

# Chapter 1: Should You Become an Entrepreneur?

*Student:* \_\_\_\_\_

1. Almost all entrepreneurs are middle-aged people with prior business experience.

True   False

2. When an entrepreneur considers whether or not behavior is ethical, both the actions and the result of those actions need to be considered.

True   False

3. A wholesaling business sells products directly to consumers.

True   False

4. One way a business can “go green” is to install energy-efficient lightbulbs throughout the facility.

True   False

5. Though there are more small businesses in the United States than large businesses, it is the large businesses that create the most jobs.

True   False

6. Entrepreneurial opportunities tend to disappear completely during downturns in the economy.

True   False

7. More than half of all new businesses do not survive beyond four years.

True   False

8. Employees, customers, and creditors are all stakeholders in an entrepreneur’s business.

True   False

9. Absolutely anyone can be a successful entrepreneur.

True False

10. Ideas are different from opportunities.

True False

11. The Food and Drug Administration is an organization that exists to help small businesses and their owners.

True False

12. "I will learn more about starting my own business" is a good example of a SMART goal.

True False

13. Most people who own their own businesses do so for more than just monetary gain.

True False

14. The best way for an entrepreneur to make a decision is to go with her intuition or "gut feeling."

True False

15. The more often you use the problem-solving model, the better skilled at decision making you will become.

True False

16. People who own, operate, and take the risk of a business venture are called

- A. employees
- B. executives
- C. entrepreneurs
- D. managers

17. People go into business for themselves because

- A. they want to set their own schedules
- B. they hope to pursue a personal dream
- C. they want to work at home but still earn an income
- D. all of the above

18. Which of the following is an example of a service business?

- A. Peabody Coal Company
- B. Enterprise Rent-a-Car
- C. Best Buy
- D. Marti's Dress Boutique

19. Small firms with fewer than 500 employees represent about \_\_\_\_\_ percent of all businesses in the United States.

- A. 25
- B. 50
- C. 75
- D. 99

20. Which of the following was NOT a provision of the American Recovery and Reinvestment Act of 2009?

- A. decreasing equity capital for high-growth businesses
- B. improving the liquidity of small business lending markets
- C. offering several forms of tax relief
- D. offering incentives to drive the growth of renewable energy

21. Which of the following would generally NOT be considered a desirable characteristic of a good team member?

- A. committed
- B. cooperative
- C. confrontational
- D. creative

22. One major advantage of being an entrepreneur is that

- A. entrepreneurs are guaranteed to make large sums of money
- B. entrepreneurs can choose a business that interests them
- C. entrepreneurs do not need to work with anyone else to get their business up and running
- D. all of the above are advantages of being an entrepreneur

23. Thoughts or concepts that come from creative thinking are called

- A. advantages
- B. opportunities
- C. insights
- D. ideas

24. The FINAL step of the problem-solving model is to

- A. evaluate the action
- B. gather information
- C. take action
- D. select the best option

25. In a brainstorming session, it is NOT a good idea to

- A. write down all the solutions that are suggested
- B. use the problem-solving model to determine which ideas are the best
- C. immediately reject the most outlandish ideas as “foolish” or “crazy”
- D. think of as many potential solutions as possible

26. Of the 16 businesses located at the Tri-City Shopping Center, one-quarter are service businesses. How many service businesses are located at the shopping center?

---

27. In Dodgetown, 196 of the 200 businesses have fewer than 500 employees. What percentage of businesses in Dodgetown have MORE than 500 employees?

---

28. Surveys indicate that just 44 percent of new businesses in your town survive for more than four years. If 150 new businesses open in your town this year, how many will still be in operation four years from now?

---

29. Marcia hopes to earn \$30,000 from her new business this year. She hopes to earn 15 percent more than that next year. If she achieves her goal, how much will Marcia earn next year?

---

30. Tamil is starting a part-time lawncare business. His goal is to earn \$15,000 by the end of his first year of business. He estimates that after expenses he will earn \$12 for each lawn he mows. At this rate of profit, how many lawns will he need to mow to meet his income goal?

---

31. The process of running a business on one's own is called \_\_\_\_\_.

---

32. \_\_\_\_\_ businesses generate fresh produce and other farm products.

\_\_\_\_\_

33. The American Recovery and \_\_\_\_\_ Act of 2009 was passed to stimulate the American economy after the 2008 economic slowdown.

