Multiple Choice
Identify the letter of the choice that best completes the statement or answers the question.

1. Which of the following is classified as an entrepreneur?
   a. A manager in a large corporation
   b. A financial manager in a small firm
   c. An owner-manager who bought out the founder of a firm
   d. A salaried technician in a rapidly-growing high-tech firm

2. The size standard for small business used in the textbook would exclude firms that
   a. have more than 10 employees.
   b. have more than 100 employees.
   c. have more than two owners.
   d. sell products or services outside the local community.

3. Miriam Motif is an example of Stanley and Danko’s *The Millionaire Next Door*. She is ____ more times likely to be a millionaire than those who work for others.
   a. two
   b. four
   c. ten
   d. forty

4. Sally Forthright, a single mother, opened a florist shop to support her family after losing her job in a corporate layoff. She is ____.
   a. a woman without a portfolio
   b. a parental refugee
   c. a reluctant entrepreneur
   d. an independent refugee

5. Characteristics of artisan entrepreneurs include all of the following EXCEPT:
   a. They are paternalistic.
   b. They are good delegators.
   c. They use few capital resources.
   d. Their time orientation is short.

6. A small firm that is profitable but provides only a very modest return to the entrepreneur is
   a. an attractive small company.
   b. a high-potential venture.
   c. a franchise.
   d. a microbusiness.

7. A woman wants to start a construction company. She should realize that
   a. women have never successfully started construction businesses having more than two or three employees.
   b. people (for example, some male loan officers) may not take her seriously simply because she is a woman.
   c. it will be impossible for her to break into the "good old boy network".
   d. gender differences are a fact of life (for example, construction is a male industry, beauty shops are usually female owned, and so on), and therefore she should stay with the pattern.
8. Given that they often compete against powerful companies, it is imperative that entrepreneurs
   a. try to make their businesses as large as capital will permit.
   b. achieve a level of complacency that will allow them to maintain their sanity.
   c. exploit the opportunities that are available to them.
   d. consider diversifying into multiple markets to protect against bankruptcy.

9. Compared to their larger competitors, small firms may be better positioned to provide good customer service
   because they
   a. do not struggle as much with bureaucracy.
   b. tend to have established corporate policies that emphasize a customer focus.
   c. have a narrow range of products or services to offer.
   d. refuse to be distracted by other developments in the industry.

10. A professor of entrepreneurship is trying to identify students who are the best prospects for entrepreneurial
    careers. Based on prior research and especially the work of J. B. Rotter, she is looking for students having a
    a. high external locus of control.
    b. low external locus of control.
    c. high internal locus of control.
    d. low internal locus of control.

11. One drawback of entrepreneurship is the
    a. routine and boring work.
    b. requirement that the business pay a minimum wage.
    c. need to participate in civic activities.
    d. risk of business failure.

12. A small business’s advantages of finding a special niche include all of the following EXCEPT:
    a. avoiding intense competition
    b. serving a particular geographic
    c. having room for expansion
    d. diminishing overall profitability

13. A prospective small business owner wonders what types of ethical problems may prove most difficult. If the
    business is typical, the owner should realize that problems are most likely to relate to
    a. environmental issues.
    b. relationships with customers and competitors.
    c. human resource decisions.
    d. banking relationships.

14. Ethical issues
    a. seldom involve legal issues.
    b. are questions of right and wrong.
    c. are always clearly defined.
    d. often resolve themselves.

15. Marc Katz is an example of
    a. how an employee’s integrity can contribute to a business’s success.
    b. how an entrepreneur’s integrity contributes to a business’s success.
    c. how a customers’ lack of integrity can affect the operations of a firm.
    d. how an entrepreneur’s lack of integrity can cause a business failure.

16. When Jean Romano lost her job at Deepcanyon.com, she
    a. felt the firm lacked integrity how it managed its employees.
    b. sued the firm for being summarily dismissed without explanation for cause.
    c. started her own successful employment agency based on her experience there.
    d. believed that the firm dealt fairly with her regarding the closure of the business.
17. A code of ethics becomes increasingly appropriate and necessary as a small business
   a. expands its credit sales and acquires more customers who buy on credit.
   b. begins to market products in other countries.
   c. grows larger, with a consequent lessening of the owner's personal influence.
   d. increases borrowing to the extent that one-third of its assets are financed by borrowing.

18. In drawing up a code of ethics, a small business owner should adopt a code
   a. provided by the Ethics Resource Center of Washington, D.C.
   b. that outlines ethical principles and gives examples.
   c. that outlines ethical principles but avoids examples.
   d. suggested by the Better Business Bureau.

19. Bait advertising attempts to
   a. conceal product defects.
   b. lure customers with the intention of selling them a different product.
   c. use customer service as an incentive to buy a product.
   d. persuade users to purchase products that may be injurious to their health or welfare.

20. The viewpoint expressed in the textbook is that social responsibility should be recognized by
   a. manufacturing firms in particular, since they tend to pollute more.
   b. businesses that operate in communities with greater social needs.
   c. small businesses.
   d. any firm that wants to make profits quickly.

21. The ethical standards of entrepreneurs
   a. are unaffected by profit motives.
   b. are affected by profit motives.
   c. are seldom challenged by real-world events.
   d. are higher overall than those of corporate managers.

