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

1. Compared to firms that provide a good lifestyle for the owner but little in the way of attractive returns, a firm with potential for high growth and large profits has ____ possible sources of financing.
   a. fewer
   b. about the same number of
   c. more
   d. many more

2. Most of those who invest in startups limit their investing to firms with potentially high returns in a ____ period.
   a. 6-12 month
   b. 1-2 year
   c. 3-5 year
   d. 5-10 year

3. 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.

4. When it comes to financing a company, a banker looks at two kinds of assets:
   a. direct and indirect.
   b. tangible and intangible.
   c. those founded upon past performance and those depending on future performance.
   d. industry-specific and firm-specific.

5. The return on the owner’s investment (equity) is a better measure of performance than
   a. the return on assets ratio.
   b. the current ratio.
   c. the quick ratio.
   d. the absolute dollar amount of income.

6. Louise Piper plans to sell stock in her company in order to raise capital. One of the benefits of issuing stock as a source of funds is
   a. reduced risk to the enterprise.
   b. sharing success potential.
   c. confidentiality.
   d. periodic reporting requirements.

7. If a firm finances with equity rather than debt, net income will be greater because
   a. equity financing almost always leads to better firm performance than debt financing.
   b. the terms of equity financing are more stable than the terms of debt financing.
   c. this impacts asset selection for the better.
   d. there is no interest expense.
8. One of the factors that influences the choice between debt and equity is the
   a. returns anticipated from the enterprise.
   b. risk of nationalization.
   c. degree of control the owners hope to retain.
   d. state of the owners' estate plan.

9. To retain control over his business, an entrepreneur should seek initially to secure ____ financing.
   a. debt
   b. equity
   c. internal
   d. asset

10. Though not as common as using personal savings, one of the more often used sources of financing is
    a. asset-based lenders.
    b. personal charge card accounts.
    c. wealthy individuals.
    d. venture capitalists.

11. One of the major sources of early financing is
    a. family members.
    b. commercial banks.
    c. business suppliers.
    d. asset-based lenders.

12. Prospective entrepreneurs will usually acquire their initial financing from
    a. venture capitalists.
    b. personal savings.
    c. wealthy individuals.
    d. the securities market.

13. 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.

14. A marketing campaign would be mostly likely financed by
    a. a commercial bank.
    b. an owner.
    c. an outside investor.
    d. the SBA.

15. A line of credit is the ____ amount of credit a bank will provide a borrower at any one time.
    a. average
    b. annual
    c. maximum
    d. minimum

16. A ____ mortgage would likely be used to secure financing for mobile construction office.
    a. chattel
    b. real estate
    c. revolving
    d. term
17. 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

18. Pro forma statements required by bankers include all of the following EXCEPT:
   a. balance sheets.  
   b. cash flow statements.  
   c. income statements.  
   d. personal financial statements.

19. Lenders tend to view buyouts favorably because the acquired business has all of the following EXCEPT:
   a. a credit history.  
   b. existing assets.  
   c. a customer base.  
   d. seller financing.

20. LIBOR is ____ the prime rate.
   a. approximately equal to  
   b. considerably higher than  
   c. considerably lower than  
   d. a lagging indicator of

21. Instead of borrowing money from suppliers to purchase equipment, an increasing number of small businesses are
   a. obtaining trade credit instead.  
   b. making these purchases outright.  
   c. choosing to lease the equipment.  
   d. opting to streamline assembly processes to reduce expenditures.

22. How likely is the typical startup to succeed in getting funded by a venture capitalist?
   a. Very unlikely (1-2 percent)  
   b. Unlikely (10-20 percent)  
   c. Likely (60-75 percent)  
   d. Very likely (90 percent)

23. Guaranty loans are
   a. made by private lenders.  
   b. guaranteed up to 50 percent by the SBA.  
   c. made through foreign banks.  
   d. limited to $100,000.

24. 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.

