Multiple Choice

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

1. The argument developed in Chapter 1 about entrepreneurial opportunities holds that
   a. potentially profitable opportunities exist at all times.
   b. the biggest barrier to seizing opportunities is lack of capital.
   c. minorities are effectively blocked from exploiting opportunities.
   d. approximately 99 percent of all opportunities involve some form of retailing.

2. Jarred Holmes, a college senior, is evaluating his prospects as an independent business owner. As a practical matter, he should realize that
   a. no major entrepreneurial successes have been realized in the last three decades.
   b. the upper limit for entrepreneurial profits is somewhere between $750,000 and $1 million.
   c. an entrepreneur can never earn as much as a major corporate executive.
   d. any individual is free to enter into business for him/herself.

3. 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 of services outside the local community.

4. The three primary rewards or incentives for entrepreneurs are
   a. independence, personal fulfillment, and profit.
   b. love of country, independence, and freedom from long hours.
   c. preserving the capitalistic system, an easy life, and financial rewards.
   d. serving self, love of country, and independence.

5. Lydia Kurze works as a senior network administrator and is dissatisfied with stifling bureaucratic environment of her job. She considering venturing out on her own as a consultant. If she carries through with her intentions, she would be considered a ____.
   a. pariah
   b. dilettante
   c. emigrant
   d. refugee

6. Individuals are typically pulled toward entrepreneurship by the hope of obtaining
   a. an easy life.
   b. financial rewards.
   c. freedom from long hours.
   d. job security.

7. Valerie Weatherspoon has been described as a "free spirit." She has tolerated but seldom appreciated parental, academic, or even job authority. The factor most likely to lure her to entrepreneurship is
   a. profit opportunities.
   b. freedom to operate independently.
   c. enjoyment of doing what she likes to do.
   d. satisfaction in serving the community through the business.
8. A reluctant entrepreneur is a woman who
   a. leaves her children with a babysitter to follow a secretarial career.
   b. divorces her husband because of his intense preoccupation with his business.
   c. starts her own business after her grown children return to live with her.
   d. leaves a family business to show that she can do it on her own.

9. Gill Balstock started his business after inventing an environmentally-friendly disposal foam container for dairy products. His son Larry now runs the business while Gill pursues other projects. Gill is a(n) _____ and Larry is a(n) _____.
   a. founder, follow-on entrepreneur
   b. initiator, instigator
   c. founder, franchisee
   d. founder, second-stage entrepreneur

10. Amar V. Bhide considers the growth potential of marginal startups to be
    a. poor at best.
    b. moderate with great late-stage potential.
    c. exceptionally fast.
    d. exceptionally fast and large.

11. 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.

12. Small businesses that have great prospects for growth are called ____.
    a. gorillas
    b. antelopes
    c. jaguars
    d. gazelles

13. A firm that provides substantial profits to its owner is called a(n) _____.
    a. franchise
    b. high-potential venture
    c. attractive small firm
    d. lifestyle business

14. We would expect an opportunistic entrepreneur to be
    a. paternalistic.
    b. reluctant to delegate authority.
    c. unwilling to plan for future growth.
    d. well educated in non-technical matters.

15. 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.
16. 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.

17. Because many entrepreneurs are innovators, they
   a. are unable to build strong organizations.
   b. usually keep a close eye on the innovations generated by big companies.
   c. tend to see different and often better ways of doing things.
   d. are usually engineers by training.

18. A prospective entrepreneur is 36 years old. She realizes that, other things being equal, her age may affect her chances for success. She should
   a. go for it—her age is ideal.
   b. wait eight to ten years.
   c. realize that prospects were much better when she was in her early 20s.
   d. try entrepreneurship only if someone else in the family has an independent source of income.

19. When a 32-year-old construction worker launches a construction firm after seven years’ experience in that industry, he
   a. has experienced a precipitating event.
   b. is facing a forced-choice career.
   c. is launching his venture during the ideal time of life for starting a business.
   d. is part of an entrepreneurial team.

20. In comparison to the general population, entrepreneurs have a
   a. higher internal locus of control.
   b. lower internal locus of control.
   c. higher external locus of control.
   d. similar locus of control.

21. 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.

22. In terms of willingness to assume risks, entrepreneurs show
   a. low risk-taking propensity.
   b. moderate risk-taking propensity.
   c. high risk-taking propensity.
   d. extremely high risk-taking propensity.

23. A prospective entrepreneur is evaluating the suitability of his own characteristics for an entrepreneurial career. He realizes that he should be prepared to assume
   a. moderate risks.
   b. no risks—that is, he should plan to operate conservatively.
   c. risks similar to those a gambler assumes in Las Vegas.
   d. psychological risks but not financial risks.
24. A 32-year-old manager lost his job because of cutbacks in staff, so he immediately made plans to open his
own business. For him, the loss of a job was
a. a window of opportunity.
b. a loss of self-confidence.
c. a precipitating event.
d. evidence of an external locus of control.

25. An entrepreneur’s concern that his values continued to be reflected in the ways in which his firm conducts
business after he retires is an example of the concept of ____.
 a. self-assessment
 b. entrepreneurial legacy
 c. activity trade-offs
 d. psychological aggrandizement

26. While unethical practices do exist, it is good that many small firms strive to achieve the highest standards of
 ____ in their business relationships.
 a. truthfulness
 b. relativism
 c. synchronous behavior
 d. congruity

27. One glaring example of poor ethics practiced by small businesses in general is
 a. lack of pollution controls.
b. untruthful labeling of products.
c. lack of loyalty to employees.
d. fraudulent reporting of income and expenses for income tax purposes.