22. An example of an industry especially vulnerable to efforts to protect the environment is the ____ industry.
   a. glass manufacturing
   b. military construction
   c. restaurants
   d. pet-food processing

23. Raymond Cassion, a café owner, is also a member of the city council. Cassion believes that a proposed
   ordinance requiring restaurants in the city to be smoke-free would be good for consumers. Cassion's vote for
   the proposed ordinance would
   a. create an unfair advantage for his restaurant.
   b. increase operating costs for his restaurant.
   c. aid most consumers without handicapping any particular restaurant in the city.
   d. run contrary to the whole idea of social responsibility.

24. If a student copies his favorite record album and gives it away to a friend to use, the student is engaged in the
   theft of ____ property.
   a. collective
   b. intangible
   c. intellectual
   d. real
25. Questions that a would-be entrepreneur should consider before deciding to implement a startup include all but which of the following?
   a. Will I acquire the benefit of the experience of the prior owner?
   b. How do I identify a genuine opportunity?
   c. What are some of sources for new ideas?
   d. What are the different types of startup ideas I should consider?

26. As described in the textbook, a Type C idea involves
   a. a technically new process.
   b. performing an old function in a new and improved way.
   c. using prior work experience as a basis for starting a new business.
   d. providing customers with a product or service absent in their market but available elsewhere.

27. According to a study by the National Federation of Independent Business Foundation, the most common source of new product ideas for small business startups is
   a. prior work experience.
   b. personal interests and hobbies.
   c. a chance happening.
   d. existing records of a business.

28. Which of the following is a recognized segment of the general environment?
   a. The industry segment
   b. The global segment
   c. The information segment
   d. The human factors segment

29. Which of the following is one of the factors that determines the nature and degree of competition in an industry, as identified by Michael Porter in his book *Competitive Advantage*?
   a. The interest of small businesses
   b. Bargaining power of competitors
   c. Threat of substitute products or services
   d. The macroeconomy

30. Competitive advantage in an industry is protected by
   a. barriers to entry.
   b. potential substitute products.
   c. intra-industry competition.
   d. deregulation.

31. According to Peter Drucker, the means by which the entrepreneur either creates new wealth-producing resources or endows existing resources with enhanced potential for creating wealth is
   a. creativity.
   b. innovation.
   c. capital spending.
   d. collaborating with competitors.

32. A(n) ___ exists when multiple resources are integrated and then deployed to the firm's advantage.
   a. networked resource
   b. common intangible
   c. capability
   d. industry edge
33. A differentiation-based strategy requires that a firm
   a. be the lowest-cost provider in an industry.
   b. emphasize the uniqueness of its product or services.
   c. achieve the highest resource efficiency in an industry.
   d. be the lowest-priced competitor in an industry.

34. Which of the following does not indicate a focus strategy?
   a. Strict concentration on a single subset of customers
   b. Concentration on a single product
   c. Concentration on multiple products for the total market
   d. Restriction to a single geographical region

35. According to Michael Porter, a focus strategy can erode when
   a. the strategy is protected.
   b. the target segment's differences from other segments narrow.
   c. new firms reconstruct the industry.
   d. demand for the product grows and thus attracts new competitors.

36. Which of the following is a cause for erosion of a small firm's focus strategy?
   a. Consumer demand grows
   b. New firms reconstruct the industry
   c. Differences between segments grow larger
   d. The focus strategy is imitated

37. Which of the following franchisors has a well-implemented franchisee training program?
   a. Snap-on-Tools
   b. WFC
   c. CleanNet USA
   d. McDonalds

38. An entrepreneur would choose a franchise over an independent startup most likely because of the
   a. decision freedom it provides.
   b. guidance it provides for organizational structure.
   c. high probability of success.
   d. opportunities to meet and share ideas with other executives.

39. Government publications offering information about franchises include
   a. Franchise Opportunities Handbook.
   b. Successful Franchising.
   c. Franchising Today.

40. One primary source of information for a potential franchisee should be
   a. the franchisor being evaluated.
   b. the franchisor's suppliers.
   c. other parties considering the same franchisor.
   d. other franchisors.

41. Traditionally, U.S. franchisers have done most of their international franchising in
   a. Canada.
   b. Japan.
   c. Mexico.
   d. China.
42. Why would a businessperson wish to become a franchisor?
   a. Reduction of capital requirements
   b. Reduction in control
   c. Sharing of profits
   d. Increase in operating support

43. All of the following are benefits of becoming a franchisee except
   a. increase in management motivation.
   b. speed of expansion.
   c. reduction of capital requirements.
   d. reduction in control.

44. Which of the following is least likely to have an unbiased interest in having a prospective franchisee sign a franchise contract?
   a. Investment banker
   b. Franchise consultant
   c. Franchisor
   d. Legal counsel

45. What accounts for the increase in operating support when an independent business expands by becoming a franchisor?
   a. Accounting and legal services
   b. Information technology demands
   c. The need for decentralization
   d. Coordination requirements

46. One of the most important features of the franchise contract is the provision related to
   a. the sale or transfer of the franchise to a government entity.
   b. changes in management.
   c. termination and transfer of the franchise.
   d. termination of contracts with suppliers.