\_\_\_\_\_

34. A(n) \_\_\_\_\_ is an evaluation of your strengths and weaknesses.

\_\_\_\_\_

35. The ability to learn a particular kind of job is called \_\_\_\_\_.

\_\_\_\_\_

36. A possibility that arises from existing conditions is called a(n) \_\_\_\_\_.

\_\_\_\_\_

37. Special meetings where companies of the same or related industries display their products are called \_\_\_\_\_.

\_\_\_\_\_

38. A(n) \_\_\_\_\_ goal might include how much money your business will earn and how quickly you will pay off debts.

\_\_\_\_\_

39. The first step in the problem-solving model is to \_\_\_\_\_ the problem.

\_\_\_\_\_

40. \_\_\_\_\_ is a creative problem-solving technique that involves generating a large number of fresh ideas.

\_\_\_\_\_

41. Briefly explain the difference between employees and entrepreneurs.

42. Name and describe the four basic types of entrepreneurial businesses.

43. Name at least five characteristics of successful entrepreneurs.

44. Name four disadvantages of entrepreneurship.

45. Name three sources for business ideas.

46. How can a mistake be a positive thing for an entrepreneur?

47. Explain how small entrepreneurial businesses can help speed economic recovery during downturns in the economy.

48. Explain how an entrepreneur's business experience can be a factor in the success or failure of the business.

49. What are SMART goals? Name and describe each component of a SMART goal.

50. Explain why good communication is important in the problem-solving process.



# Chapter 1: Should You Become an Entrepreneur? **Key**

1. Almost all entrepreneurs are middle-aged people with prior business experience.

**FALSE**

2. When an entrepreneur considers whether or not behavior is ethical, both the actions and the result of those actions need to be considered.

**TRUE**

3. A wholesaling business sells products directly to consumers.

**FALSE**

4. One way a business can “go green” is to install energy-efficient lightbulbs throughout the facility.

**TRUE**

5. Though there are more small businesses in the United States than large businesses, it is the large businesses that create the most jobs.

**FALSE**

6. Entrepreneurial opportunities tend to disappear completely during downturns in the economy.

**FALSE**

7. More than half of all new businesses do not survive beyond four years.

**TRUE**

8. Employees, customers, and creditors are all stakeholders in an entrepreneur’s business.

**TRUE**

9. Absolutely anyone can be a successful entrepreneur.

**FALSE**

10. Ideas are different from opportunities.

**TRUE**

11. The Food and Drug Administration is an organization that exists to help small businesses and their owners.

**FALSE**

12. “I will learn more about starting my own business” is a good example of a SMART goal.

**FALSE**

13. Most people who own their own businesses do so for more than just monetary gain.

**TRUE**

14. The best way for an entrepreneur to make a decision is to go with her intuition or “gut feeling.”

**FALSE**

15. The more often you use the problem-solving model, the better skilled at decision making you will become.

**TRUE**

16. People who own, operate, and take the risk of a business venture are called

A. employees

B. executives

**C.** entrepreneurs

D. managers

17. People go into business for themselves because

A. they want to set their own schedules

B. they hope to pursue a personal dream

C. they want to work at home but still earn an income

**D.** all of the above

18. Which of the following is an example of a service business?

- A. Peabody Coal Company
- B. Enterprise Rent-a-Car**
- C. Best Buy
- D. Marti's Dress Boutique

19. Small firms with fewer than 500 employees represent about \_\_\_\_\_ percent of all businesses in the United States.

- A. 25
- B. 50
- C. 75
- D. 99**

20. Which of the following was NOT a provision of the American Recovery and Reinvestment Act of 2009?

- A. decreasing equity capital for high-growth businesses**
- B. improving the liquidity of small business lending markets
- C. offering several forms of tax relief
- D. offering incentives to drive the growth of renewable energy

21. Which of the following would generally NOT be considered a desirable characteristic of a good team member?

- A. committed
- B. cooperative
- C. confrontational**
- D. creative

22. One major advantage of being an entrepreneur is that

- A. entrepreneurs are guaranteed to make large sums of money
- B. entrepreneurs can choose a business that interests them**
- C. entrepreneurs do not need to work with anyone else to get their business up and running
- D. all of the above are advantages of being an entrepreneur

23. Thoughts or concepts that come from creative thinking are called

- A. advantages
- B. opportunities
- C. insights
- D. ideas**

24. The FINAL step of the problem-solving model is to

- A. evaluate the action
- B. gather information
- C. take action
- D. select the best option

25. In a brainstorming session, it is NOT a good idea to

- A. write down all the solutions that are suggested
- B. use the problem-solving model to determine which ideas are the best
- C. immediately reject the most outlandish ideas as “foolish” or “crazy”
- D. think of as many potential solutions as possible

26. Of the 16 businesses located at the Tri-City Shopping Center, one-quarter are service businesses. How many service businesses are located at the shopping center?

4

27. In Dodgetown, 196 of the 200 businesses have fewer than 500 employees. What percentage of businesses in Dodgetown have MORE than 500 employees?