28. Skimming is an unethical business practice involving
 a. failure to report all income on tax returns.
b. employees taking cash from the cash register.
c. sales associates offering gifts and inducements to purchasers.
d. managers of competing firms agreeing to charge high prices.

29. 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.

30. Small firms are likely to be tempted to act unethically because
 a. founders or owners of small businesses are usually crooked.
b. breaking the rules often seems to be the only way to make a profit and survive.
c. small businesses are exempt from federal regulations.
d. Better Business Bureaus don’t deal with small businesses.

31. A local building inspector suggested to a small business owner that a generous "tip" would help speed up the
process of gaining approval for some new construction. The power of a small business firm to resist such
pressure is
 a. greater than that of a big business.
b. less than that of a big business.
c. equal to that of a big business.
d. dependent on the type of construction.
32. Integrity is as much about what to do as it is
   a. when to do it.
   b. where it fits in.
   c. who it affects.
   d. who to be.

33. Entrepreneurs who are deeply committed to ethical values operate their businesses in ways that reflect
   a. the standard practices of the industry.
   b. their personal interpretations of those values.
   c. profit motivations above all others.
   d. their personal religious values.

34. Unethical business practices often decline when firms
   a. collude with one another.
   b. face challenging business situations.
   c. set a flexible code of ethics.
   d. cooperate to organize a Better Business Bureau.

35. 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.

36. In a small business, the most important key to ethical performance is
   a. a code of ethics.
   b. the personal integrity of the founder or owner.
   c. a training program based on the code of ethics.
   d. the amount of legislation affecting the organization.

37. 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.

38. 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.

39. Bait advertising consists of an
   a. alluring but insincere offer to sell a product.
   b. attempt to sell a product that adversely affects the environment.
   c. attempt to sell a defective and possibly unsafe product.
   d. advertisement of expensive products.

40. A small computer retailer makes every effort to satisfy customer needs—both before and after the sale. However, this retailer regards social problems such as hunger and juvenile crime as being beyond the scope of his business. We can correctly describe this firm's management as having recognized
   a. some degree of social responsibility in its commitment to customers.
   b. the existence of social responsibilities but having failed to do anything about them.
   c. ethical obligations to customers but no social responsibilities.
   d. social responsibility as the domain of big business.
41. Social responsibilities go far beyond a firm's relationships with customers, and typically include diverse areas such as
   a. protection of the environment.
   b. educational activism.
   c. consumer protection for all business dealings within the community.
   d. protection of religious liberties.

42. 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.

43. There is a limit to the possible social responsiveness of small businesses because they must
   a. make a profit to survive.
   b. be responsive to their customers.
   c. first of all be fair to their employees.
   d. not harm the environment.

44. A data file that is electronically sent to the customer's computer when other requested materials are downloaded from a Web site is known as
   a. a cookie.
   b. a saucer.
   c. an inverted collector.
   d. a contact signature.

45. 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

46. Websense Inc. found that ____ percent of employees in small businesses it surveyed visited Web sites unrelated to their work.
   a. 49
   b. 18
   c. 26
   d. 64

47. A U.S. manager is upset with his overseas representative in Fannelstan for paying a small “access fee” to a local customs official to ensure the expedited release of a customer order. The manager’s belief such payments are wrong reflects his sense of ____.
   a. cultural insensitivity
   b. ethical elitism
   c. ethical imperialism
   d. cultural integrity

48. 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
49. As the Internet continues to grow, it is safe to assume that property rights will
   a. become less difficult to protect.
   b. become more difficult to protect.
   c. become an irrelevancy of the past.
   d. become universally assumable.

50. A web site lists a digital camera at sale price that is twenty percent less than the online prices of its competitors. When a customer attempts to purchase the camera online, the customer is redirected to web page that offers a different camera at a higher price, with the disclaimer that the originally-offered camera is out-of-stock for an “indefinite period.” The web site is engaging in ____.
   a. in-cart conversion
   b. customer deflection
   c. aggressive merchandising
   d. bait advertising

51. According to Amar Bhide, a professor at Columbia University, “____ with products that do not serve clear and important needs cannot expect to be ‘discovered’ by enough customers to make a difference.”
   a. startups
   b. buyouts
   c. family business
   d. franchises

52. 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?

53. Attractiveness of a target market ____ as the time required to breakeven in the market ____.
   a. increases, decreases
   b. increases, increases
   c. decreases, decreases
   d. is unchanged, decreases

54. An example of a Type A startup idea is
   a. a new microspponge technology allowing oils to be contained inside billions of microscopic sponges.
   b. a baby stroller that pushes more easily and is more difficult to overturn than previous designs.
   c. opening a new hamburger stand on the corner with no unique product differentiation.
   d. using satellite dish technology to form a mobile satellite transmitter and receiver business.

55. An example of a Type B startup idea is
   a. a new microspponge technology allowing oils to be contained inside billions of microscopic sponges.
   b. a baby stroller that pushes more easily and is more difficult to overturn than previous designs.
   c. opening a new hamburger stand on the corner with no unique product differentiation.
   d. a new mail-order business selling a foreign-produced item never sold domestically before.
56. As described in the textbook, a Type A 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.

