Exam

Name\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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

1) Catherine Smith has just finished writing a business plan for a startup in the medical products industry. She has now reached the point where she needs to develop a plan for how her firm will compete, use its resources, structure its relationships, interface with customers, and create value to sustain itself on the basis of the profits it earns. Jennifer needs to establish her firm's: 1) \_\_\_\_\_\_\_

A) operating plan

B) tactical plan

C) business model

D) business template

E) feasibility plan

Page Ref: 180

2) The \_\_\_\_\_\_\_\_ is the string of activities that moves a product from the raw material stage, through manufacturing and distribution, and ultimately to the end user. 2) \_\_\_\_\_\_\_

A) meaning chain

B) consequence sequence

C) worth procession

D) business chain

E) value chain

Page Ref: 186

3) According to the textbook, by studying a product's or service's value chain an organization can: 3) \_\_\_\_\_\_\_

A) identify ways to create additional value and assess whether it has the means to do so

B) determine if a product or service will be successful in the marketplace

C) determine if it is cost effective to manufacture the product or sell the service

D) determine if its business plan needs to be revised

E) determine if an attractive niche market is available

Page Ref: 186

4) Two fatal flaws can render a business model untenable from the beginning. These are: 4) \_\_\_\_\_\_\_

A) a complete misread of the customer and utterly unsound economics

B) failure to copy the industry leader's business plan and a complete misread of the customer

C) failure to complete a business plan and failure to get funding

D) overemphasizing the importance of feasibility analysis and utterly unsound economics

E) failure to complete a business plan and overemphasizing the importance of feasibility analysis

Page Ref: 186

5) \_\_\_\_\_\_\_\_ involves a firm's relationship with its suppliers and involves all the activities of receiving, storing, and shipping component parts to the place where they will be added to the final product. 5) \_\_\_\_\_\_\_

A) Inbound logistics

B) Operations

C) Outbound logistics

D) Resource procurement

E) Technology development

Page Ref: 187

6) \_\_\_\_\_\_\_\_ involves all the activities required to manufacture a product. 6) \_\_\_\_\_\_\_

A) Outbound logistics

B) Resource procurement

C) Operations

D) Administration

E) Inbound logistics

Page Ref: 187

7) The four components of a firm's business model are: 7) \_\_\_\_\_\_\_

A) marketing plan, operating plan, financial plan, and human resource plan

B) marketing plan, core strategy, business plan, and customer interface

C) economic environment, social environment, technological environment, and legal-regulatory environment

D) core strategy, strategic resources, partnership network, and customer interface

E) opportunity recognition, feasibility analysis, business plan, and human resource plan

Page Ref: 189

8) Which of the following are the primary elements of a startup's core strategy? 8) \_\_\_\_\_\_\_

A) suppliers, partners, other key relationships

B) pricing structure, suppliers, strategic assets

C) core competencies, strategic assets, funding model

D) mission statement, product/market scope, basis for differentiation

E) target customer, fulfillment and support, pricing structure

Page Ref: 189

9) Steven Tanner is in the process of putting together the business model for his startup and is currently working on his mission statement, product/market scope, and basis for differentiation. Steven is working on the \_\_\_\_\_\_\_\_ component of his business model. 9) \_\_\_\_\_\_\_

A) core strategy

B) feasibility analysis

C) strategic resources

D) customer interface

E) partnership network

Page Ref: 189

10) A firm's \_\_\_\_\_\_\_\_ describes why it exists and what its business model is supposed to accomplish. 10) \_\_\_\_\_\_

A) feasibility statement

B) duty statement

C) responsibility statement

D) vision statement

E) mission statement

Page Ref: 190

11) "Organize all the world's information and make it universally accessible and useful" is Google's: 11) \_\_\_\_\_\_

A) duty

B) mission statement

C) purpose statement

D) function

E) credo

Page Ref: 191

12) A company's \_\_\_\_\_\_\_\_ defines the products and markets on which it will concentrate. 12) \_\_\_\_\_\_

A) supplier/buyer scope

B) product/market scope

C) business mission

D) tactical analysis

E) basis of differentiation

Page Ref: 191

13) Kendra Johnson is starting a firm in the shoe industry. Her shoes will be very high quality and will be priced at the top end of the market. Kendra has chosen the generic strategy referred to as: 13) \_\_\_\_\_\_

