

ENTREPRENEURSHIP

Final Exam STUDY GUIDE

Name: _____

Date: _____ Per. _____

Chapter 1 Entrepreneurs Past & Present

- _____ 1. Entrepreneurs who were leaders in the food industry were
- Olive Beech and Henry Ford
 - Rose Knox and Olive Beech
 - Rose Knox and Clarence Birdseye
 - Clarence Birdseye and Cyrus McCormick
- _____ 2. An assessment of your interests is
- self-discipline
 - an advantage of entrepreneurship
 - helpful in deciding what business is right for you
 - a non-financial goal
- _____ 3. Disadvantages of entrepreneurship include
- uncertain income
 - risk
 - working long hours
 - all of these
- _____ 4. An employee
- sets non-financial goals for a business
 - takes the risk of a business venture
 - sets financial goals for a business
 - works for someone else
- _____ 5. Characteristics of successful entrepreneurs include
- optimism
 - independence
 - self-control
 - indiscretion
- _____ 6. Which of the following is a retailing business?
- jewelry store
 - paper mill
 - appliance repair shop
 - orange grower
- _____ 7. Setting specific financial goals before starting a business
- helps you compare different business opportunities
 - is not necessary for most entrepreneurs
 - ensures the business is able to earn the profits you want
 - will increase your personal satisfaction
- _____ 8. To determine if a business opportunity is realistic, you should find out
- how much money is needed to start the business
 - the rate of failure for this type of business

- c. how many hours a week it is likely to take to run the business
 - d. all of these
- _____ 9. Aptitude is the ability to
- a. work with people
 - b. learn a particular kind of job
 - c. be independent
 - d. all of these
- _____ 10. Information about business opportunities is available from
- a. the Postal Service
 - b. most banks
 - c. the Small Business Administration
 - d. none of these

Chapter 2 What do Entrepreneurs Need?

- _____ 11. Problems in business often occur because people
- a. fail to listen to each other
 - b. do not speak loud enough
 - c. ask too many questions
 - d. take incomplete notes
- _____ 12. To determine a monthly growth rate
- a. divide the dollar increase in one month by the sales the previous month
 - b. divide the total monthly growth by the number of months of data
 - c. multiply the growth rate by last month's sales
 - d. divide one month's sales by the next month's sales
- _____ 13. Business letters are written to
- a. make pricing decisions
 - b. congratulate employees
 - c. negotiate purchases
 - d. develop sales projections
- _____ 14. To help them make decisions and solve problems, entrepreneurs often use
- a. decision building
 - b. a formal problem-solving model
 - c. an organization chart
 - d. none of these
- _____ 15. Which of the following is *not* an important tip to keep in mind when conducting a face-to-face business meeting?
- a. take notes
 - b. speak clearly
 - c. thank the person at the end of the meeting
 - d. show that you are listening carefully
- _____ 16. The unit cost of an item is \$46.80, the customer purchased two of these items, and the sales tax rate is 7.25%. The total amount due is
- a. \$100.43
 - b. \$101.42
 - c. \$100.39
 - d. \$101.38

- ___ 17. Which of the following is *not* a step in the decision-making process?
- define the problem
 - take action
 - identify various solutions
 - define the solution
- ___ 18. An item that had an original price of \$45.49 is on sale at 30% off. What is the sale price?
- \$31.24
 - \$31.84
 - \$13.65
 - none of these
- ___ 19. Which of the following loans has the lowest yearly interest?
- \$30,000 loan at a rate of 7.25%
 - \$25,000 loan at a rate of 8.5%
 - \$40,000 loan at a rate of 6%
 - \$35,000 loan at a rate of 8%
- ___ 20. A problem-solving method that builds trust among employees is called
- consensus building
 - brainstorming
 - idea evaluating
 - defining the problem

Chapter 3 What do Entrepreneurs Need?