25. 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.
26. Exiting or harvesting encompasses
   a. merely selling and leaving a business.
   b. the creation of future options.
   c. the establishment of a benchmark for firm risk.
   d. capturing future profitability.

27. The availability of exit options is an important determinant of the appeal of the firm to
   a. suppliers.
   b. investors.
   c. the employees of the company.
   d. the management of the company.

28. Strategic buyers evaluate acquisition candidates according to the
   a. stand-alone, cash-generating potential of a target business.
   b. synergies they think the target business will create.
   c. potential of the target business to preserve employment.
   d. quality of the business strategy of the target firm.

29. In earlier years, leveraged buyouts became synonymous with the ____ LBO.
   a. bust-up
   b. build-up
   c. owner-financed
   d. publicly-funded

30. A build-up leveraged buyout involves
   a. developing the business to make it an attractive takeover target.
   b. acquiring businesses that occupy a higher level in the market channel.
   c. a longer time horizon than a bust-up leveraged buyout.
   d. constructing a larger enterprise to be taken public via an IPO.

31. An employee stock ownership plan represents
   a. a good way for a business founder to build his/her position in the company.
   b. an opportunity for employees to acquire an ownership interest in their company.
   c. a harvest method of choice.
   d. an effort to ease investor concerns.

32. 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.

33. 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
34. 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

35. Going public can be beneficial to a firm by helping it
   a. create a liquid currency to fund future acquisitions.
   b. avoid becoming a takeover target in the future.
   c. erect a shield against the fluctuations of the stock market.
   d. offer better compensation packages to attract superior management talent.

36. Having publicly traded stock can be beneficial to owners in that a public market offers
   a. greater liquidity.
   b. protection against an unwanted harvest.
   c. insight into how to improve the performance of the firm.
   d. a justification for refusing requests for ESOP options.

37. When surveyed about transfers of ownership within a family-owned firm, most entrepreneurs indicated that the transfer had been or would be financed by
   a. seller financing.
   b. third-party financing.
   c. gift.
   d. the acquirer's personal financing.

38. The owner of a hardware store has agreed to sell his business to another local hardware store owner. The purchaser would likely be described as a sale to a ____ buyer.
   a. competing
   b. employee
   c. financial
   d. strategic

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

40. The most immediate goal of a company once it becomes highly leveraged is to
   a. make an operating profit.
   b. purchase additional assets.
   c. restructure its logistics systems.
   d. service the debt.

41. The sale of Linda Bush’s company, SafeRent, Inc., to First American Corporation is an example of
   a. a sale to a corporate buyer.
   b. a sale to a financial buyer.
   c. a sale to a strategic buyer.
   d. an employee buyout.

42. Which of the following is a very important question to ask as a firm moves toward a harvest?
   a. Why do the owners want to harvest?
   b. What is the value of the firm?
   c. Does the firm have a leadership succession plan in the event that the firm sells?
   d. Will the owners change their minds?
43. Which of the following best characterizes business valuation?
   a. Valuation is almost a perfect science.
   b. Since there are so many intangibles, valuation is mostly an art.
   c. The buyer determines the value of a business.
   d. Negotiation skills play an important part in valuation.

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

45. 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.

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

47. Post-harvest entrepreneurs may become disillusioned when they realize their sense of identity
   a. was associated with the quest for wealth.
   b. derived from interactions with employees.
   c. was intertwined with their business.
   d. does not return after joining in social or charitable work.

48. Which of the following is a key question that an entrepreneur must address in anticipation of post-harvest
   life?
   a. How can I increase my passion for the harvest process?
   b. Will I experience serious regrets over the decision to harvest my investment in the company?
   c. Will I still be respected as a leader in the company?
   d. What will my legacy be within the company?

49. The effects of the harvesting process include
   a. a reduction in time and energy.
   b. an increased managerial focus.
   c. an increase in momentum.
   d. poor performance.