A) separation

B) value pricing

C) differentiation

D) competitive superiority

E) quality plus

Page Ref: 192

14) Jared King is starting a firm in the electronic games industry. The firm will produce games similar to popular games on the market, but they won't be as sophisticated and will be priced at the low end of the market. Jared has chosen the generic strategy referred to as: 14) \_\_\_\_\_\_

A) quality plus

B) price reduction

C) differentiation

D) cost differentiation

E) cost leadership

Page Ref: 192

15) A \_\_\_\_\_\_\_\_ is a resource or capability that serves as a source of a firm's competitive advantage over its rivals. 15) \_\_\_\_\_\_

A) core competency

B) foundational competency

C) center attribute

D) distinctive attribute

E) core element

Page Ref: 192

16) In a business model context, the three components of a firm's partnership network are: 16) \_\_\_\_\_\_

A) core competencies, suppliers, and target customer

B) business mission, product/market scope, and basis for differentiation

C) business mission, partners, and strategic assets

D) pricing structure, fulfillment and support, and target customer

E) suppliers, partners, and other key relationships

Page Ref: 194

17) An arrangement between two or more firms that establishes an exchange relationship but has no joint ownership involved is called a: 17) \_\_\_\_\_\_

A) consortia

B) joint venture

C) trade association

D) network

E) strategic alliance

Page Ref: 195

18) Gary Smith just launched a firm in the sports drink industry. He has decided to focus his efforts on appealing to extreme sports enthusiasts (examples include hang gliders, rock climbers, and parachutists). In Gary's case, extreme sports enthusiasts represent his firm's: 18) \_\_\_\_\_\_

A) intention market

B) target objective

C) object market

D) target market

E) goal objective

Page Ref: 197

19) 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. 19) \_\_\_\_\_\_

A) initiators' agreement

B) founders' agreement

C) entrepreneurs' agreement

D) originators' agreement

E) creators' agreement

Page Ref: 221

20) 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. 20) \_\_\_\_\_\_

A) shareholder surrender clause

B) voluntary recoup clause

C) buyback clause

D) statutory purchase clause

E) redemption clause

Page Ref: 221

21) The simplest form of business entity is the: 21) \_\_\_\_\_\_

A) limited liability company

B) sole proprietorship

C) general partnership

D) C Corporation

E) subchapter S corporation

Page Ref: 230

22) A separate legal entity organized under the authority of a state is referred to as a: 22) \_\_\_\_\_\_

A) corporation

B) conglomerate

C) limited partnership

D) sole proprietorship

E) general partnership

Page Ref: 233

23) Corporations are organized as either: 23) \_\_\_\_\_\_

A) general corporations or limited corporations

B) regular corporations or limited liability corporations

C) voluntary corporations or statutory corporations

D) C corporations or subchapter S corporations

E) permanent corporations or temporary corporations

Page Ref: 233

24) Large firms like 3M, Google, Oracle, and Microsoft, that trade on organized stock exchanges, are: 24) \_\_\_\_\_\_

A) limited partnerships

B) limited liability companies

C) general partnerships

D) subchapter S corporations

E) C corporations

Page Ref: 233

25) 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. 25) \_\_\_\_\_\_

A) double duty

B) double taxation

C) dual harm

D) double assessment

E) dual toll

Page Ref: 234

26) Which of the following is a disadvantage of a C Corporation? 26) \_\_\_\_\_\_

A) Income is subject to double taxation.

B) No restrictions exist on the number of shareholders.

C) Raising capital is easier than a partnership or sole proprietorship.

D) Stock is liquid if traded on a major stock exchange.