57. As described in the textbook, a Type B 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.

58. 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.

59. What type of idea accounts for the largest number of startups?
   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

60. 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.

61. 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

62. Trade between the United States and Mexico has increased since the enactment of the North American Free Trade Agreement. This factor is related to the ____ element of the general environment.
   a. technological
   b. global
   c. ecological
   d. sociocultural

63. 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
64. Competitive advantage in an industry is protected by
   a. barriers to entry.
   b. potential substitute products.
   c. intra-industry competition.
   d. deregulation.

65. Proprietary information and regulatory protection represent
   a. entry barriers.
   b. exit barriers.
   c. competitive barriers.
   d. mobility barriers.

66. 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.

67. Which of the following is one of the seven sources of opportunities in the environment recognized by Peter
   Drucker?
   a. The unbelievable
   b. The undeniable
   c. The incongruous
   d. The new

68. Observations about the external environment and organizational potentials can be brought together by means
   of
   a. an alignment strategy.
   b. the in-and-out assessment.
   c. a SWOT analysis.
   d. common sense critique.

69. Marketplace Farms is a regional cooperative of apple and orange growers. In order to compete against larger
   regional growers, Marketplace Farms relies on low-cost migrant workers instead of machines and inexpensive
   packaging processes. (That is, it uses individual hand-packaging instead of assembly lines.) Marketplace
   Farms is relying on a
   a. price-based strategy.
   b. marketing-based strategy.
   c. efficiency-based strategy.
   d. cost-based strategy.

70. Containers Etc. manufactures household containers. In contrast to traditional market designs, all of Containers
   Etc.’s products are microwaveable and child-proof and come in an assortment of 35 colors. Accordingly,
   Containers Etc. is pursuing a _____ strategy.
   a. product-based
   b. differentiation-based
   c. concept-based
   d. efficiency-based
71. Mark Michaels is the owner of Delectable Delights, a specialty store offering chocolates, candies, and fruit baskets. After a recent analysis of the competitive environment, Michaels concluded that three distinct consumer segments exist for his products-A, B, and C consumers. In an effort to maximize the effectiveness of its strategy, Michaels has decided to focus on fulfilling the needs of A consumers. He is employing a ____ strategy.
   a. multisegmentation
   b. selective
   c. focus
   d. concentration

72. Carol Weinstock, who runs Technographics, a company that designs greeting cards for computer users, is employing
   a. a focus strategy.
   b. an unsegmented strategy.
   c. a multisegmentation strategy.
   d. a marketing mix strategy.

73. 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

74. 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.

75. 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

76. All of the following are considered attractive characteristics of franchising except
   a. higher success rates than for alternative methods.
   b. entrepreneurial independence.
   c. financial and training assistance.
   d. operating benefits.

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

78. Tom Jones is a college student with no business experience. Jones is most likely to worry about his decision to become a franchisee primarily because of the
   a. restrictions on business operations.
   b. restrictions on company growth.
   c. requirement to work at least 40 hours per week.
   d. increase in entrepreneurial independence.
79. Consider this quote: "If you can't follow somebody else, don't buy a franchise." Which characteristic of a franchise does this describe?
   a. High success rate
   b. Restrictions on growth
   c. Loss of entrepreneurial independence
   d. Location problems

80. A legal agreement between two parties in a franchise arrangement is referred to as a
   a. master license.
   b. franchise contract.
   c. requirements contract.
   d. franchise consent draft.

81. The franchising strategy whereby an individual or firm is granted the legal right to own more than one unit of a franchised business is known as
   a. development franchising.
   b. multiple-unit ownership.
   c. piggyback franchising.
   d. aggregate ownership.

82. The rights conveyed by a franchising agreement are referred to as
   a. franchising rights.
   b. franchise claims.
   c. franchise interests.
   d. the franchise.

83. A Krispy Kreme franchise located inside of the local Wal-Mart store is a type of franchise operation referred to as
   a. folded.
   b. internalized.
   c. cooperative.
   d. piggyback.

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

85. Which of the following typically is not found in a disclosure document?
   a. The franchisor's involvement in litigation
   b. Key features of the franchisor's experience
   c. Details of the franchisor's proprietary technology
   d. The franchisor's size

86. Which event has contributed the least to the opening of foreign markets to U.S. franchisors?
   a. The formation of the European Economic Community
   b. The collapse of the Soviet Union
   c. The introduction of the Euro as the unit of currency throughout much of Europe
   d. The passage of the North American Free Trade Agreement

87. 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.
88. 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

89. The disclosure statement provided to a prospective franchisee must contain all of the following information except:
   a. franchisor’s finances.
   b. experience in the market.
   c. involvement in litigation.
   d. strategic plans for future expansion.

90. Why is the sharing of profits a drawback to becoming a franchisor?
   a. The franchisee will not share profits.
   b. Only part of the profits from the franchise operation belongs to the franchisor.
   c. There are usually no profits to share.
   d. The sharing of profits reduces the franchisor's control.

91. The drawbacks of becoming a franchisor include
   a. speed of expansion.
   b. reduction in control.
   c. reduced capital requirements.
   d. increased management motivation.

92. 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

93. In addition to consulting an attorney, a potential franchisee should consider using the services of
   a. a trusted friend.
   b. a financial advisor.
   c. as many sources of help as would be practical.
   d. an experienced administrator.