47. Most franchise experts recommend that the UFOC be examined carefully by
   a. regulators that specialize in such documents.
   b. a franchise attorney and an accountant.
   c. everyone associated with the potential startup.
   d. suppliers that may be used if the startup is successful.

48. Entrepreneur Carrie McAbee’s purchase of a Hair Diamond kiosk franchise is an example of
   a. how an entrepreneur’s lack of due diligence can lead to business failure.
   b. the opportunities that piggyback franchises offer to entrepreneurs.
   c. how important franchisor support can be to a franchisee’s success.
   d. why marginal businesses do not make good franchise opportunities.

49. In which of the following cases is the business best described as a family business?
   a. The total investment comes from one owner.
   b. The son works in the business part-time during the school year and full-time during the summer.
   c. The firm is extremely small, with less than $100,000 annual sales revenue.
   d. The owner treats the business as a "cash cow," using its income to pay college tuition for her children.
50. A primary benefit deriving from the strength of family relationships is the willingness of family members to
a. adopt new operating methods when needed.
b. act generously in compensating nonfamily employees.
c. sacrifice salaries and dividends when necessary.
d. emphasize short-run profits.

51. From the children's standpoint, one common reason that they may be reluctant to join the family firm is
a. teenage rebellion.
b. a desire to prove their abilities in another company.
c. a desire to make a higher rate of pay.
d. a desire to help the parent avoid favoritism.

52. The spouse of the head of a family business may serve the family firm by
a. making impartial decisions on controversial business matters.
b. filling the role of a company director.
c. mediating family disputes.
d. staying out of the business.

53. In-laws create complications in a family business
a. rarely, since they only married into the family.
b. only if they are employed in the firm.
c. only if they are directly competing against another family member for a promotion.
d. because the more family members become involved in the firm (even indirectly), the
   more difficult the fairness issue becomes.

54. The entrepreneur's spouse tends to function as worrier for the family business, especially if
a. in-laws are employed in the firm.
b. a child is being groomed for future leadership.
c. the entrepreneur does not communicate sufficiently.
d. several children are interested in the business.

55. Which of the following is the most appropriate and useful role for the entrepreneur's spouse in maintaining
good family relationships in a business?
a. Worrier
b. Listener
c. Evaluator
d. Appeals judge

56. To protect the interests of both the family and the business in a family business, the owner should
a. recognize a basic obligation to supply the family with jobs of some type.
b. refuse to hire family members but, instead, reward them with dividends.
c. keep management simple by personally making all personnel decisions affecting family
   members.
d. identify the positions, if any, that are reserved for members of the family.

57. A family retreat is designed to
a. bring family members together to openly discuss business matters.
b. focus on business matters while avoiding extensive communication.
c. control the lines of communication.
d. announce the latest policy decisions.

58. The son or daughter begins to function as a part-time employee in a family business during the
a. pre-business stage.
b. introductory stage.
c. introductory functional stage.
d. early succession stage.
59. A successor assumes a supervisory position in a family firm in the  
   a. introductory functional stage.  
   b. functional stage.  
   c. advanced functional stage.  
   d. early succession stage.  

60. The Gaylors’ succession plan for Al’s Formal Wear  
   a. was clearly developed and successful.  
   b. created frustrations for their four children.  
   c. was developed too late to save the firm from failure.  
   d. caused the firm to dissolve into two separate business entities.  

61. A business plan should generally project financial and operational aspects of the proposed business for the first  
   a. six months.  
   b. one year.  
   c. three to five years.  
   d. seven years.  

62. Writing a business plan should be thought of as  
   a. the means to an end product.  
   b. an ongoing process.  
   c. an absolute essential to the startup of businesses.  
   d. a mental exercise.  

63. One aid to assure the understanding of a new business opportunity is a  
   a. charter.  
   b. written business plan.  
   c. computer.  
   d. partner.  

64. In the context of business planning, a prospectus is viewed as a  
   a. financial system.  
   b. way to guarantee that every employee in the startup knows his or her role in the company.  
   c. marketing document used to solicit investors’ monies.  
   d. methodology that defines the way every aspect of the business is to be run.  

65. Both investors and lenders use the business plan to better understand the  
   a. type of product or service offered by the new venture.  
   b. probability that interest rates will rise or fall in the future.  
   c. potential of other competitors in the same line of business.  
   d. range of business opportunities available at a given point in time.  

66. Experience has shown that an effective plan should  
   a. be very long.  
   b. be encyclopedic in detail.  
   c. be brief.  
   d. emphasize budgets above all else.  

