

Entrepreneurship - 2006 SLC

- 1) A company must have fewer than 10 direct competitors to fit the definition of a small business.
A) True
B) False
- 2) In the United States, the majority of new jobs are created by large businesses.
A) True
B) False
- 3) Most of the significant technological advances that take place come from the research and development efforts of large firms.
A) True
B) False
- 4) Small businesses are important because they provide employment for a significant number of employees.
A) True
B) False
- 5) Small businesses in the wholesale sector seem to perform more poorly than large businesses.
A) True
B) False
- 6) With economy of scale, the cost of producing each unit decreases as the manufacturer produces a greater number of units.
A) True
B) False
- 7) Entrepreneurs find a niche for their product or service to ensure sufficient demand.
A) True
B) False
- 8) A small business has a great deal of control over its environment.
A) True
B) False
- 9) A niche segment of a market offers a new opportunity because it is not currently being satisfied.
A) True
B) False
- 10) The preparation of a business plan is a means of developing a business on paper before actually investing money and launching it.
A) True
B) False
- 11) As soon as an individual decides to go into business, he or she should develop a business plan. The first step when developing a business plan is to conduct a market survey.
A) True
B) False
- 12) Market research is a key step in building a business plan.
A) True
B) False
- 13) Bank loans are the most common source of financing for a small business.
A) True
B) False
- 14) A venture capitalist is an individual who tries to buy up small businesses similar to the way corporate raiders buy large corporations.
A) True
B) False
- 15) Small businesses have only limited success in large-scale manufacturing because they are unable to compete on the basis of economy of scale.

- A) True
- B) False

- 16) As defined by the U.S. Congress, the Small Business Administration's (SBA's) charter sets limits on how much financial assistance the SBA can provide, while specifically prohibiting it from giving advice to small businesses.
- A) True
 - B) False
- 17) The purpose of the SBA's SCORE program is to evaluate the managerial performance of small businesses and then to assign scores that are used to determine the amount of loans that individual businesses can obtain.
- A) True
 - B) False
- 18) Small businesses are not as successful as larger organizations in discovering new markets for a product.
- A) True
 - B) False
- 19) The purpose of the SBA's ACE program is to identify the most promising businesses within various industries to determine which companies are eligible for SBA investment.
- A) True
 - B) False
- 20) A franchise usually involves less uncertainty and less risk than starting a business from scratch.
- A) True
 - B) False
- 21) _____ is the process of planning, organizing, operating, and assuming the risk of a business venture.
- A) Innovative management
 - B) Establishing a hierarchical alliance
 - C) Entrepreneurship
 - D) Networking
- 22) Pizza Hut was started by two college students who borrowed a small amount of money and one of their mother's pizza recipes. Their organization became the dominant firm in the industry. These two men are classified as
- A) leaseholders.
 - B) franchisees.
 - C) entrepreneurs.
 - D) intrapreneurs.
- 23) Carla Danielson had a great recipe for sweet bell pepper sauce. Her friend Sharon Hall convinced her that they should go into business together and sell the sauce. They now ship Palouse red sauce to stores in 35 states. Danielson and Hall are examples of
- A) intrapreneurs.
 - B) entrepreneurs.
 - C) venture capitalist.
 - D) franchisees.
- 24) Which of the following is not an example of an entrepreneur?
- A) Diane Molberg started "By Request," a successful home bakery business.
 - B) Donna Cook started a little home business 10 years ago.
 - C) Gwen Morgan manages The Secret Garden, a business owned by her sister.
 - D) Elmer Olsen created and distributes Bayfield Apple Jam nationally.
- 25) A small business
- A) is publicly traded.
 - B) is easily discernable from a big business.
 - C) would not sell internationally.
 - D) is not accurately described by any of the above choices.
- 26) Which of the following statements comparing small and large businesses is false?
- A) Small businesses can typically produce and deliver specialty products more efficiently than large businesses.
 - B) Small businesses outnumber large businesses by nearly 100 to 1.
 - C) Large businesses show better financial performance than small businesses.

