

Entrepreneurship: Starting & Operating a Small Business, 4e (Mariotti)
Chapter 2 The Business Plan: Road Map to Success

1) A(n) _____ is a company's plan to generate revenue and make a profit from operations.

- A) business plan
- B) marketing plan
- C) analysis
- D) business model

Answer: D

Diff: 1 Page Ref: 40

Learning Object.: 2.1 Describe a feasibility analysis and choose when to create one.

AACSB Category: Analytical thinking

2) A feasibility analysis is a study to assist in making a go/no go decision based upon a close examination of product/service, market, industry, and financial data in a sufficient degree of detail to ensure confidence in the results.

Answer: TRUE

Diff: 2 Page Ref: 36

Learning Object.: 2.1 Describe a feasibility analysis and choose when to create one.

AACSB Category: Analytical thinking

3) The Business Model Canvas has _____ core building blocks that are intended to supply answers to critical questions.

- A) 3
- B) 9
- C) 6
- D) 8

Answer: B

Diff: 2 Page Ref: 40

Learning Object.: 2.2 Prepare a business model canvas.

AACSB Category: Application of knowledge

4) Bankers and other potential investors will often refuse to see an entrepreneur who does not have a _____.

- A) complete business plan
- B) sales forecast
- C) resumé
- D) marketing plan

Answer: A

Diff: 1 Page Ref: 44

Learning Object.: 2.3 Identify primary business plan contents

AACSB Category: Analytical thinking

5) Writing a business plan can ensure that you _____.

- A) achieve your expense projections
- B) figure out how to make your business work
- C) meet your target revenue goals
- D) make a profit

Answer: B

Diff: 2 Page Ref: 43

Learning Object.: 2.3 Identify primary business plan contents

AACSB Category: Reflective thinking

6) A(n) _____ can be a front line of defense against a poor idea.

- A) goal
- B) mission
- C) objective
- D) business plan

Answer: D

Diff: 3 Page Ref: 44

Learning Object.: 2.4 Summarize the various purposes of a business plan and the audiences for one.

AACSB Category: Reflective thinking

7) It is best to wait to write a business plan until you find lenders or investors.

Answer: FALSE

Diff: 2 Page Ref: 44

Learning Object.: 2.4 Summarize the various purposes of a business plan and the audiences for one.

AACSB Category: Reflective thinking

8) A business plan is the key to raising capital.

Answer: TRUE

Diff: 1 Page Ref: 44

Learning Object.: 2.4 Summarize the various purposes of a business plan and the audiences for one.

AACSB Category: Reflective thinking

9) Explain 3 reasons why a start-up organization would have a written business plan.

Answer:

1. Writing a business plan early will save you time and money.
2. Your business plan is the key to raising capital.
3. The business plan is an operations' guide.

Diff: 2 Page Ref: 44-45

Learning Object.: 2.4 Summarize the various purposes of a business plan and the audiences for one.

AACSB Category: Analytical thinking

10) Your business plan projections should be _____.

- A) incredible and impossible to reach
- B) optimistic and a bit of a stretch
- C) practical and easy to reach
- D) realistic and attainable

Answer: D

Diff: 3 Page Ref: 51

Learning Object.: 2.5 Differentiate the components of a business plan.

AACSB Category: Reflective thinking

11) The _____ section of the business plan should be written last.

- A) Cover Page
- B) Mission, Vision, Culture
- C) Executive Summary
- D) Financial Statements

Answer: C

Diff: 1 Page Ref: 47

Learning Object.: 2.5 Differentiate the components of a business plan.

AACSB Category: Reflective thinking

12) The Executive Summary contains the _____.

- A) inspired enthusiasm for success
- B) story of the business
- C) funding request
- D) All of the above.

Answer: D

Diff: 3 Page Ref: 46

Learning Object.: 2.5 Differentiate the components of a business plan.

AACSB Category: Analytical thinking

13) Making the beliefs, values, and behavioral norms explicit and intentional builds the _____ of an organization.

- A) culture
- B) vision
- C) mission
- D) All of the above.

Answer: A

Diff: 3 Page Ref: 47

Learning Object.: 2.5 Differentiate the components of a business plan.

AACSB Category: Analytical thinking

14) One section of the business plan that is often neglected is the _____.

- A) Marketing Plan
- B) Opportunity Analysis and Research
- C) Executive Summary
- D) Financial Projections

Answer: B

Diff: 3 Page Ref: 48

Learning Object.: 2.5 Differentiate the components of a business plan.