94. Items covered in the new UFOC include all of the following except
   a. litigation.
   b. bankruptcy.
   c. investment requirements.
   d. marketing goals.

95. 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.

96. Development of international franchise operations usually involves
   a. fewer resources than anticipated.
   b. more personnel than resources.
   c. little patience and much perseverance.
   d. diversion of surplus domestic resources.
97. Certified Business Brokers (http://www.certifiedbb.com) in Houston, Texas, deal with mergers and acquisitions of small and mid-sized companies in the United States. This business is defined in the text as a(n) ___ firm for entrepreneurs seeking to purchase a business.
   a. matchmaker
   b. acquisition agent
   c. coordinating specialist
   d. prospector

98. The purchase price of a business is determined by negotiation between ___
   a. lender and seller.
   b. seller and broker.
   c. buyer and seller.
   d. lender and buyer.

99. When negotiation the purchasing of an existing business, the terms of the sale may become more attractive to the buyer if the expected down payment is ___
   a. reduced.
   b. placed in escrow.
   c. increased.
   d. aged as a receivable.

100. Union contracts are among the many ___ factors in valuing a business.
    a. nominative
    b. nonessential
    c. nonquantitative
    d. nonqualitative

101. When is a company a family business?
    a. When decisions at work have an impact on one's family
    b. When a number of family members are employed by the same company
    c. When a parent is in a good position to give career advice to a son or daughter
    d. When two or more members of a family are involved in a firm's ownership and functioning

102. Which of the following is incorrectly classified as a family business?
    a. Levi Strauss and Company
    b. Wal-Mart
    c. Apple Computer
    d. Ford Motor Company

103. In a family business, business decisions ___
    a. often affect both the business and the family.
    b. are never family decisions.
    c. are seldom rational decisions.
    d. are made by negotiation between family and nonfamily members.

104. The parent-founder of a family business is contemplating the potential conflict between family concerns and business interests. He concludes that a primary family concern is ___
    a. nurture.
    b. profitability.
    c. survival.
    d. avoidance of excessive business debt.
105. The close relationship of business factors and family concerns in a family business has been described as
   a. separation of domains.
   b. a generational gap.
   c. an example of blood being thicker than water.
   d. overlapping.

106. Steve, Harry, and Chris, who own and operate a family auto parts store, are experiencing tough times during a
downturn in the local economy. To help the store weather these adverse conditions, the brothers agree to each take a 25 percent reduction in salary for a one-year period. This decision
   a. demonstrates a weakness of financial management.
   b. illustrates an important advantage of a family business.
   c. reveals a lack of customer orientation in a family business.
   d. reflects a lessening of entrepreneurial ambition in second-generation businesses.

107. The set of cultural patterns in a family business includes
   a. the business pattern, the governance pattern, and the employee pattern.
   b. the business pattern, the governance pattern, and the family pattern.
   c. the business pattern, the managerial pattern, and the family pattern.
   d. the business pattern, the managerial pattern, and the informal pattern.

108. Which of the following is least likely to be a problem for the founder of a small manufacturing firm, in passing the business on to his or her son or daughter?
   a. Avoiding favoritism among children
   b. Preventing the business relationship from damaging the parent-child relationship
   c. Motivating the son or daughter to take an interest in the business
   d. Introducing the son or daughter to key people, especially outsiders such as bankers

109. An inherent problem for couples involved in a family business is that
   a. conflicts in the business tend to carry over into family life.
   b. hours of work become longer for the wife than for the husband.
   c. wives get the menial tasks to perform.
   d. husbands find their masculinity threatened.

110. In resolving differences among family members in a family business, the entrepreneur's spouse most typically functions as
   a. arbitrator.
   b. mediator.
   c. director.
   d. coach.

111. 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.

112. 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
113. To avoid a stifling atmosphere for nonfamily employees in a family business, the owner should
   a. promote only nonfamily members.
   b. avoid all special consideration for family members.
   c. make clear the extent of opportunity for nonfamily members.
   d. minimize discussion about future management changes.

114. 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.

115. A nonfamily employee of a family business complains that the recent promotion of a family member was unfair. The owner should
   a. enter into a discussion of the roles and opportunities for both family members and outsiders.
   b. point out the fact that family members always have the inside track, even though this is disappointing to the bypassed employee.
   c. get the employee to think more positively by describing other attractive features of the employee’s job.
   d. shrug his shoulders and acknowledge that a tension always exists and that it can never be satisfactorily dealt with.

116. 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.

117. A nonfamily employee of a family business is concerned about competing with family members for future career opportunities. To protect her personal interests, the nonfamily employee should
   a. align herself with the CEO.
   b. ask that the manager clarify the extent of opportunities.
   c. seek assurances that she will receive first consideration for promotion, ahead of family members.
   d. leave the firm and seek employment in a nonfamily business.

118. Family retreats, which open lines of communication,
   a. use the father as a communication facilitator.
   b. avoid discussing sensitive issues.
   c. involve family members but not in-laws.
   d. may result in formation of a family council to continue discussion.

119. A business owner tells her banker, “I’d like you to meet my little boy, Johnny, who is going to help me take inventory.” This stage of succession is known as the
   a. pre-business stage.
   b. introductory stage.
   c. advanced functional stage.
   d. early succession stage.

120. 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.
121. When fathers train their children in the family business, the typical problem is
   a. ambitious fathers.
   b. disloyal children.
   c. reluctant fathers.
   d. capable children.