- D) More new jobs are created by small rather than large businesses.
- 27) Which of the following is not generally considered to be a role performed by small businesses?
A) The development of new products
B) The creation of new jobs
C) The provision of capital to large businesses
D) The manufacture of materials for large businesses
- 28) In terms of the number of new jobs formed each year, how does small business compare to big business?
A) Small business creates approximately 99% of new jobs.
B) They create about the same number each year.
C) Big business creates twice the number of new jobs as small business.
D) Small business creates more new jobs than big business.
- 29) Which of the following statements comparing large and small businesses is true?
A) Big businesses create more jobs than small businesses.
B) Big businesses outnumber small businesses by a wide margin.
C) Big businesses are less efficient at producing and delivering mass-produced products than small businesses.
D) Small businesses show consistently lower financial performance than big businesses.
- 30) While watching her Dad cook bacon in the microwave, 10-year-old Abby Fleck asked, "Wouldn't it be less messy if you hung the bacon to cook?" After breakfast, she and her Dad went to the basement and created the Makin Bacon, a gadget for making bacon cooking less messy. Abby and her family operate a business that makes and sells Makin Bacon trays to large companies like Armour Bacon. This is a small company that has contributed to the economy with its
A) innovation and its importance to a big company.
B) financial performance and impact on its external environment.
C) innovation and its impact on the internal environment of Armour.
D) job creation and innovation.
- 31) If an entrepreneur is considering a new business, which of the following would be a desirable characteristic of the industry being considered?
A) Several companies are engaged in highly competitive advertising, which indicates that the product is desirable.
B) The new company will be able to sell to only selected buyers.
C) The new company will sell a newly patented invention that is not yet well known but is expected to dominate the market.
D) Start-up costs are high.
- 32) In which of the following industries are you most likely to find a small business?
A) Railroad
B) Department store retailing
C) Wholesaling
D) Services
- 33) Service businesses are the fastest growing segment of all small-business enterprises primarily because of
A) low labor requirements.
B) size of initial capital investment.
C) favorable tax treatment.
D) high market demand.
- 34) Which of the following statements about service businesses that are classified as small business is true?
A) Service business appeals to the innovative nature of many entrepreneurs.
B) All of the following statements about service businesses that are classified as small business are true.
C) A small business offering a car repair service is like other service businesses in that it offers a higher return on time invested.
D) A service company that gift wraps gifts for people too busy to do it themselves is an example of a small business if it is privately owned and has only four employees.
- 35) In which of the following retail ventures would a small business operator be most likely to succeed?
A) Used car dealership
B) Clothing store catering to working women
C) Supermarket
D) Discount department store

- 36) In which of the following areas of retailing are small businesses especially effective?
- A) Specialty shops
 - B) Department stores
 - C) Factory outlet
 - D) General hardware
- 37) Which of the following statements explain why small businesses are generally more effective than large companies in specialty retailing?
- A) The dollar size of the specialty market is too small for large companies.
 - B) None of these statements explain why small businesses are generally more effective than large companies in specialty retailing.
 - C) Large companies generally lack the specialties that are needed to make a retail store profitable.
 - D) Specialty retailing requires a different organizational structure than is usually found in large companies.
- 38) Why are some small business owners successful in the wholesaling industry?
- A) Wholesaling businesses serve more customers than retailing businesses.
 - B) Small business owners are able to develop personal working relationships with their buyers.
 - C) Small businesses have access to more technology.
 - D) A wholesaling business does not require a large capital investment.
- 39) Research has shown that manufacturing costs fall as the number of units produced increases. This relationship between cost and production is called
- A) the scalar principle.
 - B) synergy.
 - C) economy of scale.
 - D) the 80/20 principle.
- 40) Small businesses are less likely to succeed in the manufacturing industry than larger businesses due to
- A) the lack of an innovative approach.
 - B) economy of scale.
 - C) the principle of synergy.
 - D) the need for minimal start-up resources.
- 41) Which of the following is an example of identifying a new niche in an established market?
- A) Designing a computer that can control traffic flow on a freeway
 - B) Modifying a computer so that it is usable by untrained persons
 - C) Reducing the price of a printer so that it is more affordable
 - D) Reducing the number of outlets that sell computers
- 42) Which of the following is an example of identifying a new niche in an established market?
- A) Expanding the distribution channels for Meadow Gold ice cream
 - B) Offering a free package of Hormel wieners if you buy one at full price
 - C) Introducing a strawberry jam at a price 20% lower than what is currently on market
 - D) Developing a meat product that looks and tastes like ham but has a shelf life of twenty years
- 43) When herbalist John Hamann was looking for a way to turn his hobby into a job, he noted that while a lot of people were interested in his herbs, the area in which he lived lacked an herb store. So he opened an herb store and offers popular weekly classes on how to grow herbs as well as how to use them in everything from cooking to soap. Hamann found a
- A) retailing and service niche.
 - B) unestablished market.
 - C) retailing and wholesaling niche.
 - D) market network.
- 44) Which of the following is an example of a company that has identified a new market?
- A) Kroger supermarkets add a new line of cosmetics for teens to its shelves.
 - B) Purina introduces a new package design for its dog food.
 - C) Lonnie Johnson develops the Super Soaker, the world's most successful water gun.
 - D) The manufacturer of Blistex lip cream, a U.S. made product, is introduced for the first time to consumers in Europe.
- 45) For years, many businesses have considered ways to make the issuance of traffic tickets and citations more efficient. Computer technology was recognized as the solution. ETEC was the first to develop such a gadget. Its product, called Autocite, was able to do most everything needed. ETEC is an example of a

