rivalry among existing firms
- B) bargaining power of suppliers
- C) threat of new entrants
- D) bargaining power of buyers
- E) threat of substitutes

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Objective: Describe the role of entrepreneurs and small business

40) Some industries, like the athletic shoe industry, are dominated by a small number of firms with strong brands. These industries are difficult to break into without spending heavily on advertising. The barrier to entry that the firms in these types of industries have erected is referred to as:

- A) access to distribution channels
- B) capital requirements
- C) product differentiation
- D) cost advantages independent of size
- E) government and legal barriers

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Objective: Describe the role of entrepreneurs and small business

41) Which of Porter's five forces is most directly influenced by the following factors: number and balance of competitors, degree of difference between products, growth rate of an industry, and level of fixed costs?

- A) bargaining power of suppliers
- B) threat of new entrants
- C) bargaining power of buyers
- D) threat of substitutes
- E) rivalry among existing firms

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Objective: Describe the role of entrepreneurs and small business

42) If a startup pioneers an industry or a new concept within an industry, the name recognition the startup establishes may create a formidable nontraditional barrier to entry referred to as a(n):

- A) competitive superiority
- B) aggressive supremacy
- C) unique business model
- D) aggressive tactical advantage
- E) first-mover advantage

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Objective: Describe the role of entrepreneurs and small business

43) Supplier concentration, switching costs, attractiveness of substitutes, and threat of forward integration are factors that have a direct impact on:

- A) threat of substitutes



- B) threat of new entrants
- C) bargaining power of buyers
- D) rivalry among existing firms
- E) bargaining power of suppliers

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Objective: Describe the role of entrepreneurs and small business

- 44) A(n) \_\_\_\_\_ industry is one that is characterized by a large number of firms of approximately equal size.
- A) emerging
  - B) mature
  - C) fragmented
  - D) declining
  - E) global

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Objective: Describe the role of entrepreneurs and small business

- 45) A(n) \_\_\_\_\_ industry is an industry that is experiencing slow or no increase in demand.
- A) fragmented
  - B) declining
  - C) emerging
  - D) global
  - E) mature

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Objective: Describe the role of entrepreneurs and small business

- 46) Shelly James recently launched a firm in the fruit drink industry, and has already exported her fruit drinks to 9 different countries. One thing that Shelly's firm is doing is that it is varying the tastes of the fruit drinks it sells on a country by country basis to meet the demands of the local markets. Shelly's firm is pursuing a \_\_\_\_\_ strategy.

- A) multidomestic
- B) global
- C) universal
- D) home
- E) contemporary

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Objective: Describe the role of entrepreneurs and small business

- 47) In the beverage industry, soda, fruit juice, and sports drinks are \_\_\_\_\_ competitors of bottled water.
- A) indirect
  - B) occasional
  - C) direct
  - D) future
  - E) infrequent

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Objective: Describe the role of entrepreneurs and small business

- 48) The information that is gathered by a firm to learn about its competitors is referred to as:

- A) competitive intelligence
- B) a viable assessment
- C) a workable appraisal
- D) a practical assessment
- E) a feasibility appraisal

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Objective: Describe the role of entrepreneurs and small business

- 49) According to the textbook, the three different types of competitors a business will face are:

- A) potential, fleeting, and indirect
- B) indirect, fleeting, and future
- C) potential, direct, and upcoming
- D) direct, indirect, and future
- E) serious, cautious, and future

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Objective: Describe the role of entrepreneurs and small business

- 50) Amy has just launched a firm in the sports drink industry. She has decided to complete a grid to see how she stacks up against her competitors. Along the horizontal axis of the grid, she lists her firm along with her major competitors. Along the vertical axis of the grid, she lists the main competitive factors in her industry. Amy is completing a:

- A) strategic analysis grid
- B) strategic analysis spreadsheet
- C) tactical analysis framework
- D) competitive analysis grid
- E) behavioral analysis spreadsheet

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Objective: Describe the role of entrepreneurs and small business

- 1) C
- 2) A
- 3) C
- 4) E
- 5) D
- 6) D
- 7) B
- 8) A
- 9) D
- 10) B
- 11) D
- 12) B
- 13) E
- 14) E
- 15) A
- 16) A
- 17) D
- 18) C
- 19) C
- 20) E
- 21) C
- 22) C
- 23) C
- 24) E
- 25) E
- 26) C
- 27) E
- 28) C
- 29) A
- 30) E
- 31) E
- 32) C
- 33) B
- 34) E
- 35) D
- 36) D
- 37) C
- 38) C
- 39) C
- 40) C
- 41) E
- 42) E
- 43) E
- 44) C
- 45) E
- 46) A
- 47) A
- 48) A
- 49) D
- 50) D