E) limited liability

Page Ref: 235

27) A \_\_\_\_\_\_\_\_ combines the advantages of a partnership and a C corporation. 27) \_\_\_\_\_\_

A) subchapter S corporation

B) subchapter K corporation

C) limited partnership

D) general partnership

E) sole proprietorship

Page Ref: 235

28) Financial management deals with two things—managing a company's finances and: 28) \_\_\_\_\_\_

A) raising money

B) production management

C) inventory control

D) supply chain management

E) operations management

Page Ref: 255

29) The four main financial objectives of a firm are: 29) \_\_\_\_\_\_

A) efficiency, effectiveness, strength, and flexibility

B) success, strength, liquidity, and profitability

C) power, success, efficiency, and effectiveness

D) control, effectiveness, liquidity, and power

E) profitability, liquidity, efficiency, and stability

Page Ref: 256

30) \_\_\_\_\_\_\_\_ is a company's ability to meet its short-term financial obligations. 30) \_\_\_\_\_\_

A) Profitability

B) Liquidity

C) Effectiveness

D) Stability

E) Efficiency

Page Ref: 256

31) A company's ability to productively utilize its assets relative to its revenue and its profits is referred to as: 31) \_\_\_\_\_\_

A) efficiency

B) liquidity

C) stability

D) effectiveness

E) profitability

Page Ref: 256

32) The strength and vigor of a firm's overall financial posture is referred to as: 32) \_\_\_\_\_\_

A) stability

B) efficiency

C) effectiveness

D) profitability

E) liquidity

Page Ref: 256

33) \_\_\_\_\_\_\_\_ depict relationships between items on a firm's financial statements. 33) \_\_\_\_\_\_

A) Fiscal relations

B) Financial proportions

C) Fiscal projections

D) Monetary balances

E) Financial ratios

Page Ref: 257

34) \_\_\_\_\_\_\_\_ are projections for future periods based on forecasts and are typically completed for two to three years into the future. 34) \_\_\_\_\_\_

A) Pro forma financial statements

B) Chronological financial statements

C) Historical financial statements

D) Concurrent financial statements

E) Ad-hoc financial statements

Page Ref: 259

35) A(n) \_\_\_\_\_\_\_\_ is a snapshot of a company's assets, liabilities, and owners' equity at a specific point in time. 35) \_\_\_\_\_\_

A) income statement

B) effectiveness statement

C) statement of cash flows

D) efficiency statement

E) balance sheet

Page Ref: 261

36) Real estate, buildings, equipment and furniture are classified as \_\_\_\_\_\_\_\_ on a company's balance sheet. 36) \_\_\_\_\_\_

A) intermediate term assets

B) permanent assets

C) fixed assets

D) current assets

E) other assets

Page Ref: 263

37) Cash plus items that are readily convertible to cash, such as accounts receivable, marketable securities, and inventories are classified as \_\_\_\_\_\_\_\_ on a firm's balance sheet. 37) \_\_\_\_\_\_

A) temporary assets

B) current assets

C) fixed assets

D) other assets

E) intermediate term assets

Page Ref: 263

38) **You are in the handbook manufacturing business. The selling price for a handbook is $50 — the cost of manufacturing per handbook (variable costs) is $25. The monthly fixed costs — rent, utilities, insurances administrative salaries is $50,000/month. What is the breakeven point?**

38) \_\_\_\_\_\_

A) 2000 B) 200 C) 20 D) 20000

Page Ref:

39) Jenny Templeton is preparing to launch a home security firm. The team of people that will launch Jenny's firm are as follows: Jenny (CEO), Brent (VP-Finance), Carrie (VP-Sales), a four-person Board of Directors, a five-person Board of Advisors, and Jenny's primary investor, who will assume an advisory role. The group of people that will launch Jenny's firm is called its: 39) \_\_\_\_\_\_

A) startup troop

B) startup squad

C) new venture team

D) startup cadre

E) new venture panel

Page Ref: 290

40) 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: 40) \_\_\_\_\_\_

A) liability of newness

B) liability of preparedness

C) burden of novelty

D) burden of freshness

E) millstone of innovation

Page Ref: 291

41) The high failure rate among new ventures is due in part to the liability of newness, which refers to the fact that new companies often falter because: 41) \_\_\_\_\_\_

A) the founders of the firms underestimate the complexities involved with starting a new business and they don't move quickly enough to establish business partnerships

B) the founders of the firms underestimate the complexities involved with starting a new business and the firms lack a "track record" with outside buyers and sellers

C) the people who start the firms can't adjust quickly enough to their new roles and the firms lack a "track record" with outside buyers and sellers

D) the people who start the firms can't adjust quickly enough to their new roles and they are underfunded