67. The executive summary in a business plan should come  
   a. at the beginning.  
   b. at the end.  
   c. following the finance section.  
   d. following the marketing section.
68. The marketing plan should follow the establishment of user benefits and document the existence of
   a. sources of financing.
   b. managerial experience.
   c. customer interest.
   d. patent protection.
69. In a business plan, discussion of the management plan should detail
   a. the proposed venture's organizational structure.
   b. profiles of employee needs during the first three years of operation.
   c. the projected growth of the proposed venture.
   d. the intended distribution of ownership in the firm.
70. The big picture includes all of the following EXCEPT:
   a. the management team.
   b. the regulatory environment.
   c. interest rates.
   d. inflation.
71. To facilitate preparation of the financial portion of a business plan and the making of changes in the plan, the
   writer should use
   a. a sample plan.
   b. a plan preparation manual.
   c. an annuity table.
   d. a computer.
72. Which of the following is least likely to provide assistance in preparing a business plan?
   a. An accounting firm
   b. An incubator organization
   c. An industrial park
   d. A marketing specialist
73. Small business marketing involves a number of activities, including
   a. preparing, communicating, and delivering a bundle of satisfaction to a target market.
   b. planning for optimal production efficiency.
   c. identifying alternative technologies.
   d. establishing a sales-oriented marketing philosophy.
74. The consumer-oriented approach to marketing
   a. is just one more business philosophy.
   b. focuses solely on customer satisfaction.
   c. recognizes first and foremost the need for attaining production efficiency goals.
   d. the generally preferred philosophy for all types of businesses.
75. The market analysis section of the marketing plan should include
   a. sales options.
   b. a customer profile.
   c. a statement of marketing tendencies.
   d. a summary of market philosophies.
76. The marketing plan should include
   a. a competitor analysis.
   b. a summary of market assumptions.
   c. an analysis of alternative markets.
   d. a sales forecast broken down by government industrial classifications.
77. The areas of marketing strategy that should be addressed within the marketing plan are
   a. promotional, pricing, distribution, and product/service plans.
   b. promotional and pricing plans.
   c. promotional and distribution plans.
   d. promotional, pricing, and distribution plans.
78. Richard Hagelberg changed the name of his company because
   a. he failed to protect its name by trademarking it.
   b. the name of the company didn’t make a positive contribution to sales.
   c. he had chosen a name that was already trademarked.
   d. he wanted to capitalize on the name recognition associated with his Olympic gold medals.
79. In an effort to ascertain the average dollar amount of credit card purchases at their store, managers of
   Component City, a stereo and appliance dealer, reviewed in-store copies of credit card sales receipts from the
   previous three months to evaluate the store's credit card acceptance policies. Component City's managers are
   conducting marketing research by collecting and analyzing
   a. primary data.
   b. observational data.
   c. questioning data.
   d. secondary data.
80. Techniques used to collect primary data are often classified as _____ and _____ methods.
   a. internal/external
   b. observational/questioning
   c. exploratory/descriptive
   d. focus/comprehensive
81. Mary Delany, owner of Delany Salsas, is curious to know whether the new packaging for her line of salsas is
   being noticed by supermarket consumers. Accordingly, she ventures out to the local supermarket and
   passively watches the reactions of shoppers as they pass by one of the many Delany Salsas displays. Mary
   Delany is collecting _____ data through _____ methods.
   a. secondary/observational
   b. primary/questioning
   c. primary/observational
   d. secondary/questioning
82. Marlene Carlson selected a ____ strategy when she chose to market her Puzzle Toes product to parents with
   young children.
   a. demographic
   b. multi-segment
   c. single-segment
   d. unsegmented
83. A ____ estimates how much of a product or service will be purchased within a market over a defined period
   of time.
   a. market forecast
   b. market analysis
   c. sales forecast
   d. sales analysis
84. Ideas Unlimited is a recently established consulting firm that specializes in providing retailers with information about regional sales trends. Typically, retail establishments are classified into three categories (specialty, niche, and general retailers). The current CEO of Ideas Unlimited wants to know the estimated demand in the market for its services. Accordingly, she instructs the firm's marketing department to identify all buyers in each category of retailers and derive a full demand assessment. The CEO is requesting a market demand estimate based on the
   a. breakdown forecasting process.
   b. aggregate forecasting process.
   c. buildup forecasting process.
   d. indirect forecasting process.

85. A disadvantage of a sole proprietorship is
   a. the complexity of the organization.
   b. the cost of starting the business.
   c. the lack of limits on personal liability.
   d. the difficulty of distribution.

86. In a partnership, each partner has agency power, which means that
   a. upon the death of one partner, the remaining partners can operate the business.
   b. a partner can legally bind all members of the firm.
   c. an executor can act as a partner.
   d. a partner can compete in business and remain a partner.

87. Which of the following entities is liable for a corporation's debts?
   a. Stockholders
   b. Board of directors
   c. The corporation itself
   d. The corporation's president

88. A corporate charter should
   a. be detailed.
   b. be in accord with state law.
   c. include bylaws.
   d. indicate profit potential.

89. Stockholders have limited liability unless they
   a. are active in the management of the corporation.
   b. personally endorse company notes.
   c. own preferred stock.
   d. convert their shares to partnership status.

90. A strong partnership requires that partners who
   a. are honest, healthy, capable, and contribute assets to the partnership.
   b. honest, healthy, capable, and compatible with the other partners.
   c. honest, healthy, capable, and legally unencumbered.
   d. honest, healthy, capable, and willing to participate actively in the partnership.