122. Which of the following family members are less frequently involved in family businesses in the United States?
   a. in-laws
   b. parents
   c. spouses
   d. siblings

123. The influence of ___ is shown when an entrepreneur sends personal messages of condolence to customers because her mother who founded the firm always sent them when she was operating the firm.
   a. organizational complexities
   b. cultural configuration
   c. immutable principles
   d. core values

124. Billy Newton works part time in his mother’s garden supply wholesaling business. According to the results of Sue Briley’s survey of the children of owner-managers of family businesses, how likely is Billy to work somewhere else before entering his mother’s business?
   a. 25 percent
   b. 40 percent
   c. 55 percent
   d. 70 percent

125. 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.

126. Which of the following is not one of the basic objectives of the business plan?
   a. It identifies the nature and context of the business opportunity.
   b. It outlines the approaches other entrepreneurs have taken in the same industry.
   c. It serves as a tool for raising financial capital.
   d. It highlights factors that will determine whether the venture will be successful.

127. A business plan is best described as a
   a. crystal ball picture.
   b. money plan.
   c. contingency plan.
   d. game plan.

128. Capital-constrained entrepreneurs cannot afford to do much prior analysis and research because
   a. the affordability of properly conducted research is beyond the means at their disposal.
   b. the costs of any mistakes are lower than the risks of missing out on opportunistic actions.
   c. the limited profit potential and high uncertainty of the opportunity they pursue also make the benefits low compared to the costs.
   d. potential competitors could quickly discern the entrepreneurs’ intentions and motives from their research.
129. Which of the following is not one of the benefits of developing a business plan?
   a. This forces the entrepreneur to consider systematically all of the factors in starting a business.
   b. It ensures that the startup's cash flows are manageable, especially in the first 5-7 years.
   c. This imposes needed discipline on the entrepreneur and the management team.
   d. This can be helpful in selling the new venture to those within the company.

130. Which of the following groups would be most interested in a business plan for a new venture?
   a. Customers
   b. Bankers
   c. Supervisors
   d. The Internal Revenue Service

131. A potential investor's single goal is to
   a. make as much money as possible.
   b. minimize taxes.
   c. avoid risk.
   d. maximize potential return on investment through cash flows received while minimizing personal risk exposure.

132. In writing the business plan, an entrepreneur should remember that
   a. interested investors will commit the time necessary to fully understand the proposed venture.
   b. certain features will be appealing to investors, while others are distinctly unappealing.
   c. investors are too busy to read through the business plans that come across their desk.
   d. the quality of this plan has little bearing on the potential for success in the startup.

133. Investors who read business plans can be described as
   a. one-minute investors.
   b. two-hour investors.
   c. half-day investors.
   d. weekend investors.

134. An effective business plan should seldom exceed ____ pages in length.
   a. 10
   b. 25
   c. 40
   d. 75

135. Investors who review business plans typically
   a. look only at brief reports.
   b. read about one-half of a plan.
   c. read plans thoroughly.
   d. read only the marketing and finance sections.

136. Plans that appeal effectively to investors are
   a. long and thorough.
   b. market-oriented.
   c. product-oriented.
   d. ten or fewer pages.

137. 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.
Prospective investors are likely to consider a new business proposal to be unfavorable if it
a. focuses on the product or service and provides minimal analysis of marketplace needs.
b. is brief, even if it touches on all of the critical details of the startup.
c. presents financial projections that show the startup will not exceed industry norms.
d. fails to call for custom or applications engineering.

When making a decision regarding the extent of planning, an entrepreneur should consider the
a. preferences of employees.
b. complexity of the environment.
c. level of uncertainty of the venture.
d. competitiveness of the product.

A prospectus is
a. a legal document for soliciting investment.
b. the legal document that replaces a draft business plan.
c. a marketing document intended to sell a concept.
d. a document containing confidential business information.

is a section of the business plan that describes the user benefits of the product or service and the type of
market that exists.

Highlights from various sections of a business plan appear in the
a. financial plan.
b. general company description.
c. executive summary.
d. operating plan.

The mission statement is best described as the
a. path that will lead to successful initiation of a startup.
b. potential of the business, as conceived.
c. entrepreneur's personal hopes for the future.
d. intended strategy and business philosophy for making the entrepreneur's vision a reality.

It is most important that the marketing plan
a. identify user benefits.
b. show the degree of patent or copyright protection.
c. summarize the location of potential customers.
d. identify distribution channels.

Ideally, investors like a business plan that shows evidence of
a. a management staff that will minimize overhead.
b. a well-balanced managerial team.
c. an entrepreneur who has studied management.
d. an entrepreneur who will spend more time managing than selling.

In considering the content of a business plan, an entrepreneur should think first and foremost about
a. how to present factors related to the opportunity.
b. formulating effective strategies and financial projections.
c. who will be reviewing the plan.
d. how to protect the confidentiality of the plan.
147. *The big picture* includes all of the following EXCEPT:
   a. the management team.
   b. the regulatory environment.
   c. interest rates.
   d. inflation.

148. 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.

149. 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

150. Business planning
   a. is an ongoing process.
   b. is an exacting science.
   c. equals business success.
   d. is none of these.

151. 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.

152. Traditionally, marketing philosophies have been categorized as
   a. consumer-oriented and market-oriented.
   b. consumer-oriented, product-oriented, market-oriented, and volume-oriented.
   c. consumer-oriented, market-oriented, sales-oriented, and process-oriented.
   d. consumer-oriented, production-oriented, and sales-oriented.

