

Exam

Name _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) Carla has just started a business and is asking herself the following question. Where do I want my business to be in five years? Carla is in the process of _____ 1) _____
- A) determining how to write a functional plan.
 - B) establishing basic parameters for her business.
 - C) analyzing her financial requirements.
 - D) establishing the basic control functions for her business.
 - E) developing a strategic plan.

Answer: E

Explanation: A)
B)
C)
D)
E)

- 2) Gathering all of the monetary requirements that a firm will need in order to support each functional plan is the process of _____ 2) _____
- A) budgeting.
 - B) monetary planning.
 - C) controlling.
 - D) accounting.
 - E) financial planning.

Answer: E

Explanation: A)
B)
C)
D)
E)

- 3) Which of the following forms of business ownership is the most prevalent for a buy-sell agreement? _____ 3) _____
- A) LLC
 - B) Sub Chapter S Corporation
 - C) corporation
 - D) partnership

Answer: D

Explanation: A)
B)
C)
D)

4) Which of the following is true for a Limited Liability Company (LLC)?

4) _____

- A) Business income is taxed at the corporate rate.
- B) The company is limited in its liability.
- C) Business income is taxed at the individual's personal rate.
- D) The owners have unlimited liability.
- E) None of the above.

Answer: C

Explanation: A)
B)
C)
D)
E)

5) Which of the following pertain to the external factors which are outside the control of a company?

5) _____

- A) strengths and threats
- B) opportunities and weaknesses
- C) strengths and weaknesses
- D) strengths and opportunities
- E) opportunities and threats

Answer: E

Explanation: A)
B)
C)
D)
E)

6) Converting functional plans into annual dollar requirements is the process of

6) _____

- A) budgeting.
- B) controlling.
- C) accounting.
- D) financial planning.
- E) monetary planning.

Answer: A

Explanation: A)
B)
C)
D)
E)

7) Which of the following is not a disadvantage of the sole proprietorship?

7) _____

- A) limited lifetime of the business
- B) limited management expertise
- C) limited access to capital
- D) limited liability for the owner

Answer: D

Explanation: A)
B)
C)
D)

- 8) In identifying your form of business ownership the following should be included
- A) your ownership structure.
 - B) reasons for your selection.
 - C) advantages of your choice.
 - D) all of the above.

8) _____

Answer: D

Explanation: A)
B)
C)
D)

- 9) Which of the following is an example of primary data?
- A) reading the newspaper
 - B) public information in libraries
 - C) gathering your own data first hand
 - D) the gathering information about your competition

9) _____

Answer: C

Explanation: A)
B)
C)
D)

- 10) George is analyzing the market for his bagel business. He saw an advertisement for a new bagel shop which has just opened one mile from his bagel shop. For George's bagel business, this represents a(n)
- A) weakness.
 - B) strength.
 - C) opportunity.
 - D) obligation.
 - E) threat.

10) _____

Answer: E

Explanation: A)
B)
C)
D)
E)

- 11) Which of the following holds true for the Small Business Administration?
- A) The SBA actually loans money to small business and is a bank.
 - B) A 504 Loan Program requires a 25 percent minimum down payment.
 - C) The SBA does not guarantee small business loans.
 - D) The SBA requires that you create your business plan or loan proposal prior to applying for an SBA guaranteed loan.

11) _____

Answer: D

Explanation: A)
B)
C)
D)

- 12) The financial plan consists of _____
A) breakeven analysis. B) a 12 month projection.
C) a 4 year profit projection. D) all of the above.

Answer: D

Explanation: A)
B)
C)
D)

- 13) The management function that takes us from some current state to a desired future state is _____
A) planning.
B) directing.
C) controlling.
D) staffing.
E) organizing.

Answer: A

Explanation: A)
B)
C)
D)
E)

- 14) Jane is the president of a business. She runs the business on a daily basis and makes all of the decisions because she has ten years of experience in this business. There are ten other owners in this business, but they have no say in how this business is being run. Jane's business is probably organized as a _____
A) partnership.
B) corporation.
C) Subchapter S corporation.
D) sole proprietorship.
E) limited partnership.