91. Ownership in a corporation
   a. is difficult to transfer.
   b. is more easily transferable than ownership in other forms of organization.
   c. is transferred in much the same way as stock in a partnership.
   d. noticeably affects the operation of the business.
92. In a limited partnership, which of the following remains bound by all debts of the business?
   a. Limited partner
   b. Special partner
   c. Partner with the greatest capital investment
   d. General partner

93. Max Baer chose to operate his production studio as a sole proprietorship even though his attorney cautioned that he was
   a. reducing its overall profit potential.
   b. increasing his taxable income.
   c. exposing himself to unlimited personal liability.
   d. violating an existing partnership agreement.

94. Section 1244 stock somewhat protects the stockholder in a corporate failure
   a. by guaranteeing its par value against corporate assets.
   b. by converting to a redeemable bearer bond if the corporation fails.
   c. because the loss may be treated as an ordinary tax-deductible loss.
   d. because its value must be backed by Treasury securities.

95. Lauren Hassell, a partner in Jales & Jales Bonding Company, manages its day-to-day operations. She is considered to be a ____ partner.
   a. directing
   b. general
   c. limited
   d. operating

96. The limited liability company form of organization
   a. avoids the double taxation of C corporations.
   b. affords less protection from liability than partnerships.
   c. is a poor choice for new businesses.
   d. can offer stock incentives to employees.

97. For small service or retail businesses, the top priority in location decisions is
   a. personal preference.
   b. resource availability.
   c. customer accessibility.
   d. environmental conditions.

98. Roger Hemingway is analyzing regional differences in seeking a location for a new firm. He just read a Wall Street Journal article that ranked states according to the favorability of tax laws. Based on this information, he has decided to give further attention to one of the best states, which is
   a. Wyoming.
   b. Massachusetts.
   c. Ohio.
   d. New York.

99. Which of the following is not an environmental condition affecting selection of a business location?
   a. Competition
   b. Weather and climate
   c. Laws and regulations
   d. Raw material availability
100. Basic considerations that enter into the selection of a location for a manufacturing business normally include
   a. availability of raw materials.
   b. customer accessibility.
   c. neighborhood conditions.
   d. federal income taxes.

101. In a location decision, the raw materials availability factor is particularly important for a
   a. CPA.
   b. manufacturer.
   c. management consultant.
   d. venture capitalist.

102. A new business might best begin
   a. in a foreign country.
   b. in a business incubator.
   c. in the classroom setting.
   d. at the start of a tax year.

103. Drill presses or lathes would be grouped together in a
   a. process layout.
   b. product layout.
   c. grid layout.
   d. continuous-flow layout.

104. Harry Hardwick is starting a job-order machine shop and is buying such used equipment as lathes, planing mills, and drill presses. The equipment he plans to use is
   a. special-purpose equipment.
   b. automated equipment.
   c. general-purpose equipment.
   d. product-layout equipment.

105. Helen Artz is planning to open a high-fashion clothing store for young professional women. She knows that the fixtures she acquires for the store should be
   a. economical.
   b. elegant.
   c. practical.
   d. feminine.

106. The traditional physical store is sometimes referred to as the ____ store.
    a. classic commerce
    b. real experience
    c. tangible alternative
    d. bricks-and-mortar

107. The Internet has brought new life and technology to the old-fashioned notion of
    a. customer service.
    b. the "push sell".
    c. the firm's production orientation.
    d. strategic management.

108. John Pearson created Acme Online to allow paper suppliers to compete for manufacturers' orders over the Internet in live auctions. This model would best be described as
    a. consumer-to-business.
    b. business-to-consumer.
    c. business-to-business.
    d. consumer-to-consumer.
109. The ___ shows the results of a firm's operations over a period of time, usually one year.
   a. income statement
   b. balance sheet
   c. statement of cash flow
   d. statement of financial position

110. Other assets include
   a. land
   b. machinery
   c. contingency funds
   d. goodwill

111. Other assets would include all of the following except
   a. startup costs
   b. patents
   c. copyrights
   d. inventories

112. The amount of the business owners' initial investment, owners' later investment in the business, and retained earnings comprise
   a. debt capital
   b. accrued expenses
   c. owners' long-term debt
   d. owners' equity capital

113. An increase in assets on the balance sheet will result in
   a. an increase in ownership equity or outstanding debt
   b. a decrease in ownership equity or outstanding debt
   c. a decrease in ownership equity and an increase in outstanding debt
   d. an increase in ownership equity and a decrease in outstanding debt

114. The value of a depreciable asset
   a. is constant over time
   b. increases with each use of the asset
   c. decreases over time
   d. increases over time

115. The computation of cost of goods sold and operating expenses is based on all of the following except
   a. the cost of goods sold
   b. general and administrative expenses
   c. the firm's interest expense
   d. depreciation expenses

116. Essential elements in the forecasting of profits include all of the following EXCEPT
   a. amount of sales levels
   b. cost of goods and operating expenses
   c. additional owner equity
   d. interest expense

117. If a retailer's estimated sales are $1 million and assets in the firm's industry tend to run about 25 percent of sales, the retailer should maintain assets of
   a. $250,000
   b. $500,000
   c. $4,000,000
   d. $25,000,000
118. The owners of small firms have a tendency to ____ the amount of capital their business requires.
   a. downplay
   b. ignore
   c. overestimate
   d. underestimate

119. If a firm’s current ratio improves from 1.5 to 2.0, what has likely happened?
   a. Current liabilities have decreased
   b. Fixed assets have increased
   c. Ownership equity has increased
   d. Long-term debt has decreased

120. A ____ shows the level that sales must reach before profitability is achieved.
   a. break-even case
   b. gross margin case
   c. most likely (base case)
   d. sales-to-profit case

121. When entrepreneurs "bootstrap" their financing, this means that they are
   a. enhancing the "corporate image" of their enterprise by the way they raise capital.
   b. depending on their own initiative to come up with the capital necessary to start up and
grow.
   c. subordinating future capital formation to short-term financial performance.
   d. waiting to establish a reputation in the marketplace before raising the bulk of their
capital.

