

CHAPTER 2: FEASIBILITY TEST BANK

A) MULTIPLE CHOICE

Select the "most correct" option:

1. It is best to be situated right next to your competition if you are selling something:
 - a. that is basically a “convenience” item.
 - b. that is not particularly expensive.
 - c. that is particularly expensive.
 - d. that customers tend to “shop” before buying.
2. Extrapolation means:
 - a. projecting new values based on facts known about similar situations.
 - b. obtaining money by threats.
 - c. using more good manners than necessary.
 - d. making up numbers out of thin air.
3. The specific address where a business can be found, refers to the:
 - a. location.
 - b. site.
 - c. market area.
 - d. drawing area.
4. Commonly, for a manufacturing business, the first priority for location is:
 - a. being close to customers.
 - b. being close to wholesalers.
 - c. being close to sources of supply.
 - d. being close to service industries.
5. Which of the following is a source of *primary* marketing research information?
 - a. government statistics.
 - b. business publications.
 - c. trade journals.
 - d. a questionnaire survey.
6. The first *marketing research* priority for a new business is to determine:
 - a. consumer lifestyle and trends.
 - b. customer buying behaviour.
 - c. market potential.
 - d. advertising effectiveness.
7. Leasehold Improvements are usually paid for by the:
 - a. landlord.
 - b. lessee.

- c. real estate agent.
 - d. business broker.
8. Generally, new firms are better to:
- a. lease the property where the business is situated.
 - b. buy the property where the business is situated.
 - c. have a short-term rental with no contract.
 - d. always start a home-based business.
9. The sales forecast for a brand new business is not based on:
- a. industry statistics.
 - b. how long it takes to get new customers.
 - c. expert opinion.
 - d. past sales of the company.
10. A patent gives protection for:
- a. an invention.
 - b. a creative work.
 - c. an ornamental design.
 - d. all of the above.
11. Information for assessing competitors will come from:
- a. Secondary resources
 - b. Experiences
 - c. Primary resources
 - d. All of the above
12. Which of the following examples is not relevant when assessing for Feasibility:
- a. When asked, a potential customer mentions to you that your prices are too high and that your location is not convenient
 - b. When reviewing a competitors product offerings, you note that they hold a patent for a product that you were hoping to sell in the marketplace
 - c. You have recently installed a new computer security system for the management of customer data
 - d. You have decided to put your company's cash holdings into short term, liquid investments such as GICs, until such a time that you need the cash.

B) TRUE OR FALSE

1. T. F. In an "on-line" or "web-based" business, the location is usually irrelevant.
2. T. F. The terms "location" and "site" are totally interchangeable.

3. T. F. The decision on whether to work from your home should be based on your personal convenience.
4. T. F. It is generally better for a new business to lease, rather than own, their premises.
5. T. F. A separate estimate of *market potential* is required for each different customer group a business is targeting.
6. T. F. A new business should use several methods of estimating *sales forecast*.
7. T. F. A visual symbol is generally protected by copyright.
8. T. F. A company's customers may, themselves, represent a form of competition.
9. T. F. A new business will generally make sales forecasts for at least five years.
10. T. F. Traffic analysis has little importance for a retail type of business.

C) FILL IN THE BLANKS

1. _____, the likelihood that a concept or plan could work, is largely about _____, which includes include gathering information about potential locations, the competition, and pricing.
2. How important “location” is to your Business Plan depends on _____ you are selling and _____ you are selling to.
4. Retail and consumer service businesses should try to be situated right next to a business.
5. How much money a particular group of potential customers will spend on a particular product or service is called _____.
6. Businesses similar to your own, in terms of size, location services and the customers they are pursuing, would be classified as _____ competition.
7. Theft by deceit or trickery is referred to as _____.
8. Many insurance companies offer packages of insurance for small business, often called _____.

D) SHORT ANSWER

- 1) In three or four sentences identify the major disadvantages of having a home-based business.
- 2) List and briefly explain several techniques for forecasting the sales of a new business.

E) ESSAY

1. Discuss the major considerations for the "site" of a retail business. (1 page max).
2. Identify and explain the major types of protection a business can use for intellectual property. (1 page max).
3. Discuss 6 types of theft and for each theft, provide one example of prevention

CHAPTER 2 TEST ANSWERS AND MARKING NOTES

Test Bank

Difficulty Level: (e) = easy, (m) = medium, (h) = hard

A) MULTIPLE CHOICE

1-d (m); 2-a (m); 3-b (e); 4-c (h); 5-d (m); 6-c (h); 7-b (m); 8-a (m); 9-d (e); 10-a (m); 11-d (e); 12-d (h)

B) TRUE/FALSE

1-T (e); 2-F (m); 3-F (h); 4-T (m); 5-T (h); 6-T (e); 7-F (m); 8-T (e); 9-F (h); 10-F (m)

C) FILL IN THE BLANKS

1. Feasibility, Marketing Research (m); 2. what, whom (h); 3. complimentary (h); 4. market, potential (m); 5. direct (m); 6. fraud (m) 7. Business Owner Policies (BOP) (e)

D) SHORT ANSWER

1. A complete answer should include how this might affect the image of the business (related to "what" the business is selling and to "whom" as well as the practical considerations of interruptions and never getting away from work). (m)

2. Depending on the number of marks assigned, a point for listing any one of the seven techniques in the book and a point for each brief explanation should be awarded. (h)

E) ESSAY

1. Traffic volume, traffic times, visibility, accessibility, parking, surrounding businesses and lease issues are major points which should be explained for full marks. (m)

2. Patent, copyright and trademark are the major types of protection to be explained, while bonus marks can be awarded for discussion of industrial design and ICT. (h)

3. Pilfering, shoplifting, embezzlement, burglary, robbery, fraud. Defining each and provide prevention examples (answers will vary). (m)