153. A firm's marketing philosophy determines how strategic marketing activities are used to achieve
   a. efficiency.
   b. customer response.
   c. desirable thought patterns.
   d. business goals.

154. The types of sales forecasts that should ideally be prepared include the ____ scenario.
   a. rapidly shifting
   b. pessimistic
   c. predominant
   d. contingency

155. 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.
156. One section of the competitor analysis of a formal marketing plan should include all of the following, except
a. competitor's strengths and weaknesses.
b. a list of related products currently being marketed or tested by competitors.
c. the likelihood that competitors will enter the firm's target market.
d. the competitiveness of plans such as warranty and repair policies.

157. 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.

158. John Smith, a car repair shop owner, is developing the warranty and repair policies for his business. What area of the marketing strategy is he addressing?
\[\begin{align*}
a. & \text{ Promotional plan} \\
b. & \text{ Total product or service} \\
c. & \text{ Distribution plan} \\
d. & \text{ Pricing plan} \\
\end{align*}\]

159. The description of potential customers in a target market is commonly called a
a. customer profile.
b. demographic detailing.
c. Simpkins matrix.
d. target picture.

160. In the text, which particular demographic did Adorable Pet Photography choose as its target market?
\[\begin{align*}
a. & \text{ families with young children} \\
b. & \text{ first-time pet owners} \\
c. & \text{ older married couples} \\
d. & \text{ affluent “yuppies”} \\
\end{align*}\]

161. The initial step in the marketing research process is to
a. select a data collection method.
b. identify consumer/business segments of interest.
c. identify informational needs.
d. conduct a preliminary information search.

162. 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
\[\begin{align*}
a. & \text{ primary data.} \\
b. & \text{ observational data.} \\
c. & \text{ questioning data.} \\
d. & \text{ secondary data.} \\
\end{align*}\]

163. Which of the following is not a good source of secondary data for small businesses?
\[\begin{align*}
a. & \text{ software programs that offer useful information} \\
b. & \text{ the Small Business Administration} \\
c. & \text{ company records} \\
d. & \text{ relevant Web sites} \\
\end{align*}\]
164. Techniques used to collect primary data are often classified as ____ and ____ methods.
   a. internal/external
   b. observational/questioning
   c. exploratory/descriptive
   d. focus/comprehensive

165. 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

166. The basic instrument used to guide the researcher and the respondent when surveys are taken is known as a
   a. questionnaire.
   b. questioning form.
   c. interview outline.
   d. guide form.

167. Public and university libraries contain a wealth of information in the form of ____ data.
   a. anecdotal
   b. primary
   c. secondary
   d. tertiary

168. A ____ is defined as a group of customers or potential customers who have purchasing power and unsatisfied needs.
   a. consumer segment
   b. target market
   c. market
   d. consumer market

169. In order to be appropriately considered a market, a group of customers or potential customers must have
   a. purchasing power.
   b. market power.
   c. satisfied needs.
   d. correlated needs.

170. 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

171. Entrepreneurs should base their market assessments, production schedules, inventory policies, and personnel decisions on
   a. techniques of observation.
   b. qualitative analysis.
   c. intuition alone.
   d. the sales forecast.
172. Which of the following is not one of the limitations encountered by small businesses when they forecast sales?
   a. Entrepreneurial inexperience
   b. Limited familiarity with the forecasting process
   c. Deficient quantitative analysis skills
   d. Lack of sources of current information about business trends

173. Identifying all buyers in a market's submarkets and then adding up the estimated demand is known as the sales forecasting approach.
   a. breakdown process
   b. buildup process
   c. chain-ratio method
   d. bottom-up

174. With regard to market demand estimation, _____ determines whether the sales forecasting process is direct or indirect.
   a. the industry orientation of the firm
   b. the nature of the predicting variable
   c. the ultimate goal of the entrepreneur
   d. the marketing philosophy of the startup

175. Using the number of births in a historical record to predict the number of driver licenses issued in subsequent years is an example of the use of a(n) _____ variable in forecasting.
   a. approximating
   b. indirect
   c. surrogate
   d. terminating

176. The importance of a strong management group in a new venture is evidenced by the attitudes of investors.
   a. attitudes of investors.
   b. eagerness of new entrepreneurs to sign up for management seminars.
   c. comparative profit data compiled by the Internal Revenue Service.
   d. reading interests of new management teams, who seek management books and periodicals.

177. The key to strong management in a new firm is
   a. balance, with each member having competence in at least one area.
   b. financial competence of the chief executive.
   c. a strong marketing manager.
   d. close friendship among all members of the team.

178. The owner of a new venture wants to supplement the managerial talent of its management team by drawing on outside assistance. Which of the following would be the least likely source of help?
   a. A commercial bank
   b. A certified public accounting firm
   c. An attorney
   d. The Small Business Administration

179. A sole proprietor
   a. assumes all losses of the business.
   b. assumes no profits.
   c. receives tax-free fringe benefits.
   d. assumes no losses.
180. The owner of a sole proprietorship
   a. owns the business.
   b. bears no risks.
   c. is an employee of the business.
   d. shares profits.

181. A key characteristic of a partnership is that each partner
   a. must contribute capital to the business.
   b. shares in company assets upon the dissolution of the partnership.
   c. is capable of legally contracting.
   d. must manage the business.