122. Typical venture capitalists invest approximately ____ of their investment in later-stage businesses.
   a. one-fourth
   b. one-half
   c. three-fourths
   d. nearly all

123. When bankers look for evidence of whether a business will be able to repay a loan, they usually base their
assessment of this on
   a. what the firm has done in the past.
   b. what the owner says the firm will do in the future.
   c. the opinion of investment analysts.
   d. the business plan of the enterprise.

124. When it comes to choosing between debt and equity financing,
   a. there is always a right or wrong answer.
   b. there is never a right or wrong answer.
   c. there will never be a way to tell whether the small business owner made a wise decision.
   d. the decision should always be market-driven.

125. Equity investors cannot demand more than
   a. those who have invested debt in the enterprise.
   b. what is earned.
   c. anticipated future financing.
   d. established cash flows.
126. If the firm’s rate of return on its assets is ___ than the cost of borrowing, then the owners’ rate of return on equity will ___ as the firm uses ___ debt
   a. greater, increase, less
   b. greater, decrease, more
   c. greater, increase, more
   d. less, increase, more

127. A loan covenant is very unlikely to require
   a. provision of timely and complete information.
   b. salary limitations.
   c. a personal guarantee.
   d. a fixed business strategy.

128. A ____ mortgage would likely be used to secure financing for mobile construction office.
   a. chattel
   b. real estate
   c. revolving
   d. term

129. Term loans are generally used to finance equipment with a useful life ____ the loan’s term.
   a. equal to
   b. longer than
   c. less than one-half
   d. greater than one-half

130. A balloon payment
   a. is an upfront payment to obtain a loan.
   b. is due when a loan comes due.
   c. may be due at any time during the term of a loan.
   d. is used to lift (remove) a loan covenant.

131. The federal government provides funds to small businesses through
   a. venture capital companies.
   b. the Small Business Administration.
   c. business angels.
   d. the Securities and Exchange Commission.

132. Small business investment companies (SBICs)
   a. are licensed and regulated by the Federal Trade Commission.
   b. may lend funds or supply equity funds.
   c. obtain part of their capital from local governments at attractive interest rates.
   d. provide only short-term financing.

133. The different types of transactions involving small businesses are
   a. strategic, financial, and employee acquisitions.
   b. financial, employee, and internal acquisitions.
   c. strategic, internal, and financial acquisitions.
   d. internal, external, and complex acquisitions.

134. The mere fact that a firm is earning high rates of return on the firm's asset indicates that
   a. the firm is worth more as a going concern than as a dead one.
   b. downsizing is likely to be an economically sound option for the business.
   c. it is time to start growing the business again.
   d. it might be wise to further limit the cash flows returned to investors.
135. Matt Townsend owns a car dealership that is very profitable. Since he plans to retire in 5-10 years, Townsend has decided to retain ownership for now, but without continuing to grow the business. This change would also allow him to invest for retirement some of the cash that the business is now generating. Which of the following harvesting methods does this illustrate?
   a. A delayed sellout
   b. A strategy to release the firm's free cash flows to the owners
   c. Offering stock to the public through an IPO
   d. Issuing a private placement of stock

136. From the owner's perspective, which of the following would be considered an advantage of harvesting via withdrawal of cash flows from the firm?
   a. Retaining control
   b. Preserving cash for later reinvestment
   c. Greater latitude in seeking out a buyer for the firm
   d. Increasing long-term returns from the business

137. The IPO process may be one of the most ____ experiences of an entrepreneur's life.
   a. exhilarating, frustrating, and exhausting
   b. frustrating, tempting, and exhausting
   c. tempting, exhausting, and exhilarating
   d. encouraging and nerve-wrecking

138. A leveraged buyout involves a high level of ____ financing.
   a. debt
   b. equity
   c. strategic
   d. unsecured

139. Harvesting owners generally prefer ____ over ____.
   a. cash, stock
   b. debt, equity
   c. equity, debt
   d. stock, cash

140. The value of a business is determined by
   a. what the owner believes the business is worth.
   b. what a valuation formula determines its worth is to the owner.
   c. what a valuation formula determines its worth is to the buyer.
   d. what a buyer with the cash is prepared to pay.

141. In a harvest situation, the exiting owners are usually paid in cash or
   a. tangible assets.
   b. imputed goodwill.
   c. favorable publicity.
   d. stock.

142. Uncertainties accompanying an impending sale of a business often
   a. lead to lower employee morale.
   b. attract the attention of the Securities and Exchange Commission.
   c. cause the deal to fall through.
   d. increase costs from added legal services.
143. Running a public company requires
   a. accounting records that satisfy the founder's personal accountant.
   b. a board of directors that can keep the business out of bankruptcy.
   c. managing the firm toward a track record of successful performance.
   d. a focus on a long-term exit strategy.