Answer: E

Explanation: A)
B)
C)
D)
E)

- 15) The form of business ownership that gives the owner total control of how the business is run is the _____
A) Subchapter S corporation.
B) corporation.
C) sole proprietorship.
D) partnership.
E) limited partnership.

Answer: C

Explanation: A)
B)
C)
D)
E)

16) The form of business ownership that involves double taxation and limited liability for the owners is 16) _____
the

- A) partnership.
- B) corporation.
- C) Subchapter S corporation.
- D) limited partnership.
- E) sole proprietorship.

Answer: B

Explanation: A)
B)
C)
D)
E)

17) Bankers differ from investors in that 17) _____

- A) bankers are looking for company growth.
- B) bankers are looking for a return on equity.
- C) bankers are looking for assurances of interest payments and repayment of the principal of the loan.
- D) all of the above.

Answer: C

Explanation: A)
B)
C)
D)

18) Unlimited liability for the owner is a problem for which of the following? 18) _____

- A) limited partnership
- B) corporation
- C) partnership
- D) sole proprietorship
- E) both C and D above

Answer: E

Explanation: A)
B)
C)
D)
E)

19) Which of the following variables in the marketing mix is the easiest to change rapidly? 19) _____

- A) promotion
- B) product
- C) place
- D) price

Answer: D

Explanation: A)
B)
C)
D)

- 20) Which of the following stages is less than 3 years old the product and service is available? 20) _____
- A) early stage B) seed/start up stage
C) later stage D) expansion stage

Answer: A

Explanation: A)
B)
C)
D)

- 21) You have always wanted to own your own McDonald's restaurant. You contacted this corporation and received the details of purchasing one of these restaurants. If you are granted permission you will become a _____ and the McDonald's corporation is the _____. 21) _____
- A) franchiser; franchiser B) franchiser; franchisee
C) franchisee; franchisee D) franchisee; franchiser

Answer: D

Explanation: A)
B)
C)
D)

- 22) Jennifer is the manager of a credit card processing department. She has determined that each processor should be able to input information on 75 credit purchases per hour. She has established a range of plus or minus 5 purchases and an error rate of no more than 2 per hour. Jennifer is performing the management function of 22) _____
- A) directing.
B) organizing.
C) planning.
D) staffing.
E) controlling.

Answer: E

Explanation: A)
B)
C)
D)
E)

- 23) Which of the following hold true with regard to grants? 23) _____
- I. Grants are moneys provided to business and other entities that don't have to be repaid.
II. Grantee must perform the service for which the grant was approved.
III. Government grants exceed \$400 billion per year.
IV. Size Standards for all businesses to qualify for grants are the same for all industries.
- A) I & II B) I & IV C) I, II, & IV D) I, II, & III

Answer: D

Explanation: A)
B)
C)
D)

- 24) Timothy is in the process of establishing goals for his company. Which of the following is a goal? 24) _____
- A) Our business should increase sales every year.
 - B) Our business should market to all customers.
 - C) Our marketing area should include the entire United States.
 - D) Our business should increase sales by 10 percent.
 - E) Our business should increase sales by 10 percent every year for the next five years.

Answer: E

Explanation: A)
B)
C)
D)
E)

- 25) The sole proprietor has all of the following advantages, except 25) _____
- A) choice of how to pay federal and local taxes.
 - B) choice of location for the business.
 - C) choice of services to be offered.
 - D) choice of retirement plan.
 - E) choice of product to be sold.

Answer: A

Explanation: A)
B)
C)
D)
E)

- 26) Which of the following does hold true for venture capitalists? 26) _____
- A) They invest several million dollars.
 - B) Invest in companies with proven track records.
 - C) They provide financing at the later stages of business development.
 - D) All of the above.

Answer: D

Explanation: A)
B)
C)
D)

- 27) George is analyzing the market for his bagel business. He noticed that there are no bagel shops in the northeast section of his city. For George's bagel business, this represents a(n) 27) _____
- A) threat.
 - B) opportunity.
 - C) strength.
 - D) obligation.
 - E) weakness.

