

## Chapter 2- Starting a New Business

### True/False

1. According to the text, economists tend to see necessity entrepreneurship as more desirable than opportunity entrepreneurship

Answer: False

Response: See 2.1

Level: Easy

Learning Objective: Identify motives for starting a new business

2. Necessity entrepreneurship refers to people starting a business because they have a promising idea

Answer: False

Response: See 2.1

Level: Easy

Learning Objective: Identify motives for starting a new business

3. Opportunity entrepreneurship is usually higher when the economy is weaker

Answer: False

Response: See 2.1

Level: Easy

Learning Objective: Identify motives for starting a new business

4. Business incubators are private organizations that offer startups shared space and mentoring

Answer: True

Response: See 2.1

Level: Easy

Learning Objective: Identify motives for starting a new business

5. Y Combinator (YC) is a privately-owned business incubator

Answer: True

Response: See 2.1

Level: Easy

Learning Objective: Identify motives for starting a new business

6. More than 80% of ventures that begin in business incubators fail within five years

Answer: False

Response: See 2.1

Level: Easy

Learning Objective: Identify motives for starting a new business

7. Part-time start-ups are the main source of income for the entrepreneur

Answer: False

Response: See 2.2

Level: Easy

Learning Objective: Distinguish between part-time and full-time entrepreneurship

8. Most new ventures start on a part-time basis

Answer: True

Response: See 2.2

Level: Easy

Learning Objective: Distinguish between part-time and full-time entrepreneurship

9. The cost of entering into part-time entrepreneurship is higher than in full-time business

Answer: False

Response: See 2.2

Level: Easy

Learning Objective: Distinguish between part-time and full-time entrepreneurship

10. Poisoning the well refers to leaving a negative impression--intentionally or unintentionally--among the customers or suppliers of the existing employer

Answer: True

Response: See 2.2

Level: Medium

Learning Objective: Distinguish between part-time and full-time entrepreneurship

11. Brainstorming is a group creativity technique to generate ideas on particular issues

Answer: True

Response: See 2.3

Level: Easy

Learning Objective: Explain how ideas turn into startup opportunities

12. SCAMPER is a tool that can be used to help identify new business ideas

Answer: True

Response: See 2.3

Level: Easy

Learning Objective: Explain how ideas turn into startup opportunities

13. It is easier to succeed if an idea generates market need where none currently exists than if it solves an existing problem

Answer: False

Response: See 2.3

Level: Medium

Learning Objective: Explain how ideas turn into startup opportunities

14. Value statement is an important step in turning any idea into a viable business opportunity

Answer: True

Response: See 2.3

Level: Easy

Learning Objective: Explain how ideas turn into startup opportunities

15. Every idea is a good business opportunity

Answer: False

Response: See 2.3

Level: Easy

Learning Objective: Explain how ideas turn into startup opportunities

16. Most new businesses are imitative

Answer: True

Response: See 2.3

Level: Easy

Learning Objective: Explain how ideas turn into startup opportunities

17. Bootstrapping involves making the new business look bigger, more substantial, and more capable than it really is

Answer: False

Response: See 2.4

Level: Easy

Learning Objective: Describe the universal start-up model

18. According to the text, a big obstacle to starting a new business is inertia

Answer: True

Response: See 2.4

Level: Easy

Learning Objective: Describe the universal start-up model

19. Bootstrapping emphasizes on increasing the business expense to the maximum

Answer: False

Response: See 2.4

Level: Medium

Learning Objective: Describe the universal start-up model

20. According to the BRIE model, boundary is the only required element for a new startup to exist

Answer: False

Response: See 2.4

Level: Easy

Learning Objective: Describe the universal start-up model

21. In U.S., the startup rate has been decreasing for decades

Answer: True

Response: See 2.5

Level: Easy

Learning Objective: Analyze the State of Start-up in the United States

22. Interest in starting a new business is high among the millennial generation

Answer: False

Response: See 2.5

Level: Easy

Learning Objective: Analyze the State of Start-up in the United States

23. America has the highest start-up rate in the world

Answer: False

Response: See 2.5

Level: Easy

Learning Objective: Analyze the State of Start-up in the United States

24. The employer enterprise birth rate is also called the startup rate

Answer: True

Response: See 2.5

Level: Easy

Learning Objective: Analyze the State of Start-up in the United States

25. The employer enterprise birth rate is the product of the number of new businesses with paid employees created in a year and the number of active companies