182. Which of the following legal forms of an organization allows owners to contribute no capital but still play a part in managing the business and share in its profits?
   a. S corporation
   b. C Corporation
   c. Partnership
   d. Sole proprietorship

183. Which of the following best defines a partnership?
   a. A business owned and operated by one person
   b. A voluntary association of two or more persons to carry on, as co-owners, a business for profit
   c. The governing body for corporate activity
   d. An organization in which each owner has limited personal liability

184. 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

185. Permission to incorporate a business comes from the
   a. board of directors.
   b. stockholders.
   c. government, usually through a secretary of state.
   d. corporate officers.

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

187. Upon the death of the majority stockholder in a corporation, direct control may pass to
   a. an heir's dependents.
   b. an executor.
   c. the founder of the firm.
   d. employees as directed by an employee stock ownership plan.

188. A partner can purchase a new copier for the partnership without consulting the other partners because each partner has ___ power.
   a. agency
   b. purchasing
   c. separability
   d. fiduciary
189. 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.

190. Unlimited liability for business debts is imposed on
   a. shareholders in a C corporation.
   b. shareholders in an S corporation.
   c. sole proprietors.
   d. limited partners.

191. In selecting the type of legal organization to use for a new small business, which of the following is a major consideration?
   a. Profitability
   b. Management control
   c. Available benefits
   d. Procedures for termination or liquidation

192. In the event of corporate failure, which of the following types of stock can be treated as an ordinary tax-deductible loss?
   a. Section 1744 stock
   b. Common stock
   c. Preferred stock
   d. Section 1244 stock

193. Formal control and function control in small corporations usually rests in ____ individuals.
   a. a few
   b. many
   c. the same
   d. a limited number of

194. The income from a limited partnership is taxed at the same rate as
   a. ordinary income.
   b. municipal dividends.
   c. C corporation dividends.
   d. extraordinary income.

195. To be eligible to be an S corporation, a firm must
   a. have more than 75 stockholders.
   b. have no nonresident alien stockholders.
   c. have two or more classes of stock outstanding.
   d. be international in scope.

196. S corporations are taxed as
   a. proprietorships.
   b. partnerships.
   c. C corporations.
   d. domestic corporations.

197. A(n) ____ would be the choice for a form of organization if you intend to provide extensive fringe benefits for owners or employees that would not be treated as taxable income to employees.
   a. sole proprietorship
   b. partnership
   c. C corporation
   d. Limited liability company
198. A strategic alliance is
   a. an organizational relationship that links two separate businesses.
   b. an unimportant organizational form in today's business environment.
   c. an attempt to duplicate efforts between two firms.
   d. a strategy that, as a result of its unwieldy nature, is falling from practice.

199. A stockholder in a Subchapter S corporation
   a. is not allowed to vote in elections to choose members of the S corporation’s board of directors.
   b. cannot vote by proxy at stockholders' meetings.
   c. cannot become a member of the board of directors.
   d. cannot be a nonresident alien.

200. A corporation's board of directors
   a. is the governing body for corporate activity.
   b. directly manages the corporation.
   c. determines the taxability of dividends.
   d. usually designs the organizational structure of the firm.

201. A good reason for relocating a typical manufacturing business is to
   a. stabilize income taxes.
   b. increase customer traffic.
   c. get closer to raw materials.
   d. provide free-flow space.

202. Site-related factors that should be taken into consideration when one is selecting a retail location include
   a. future advertising costs.
   b. the labor supply.
   c. raw material availability.
   d. customer accessibility.

203. 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.

204. 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.

205. 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

206. 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.
207. In a location decision, the raw materials availability factor is particularly important for a
   a. CPA.
   b. manufacturer.
   c. management consultant.
   d. venture capitalist.

208. 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.

209. The functional requirements of a business should determine the
   a. geographic location of the business.
   b. suitability of a building.
   c. labor requirements.
   d. spatial requirements.

210. Which of the following layouts arranges special-purpose equipment along a production line in the sequence in which it is used?
   a. Product layout
   b. Process layout
   c. Free-flow layout
   d. Self-service layout

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

212. 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.

213. Operating a home-based business successfully requires that the owner
   a. change locations when the business is over one year old.
   b. make a cost analysis that clearly divides costs between the business and the home.
   c. establish spatial and nonspatial boundaries between the business and the home.
   d. keep the baby at home while working.

214. The owner of a home-based business can establish boundaries between the business and the home by
   a. setting aside specific space for the business.
   b. using an outside bookkeeping service.
   c. selling to wholesalers rather than to ultimate consumers.
   d. limiting his or her participation in community activities.

215. A woman is planning to establish a business in her residence. In order to maintain a proper balance between family and business matters, she should
   a. establish spatial and nonspatial boundaries.
   b. design a business-style letterhead that gives no hint of a home location.
   c. buy an answering machine.
   d. install a computer with a modem.
216. The Internet provides an alternative to
a. bricks-and-mortar stores.
b. clicks-and-mortar strategies.

217. E-commerce innovators
a. have an extra edge in defining and developing a market.
b. automatically have a monopoly on success.
c. are few and far between.
d. are almost all out of business today.

218. Why does electronic commerce benefit small firms?
   a. Small firms are often "tech savvy", which allows them to embrace innovations more quickly.
   b. Large firms have complex business plans that fail to direct investment toward the Internet.
   c. Without e-commerce, small firms often lack the resources to expand beyond local markets.
   d. The government has committed significant resources to encourage small firms to go online.