Answer: B

Explanation: A)
B)
C)
D)
E)

28) Which of the following should not be in the executive summary?

28) _____

- A) a summary of quarterly revenue
- B) a brief description of the product or service
- C) your business strategy for success
- D) an estimate of how much money you will need

Answer: A

Explanation: A)
B)
C)
D)

29) One drawback to a partnership is that it

29) _____

- A) generally has more access to capital than the sole proprietor.
- B) is subject to double taxation.
- C) has unlimited liability for each of the partners.
- D) generally has more management expertise than the sole proprietorship.

Answer: C

Explanation: A)
B)
C)
D)

30) Which of the following does not hold true for angel investors?

30) _____

- A) They have an intolerance for loss.
- B) They normally are wealthy individuals.
- C) They provide the seed money for the startup and early stages of company growth.
- D) They take an active position and provide mentoring.

Answer: A

Explanation: A)
B)
C)
D)

31) Location is probably the single most important factor affecting the success of the _____ business establishment.

31) _____

- A) manufacturing
- B) retailing
- C) wholesale
- D) both A and B above
- E) both B and C above

Answer: B

Explanation: A)
B)
C)
D)
E)

32) George is analyzing the market for his bagel business. He knows that his has the highest quality bagel in the city. He has picked up several customers who previously shopped at a competitor but told him they changed because of his consistent quality. For George's bagel business, this represents a(n)

32) _____

- A) weakness.
- B) opportunity.
- C) obligation.
- D) strength.
- E) threat.

Answer: D

Explanation: A)
B)
C)
D)
E)

33) Carl is a construction supervisor. He has to make sure that the inside rooms of the house are painted by this evening because the carpeting company is scheduled to bring in the carpeting first thing tomorrow morning. He told Tim to paint the hall and told Anne to paint the master bedroom. Because he is short handed, he will paint the kitchen. Carl is performing the management function of

33) _____

- A) planning
- B) directing.
- C) staffing.
- D) controlling.
- E) organizing.

Answer: B

Explanation: A)
B)
C)
D)
E)

34) Which of the following stages has high revenue growth but does not show a profit?

34) _____

- A) later stage
- B) early stage
- C) seed/start up stage
- D) expansion stage

Answer: D

Explanation: A)
B)
C)
D)

35) An executive summary should be attached to

35) _____

- A) the beginning of the business plan.
- B) the end of the completed business plan.
- C) somewhere in the middle of the business plan.
- D) none of the above.

Answer: A

Explanation: A)
B)
C)
D)

- 36) When formulating a Business Succession Plan the owner should determine several things. Which of the following is not considered? 36) _____
- A) Should ownership be held by family members only?
 - B) Are the owner and the spouse on the same page with respect to continuing the business?
 - C) Should the business be sold to pay inheritance taxes?
 - D) Does the owner want the business ownership to pass directly to the heirs or in trust?
- Answer: C
- Explanation: A)
B)
C)
D)
- 37) Which of the following pertain to the internal workings of a company? 37) _____
- A) opportunities and weaknesses
 - B) strengths and opportunities
 - C) strengths and weaknesses
 - D) strengths and threats
 - E) opportunities and threats
- Answer: C
- Explanation: A)
B)
C)
D)
E)
- 38) A mission statement 38) _____
- A) is a brief statement explaining the purpose of the company and its guiding principles.
 - B) helps the organization reach its goals.
 - C) is very specific.
 - D) none of the above.
- Answer: A
- Explanation: A)
B)
C)
D)
- 39) Tom is establishing some basic plans for his business. He is in the process of writing down some basic questions that he believes the plans should answer. Which of the following questions does not relate to establishing a functional plan? 39) _____
- A) Where will they perform their duties?
 - B) Where do I want my business to be in five years?
 - C) Who will carry out this plan?
 - D) What skills do they need?
 - E) When will it be accomplished?
- Answer: D
- Explanation: A)
B)
C)
D)
E)

40) Which of the following is not an advantage of obtaining a franchise?