Answer: False

Response: See 2.5

Level: Medium

Learning Objective: Analyze the State of Start-up in the United States

### Multiple Choice Questions

1. According to the Global Entrepreneurship Monitor (GEM), the two major reasons for starting a business are:
  - A. Push and pull
  - B. Pull and fixed
  - C. Push and fixed
  - D. None of the above

Answer: A

Response: See section 2.1

Level: Medium

Learning Objective: Identify motives for starting a new business

2. Who founded Tweezerman?
  - A. Jason Grill
  - B. Dal LaMagna
  - C. Drew Houston
  - D. Dennis Crowley

Answer: B

Response: See section 2.1

Level: Easy

Learning Objective: Identify motives for starting a new business

3. Which of the following BEST represents a push factor for Kristie to start a new business?
  - A. Kristie is jobless and she does not know what to do next
  - B. Kristie has a promising idea
  - C. Kristie always wanted to be her own boss
  - D. Kristie is passionate about starting her own business

Answer: A

Response: See section 2.1

Level: Easy

Learning Objective: Identify motives for starting a new business

4. The total rate of entrepreneurial activity in any society is the
  - A. Difference of necessity and opportunity entrepreneurship
  - B. Product of necessity and opportunity entrepreneurship
  - C. Division of necessity and opportunity entrepreneurship
  - D. Sum of necessity and opportunity entrepreneurship

Answer: D

Response: See section 2.1

Level: Medium

Learning Objective: Identify motives for starting a new business

5. The Global Entrepreneurship Monitor (GEM) project found that necessity entrepreneurs make up about \_\_\_\_ percent of the total entrepreneurial activity in the U.S.
- A. 10
  - B. 50
  - C. 21
  - D. 100

Answer: C

Response: See section 2.1

Level: Medium

Learning Objective: Identify motives for starting a new business

6. According to the SBA, about \_\_\_\_ of new businesses (with employees) survive two years or more
- A. One-fourth
  - B. One-third
  - C. One-fifth
  - D. One-half

Answer: B

Response: See section 2.1

Level: Medium

Learning Objective: Identify motives for starting a new business

7. Which of the following is the advantage of starting a business from scratch?
- A. It is easier to make people aware of the new business than the established one
  - B. No carryover baggage of someone else's mistakes
  - C. It is easy to foresee its requirements
  - D. It is easy to get authentic suppliers

Answer: B

Response: See section 2.1

Level: Medium

Learning Objective: Identify motives for starting a new business

8. Which of the following is a formal source of help for startups?
- A. Family
  - B. Friends
  - C. Business incubators
  - D. Relatives

Answer: C

Response: See section 2.1

Level: Medium

Learning Objective: Identify motives for starting a new business

9. Which of the following is NOT a reason for starting a part-time business?
- A. To gain business experience
  - B. Lack of resources
  - C. Limited window of opportunity for a new product
  - D. Conflict-of-interest

Answer: D

Response: See 2.2

Level: Medium

Learning Objective: Distinguish between part-time and full-time entrepreneurship

10. Working on your own business part-time after a regular job is called \_\_\_\_\_
- A. Moonlighting
  - B. Cherishing
  - C. Cannibalizing
  - D. None of the above

Answer: A

Response: See 2.2

Level: Medium

Learning Objective: Distinguish between part-time and full-time entrepreneurship

11. Which of the following is a risk associated with moonlighting?
- A. Conflict of interest
  - B. Poisoning the well
  - C. Cannibalizing
  - D. All of the above answer choices are correct

Answer: D

Response: See 2.2

Level: Medium

Learning Objective: Distinguish between part-time and full-time entrepreneurship

12. \_\_\_\_\_ involves taking business away from the current employer when running a part-time business
- A. Cannibalizing
  - B. Moonlighting
  - C. Conflict-of-interest
  - D. Poising the well