E) they are underfunded and the founders of the firms don't move quickly enough to put together boards of directors and boards of advisors that can provide them direction and advice

Page Ref: 291

42) The members of heterogeneous teams are: 42) \_\_\_\_\_\_

A) sometimes diverse in terms of their abilities and experiences and sometimes similar along the same dimensions

B) diverse in terms of their abilities and experiences

C) diverse in terms of their experiences, but very similar in terms of their abilities

D) similar in terms of their abilities and experiences

E) diverse in terms of their abilities, but very similar in terms of their experiences

Page Ref: 294

43) The members of homogeneous teams are: 43) \_\_\_\_\_\_

A) similar in terms of their abilities and experiences

B) diverse in terms of their abilities, but very similar in terms of their experiences

C) diverse in terms of their abilities and experiences

D) sometimes diverse in terms of their abilities and experiences and sometimes similar along the same dimensions

E) diverse in terms of their experiences, but very similar in terms of their abilities

Page Ref: 294

44) According to the textbook, prior entrepreneurial experiences: 44) \_\_\_\_\_\_

A) is one of the most consistent predictors of future entrepreneurial performance in service firms but not in manufacturing firms

B) is one of the poorest predictors of future entrepreneurial performance

C) is one of the most consistent predictors of future entrepreneurial performance for entrepreneurs under 50 years of age but not for entrepreneurs over 50 years of age

D) is one of the most consistent predictors of future entrepreneurial performance

E) has no relationship to future entrepreneurial performance

Page Ref: 295

45) 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. 45) \_\_\_\_\_\_

A) expertise report

B) talent report

C) skills profile

D) abilities profile

E) talent summary

Page Ref: 296

46) 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. 46) \_\_\_\_\_\_

A) board of directors

B) board of advisors

C) accountability panel

D) review team

E) team of advisors

Page Ref: 300

47) A board of directors has three formal responsibilities: 47) \_\_\_\_\_\_

A) provide funding to the firm, write the firm's strategic plan, and submit the firm's annual report to the Securities & Exchange Commission

B) periodically update the firm's business plan, declare dividends, and write the firm's marketing plan

C) write the firm's strategic plan, declare dividends, and conduct the annual meeting

D) appoint the officers of the firm, declare dividends, and oversee the affairs of the corporation

E) appoint the officers of the firm, conduct the annual meeting, and submit the firm's annual report to the Securities & Exchange Commission

Page Ref: 300

48) 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): 48) \_\_\_\_\_\_

A) advisory board

B) analysis panel

C) suggestion panel

D) accountability panel

E) discussion board

Page Ref: 302

49) According to the textbook, many entrepreneurs go about the task of raising capital haphazardly because: 49) \_\_\_\_\_\_

A) they are uncomfortable talking about money and they haven't written a business plan

B) they haven't completed a feasibility analysis or business plan

C) they are focused on the nuts and bolts of starting their business

D) they lack experience in this area and because they don't know much about their choices

E) they are intimidated by the process and they are unsure of how much money they need

Page Ref: 321

50) The three reasons startups need funding are: 50) \_\_\_\_\_\_

A) business research, cash flow challenges, and costs associated with building a brand

B) bonuses for members of the new venture team, marketing research, and personnel costs

C) attorney fees, capital investments, and marketing research

D) bonuses for members of the new venture team, attorney fees, and lengthy product development cycles

E) cash flow challenges, capital investments, and lengthy product development cycles

Page Ref: 321

51) Peter Simmons owns an electronic games company. Although Peter's game designers and programmers are very good, it takes 2-3 years to develop a good electronic game. This example illustrates the need for funding or financing referred to as: 51) \_\_\_\_\_\_

A) personnel costs

B) costs associated with building a brand

C) cash flow challenges

D) marketing costs

E) lengthy product development cycles

Page Ref: 322

52) According to our textbook, the seed money that gets a company off the ground typically comes from: 52) \_\_\_\_\_\_

A) governmental agencies

B) angel investors

C) the founders of the firm

D) venture capitalists

E) commercial banks

Page Ref: 323

53) According to the textbook, beyond their own funds, the second source of funds for many new ventures is: 53) \_\_\_\_\_\_