40) _____

- A) having a pre-determined location that guarantees a profit
- B) standardization of products and services
- C) name recognition
- D) training of employees and managers
- E) marketing strategy and advertising

Answer: A

Explanation: A)
B)
C)
D)
E)

41) Geoffrey is in the process of determining how many people he will require to operate his restaurant during each business day. He is performing the management function of

41) _____

- A) directing.
- B) organizing.
- C) planning.
- D) staffing.
- E) controlling.

Answer: D

Explanation: A)
B)
C)
D)
E)

42) Which of the following are not included in the financial section of a business proposal when seeking a bank loan?

42) _____

- A) The amount of the loan.
- B) How many years it will take to repay the loan.
- C) What collateral you are offering for the loan.
- D) The interest rate that will be paid for the loan.

Answer: D

Explanation: A)
B)
C)
D)

43) SCORE is a source of information and training for the small business owner. The acronym SCORE stands for

43) _____

- A) Special College for Retraining Employees.
- B) Service College for Retaining Employees.
- C) Special Core of Retired Entrepreneurs.
- D) Service Core of Retired Executives.
- E) none of the above.

Answer: D

Explanation: A)
B)
C)
D)
E)

44) When applying for a loan with the Small Business Administration, you will have to provide tax returns for a period of

44) _____

- A) four years.
- B) three years.
- C) two years.
- D) five years.
- E) one year.

Answer: B

Explanation: A)
B)
C)
D)
E)

45) Which of the following stages has a positive cash flow?

45) _____

- A) expansion stage
- B) later stage
- C) seed/start up stage
- D) early stage

Answer: B

Explanation: A)
B)
C)
D)

46) Carl, Anne, and Al were friends in college. After graduation they decided to open a computer consulting business. They each have \$20,000 to put into the business, and want equal shares of the business. However, they are worried about liability, because they heard of a consultant who crashed a client's computer and was sued for \$1,000,000. They also want to avoid double taxation. The most likely form of business organization for them would be a

46) _____

- A) Subchapter S corporation.
- B) sole proprietorship.
- C) partnership.
- D) limited partnership.
- E) corporation.

Answer: A

Explanation: A)
B)
C)
D)
E)

47) Environmental factors can lead the business owner to evaluate and change his or her business plans. An industry that recently underwent a major shift in marketing due to technological change and new competition, according to the textbook is

47) _____

- A) the oil industry.
- B) the convenience store industry.
- C) the automobile industry.
- D) the cereal industry.
- E) the fast food industry.

Answer: B

Explanation: A)
B)
C)
D)
E)

48) Which of the following stages has a concept and is less than 18 months old?

48) _____

- A) seed/start up stage
- B) early stage
- C) later stage
- D) expansion stage

Answer: A

Explanation: A)
B)
C)
D)

49) The time horizon for strategic plans is

49) _____

- A) more than one year.
- B) fifteen or more years.
- C) five years.
- D) ten or more years.
- E) There is no definite time horizon for strategic plans.

Answer: E

Explanation: A)
B)
C)
D)
E)

50) SWOT is an acronym which stands for

50) _____

- A) Strengths, Weaknesses, Opportunities, and Troubles.
- B) Strengths, Working capital, Obligations, and Threats.
- C) Strengths, Weaknesses, Obligations, and Threats.
- D) Strengths, Weaknesses, Opportunities, and Threats.
- E) Strengths, Working capital, Opportunities, and Threats.

Answer: D

Explanation: A)
B)
C)
D)
E)

- 51) When running a SWOT analysis, one should also consider personal Strengths and Weaknesses because 51) _____
- A) business owners should evaluate those items where they are weak.
 - B) business owners should list those items that they really dislike doing.
 - C) business success requires that owners have no weaknesses.
 - D) both A and B above.
 - E) both B and C above.

Answer: D

Explanation: A)
B)
C)
D)
E)

- 52) Which of the following is a weakness? 52) _____
- A) an area of your business that you perform well in
 - B) you perform better than your competitors
 - C) inexperienced workers
 - D) None of the above.