- ___ 21. Public goods include all of the following *except*
- schools
 - dams
 - day-care centers
 - armed forces
- ___ 22. In a command economy,
- individuals are usually able to obtain exactly what they want
 - there is very little choice in what is available
 - production decisions are made by individuals
 - scarcity does not exist
- ___ 23. The supply curve shows that the quantity produced of a good or service
- decreases as price increases
 - is not affected by price
 - increases as price increases
 - increases as price decreases
- ___ 24. Demand, an individual's need or desire for a product or service at a given price,
- increases as price decreases
 - is not affected by price
 - increases as price increases
 - decreases as price decreases
- ___ 25. A company that has a monopoly
- controls all of a market
 - must be licensed
 - cannot compete in a market economy
 - can receive a subsidy from the government

- ___ 26. The fixed costs of a business
 - a. are different each month
 - b. include interest on business loans
 - c. include the cost of production materials
 - d. are based on the quantity of goods produced

- ___ 27. An entrepreneur uses the concept of marginal cost to
 - a. change a variable cost to a fixed cost
 - b. determine opportunity costs
 - c. reduce scarcity
 - d. decide whether a business change is desirable

- ___ 28. If an entrepreneur decides to increase advertising rather than buy new equipment, the cost of the advertising is
 - a. an opportunity cost
 - b. a variable cost
 - c. the value of the new equipment
 - d. all of these

- ___ 29. Government influences production in a market economy by
 - a. determining what goods and services are to be produced
 - b. providing subsidies to producers of certain kinds of goods
 - c. selling goods and services
 - d. taxing monopolies at a high rate

- ___ 30. In a market economy, the government may serve as a
 - a. regulator
 - b. redistributor of income
 - c. provider of social programs
 - d. all of these

Chapter 4 Entrepreneurs in a Market Economy?

- ___ 31. An advantage of buying an existing business is that
 - a. a large amount of capital is not required
 - b. policies and procedures are already established
 - c. it is financially viable
 - d. it has a reputation with customers

- ___ 32. When buying a business, you should do all of the following *except*
 - a. have an accountant write the sales contract
 - b. analyze financial reports for the past three years
 - c. determine how to finance the business
 - d. have an expert determine the value of the business

- ___ 33. Entrepreneurs who work for their family businesses
 - a. must be prepared to compromise
 - b. cannot make all decisions themselves
 - c. enjoy working with relatives
 - d. all of these

- ___ 34. Operating costs of a franchise
 - a. are paid by the franchisor
 - b. include a fee for writing the franchise agreement
 - c. include a fee for advertising

- d. are usually less than one thousand dollars
- ___ 35. Which of the following is *not* a disadvantage of owning a franchise?
 - a. some profits must be returned to franchisor as royalty fees
 - b. only certain products or services may be offered
 - c. uncertainty of attracting customers
 - d. a large amount of initial capital is usually needed
- ___ 36. Before buying a franchise, you should
 - a. determine all costs and royalty fees
 - b. have an accountant examine the agreement
 - c. talk to a business broker
 - d. none of these
- ___ 37. When starting your own business, an important consideration is
 - a. the location
 - b. what product or service to offer
 - c. what employees to hire
 - d. all of these
- ___ 38. There is very little government regulation for businesses that are
 - a. sole proprietorships or S corporations
 - b. partnerships or corporations
 - c. sole proprietorships or partnerships
 - d. partnerships or S corporations
- ___ 39. A disadvantage of a partnership is that partners share
 - a. decision-making
 - b. losses
 - c. management responsibilities
 - d. profits
- ___ 40. An advantage of setting up as a corporation is the
 - a. distribution of profits
 - b. ability to raise capital
 - c. taxation benefits
 - d. ease of establishment

Chapter 5 Develop a Business Plan

- ___ 41. Which of the following is *not* a purpose of a business plan?
 - a. to explain how your product or service will be produced
 - b. to describe how you expect to achieve specific objectives
 - c. to describe how you will locate reliable suppliers
 - d. to spell out how your product or service will be sold
- ___ 42. Without a business plan, you will not be able to
 - a. manage your business
 - b. obtain a business loan
 - c. make sales projections
 - d. find a location for your business
- ___ 43. Short-term goals for a business might include
 - a. hire five employees
 - b. lease or buy a facility

- c. purchase equipment and supplies
 - d. all of these
- _____ 44. The products or services section of your plan should
- a. explain who your prospective customers are
 - b. describe the market for your product or service
 - c. explain any unique features of your product or service
 - d. show the expertise of your sales force
- _____ 45. Identification of risks and your plan to deal with them should be in the
- a. marketing section
 - b. goals and objectives section
 - c. financial section
 - d. legal issues section
- _____ 46. A business with licensing requirements should include
- a. a legal issues section
 - b. the requirements in the financial section
 - c. a licensing section
 - d. a product safety section
- _____ 47. In researching all the parts of your business, you can
- a. learn a great deal about running a business
 - b. find specific ideas for starting up your company
 - c. find information through trade associations
 - d. all of these
- _____ 48. The cover letter of a business plan should
- a. explain what you plan to do with the loan money if you receive it
 - b. briefly describe your business and its potential for success
 - c. be used to write the executive summary
 - d. list the material included in the main body of the plan
- _____ 49. The executive summary
- a. is the second introductory element
 - b. should capture the interest of the readers
 - c. includes the name, address, and phone number of your company
 - d. is rarely read by lenders or investors
- _____ 50. The appendix includes supporting evidence such as
- a. current financial statements
 - b. newspaper articles
 - c. letters of recommendation
 - d. loan requirements