219. For small businesses, the Internet tends to blur ___ boundaries.
   a. industry
   b. geographic
   c. skill-dependent
   d. technological

220. Which of the following is not one of the major categories of e-commerce businesses?
   a. Consumer-to-business
   b. Business-to-consumer
   c. Business-to-business
   d. Auction sites

221. 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.

222. Amazon.com represents the classic ___ firm.
   a. B2B
   b. B2C
   c. C2C
   d. online auction

223. Which of the following is not one of the advantages B2C models have over bricks-and-mortar retailing?
   a. Speed of access
   b. Speed of transaction
   c. 24/7 service
   d. Superior customer service
224. Customers who avoid doing business online are often reluctant to do this because
   a. they have had a bad online purchase experience in the past.
   b. it is difficult to predict how much time it will take to ship the product.
   c. Web sites are difficult to navigate.
   d. they are reluctant to purchase a product without first seeing it.

225. One costly process that can often be performed more cheaply online is
   a. management distribution.
   b. providing information to customers in a timely fashion.
   c. locating new employees.
   d. identifying emerging technologies.

226. 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

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

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

229. The _____ shows all cash receipts and payments involved in operating the business and managing its financial
    activities.
   a. income statement
   b. balance sheet
   c. cash flow statement
   d. statement of financial position

230. The major distinction between cash-basis and accrual-basis accounting is that the
   a. cash method is easier to use.
   b. cash method matches revenue and expenses better.
   c. point of recognition of revenue and expenses is different.
   d. cash method involves less record keeping.

231. Which of the following is *not* included on a cash flow statement?
   a. Collections from customers
   b. Payments to suppliers
   c. Cash tax payments
   d. Existing fixed assets such as machinery

232. Which of the following does *not* increase or decrease cash flows from assets?
   a. The firm's after-tax cash flows from operations
   b. Changes in working capital
   c. Changes in personal income tax regulations
   d. Changes in fixed assets and other long-term assets
233. Mike Prinz has noticed that his operating income is decreasing yet he has managed to keep his operating expenses from increasing and sales are increasing. What is happening to cause the change in operating income?
   a. His receivables are increasing.
   b. His liabilities are increasing.
   c. His cost of goods is increasing.
   d. His gross profit is decreasing.

234. 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.

235. Raw materials and products held by the firm for sale constitute ____.
   a. accounts payable.
   b. accounts receivable.
   c. cost of goods.
   d. inventories.

236. Cumulative depreciation expense is shown on the
   a. balance sheet.
   b. cash-flow statement.
   c. income statement.
   d. all of these.

237. A two year-old asset has a depreciable life of 10 years. Its initial purchase cost was $450,000 and it is depreciated by 10 percent annually. What is the remaining depreciable value of the asset?
   a. $ 0.00
   b. $90,000
   c. $200,000
   d. $360,000

238. A five year-old asset has a remaining depreciable value of $75,000. It has been depreciated at five percent per year. How many years remain before its depreciated value will be $0?
   a. 5
   b. 10
   c. 15
   d. 20

239. The cash flow statement measures cash flows on
   a. an annual basis.
   b. an accrual basis.
   c. a cash-basis.
   d. a normalized basis.

240. The cash flow statement reflects cash flows from
   a. operating activities.
   b. investment activities.
   c. financing activities.
   d. all of these.
241. Projected financial statements are also known as
   a. adjusted financial statements.
   b. pro forma financial statements.
   c. "predicting the unpredictable."
   d. cost of goods to be sold.

242. Pro forma financial statements can answer the following question:
   a. How profitable can the firm be, given past sales and expense relationships?
   b. How much and what type of financing has been used in the firm's operations?
   c. If projected sales and sales-expense relationships are accurate, how profitable will the
      firm be?
   d. Has the firm been doing a good job of managing its cash flows?

243. 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.

244. The first step in projecting the firm's income involves calculating
   a. the interest expense for each year.
   b. estimated income taxes.
   c. total cost of goods sold.
   d. sales projections.

245. Operating expenses include
   a. marketing-related expenses.
   b. the cost for independent dealers to prepare for the distribution of the product.
   c. interest on all loans.
   d. income taxes.

246. When forecasting capital requirements for a proposed venture, the analyst should consider
   a. the investment needed for startup, since capital needs for future growth can be assessed later.
   b. personal expenses, especially when the entrepreneur receives no income from other
      sources.
   c. only the most optimistic scenario for the business.
   d. only the most pessimistic scenario for the business.

247. A primary driving force of future asset needs is
   a. investments.
   b. sales.
   c. external equity.
   d. internal equity.

248. The projection of the financing needed by a new business should not be based on
   a. the firm's anticipated sales volume.
   b. anticipated regularity of cash receipts.
   c. predicted regularity of cash payments.
   d. estimates of the fixed assets held by the startup's strongest competitor.

249. A common weakness in small business financing is
   a. the disproportionately large investment in liquid assets.
   b. the disproportionately small investment in liquid assets.
   c. the disproportionately large investment in personal savings relative to debt financing.
   d. the disproportionately small investment in personal savings relative to debt financing.
250. Retained profits represent
   a. spontaneous financing.
   b. external equity.
   c. internal equity.
   d. sweat equity.