50. Planning for an IPO requires
   a. maintaining an accounting process that cleanly separates the business from the entrepreneur’s personal life.
   b. selecting a strong board of directors that can and will offer valuable business advice.
   c. managing the firm so as to produce a successful track record of performance.
   d. all of these

51. 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
52. Economic benefits associated with maintaining relationships with current customers include:
   a. Acquisition costs for new customers are huge.
   b. New customers spend more money than long-time customers.
   c. Order processing costs are lower for new customers.
   d. All of these.

53. The basic ideas forming the foundation of customer loyalty for small firms include the notion that
   a. superior customer service will almost always lead directly to customer satisfaction.
   b. customer satisfaction demands customer loyalty.
   c. small firms possess great potential for providing superior customer service.
   d. customer satisfaction is "the name of the game" for such businesses.

54. Offering to relaunder a customer’s shirt at no charge to add additional starch is an example of which key
   element in attaining customer satisfaction?
   a. basic benefits
   b. general support services
   c. a recovery process
   d. extraordinary services

55. Long-term transactional relationships with customers are fostered by
   a. directed advertising.
   b. focused discounts.
   c. good information.
   d. all of these.

56. Software packages containing _____ tools are available to assist in supporting customer contacts.
   a. word-processing
   b. spreadsheet
   c. database
   d. all of these

57. According to Forrester Research, almost _____ percent of small to mid-sized businesses with fewer than 1,000
   employees are interested in outsourcing some type of application.
   a. 20
   b. 45
   c. 60
   d. 85

58. In a very small business, the customer profiles maintained in the entrepreneur’s _____ often constitute the
   firm's CRM “database.”
   a. computer
   b. card file
   c. head
   d. shoe box

59. Information taken from warranty cards would be stored in which category of a customer profile?
   a. Customer contacts
   b. Descriptive information
   c. Responses to marketing stimuli
   d. Transactions
60. A customer’s use of a discount coupon would most likely be recorded in which category of her customer profile?
   a. Customer contacts
   b. Descriptive information
   c. Responses to marketing stimuli
   d. Transactions

61. All of the following are stages of consumer decision making except
   a. post-purchase evaluation.
   b. purchase decision.
   c. problem recognition.
   d. perceptual categorization.

62. Sara has decided to make an offer on a particular house. 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

63. Josh is concerned that the snacks he bought are the ones that his friends will enjoy when they come over to watch the game. 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

64. Even though it is available, Bob never purchases bottled water when he is thirsty. Bob’s behavior indicates that bottled water
   a. does not meet Bob’s evaluative criteria.
   b. increases Bob’s cognitive dissonance.
   c. is not included in Bob’s evoked set.
   d. decreases Bob’s perceptual categorization.

65. Individual processes that ultimately give meaning to stimuli that confront consumers are known as
   a. perceptions.
   b. motivations.
   c. attitudes.
   d. opinions.

66. 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.

67. 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.
68. The reason that a group of uniformed people walking down the street playing musical instruments is recognized as a band is the result of
   a. characteristic profiling.
   b. evaluative criteria.
   c. perceptual categorization.
   d. problem recognition.

69. 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

70. Divisions in society with different levels of social prestige are called
   a. reference groups.
   b. cultures.
   c. social classes.
   d. perceptual categories.

71. Erin Withers, a typical consumer, often purchases goods and services because she feels her family and fellow workers will approve of these items. Family and co-workers are ____ for this consumer.
   a. reference groups
   b. referral groups
   c. perceptual groups
   d. opinion leaders

72. 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

73. 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

74. 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

75. Nikita’s decision to buy her shoes at same shop that her favorite professor patronizes is the result of which sociological influence?
   a. culture
   b. opinion leaders
   c. reference groups
   d. social class
76. A firm's competitive advantage will never
   a. last forever.
   b. be duplicated by competitors.
   c. lead to superior performance.
   d. cost as much to develop as anticipated.