2

28. Surveys indicate that just 44 percent of new businesses in your town survive for more than four years. If 150 new businesses open in your town this year, how many will still be in operation four years from now?

66

29. Marcia hopes to earn \$30,000 from her new business this year. She hopes to earn 15 percent more than that next year. If she achieves her goal, how much will Marcia earn next year?

\$34,500

30. Tamil is starting a part-time lawncare business. His goal is to earn \$15,000 by the end of his first year of business. He estimates that after expenses he will earn \$12 for each lawn he mows. At this rate of profit, how many lawns will he need to mow to meet his income goal?

1,250

31. The process of running a business on one's own is called \_\_\_\_\_.

entrepreneurship

32. \_\_\_\_\_ businesses generate fresh produce and other farm products.

**Agricultural**

33. The American Recovery and \_\_\_\_\_ Act of 2009 was passed to stimulate the American economy after the 2008 economic slowdown.

**Reinvestment**

34. A(n) \_\_\_\_\_ is an evaluation of your strengths and weaknesses.

**self-assessment**

35. The ability to learn a particular kind of job is called \_\_\_\_\_.

**aptitude**

36. A possibility that arises from existing conditions is called a(n) \_\_\_\_\_.

**opportunity**

37. Special meetings where companies of the same or related industries display their products are called \_\_\_\_\_.

**trade shows**

38. A(n) \_\_\_\_\_ goal might include how much money your business will earn and how quickly you will pay off debts.

**financial**

39. The first step in the problem-solving model is to \_\_\_\_\_ the problem.

**define**

40. \_\_\_\_\_ is a creative problem-solving technique that involves generating a large number of fresh ideas.

**Brainstorming**

41. Briefly explain the difference between employees and entrepreneurs.

Entrepreneurs own, operate, and assume the risk of a business venture; employees are people who work for someone else. Both may make decisions, but only the entrepreneur is directly affected by the consequences of those decisions.

42. Name and describe the four basic types of entrepreneurial businesses.

*Manufacturing businesses* actually produce the products they sell. Using resources and supplies, they create everything from automobiles to paper. *Wholesaling businesses* sell products to other businesses rather than the final consumer. *Retailing businesses* sell products directly to the people who use or consume them. *Service businesses* sell services rather than products.

43. Name at least five characteristics of successful entrepreneurs.

Successful entrepreneurs tend to be independent, self-confident, determined, goal-oriented, high achievers, creative, quick decision-makers, and technologically proficient.

44. Name four disadvantages of entrepreneurship.

Disadvantages include the following: (1) entrepreneurship is risky; (2) entrepreneurs face uncertain and irregular income; (3) entrepreneurs work long hours; (4) entrepreneurs must make all the decisions by themselves.

45. Name three sources for business ideas.

Sources for business ideas include hobbies and interests, past experiences, and discovery/invention.

46. How can a mistake be a positive thing for an entrepreneur?

Entrepreneurs can view their mistakes as learning experiences. Mistakes can help entrepreneurs learn what to do or NOT to do, which can be valuable in the problem-solving process.

47. Explain how small entrepreneurial businesses can help speed economic recovery during downturns in the economy.

While big businesses tend to be more conservative in their approach to economic slowdowns by scaling back production, conserving cash, and laying off workers, small businesses that have less to lose are more willing and able to make changes quickly. They can be more creative and take more risks than large companies. Their experimentation and innovation lead to technological change and increased productivity. This makes small businesses a significant part of the economic recovery process.

48. Explain how an entrepreneur's business experience can be a factor in the success or failure of the business.

Experienced businesspeople have an understanding of how to purchase products and services. They know how to plan, negotiate with suppliers, raise money, negotiate leases, sell and market their product or service, and manage finances. Many businesses fail because the owner lacks business knowledge. Someone may have an idea for a product or service but may lack the necessary business skills he or she needs to run a successful business. There is a major difference between having expertise regarding a product or service and running a business with that product or service. So when opportunity presents itself, entrepreneurs must have what it takes to succeed.

49. What are SMART goals? Name and describe each component of a SMART goal.

SMART goals are goals that provide more direction than vague, nonspecific goals. SMART goals are specific (should answer what, why, and how questions); measurable (should establish ways to measure progress); attainable (should not be too far out of reach); realistic (should be things to which you are willing to commit); and timely (should have a timeframe for achievement).

50. Explain why good communication is important in the problem-solving process.

When trying to resolve problems and make decisions, you most likely will have to interact with others. You may have to ask questions, request information, and express your ideas and opinions. On such occasions, it is important that you communicate clearly and confidently. You must also be a good listener. You must carefully listen to information, opinions, and suggestions from others. Listening to others' input can help you make informed decisions.