Chapter 6 Identify and Meet a Market Need

- _____ 51. Data that describe a group of people in terms of their tastes, opinions, personality traits, and lifestyle habits are
- a. demographics
 - b. demonstration data
 - c. psychographics
 - d. psychology data

- ___ 52. Market research is a system for collecting, recording, and analyzing information about
- customers
 - competitors
 - goods and services
 - all of these
- ___ 53. In the second step of the market-research process, you need to
- design a questionnaire
 - collect secondary data
 - define exactly what you are trying to find out
 - decide what method you plan to use to collect data
- ___ 54. The target market is the individuals or companies that are interested in a particular product or service and
- can afford to pay for it
 - are customers of the competition
 - are willing and able to pay for it
 - are located in the surrounding area
- ___ 55. A business that makes only a small amount of money selling the same or similar products or services as another business is
- indirect competition
 - direct competition
 - secondary competition
 - primary competition
- ___ 56. A customer profile
- is a description of the characteristics of the person or company that is likely to purchase a product or service
 - is only needed for primary market research
 - can help you understand your competition
 - all of these
- ___ 57. Information collected for the very first time to fit a specific purpose is
- psychographics
 - primary data
 - secondary data
 - market data
- ___ 58. To keep customers, you will need to
- develop strategies to keep them happy
 - respond to their concerns
 - stay in touch with their needs
 - all of these
- ___ 59. Focus groups
- allow for in-depth discussion about a topic
 - are never used to collect primary data
 - should include your competitors
 - can help you interpret your data
- ___ 60. Competitors should be analyzed in terms of their
- size
 - advertising campaigns
 - location and price
 - suppliers

Chapter 7 Finance, Protect, and Insure Your Business

- ___ 61. Which of the following is *not* a financial statement needed for potential lenders and investors?
- cash flow statement
 - balance sheet
 - loss statement
 - income statement
- ___ 62. To prepare a pro forma cash flow statement, you must forecast your
- revenues and operating expenses
 - profits
 - assets and liabilities
 - debt capital
- ___ 63. The assets section of a balance sheet includes
- fixed assets
 - accounts receivable
 - allowance for uncollectible accounts
 - all of these
- ___ 64. Money loaned to a business with the understanding that the money will be repaid, with interest, in a certain time period is
- equity capital
 - a loan guarantee
 - venture capital
 - debt capital
- ___ 65. The reason a bank may turn down your loan application is
- you have not owned a business before
 - a start-up business is less likely to default on a loan
 - your business plan is poorly written
 - you have invested too much of your own money
- ___ 66. The SBA helps small businesses by
- providing collateral for secured loans
 - guaranteeing loans made by commercial banks
 - locating venture capitalists
 - buying their products or services
- ___ 67. All businesses face the risk of
- credit card fraud
 - robbery
 - shoplifting
 - employee theft
- ___ 68. Installing mounted video cameras can help to
- prevent robberies
 - prevent or reduce shoplifting
 - prevent employee theft
 - all of these
- ___ 69. All of the following are important types of insurance for your business *except*
- casual insurance
 - workers' compensation
 - life insurance

d. property insurance

- ___ 70. Your insurance agent should
- work for a single insurance company
 - be someone you trust
 - work for many different insurance companies
 - not work on commission

Chapter 9 Market Your Business

- ___ 71. By positioning its product in a certain market, a business can
- get a desired customer response
 - satisfy a specific customer need
 - compete with businesses that sell a similar product or service
 - all of these
- ___ 72. Businesses should always set their prices
- lower than their competitors' prices
 - high enough so that revenues exceed expenses
 - to maximize sales
 - by using cost-based pricing
- ___ 73. The different products and services a business sells is a
- marketing mix
 - feature of the products
 - distribution mix
 - product mix
- ___ 74. In planning your distribution strategy, it is important to
- keep customer convenience in mind
 - establish a position in the market
 - order goods over the Internet
 - all of these
- ___ 75. An disadvantage of newspaper advertising is that
- it targets a limited geographic area
 - it is expensive
 - you cannot include much information
 - your advertisement competes with many others
- ___ 76. Publicity is free promotion that is generated by
- networking
 - a press release
 - creative advertising
 - media coverage
- ___ 77. Advertising can be very important for new businesses because it
- helps you communicate with potential customers
 - allows you to set up a network of reliable distributors
 - is a free form of promotion
 - helps identify your target customers