Answer: A

Response: See 2.2

Level: Medium

Learning Objective: Distinguish between part-time and full-time entrepreneurship

13. \_\_\_\_\_ is known as the Netflix of eyewear

- A. ManPacks
- B. Warby Parker
- C. Sneakerheads
- D. Frank style plan

Answer: B

Response: See 2.2

Level: Medium

Learning Objective: Distinguish between part-time and full-time entrepreneurship

14. SCAMPER stands for

- A. Supplier, customer, applied, marketing, performance, entrepreneurship, retail
- B. Substitute, combine, adapt, modify, put to other uses, eliminate, reverse
- C. Supplier, customer, adapt, marketing, performance, eliminate, reuse
- D. Supplier, customer, adapt, magnify, performance, eliminate, reuse

Answer: B

Response: See 2.3

Level: Easy

Learning Objective: Explain how ideas turn into startup opportunities

15. Which of the following one should NOT consider to find out if an idea is actually a business opportunity

- A. Value statement
- B. Customer problem identification
- C. Customer willingness to buy
- D. Cannibalizing

Answer: D

Response: See 2.3

Level: Medium

Learning Objective: Explain how ideas turn into startup opportunities

16. Opportunity discovery focuses on individual's \_\_\_\_\_, while opportunity creation relies on \_\_\_\_\_

- A. Alertness; imagination
- B. Alertness, integrity
- C. Imagination; integrity
- D. Imagination; alertness

Answer: A



Response: See 2.3

Level: Medium

Learning Objective: Explain how ideas turn into startup opportunities

17. \_\_\_\_\_ refers to the extent to which one venture--or its offering--is similar to another
- A. Degree of overlapping
  - B. Degree of similarity
  - C. Degree of imitation
  - D. Degree of innovation

Answer: B

Response: See 2.3

Level: Easy

Learning Objective: Explain how ideas turn into startup opportunities

18. The BRIE model stands for
- A. Boundary, resources, intention, and exchange
  - B. Boundary, resources, imitation, and eagerness
  - C. Boundary, reuse, innovation, and exchange
  - D. Boundary, reuse, imitation, and exchange

Answer: A

Response: See 2.4

Level: Medium

Learning Objective: Describe the universal start-up model

19. In the BRIE model, the boundary condition refers to :
- A. Human, social, and financial resources that make up the business
  - B. Creating a place for a business
  - C. Buying products in exchange for money
  - D. The desire and willingness to act and to start a business

Answer: B

Response: See 2.4

Level: Medium

Learning Objective: Describe the universal start-up model

20. Which of the following is a challenge that plagues a large majority of startups?
- A. Legitimate aggrandizing
  - B. Bootstrapping
  - C. Good credit policy
  - D. Undercapitalization

Answer: D

Response: See 2.4

Level: Medium

Learning Objective: Describe the universal start-up model

21. \_\_\_\_\_ refers to getting by with less, or arranging to borrow, rent, or trade for the resource
- A. Cannibalizing
  - B. Aggrandizing
  - C. Bootstrapping
  - D. Moonlighting

Answer: C

Response: See 2.4

Level: Medium

Learning Objective: Describe the universal start-up model

22. Bootstrapping helps deal with the:
- A. Moonlighting
  - B. Cannibalizing
  - C. Poising the well
  - D. Undercapitalization

Answer: D

Response: See 2.4

Level: Medium

Learning Objective: Describe the universal start-up model

23. Having a nice website that makes the business look professional is a(n) \_\_\_\_\_ activity
- A. Cannibalizing
  - B. Aggrandizing
  - C. Bootstrapping
  - D. None of the above

Answer: B

Response: See 2.4

Level: Medium

Learning Objective: Describe the universal start-up model

24. Which of the following is less likely to show interest in starting a new business?
- A. Millennials
  - B. Generation X
  - C. Baby boomers
  - D. None of the above

Answer: A

Response: See 2.5

Level: Easy

Learning Objective: Analyze the State of Start-up in the United States

25. The startup rate for small businesses in the U.S. has steadily gone \_\_\_\_\_ over time
- A. Down
  - B. Up
  - C. Consistent
  - D. None of the above

Answer: A

Response: See 2.5

Level: Easy

Learning Objective: Analyze the State of Start-up in the United States