144. After harvesting, many entrepreneurs experience conflicts that are ____ in nature.
   a. financial
   b. practical
   c. emotional
   d. tactical

145. Which of the following is not a focus of modern CRM?
   a. Customers rather than products
   b. Changes in processes, systems, and culture
   c. All channels and media involved in the marketing effort
   d. Reductions in transactional relationships

146. Mary Adams, an independent sales contractor, recently expressed her concern about having to travel extensively in her car each day to see clients. Specifically, Adams realized that the time she spent in her car was hindering her ability to be in continuous contact with important clients. She believes the purchase of a cellular phone would allow her more freedom to conduct business outside of the office. Adams has just proceeded through the ____ stage of consumer decision making.
   a. purchase evaluation
   b. evaluative categorization
   c. problem recognition
   d. cognitive dissonance

147. Maurice has come to the conclusion that he needs increase his earning power. He is in the ____ stage of the consumer decision making process.
   a. information search and evaluation
   b. problem recognition
   c. post-purchase evaluation
   d. purchase decision

148. Linda is considering several colleges at which to finish her engineering teaching degree. She is in the ____ stage of the consumer decision making process.
   a. information search and evaluation
   b. problem recognition
   c. post-purchase evaluation
   d. purchase decision

149. An enduring opinion that is based on a combination of knowledge, feeling, and behavioral tendency is referred to as
   a. a motivation.
   b. a perception.
   c. an attitude.
   d. a cognition.

150. Attending a wedding is most likely an attempt to satisfy which category of need?
   a. physiological
   b. psychological
   c. spiritual
   d. social
151. Juan’s belief that all diet sodas taste awful is an example of
   a. cognitive dissonance.
   b. an evoked set.
   c. perceptual categorization.
   d. unilateral indifference.

152. A firm’s packaging of its product to closely resemble similar competing products is an attempt to take advantage of
   a. cognitive dissonance.
   b. need conflicts.
   c. perceptual categorization.
   d. problem evaluation.

153. June has always believed that the grocery store nearby doesn’t have fresh produce. This ____ may cause her to avoid the local store and shop at a store across town.
   a. attitude
   b. cognitive dissonance
   c. motivation
   d. perceptual categorization

154. Kwan’s desire for the spicy food of his homeland is the result of which sociological influence?
   a. culture
   b. opinion leaders
   c. reference groups
   d. social class

155. Your mother prompting you to “act your age” is the result of which sociological influence?
   a. culture
   b. opinion leaders
   c. reference groups
   d. social class

156. Your mother prompting you to “act like a lady (gentleman)” is the result of which sociological influence?
   a. culture
   b. opinion leaders
   c. reference groups
   d. social class

157. The competitive advantage life cycle has three stages, including the ____ stage.
   a. determination
   b. distill
   c. decline
   d. delimit

158. For small businesses, one growing threat to sustainable competitive advantage is a lack of
   a. available new technology.
   b. government support.
   c. legal planning.
   d. new product development.

159. Sustainable competitive advantage can be achieved only when the entrepreneur
   a. is quick to copy the approaches taken by rivals firms that are successful.
   b. combines environmental potentials with organizational capabilities to create customer value.
   c. has a deep understanding of the latest technologies available to the firm.
   d. is committed to employment independence.
160. The name Xerox is a  
   a. generic label.  
   b. brand.  
   c. trade dress.  
   d. copyrighted designation.

161. Effective evaluation of warranty policies should focus on all of the following except  
   a. legal implications.  
   b. service capability.  
   c. customer perceptions.  
   d. former practices.

162. Warranties are important for products  
   a. that are relatively inexpensive.  
   b. that are frequently purchased.  
   c. that are relatively complex to repair.  
   d. regardless of how they are positioned in the market.

163. In general, the most appropriate and effective product strategy to use in the initial stage of a small business is the ____ product strategy.  
   a. one product/one market  
   b. one product/multiple markets  
   c. multiple products/one market  
   d. multiple products/multiple markets

164. A legal term indicating the exclusive right of a firm to use a brand to identify a product is a  
   a. copy mark.  
   b. trademark.  
   c. service mark.  
   d. trade dress.

165. The United States Patent and Trade Office rejected Microsoft's 1990 effort to gain exclusive rights to the name Windows. This decision illustrates the fact that  
   a. copyright protection has its limits.  
   b. design patents do not cover computer software applications.  
   c. trade dress will not cover the "look and feel" of a product, as Microsoft claimed.  
   d. common-law rights do not always justify trademark protection over a generic term.

166. When a small firm operates with more than one channel of distribution, it is said to be using  
   a. multiple distribution.  
   b. dual distribution.  
   c. channel integration.  
   d. intermediary replication.

167. Small businesses are encouraged to view distribution costs as  
   a. prohibitive.  
   b. sunk costs.  
   c. an investment.  
   d. necessary evils.

168. The scope of physical distribution covers all of the following except  
   a. transportation.  
   b. inventory management.  
   c. materials handling.  
   d. final assembly.
169. The seller's measure of what he or she is willing to receive in exchange for transferring ownership or use of a product or service is known as
   a. credit.
   b. average pricing.
   c. demand.
   d. price.