- A) niche creator.
- B) company with a first mover advantage.
- C) service business.
- D) product assimilator.

46) Many international companies have experienced problems because their employees were unfamiliar with the etiquette of foreign countries. As a result, Terri Morrison and Wayne Conaway established a company called Getting Through Customs to help their clients understand and adapt to cultural differences. This new business is an example of a

- A) distribution company.
- B) company with first mover advantage.
- C) niche creator.
- D) new market identifier.

47) The overall purpose of a business plan is to

- A) determine potential demand for the firm's product or service.
- B) provide prospective lenders a blueprint for action.
- C) determine the most appropriate form of ownership.
- D) identify all actions required up to the point when the firm opens its doors.

48) Which activity in developing a business plan is the most important?

- A) Researching the market
- B) Developing an organizational chart
- C) Choosing a business location
- D) Developing a production plan

49) The first step for the entrepreneur in planning his or her business is to

- A) forecast sales revenue.
- B) develop an organizational chart.
- C) choose a location.
- D) engage in self-analysis.

50) The most important part of the small business financial plan is the

- A) income statement.
- B) inventory analysis.
- C) cash budget.
- D) break-even chart.

51) The ____ tells how much money is needed to operate a new business.

- A) profit and loss statement
- B) cash budget
- C) income statement
- D) balance sheet

52) Marve Allyn wants to start his own equestrian supply business from scratch. To help determine whether this is a good idea, he needs to find answers to which of the following questions?

- A) In what quantities and at what price will my customers buy?
- B) Who are my customers and where are they?
- C) All answers are correct
- D) How can I differentiate my product from that of my competitors?

53) What is the most common source of funds for entrepreneurs?

- A) Loans from banks
- B) Money from venture capitalist
- C) Personal financial resources
- D) Issuing stock in the business

54) ____ are a group of small investors seeking to make a profit on companies with rapid growth potential.

- A) Venture capitalist
- B) Intrapreneurs
- C) Bondholders
- D) Hierarchical allies

- 55) Which of the following is not a method used by entrepreneurs to finance their new business?
A) Personal resources
B) Sale of stocks
C) Small Business Investment Companies (SBICs)
D) Strategic alliances
- 56) Which of the following is not a source of management advice for an entrepreneur?
A) Small Business Administration (SBA)
B) Service Corps of Retired Executives (SCORE)
C) Active Corps of Executives (ACE)
D) Federal Trade Commission (FTC)
- 57) Which of the following is an example of a major consulting program offered by the SBA at virtually no cost to the entrepreneur who requested the help?
A) Occupational Safety and Health Agency (OSHA)
B) Food and Drug Agency (FDA)
C) Federal Trade Commission (FTC)
D) Small Business Development Center (SBDC)
- 58) Why should a new entrepreneur who is having to be careful how she spends every penny join the National Federation of Independent Businesses (NFIB)?
A) The organization is full of venture capitalists.
B) The organization offers excellent networking opportunities.
C) The organization is the source of financial resources.
D) The organization provides generic promotional campaigns free of charge to new businesses.
- 59) Jay wants to start a new business. With which of the following methods of starting a new business will he pay a share of the income from the business in return for the use of such things as trademarks and business formulas?
A) Buying an existing business whose purchase price includes goodwill
B) Starting a new business with loans from the SBA
C) Venture capitalism
D) Franchising
- 60) Which of the following statements about recent trends in franchising is true?
A) Franchising grew rapidly until about 1975, but its percentage of retail sales is now on the decline.
B) Franchising is growing rapidly and is projected to account for half of all retail sales.
C) Franchising has not been a big factor in U.S. retail sales due to its high costs.
D) Franchising has declined in popularity because of the risk it involves.
- 61) The most significant disadvantage to franchising as a means of acquiring a business is
A) high start-up costs.
B) government regulation.
C) the absence of economies of scale.
D) the amount of paperwork.
- 62) Four general factors contribute to the failure rate of small businesses. They include
A) cash flow problems.
B) too many customers.
C) managerial incompetence or inexperience.
D) the lack of innovative spirit.
- 63) Most experts say that anyone opening a new business should be financially strong enough to operate without business income for at least
A) six months.
B) one year.
C) two years.
D) one month.
- 64) Four general factors contribute to the failure rate of small businesses. Which of the following is not one of those factors?
A) Low start-up costs
B) Owner neglect
C) Insufficient capital