AACSB Category: Analytical thinking

15) The _____ addresses the roles of the community, region, nation, and world in a business.

- A) business analysis
- B) environmental analysis
- C) industry analysis
- D) proof of market

Answer: B

Diff: 2 Page Ref: 48

Learning Object.: 2.5 Differentiate the components of a business plan.

AACSB Category: Analytical thinking

16) Target market segments are defined by common factors such as _____.

- A) psychographics
- B) geography
- C) demographics
- D) All of the above.

Answer: D

Diff: 2 Page Ref: 48

Learning Object.: 2.5 Differentiate the components of a business plan.

AACSB Category: Analytical thinking

17) A competitive analysis is an important component of _____.

- A) a mission statement
- B) opportunity analysis
- C) a vision statement
- D) All of the above.

Answer: B

Diff: 2 Page Ref: 48

Learning Object.: 2.5 Differentiate the components of a business plan.

AACSB Category: Reflective thinking

18) The four factors that form marketing mix are _____.

- A) product, price, promotion, and place
- B) product, place, politics, and price
- C) product, packaging, promotion, and price
- D) product, price, promotion, and public opinion

Answer: A

Diff: 1 Page Ref: 49

Learning Object.: 2.5 Differentiate the components of a business plan.

AACSB Category: Analytical thinking

19) Price should reflect the organization's _____.

- A) policy
- B) vision
- C) strategy
- D) All of the above.

Answer: D

Diff: 3 Page Ref: 49

Learning Object.: 2.5 Differentiate the components of a business plan.

AACSB Category: Reflective thinking

20) Advertising is _____ promotion through media outlets.

- A) paid
- B) free
- C) discounted
- D) personal

Answer: A

Diff: 1 Page Ref: 49

Learning Object.: 2.5 Differentiate the components of a business plan.

AACSB Category: Analytical thinking

21) Telemarketing is a form of _____.

- A) advertising
- B) publicity
- C) direct marketing
- D) None of the above.

Answer: C

Diff: 2 Page Ref: 49

Learning Object.: 2.5 Differentiate the components of a business plan.

AACSB Category: Analytical thinking

22) Which of the following is **not** needed in all business management teams?

- A) operations
- B) outside directors
- C) marketing
- D) accounting

Answer: B

Diff: 3 Page Ref: 50

Learning Object.: 2.5 Differentiate the components of a business plan.

AACSB Category: Analytical thinking

23) Resumes and position descriptions should be included in business plans for _____.

- A) all employees
- B) key managers
- C) Both of these.
- D) Neither of these.

Answer: B

Diff: 2 Page Ref: 50

Learning Object.: 2.5 Differentiate the components of a business plan.

AACSB Category: Analytical thinking

24) A factor to consider when selecting a physical location is _____.

- A) nearby university
- B) wage rates
- C) work force availability
- D) All of the above.

Answer: D

Diff: 2 Page Ref: 50

Learning Object.: 2.5 Differentiate the components of a business plan.

AACSB Category: Analytical thinking

25) Cash flow _____ be negative before debt and equity infusions and _____ be negative after them.

- A) can, cannot
- B) cannot, cannot
- C) cannot, can
- D) can, can

Answer: A

Diff: 3 Page Ref: 53

Learning Object.: 2.5 Differentiate the components of a business plan.

AACSB Category: Reflective thinking

26) Income statement projections realistically _____ in the first few months of operations.

- A) show losses
- B) show profits
- C) break even
- D) show marginal profits

Answer: A

Diff: 2 Page Ref: 53

Learning Object.: 2.5 Differentiate the components of a business plan.

AACSB Category: Reflective thinking

27) Ratio analysis can help business owners _____.

- A) secure funding
- B) manage operations
- C) understand their performance relative to peers
- D) All of the above.

Answer: D

Diff: 3 Page Ref: 55

Learning Object.: 2.5 Differentiate the components of a business plan.

AACSB Category: Reflective thinking

28) An IPO is a(n) _____ exit strategy for entrepreneurial ventures.

- A) extinct
- B) rare
- C) common
- D) alternative for a buyout plan

Answer: D

Diff: 3 Page Ref: 55

Learning Object.: 2.5 Differentiate the components of a business plan.

AACSB Category: Reflective thinking

29) If a company does not have _____, it will fail.

- A) property
- B) cash
- C) advertising
- D) advanced technology

Answer: B

Diff: 1 Page Ref: 53

Learning Object.: 2.5 Differentiate the components of a business plan.