170. Active Feet, a small manufacturer of shoes, hired an additional vice-president and purchased a barrel of synthetic rubber used to make shoe soles. These two expenses should be considered a (an) ____ and a (an) ____ , respectively.
   a. selling cost/cost of goods sold
   b. overhead cost/cost of goods sold
   c. selling cost/overhead cost
   d. overhead cost/selling cost

171. In general, products that are consumed in fixed amounts have
   a. inelastic demand.
   b. constant demand.
   c. variable demand.
   d. elastic demand.

172. In general, products that are consumed in different amounts have
   a. inelastic demand.
   b. constant demand.
   c. variable demand.
   d. elastic demand.

173. Within the framework of a break-even analysis, an examination of ____ is conducted to determine the quantity at which the product, with an assumed price, will generate enough revenue to start earning a profit.
   a. costs
   b. revenues
   c. sales forecasts
   d. costs and revenue

174. Markup pricing may be expressed in terms of a percentage of either the ____ or the cost.
   a. quantity
   b. operating expenses
   c. selling price
   d. estimated expenses

175. Fine Framings, a small framing shop, uses markup pricing to arrive at a final selling price. The firm sells its frames at a price of $10, given a $6 unit cost. Fine Framings' markup on the selling price is ____, and its markup on cost is ____.
   a. 66.66%, 40%
   b. 40%, 66.66%
   c. 40%, 60%
   d. 55%, 45%

176. The major objective of a firm in granting credit is
   a. generating consumer goodwill.
   b. reducing bad debt risk.
   c. expanding sales.
   d. promoting the business.
177. With _____, the customer obtains possession of goods or services when they are purchased, with payment due when billed at a later date.
   a. an open charge account
   b. an installment account
   c. a revolving account
   d. a selective account

178. A trade credit bill of $80,000 with terms of sale of 2/5, net 30 means the buyer saves _____ if the bill is paid within the discount period.
   a. $400
   b. $1,600
   c. $2,500
   d. $4,000

179. Major steps in a formal, comprehensive credit management system for a small business include all of the following except
   a. aging accounts receivable.
   b. evaluating the credit of applicants.
   c. establishing effective billing and collection procedures.
   d. maintaining the credit history of customers to whom credit is extended.

180. CarePair, a small business specializing in making and distributing hospital gowns to medical facilities, often sells its product on credit. The company maintains a ledger that divides accounts receivable into age categories based on the length of time they have been outstanding. Receivables 1-6 months old are deemed grade A (regular business); 7-12, grade B (overdue business); and 13-24, grade C (delinquent business); those accounts receivable over 24 months old are turned over to a collection agency. CarePair is relying on ____ to keep track of accounts receivable.
   a. a collection categorization
   b. an aging schedule
   c. a delinquent adjustment schedule
   d. a financial credit schedule

181. A widely dispersed market favors which of the promotional methods?
   a. Personal selling
   b. Sales promotion
   c. Personal promotion
   d. Advertising

182. Which of the following does not describe a method of determining promotional expenditures?
   a. Matching industry forecasts
   b. Spending as much as the competition
   c. What can be spared
   d. What it will take to do the job

183. The "spending as much as the competition" method
   a. can be used to duplicate the promotional efforts of close competitors.
   b. should never be used.
   c. depends on past experiences.
   d. should be used to introduce a unique, new product.

184. ____ is a promotion delivered in a one-on-one environment.
   a. Personal selling
   b. Sales promotion
   c. Personal promotion
   d. Advertising
185. The two major steps in preparing for a sales presentation are
   a. advertising and practicing.
   b. prospecting and practicing.
   c. publicity and prospecting.
   d. exhibits and prospecting.

186. Which approach can be used to handle a customer's objections?
   a. Showing what a delay might cost
   b. Hearing the prospect out
   c. Using the boomerang technique
   d. Using the "Yes, but" response

187. An example of a nonfinancial reward that may motivate a salesperson is
   a. personal recognition.
   b. compensation.
   c. a bonus plan.
   d. a stock plan.

188. Which is the compensation plan best suited for salespersons in a small business?
   a. Straight salary plan
   b. Strictly commissions-on-sales plan
   c. Combination of salary and commissions, with the salary representing the larger portion
   d. Combination of salary and commissions, with the commissions representing the larger portion

189. The two basic types of advertising are ____, which makes potential customers aware of products and their
     need for them, and ____, which conveys an idea about the firm that produces the product.
     a. institutional, product
     b. product, institutional
     c. product, publicity
     d. specialty, publicity

190. A Web site is
     a. a location on the Web where users can find information about a company and its
        products.
     b. an essential tool in today's business environment.
     c. usually too expensive for small businesses to support.
     d. often difficult for customers to find, and therefore of little use to reaching a market.

191. ____ serves as an inducement to buy a certain product while typically offering value to recipients.
     a. A sales promotion
     b. A specialty trade show
     c. Advertising
     d. Specialty advertising

192. Hands-on experience with a product is possible with
     a. coupons.
     b. trade show exhibits.
     c. specialty promotions.
     d. personal selling.