- D) Weak control systems
- 65) Four general factors contribute to the success rate of small-businesses. Which of the following is not one of those factors?
A) Empathy with customers
B) Careful analysis of market conditions
C) Luck
D) Managerial competence
- 66) The range of markets in which the firm wants to compete is termed its
A) alignment.
B) scope.
C) entropy.
D) synergy.
- 67) TP Publishing Company offers several correspondence courses. It recently purchased Sylvan Learning Centers so that it would have a place and people to administer the examinations for the courses. This use of the learning centers to support the correspondence courses reflects the use of which component of the organization's strategy?
A) Alignment
B) Entropy
C) Resource deployment
D) Scope
- 68) Business-level strategy focuses primarily on
A) which markets to enter and how the parts of the organization enhance the entry.
B) which markets to enter and how to use the firm's money, people, and physical facilities.
C) the firm's competitive advantage(s).
D) the areas in which the firm may have an advantage and how much various organizational parts enhance each other.
- 69) Strategy formulation is
A) a set of processes involving the organizations' strategies.
B) a form of functional strategy.
C) the same as goal development.
D) the method by which strategies are operationalized.
- 70) After so many people complimented Robin Hoder's honey mustard, she decided to start a small business called Naples Valley Products to manufacture and market her mustard. She found a commercial kitchen in which to prepare both a mild and a hot version of the mustard. She began marketing it first at craft fairs and then through mail order. At this juncture, Hoder was engaged in
A) operational optimizing.
B) strategic implementation.
C) strategic marketing.
D) competitive response.
- 71) After so many people complimented Robin Hoder's honey mustard, she decided to start a small business called Naples Valley Products to manufacture and market her mustard. At this juncture, Hoder was engaged in
A) competitive response.
B) strategic formulation.
C) strategic marketing.
D) corporate strategy.
- 72) The systematic collection and recording of information about jobs in the organization is known as
A) job evaluation.
B) the selection process.
C) job specification.
D) job analysis.
- 73) When looking to hire a new employee, once the firm has developed a pool of applicants, the next step is
A) advertising the position.
B) making a job offer to a candidate.
C) screening job applicants
D) interviewing job applicants.
- 74) The typical first step in the hiring process is to have prospective employees

- A) attend an assessment center.
- B) complete a job application.
- C) take a skills test.
- D) participate in an interview.