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

78. Joe Kott has established a successful formed cement products business by developing an inventory control method and delivery service that gets products to construction sites faster than his rivals. If Kott continues to improve this system and stay ahead of his competitors, it can be a source of
   a. sustainable competitive advantage.
   b. total quality management.
   c. business process reengineering.
   d. competitive adjustment.

79. If a small firm is to maintain its performance over time, it is essential to
   a. produce a continuous stream of competitive advantages.
   b. extend the competitive advantage of the firm.
   c. replicate the strategies that have led to success in the past.
   d. retain the personnel who made the firm successful in the first place.

80. To maintain it performance, the small business must launch a new competitive advantage
   a. and keep that competitive advantage alive.
   b. and make adjustments to that competitive advantage over time.
   c. that rival firms can see and respond to.
   d. before the current strategy has run its course.

81. 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.

82. The collection of product lines within a firm's ownership and control is referred to as the
   a. product depth.
   b. product accumulation.
   c. product line consistency.
   d. product mix.

83. All of the following are stages in a formal product development process except
   a. business analysis.
   b. idea accumulation.
   c. product testing.
   d. product conceptualization.

84. Every new product must be carefully analyzed in terms of financial considerations in the ____ stage of the product development process.
   a. business analysis
   b. idea accumulation
   c. product testing
   d. total product development
85. Key factors to consider when conducting the business analysis phase of the new product development process include all of the following except:
   a. cost of development and introduction.
   b. total product development.
   c. available personnel and facilities.
   d. the product's relationship to existing product lines.

86. The _____ stage of the product development process entails planning for branding, packaging, and other supporting efforts such as pricing and promotion.
   a. business analysis
   b. idea accumulation
   c. product conceptualization
   d. total product development

87. A verbal or symbolic means of identifying a product is referred to as a:
   a. brand.
   b. trademark.
   c. service mark.
   d. trade dress.

88. Explicit functions of packaging include all of the following except:
   a. increasing the quality of the total product.
   b. distinguishing the product from competitors' products.
   c. influencing customers.
   d. protecting the product.

89. Which of the following is not true with respect to labeling?
   a. It shows the product brand.
   b. It is an informative tool for consumers.
   c. It should include only the minimum legal requirements.
   d. It should emphasize brand visibility.

90. Auto Shine is introducing an improved version of its existing car wax targeted at luxury car owners. The firm has decided to leave the original product in the mix and aim the new product at the original target market. Auto Shine is employing a _____ product strategy.
   a. multiple products/one market
   b. multiple products/multiple markets
   c. modified product/one market
   d. modified product/multiple markets

91. 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.

92. Small businesses can protect their intangible assets by means of any of the following except:
   a. trademarks.
   b. patents.
   c. copyrights.
   d. formal redress.
93. A copyright provides protection for the duration of the creator's life, plus
   a. 25 years.
   b. 70 years.
   c. 75 years.
   d. 100 years.

94. The distinctive operating image of a product, including features such as size, shape, color or color combinations, texture, graphics, or even particular sales techniques, can be protected
   a. by copyright.
   b. by patent.
   c. as trade dress.
   d. as a registered concept.

95. A copyright notice should include
   a. the symbol (c).
   b. the date the work was published.
   c. the name of the copyright owner's company.
   d. a listing of all other copyrights held by the owner.

96. 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.

97. Seasons Greetings, a small manufacturer of holiday greeting cards, sells its product through independent retailers and mail-order marketing. Seasons Greetings is relying on
   a. a direct channel of distribution.
   b. an indirect channel of distribution.
   c. a dual distribution channel.
   d. a multiple-outlet distribution channel.

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

99. When the channel system uses ____, the storage function is transferred to the intermediary.
   a. agents
   b. brokers
   c. common carriers
   d. merchant middlemen or wholesalers

100. Import Properties, a small firm that imports trade goods from South America, ships purchased goods on one of two company-owned vessels. Import Properties operates as a
   a. common carrier.
   b. public carrier.
   c. private carrier.
   d. contract carrier.