AACSB Category: Reflective thinking

30) What a business owns is called _____.

- A) liabilities
- B) assets
- C) net worth
- D) owner's equity

Answer: B

Diff: 1 Page Ref: 53

Learning Object.: 2.5 Differentiate the components of a business plan.

AACSB Category: Reflective thinking

31) The marketing plan is based on the marketing mix of product, price, place, and packaging.

Answer: FALSE

Diff: 2 Page Ref: 45

Learning Object.: 2.5 Differentiate the components of a business plan.

AACSB Category: Analytical thinking

32) Discuss the significance of the management section of the business plan and what it should contain.

Answer: The management team is often the deciding factor for financial support of the business. With all other factors being equal, a strong management team will be successful and a weak one will fail. The team must be composed of an effective balance of members with technical expertise, experience in the field, and life experience. In the plan, you should briefly discuss the current and proposed management team and reference their resumes in the appendices. An organizational chart and descriptions of key roles is helpful, as is a chart of compensation rates.

Diff: 3 Page Ref: 50

Learning Object.: 2.5 Differentiate the components of a business plan.

AACSB Category: Analytical thinking

33) Describe mission, vision and culture.

Answer: The mission of a business is expressed in a mission statement which is a concise communication of strategy, including the business definition and competitive advantage. Its function is to clarify what the business is trying to do, and it can provide direction and motivation to those who are involved in the business.

The vision for a business is broader and more comprehensive, painting the big picture of what you want your organization to become. It is built on the core values and belief systems of the organization. It is typically shorter than the mission statement, with a loftier perspective.

The culture of an organization is largely defined by its leadership. Organizational culture has many components, including norms for risk tolerance and innovation, orientation with respect to people, team formation and outcomes, attention to detail, and communication.

Diff: 2 Page Ref: 47

Learning Object.: 2.5 Differentiate the components of a business plan.

AACSB Category: Analytical thinking

34) What are the types of financial information to include in a business plan and why are they important?

Answer: The financial section of the business plan is the numeric representation of all that is written in it. It should demonstrate organizational viability in financial terms. Commercial lenders in particular will often go directly from reading the executive summary to the financials before reading anything else.

Diff: 3 Page Ref: 51

Learning Object.: 2.5 Differentiate the components of a business plan.

AACSB Category: Analytical thinking

35) Which of the following is **not** a best practice?

A) Write for your audience.

B) Use technical language and jargon.

C) Show that you are emotionally, intellectually and financially invested in the business.

D) Explain why the business will be successful.

Answer: B

Diff: 3 Page Ref: 57

Learning Object.: 2.6 Recognize and demonstrate proper development and formatting of a business plan.

AACSB Category: Analytical thinking

36) A(n) _____ is a 30-second to a 2-minute summary of your business.

A) story

B) advertisement

C) elevator pitch

D) executive summary

Answer: C

Diff: 1 Page Ref: 58

Learning Object.: 2.6 Recognize and demonstrate proper development and formatting of a business plan.

AACSB Category: Analytical thinking

37) When you make an in-person presentation to prospective investors you should _____.

A) be prompt

B) establish rapport with the audience

C) use clear visual aids

D) All of the above.

Answer: D

Diff: 2 Page Ref: 58

Learning Object.: 2.6 Recognize and demonstrate proper development and formatting of a business plan.

AACSB Category: Analytical thinking

38) Business plan and venture competitions for students are held worldwide. Many of them include _____.

- A) oral presentations
- B) prizes
- C) travel
- D) All of the above.

Answer: D

Diff: 2 Page Ref: 59

Learning Object.: 2.6 Recognize and demonstrate proper development and formatting of a business plan.

AACSB Category: Analytical thinking

39) In a business plan, it is important to demonstrate that you have "skin in the game."

Answer: TRUE

Diff: 3 Page Ref: 57

Learning Object.: 2.6 Recognize and demonstrate proper development and formatting of a business plan.

AACSB Category: Reflective thinking

40) What is the importance of having a professional, polished business plan?

Answer: A plan with clear, concise language, current data, a single "voice," and a consistent format is professional. A professional business plan on high quality paper with a neat, attractive cover, cover page, and professional binding will go a long way to impressing the reader. The potential investor or other reader needs to find the plan appealing in order to read it.

Diff: 3 Page Ref: 56-57

Learning Object.: 2.6 Recognize and demonstrate proper development and formatting of a business plan.

AACSB Category: Analytical thinking