- 75) Darin, the human resource manager of a local firm, makes sure that the firm is paying men and women the same if they are doing the same job. The legal constraint that he is abiding by is the
- A) Equal Pay Act.
 - B) Female Discrimination Act.
 - C) National Labor Relations Act.
 - D) Civil Rights Act.
- 76) Which of the following is not an objective measure of performance appraisal?
- A) Quality index based on the number of rejects
 - B) The number of sales dollars generated
 - C) The number of sales calls made
 - D) The ranking of coworkers by their superior
- 77) The final and often the most difficult part of performance appraisal is
- A) providing feedback to the employee in a face-to-face meeting.
 - B) rating actual performance.
 - C) job evaluation.
 - D) management by objectives.
- 78) The primary concern of strategy implementation is
- A) the content of the strategy.
 - B) how the strategy is operationalized and executed.
 - C) goal development.
 - D) corporate-level strategy.
- 79) In environmental SWOT analysis, the internal organizational position is analyzed according to its
- A) opportunities and weaknesses.
 - B) return on investment.
 - C) opportunities and threats.
 - D) strengths and weaknesses.
- 80) The starting point in formulating strategies is usually
- A) a mission statement.
 - B) operational plans.
 - C) a SWOT analysis.
 - D) goal implementation.
- 81) In their book *In Search of Excellence*, Peters and Waterman found that successful companies “stuck to their knitting.” In other words, they concentrated on those things they did well. To which component of organizational strategy does this idea most directly relate?
- A) Scope
 - B) Organizational opportunity
 - C) Distinctive competence
 - D) Common strengths
- 82) Fort Howard Paper Company has a cost-saving manufacturing process that its competitors cannot imitate. Fort Howard Paper enjoys a(n)
- A) product integration.
 - B) sustained competitive advantage.
 - C) organizational opportunity.
 - D) organizational threat.

Use the following items to answer the next 4 questions.

- a. ACE
- b. SBA
- c. SBI
- d. SCORE

- 83) Helps entrepreneurs obtain money.
A) d
B) a
C) b
D) c
- 84) Made up of managers currently in the workforce.
A) b
B) c
C) a
D) d
- 85) Might involve students at a university who help small businesses.
A) c
B) b
C) d
D) a
- 86) Retired executives who provide free advice to small businesses.
A) a
B) b
C) c
D) d

Use the following items for the next 3 questions.

- a. Starting a business from scratch
- b. Buying an existing business
- c. Buying a franchise

- 87) Obtains ongoing access to advice from experts
A) a
B) b
C) c
- 88) May not be able to negotiate favorable credit terms with suppliers
A) b
B) c
C) a
- 89) Historical records answer questions about cash flow problems.
A) b
B) a
C) c

Use the following items to answer the next 7 questions.

- a. Service
- b. Transportation
- c. Finance
- d. Wholesaling
- e. Retailing

- 90) This industry appeals to the talent for innovation that is found in most entrepreneurs.
A) a
B) c
C) d
D) b
E) e
- 91) The success of small businesses in this industry is linked to economy of scale.
A) b
B) a

- C) e
- D) d
- E) c

- 92) Deregulation has decreased the number of small businesses in this industry.
- A) b
 - B) c
 - C) d
 - D) e
 - E) a
- 93) Filling some niche or providing some product that is not readily available describes how small businesses successfully enter this industry.
- A) b
 - B) a
 - C) c
 - D) e
 - E) d
- 94) This industry requires few start-up resources.
- A) b
 - B) a
 - C) e
 - D) d
 - E) c
- 95) This industry contains the fastest growing segment of the small business enterprises.
- A) c
 - B) e
 - C) b
 - D) a
 - E) d
- 96) This industry offers a high return on time invested.
- A) e
 - B) a
 - C) c
 - D) d
 - E) b

Use for the next 4 questions.

Bob Morrow and Alan Tupal are amateur wood workers who live in Georgia and would like to turn their hobby into a career. They want to go into business as cabinet subcontractors. They hope to build customized cabinets and bookshelves for new homes and homes that are being remodeled. Morrow and Tupal plan on hiring one person to handle the administrative work part-time and a rough carpenter who will build the cabinet bases and who will give them time to do the finishing work that will differentiate their shelves and cabinets from the ready-made ones that are available at stores like the Home Depot.

- a. Active Corps of Executives
- b. Service Corps of Retired Executives
- c. Small Business Institute
- d. Small Business Administration

- 97) Because theirs is a start-up business, they need a business mentor, preferably one who is familiar with the construction business and is not caught up in running his or her own business. Where can they find such a person?
- A) a
 - B) b
 - C) d
 - D) c
- 98) If they wanted to ask advice later from someone currently in the construction business who would be unbiased and able to give them an honest answer, which agency should they contact?
- A) b

- B) c
- C) a
- D) d

99) They are having some problems deciding on what goes in their business plan and have heard of other businesses getting college classes to design a plan for them. Where can they go to locate such a program?

- A) d
- B) b
- C) a
- D) c

100) Where should they go for a loan if they are unable to get private financing at reasonable terms?

- A) c
- B) a
- C) b
- D) d