A) banks

B) venture capital

C) business angels

D) government grants

E) friends and family

Page Ref: 323

54) Amy Clark just opened a soup and salad restaurant near Golden Gate Park in San Francisco. Rather than borrow money or raise funds from investors, Amy used her creativity and ingenuity and figured out how to get her business up and running without the need for external funding. Amy is utilizing a technique referred to as: 54) \_\_\_\_\_\_

A) networking

B) bootstrapping

C) prospecting

D) reaching

E) scrounging

Page Ref: 324

55) Equity financing (or funding) means: 55) \_\_\_\_\_\_

A) getting a grant or outright gift

B) getting a loan guarantee

C) getting a lease

D) getting a loan

E) exchanging partial ownership in a firm, usually in the form of stock, for funding

Page Ref: 325

56) Which of the following set of characteristics places a startup in the strongest position to apply for equity funding? 56) \_\_\_\_\_\_

A) strong cash flow, high leverage, low-to-moderate growth, unproven management

B) weak cash flow, high leverage, low-to-moderate growth, unproven management

C) unique business idea, high growth, niche market, proven management

D) strong cash flow, low leverage, audited financials, good management, healthy balance sheet

E) unique business idea, strong cash flow, low-to-moderate growth, broad market

Page Ref: 326

57) A brief carefully constructed statement that outlines the merits of a business opportunity is called a(n): 57) \_\_\_\_\_\_

A) sway speech

B) teaser speech

C) subway speech

D) elevator speech

E) bootstrap speech

Page Ref: 326

58) According to the textbook, the unique value provided by business angels is: 58) \_\_\_\_\_\_

A) they are willing to make relatively large investments

B) they are easy to find

C) they require a fairly low rate of return on their money

D) they invest money but typically don't take a seat on a company's board of directors

E) they are willing to make relatively small investments

Page Ref: 329

59) \_\_\_\_\_\_\_\_ are limited partnerships of money managers who raise money in "funds" to invest in startups and growing firms. 59) \_\_\_\_\_\_

A) Business angels

B) Institutional investors

C) Investment bankers

D) Venture capital firms

E) Business capitalists

Page Ref: 330

60) Debt financing involves: 60) \_\_\_\_\_\_

A) getting a loan or selling corporate bonds

B) getting a grant or selling corporate bonds

C) selling corporate bonds or selling stock via an IPO

D) getting a loan or raising venture capital

E) raising venture capital or securing a private placement

Page Ref: 336

61) Historically, commercial banks: 61) \_\_\_\_\_\_

A) have not funded startup firms at all

B) have been a good source of funds for startup firms

C) have been a good source of funds for manufacturing firm startups but not for service firm startups

D) have not been a good source of funds for startup firms

E) have been a good source of funds for service firm startups but not for manufacturing firm startups

Page Ref: 337

62) There are two major advantages of getting a loan versus investment capital: 62) \_\_\_\_\_\_

A) the money doesn't have to be paid back and no ownership in the firm is surrendered

B) banks are reliable sources of funding for startups and lenders typically take an active interest in borrowers

C) banks are reliable sources of funding for startups and interest payments are tax deductible

D) the money doesn't have to be paid back and lenders typically take an active interest in their borrowers

E) no ownership in the firm is surrendered and interest payments are tax deductible

Page Ref: 338

63) The major advantage of leasing is that: 63) \_\_\_\_\_\_

A) a lease agreement is easier to negotiate than a purchase agreement

B) it is easier to obtain credit on a lease than a purchase

C) it enables a company to have access to average or above average facilities and equipment

D) it is cheaper in the long run than purchasing

E) it enables a company to acquire the use of assets with little or no down payment

Page Ref: 339

1) C

2) E

3) A

4) A

5) A

6) C

7) D

8) D

9) A

10) E

11) B

12) B

13) C

14) E

15) A

16) E

17) E

18) D

19) B

20) C

21) B

22) A

23) D

24) E

25) B

26) A

27) A

28) A

29) E

30) B

31) A

32) A

33) E

34) A

35) E

36) C

37) B

38) A

39) C

40) A

41) C

42) B

43) A

44) D

45) C

46) A

47) D

48) A

49) D

50) E

51) E

52) C

53) E

54) B

55) E

56) C

57) D

58) E

59) D

60) A

61) D

62) E

63) E