Answer: C

Explanation: A)
B)
C)
D)

- 53) Carl, Anne, and Al were friends in college. After graduation they decided to open a company that sells computer printer ribbons and cartridges. They each have \$20,000 to put into the business, and want equal shares of the business. They are not worried about liability because they are not actually going to work on printers or work in their customer's place of business. They also want to avoid double taxation. The most likely form of business organization for them would be a 53) _____
- A) sole proprietorship.
 - B) Subchapter S corporation.
 - C) limited partnership.
 - D) corporation.
 - E) partnership.

Answer: B

Explanation: A)
B)
C)
D)
E)

54) The majority of businesses in the United States today are organized as

54) _____

- A) limited partnerships.
- B) subchapter S corporations.
- C) partnerships.
- D) sole proprietorships.
- E) corporations.

Answer: D

Explanation: A)
B)
C)
D)
E)

55) The basic five functions that every manager must perform include

55) _____

- A) planning, organizing, controlling, directing, financing
- B) planning, financing, bookkeeping, controlling, staffing.
- C) planning, organizing, bookkeeping, directing, staffing.
- D) planning, directing, organizing, staffing, controlling.
- E) None of the above include all of the management functions.

Answer: D

Explanation: A)
B)
C)
D)
E)

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

56) A marketing mix is a marketing strategy.

56) _____

Answer: ☒ True False

Explanation:

57) If your business has more than 10 people, you do not need an organizational chart.

57) _____

Answer: True ☒ False

Explanation:

58) The Operational plan describes how a business will actually deliver your product or service to the customer.

58) _____

Answer: ☒ True False

Explanation:

59) The executive summary is the initial introduction to the business plan.

59) _____

Answer: ☒ True False

Explanation:

60) The SBA lends the funds for a business start-up but is not a guarantor of the loan.

60) _____

Answer: True ☒ False

Explanation:

- 61) The SBA, SCORE and the authors recommend that an executive summary be attached to the beginning of the business plan. 61) _____
Answer: ☒ True ☐ False
Explanation:
- 62) Public corporations have double taxation, unlimited liability for owners, and can raise large amounts of cash by selling stocks or bonds. 62) _____
Answer: ☐ True ☒ False
Explanation:
- 63) The SBA has two major programs: 7(a) for general business purposes and 504 for the purchase of buildings or major equipment. 63) _____
Answer: ☒ True ☐ False
Explanation:
- 64) The best place to get a loan for a business is the Small Business Administration because they loan you government funds. 64) _____
Answer: ☐ True ☒ False
Explanation:
- 65) In a limited liability Partnership all of the partners can participate in day to day operations. 65) _____
Answer: ☒ True ☐ False
Explanation:
- 66) When obtaining funds for a business, investors provide money in exchange for partial ownership of the business. 66) _____
Answer: ☒ True ☐ False
Explanation:
- 67) A plan that relates to a specific area of a business, such as marketing, is known as a strategic plan. 67) _____
Answer: ☐ True ☒ False
Explanation:
- 68) When borrowing funds for a business, lenders provide money in exchange for partial ownership of the business. 68) _____
Answer: ☐ True ☒ False
Explanation:
- 69) Franchisers purchase the right to sell products or services of the franchisee. 69) _____
Answer: ☐ True ☒ False
Explanation:
- 70) Prior to applying for a loan through an approved Small Business Administration lender, you must establish the form of business ownership. 70) _____
Answer: ☒ True ☐ False
Explanation:
- 71) Limited partnerships have limited liability for all of the partners. 71) _____
Answer: ☐ True ☒ False
Explanation:

- 72) Secondary data gathers information first hand. 72) _____
Answer: True ☒ False
Explanation:
- 73) A mission statement is specific. 73) _____
Answer: True ☒ False
Explanation:
- 74) Company goals describe where you want your business to be at some future date. 74) _____
Answer: ☒ True False
Explanation:
- 75) A company in the Later Stage of development usually has negative cash flow. 75) _____
Answer: True ☒ False
Explanation:
- 76) The Service Core of Retired Executives (SCORE) is a group of retired government bureaucrats who provide help to small business owners. 76) _____
Answer: True ☒ False
Explanation:
- 77) A goal is a measurable objective that can be reached in a specified time frame. 77) _____
Answer: ☒ True False
Explanation:
- 78) Every succession plan must have a buy-sell agreement. 78) _____
Answer: True ☒ False
Explanation:
- 79) The buy sell agreement preserves the continuity of ownership and insures that everyone is treated fairly. 79) _____
Answer: ☒ True False
Explanation:
- 80) The buy-sell agreement prevents a partner from selling a partnership interest without the consent of the other partners. 80) _____
Answer: ☒ True False
Explanation:
- 81) In a limited liability Partnership all of the partners have unlimited liability. 81) _____
Answer: True ☒ False
Explanation:
- 82) Partnerships have the same basic tax requirements as the sole proprietorship and are therefore the most popular form of business ownership. 82) _____
Answer: True ☒ False
Explanation:

- 83) Public corporations have double taxation, limited liability for owners, and can raise large amounts of cash by selling stocks or bonds. 83) _____
Answer: ☒ True ☐ False
Explanation:
- 84) A plan that relates to a specific area of a business, such as marketing, is known as a functional plan. 84) _____
Answer: ☒ True ☐ False
Explanation:
- 85) A limited liability partnership is legal in all states. 85) _____
Answer: ☐ True ☒ False
Explanation:
- 86) If a partner dies his share of the partnership must be sold to an outsider. 86) _____
Answer: ☐ True ☒ False
Explanation:
- 87) When composing a business plan, the executive summary should be written first 87) _____
Answer: ☐ True ☒ False
Explanation:
- 88) Grants are moneys provided to businesses that don't have to be repaid. 88) _____
Answer: ☒ True ☐ False
Explanation:
- 89) A Subchapter S corporation can sell its stock to any number of shareholders. 89) _____
Answer: ☐ True ☒ False
Explanation:
- 90) The Service Core of Retired Executives (SCORE) is a group of retired business owners and managers who provide help to small business owners. 90) _____
Answer: ☒ True ☐ False
Explanation:
- 91) A franchiser sells the right to produce a product or service to the franchisee. 91) _____
Answer: ☒ True ☐ False
Explanation:

Answer Key
Testname: C2

- 1) E
- 2) E
- 3) D
- 4) C
- 5) E
- 6) A
- 7) D
- 8) D
- 9) C
- 10) E
- 11) D
- 12) D
- 13) A
- 14) E
- 15) C
- 16) B
- 17) C
- 18) E
- 19) D
- 20) A
- 21) D
- 22) E
- 23) D
- 24) E
- 25) A
- 26) D
- 27) B
- 28) A
- 29) C
- 30) A
- 31) B
- 32) D
- 33) B
- 34) D
- 35) A
- 36) C
- 37) C
- 38) A
- 39) D
- 40) A
- 41) D
- 42) D
- 43) D
- 44) B
- 45) B
- 46) A
- 47) B
- 48) A
- 49) E
- 50) D

Answer Key
Testname: C2

- 51) D
- 52) C
- 53) B
- 54) D
- 55) D
- 56) TRUE
- 57) FALSE
- 58) TRUE
- 59) TRUE
- 60) FALSE
- 61) TRUE
- 62) FALSE
- 63) TRUE
- 64) FALSE
- 65) TRUE
- 66) TRUE
- 67) FALSE
- 68) FALSE
- 69) FALSE
- 70) TRUE
- 71) FALSE
- 72) FALSE
- 73) FALSE
- 74) TRUE
- 75) FALSE
- 76) FALSE
- 77) TRUE
- 78) FALSE
- 79) TRUE
- 80) TRUE
- 81) FALSE
- 82) FALSE
- 83) TRUE
- 84) TRUE
- 85) FALSE
- 86) FALSE
- 87) FALSE
- 88) TRUE
- 89) FALSE
- 90) TRUE
- 91) TRUE