- ___ 78. The amount of sales for a business is \$390,700 and the total market size is \$1,050,000. The market share for the business is
- 18%
 - 37%
 - 26%
 - 27%
- ___ 79. A written marketing plan should
- help you determine your networking objectives
 - identify your specific strategies for price, product, distribution, and promotion
 - be revised every two years
 - help you choose an advertising medium
- ___ 80. Short-term marketing strategies can
- be used to identify medium-term goals
 - identify your product mix
 - be created based on the four elements of the marketing mix
 - teach you how to network

Chapter 12 Financial Management

- ___ 81. To improve your cash flow, you can
- decrease accounts payable
 - increase accounts receivable
 - decrease cash receipts
 - decrease disbursements
- ___ 82. You can improve your cash flow by
- increasing the number of hours employees work each week
 - reducing some of your fixed expenses
 - reducing your inventory
 - all of these
- ___ 83. The columns of a cash budget show
- estimated cash disbursements
 - estimated cash receipts
 - the difference between estimated and actual cash flow
 - all of these
- ___ 84. To calculate net income before taxes, you must calculate
- gross sales
 - gross income
 - net income from operations
 - all of these
- ___ 85. Above the break-even point,
- revenues exceed expenses
 - you neither make nor lose money
 - expenses exceed revenues
 - you will lose money
- ___ 86. If annual sales for Department A are \$55,900 and total sales are \$93,600, what percent of sales come from Department A?
- 40.3%
 - 16.7%

- c. 59.7%
- d. 61.3%

- ___ 87. Net profit on sales is found by dividing
 - a. cost of goods sold by gross profit
 - b. net sales by net income from operations
 - c. net income after taxes by net sales
 - d. gross sales by net income from operations

- ___ 88. To make sure that you make the right choice in selecting a financial advisor, you should
 - a. research financial management
 - b. find out if anyone you know in your industry can recommend an advisor
 - c. consider choosing an advisor who charges a fee rather than a commission
 - d. all of these

- ___ 89. Planning that involves analyzing financial statements in order to assess the financial health of your business is
 - a. strategic planning
 - b. financial planning
 - c. tax planning
 - d. investment planning

- ___ 90. What type of expert can keep you informed of changes in laws that could affect your business?
 - a. investment broker
 - b. banker
 - c. attorney
 - d. financial planner

Other Miscellaneous (According to Mr. Griffin)

- ___ 91. The role of businesses is to create profit and:
 - a. have great marketing
 - b. have a great deal of experience
 - c. satisfy a want or need
 - d. produce as many goods as possible

- ___ 92. Tenant Improvement (TI) dollars:
 - a. raise an owners return on investment
 - b. pay for building costs
 - c. raises the price per square foot an owner pays
 - d. all of the above

- ___ 93. Return on Assets (ROA) is best to compare:
 - a. the same business but at two different locations with different landlords
 - b. similar businesses (Subway vs. Quiznos)
 - c. two very different businesses.
 - d. two certified financial accountants

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- _____ 95. Popular funding source for small business includes:
- a. Friends and family loan
 - b. HELOC
 - c. SBA Loan
 - d. All of the above
- _____ 96. The average hours work for a typical entrepreneur is:
- a. 20 hours
 - b. 45 hours
 - c. 70 hours
 - d. 120 hours
- _____ 97. _____ is the volume of sales that must be made to cover all of the expenses of a business.
- a. Breakeven
 - b. ROI
 - c. ROA
 - d. Cash Flow Analysis
- _____ 98. According to multiple sources the number one reason businesses fail is:
- a. they don't make enough money.
 - b. they don't handle cash flow.
 - c. they don't have a good idea.
 - d. they don't have a business degree.
- _____ 99. Your financial analysis in your business plan should fully explain
- a. how you plan to take your vacation time.
 - b. income and expenses detail, especially income.
 - c. hours of operation.
 - d. how you will pay your own salary.
- _____ 100. The loan amount for your business should be:
- a. startup costs and initial cash.
 - b. enough to cover all fixed costs.
 - c. enough to pay employees for one year.
 - d. anything the bank will loan you.