Chapter 01

Starting Your Small Business

**Multiple Choice Questions**

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| 1. | Which of the following is a major reason for the increased interest in small business?      |  |  | | --- | --- | | A. | There is no major fear of being impacted by recession. |  |  |  | | --- | --- | | B. | There is a growing trend toward self-employment. |  |  |  | | --- | --- | | C. | The rate of profit achieved by small businesses is higher than that of big corporations. |  |  |  | | --- | --- | | D. | There are very few government regulations and paperwork for small businesses. | |

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| 2. | Which of the following statements is true about the impact of small businesses and entrepreneurship on educational institutions?      |  |  | | --- | --- | | A. | Entrepreneurship and small business management are accepted as academically respected disciplines by many high schools, colleges, and universities. |  |  |  | | --- | --- | | B. | Community colleges are reluctant to offer courses for small business owners. |  |  |  | | --- | --- | | C. | Today more students think working for big corporations is a safer haven than self-employment. |  |  |  | | --- | --- | | D. | Educational institutions have discovered that by teaching entrepreneurship they will be able to put a restriction on free enterprise. | |

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| 3. | Which of the following statements is true about small businesses?      |  |  | | --- | --- | | A. | The manager usually owns the business. |  |  |  | | --- | --- | | B. | The area of operations is not necessarily local, although the market is primarily local. |  |  |  | | --- | --- | | C. | Capital is supplied and ownership is held by a large number of individuals. |  |  |  | | --- | --- | | D. | Management of small businesses is highly dependent, because the businesses are owned by a group of people. | |

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| 4. | Which of the following features must a business have to be classified as small?      |  |  | | --- | --- | | A. | Management is independent, and the area of operation is primarily local. |  |  |  | | --- | --- | | B. | It is dominant in its field of operation, and it employs 100­-200 people. |  |  |  | | --- | --- | | C. | Ownership is held by a large group of people, and the market is primarily local. |  |  |  | | --- | --- | | D. | Capital is provided by a federal institution, and the objectives are non-profitability and service to the government. | |

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| 5. | A \_\_\_\_\_ is any business that is independently owned and operated and is not dominant in its field of operation.      |  |  | | --- | --- | | A. | monopolistic organization |  |  |  | | --- | --- | | B. | public enterprise |  |  |  | | --- | --- | | C. | close corporation |  |  |  | | --- | --- | | D. | small business | |

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| 6. | An entrepreneurial venture is characterized by:      |  |  | | --- | --- | | A. | innovative strategic practices and/or products. |  |  |  | | --- | --- | | B. | independent ownership and operation and no desire for dominance in its field. |  |  |  | | --- | --- | | C. | no scope of growing large, and the owners may not want it to. |  |  |  | | --- | --- | | D. | normal sales, profits, and growth as opposed to rapid growth and a quick sellout. | |

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| 7. | Which of the following is characteristic of a small business owner?      |  |  | | --- | --- | | A. | Is innovative and focuses primarily on profitability and growth |  |  |  | | --- | --- | | B. | Perceives the business as being an extension of his or her personality |  |  |  | | --- | --- | | C. | Starts and manages a business for many reasons other than furthering personal goals |  |  |  | | --- | --- | | D. | Prefers a less relaxed and more aggressive approach to running the business | |

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| 8. | Smaller firms tend to:      |  |  | | --- | --- | | A. | minimize innovation and flexibility. |  |  |  | | --- | --- | | B. | not provide a comprehensive learning experience to their employees. |  |  |  | | --- | --- | | C. | keep larger firms competitive. |  |  |  | | --- | --- | | D. | provide reduced employee job satisfaction. | |

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| 9. | Which of the following best describes one of the contributions of small businesses?      |  |  | | --- | --- | | A. | They are sources of new ideas or services that larger businesses may be unable to provide. |  |  |  | | --- | --- | | B. | They provide large capital gains to the owners. |  |  |  | | --- | --- | | C. | Their products and services are sold at prices that are lower than large businesses' prices. |  |  |  | | --- | --- | | D. | They provide economies of scale that large businesses cannot match. | |

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| 10. | Which of the following statements is true about small businesses?      |  |  | | --- | --- | | A. | They get easy financing that leads to too many choices for funding. |  |  |  | | --- | --- | | B. | Small businesses provide low employee job satisfaction owing to a lower volume of transactions. |  |  |  | | --- | --- | | C. | They are not subject to burdensome government regulations and paperwork. |  |  |  | | --- | --- | | D. | Inadequate management in small businesses creates problems for small business owners and entrepreneurs. | |

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| 11. | Which of the following is a problem faced by small businesses today?      |  |  | | --- | --- | | A. | Lack of advertising |  |  |  | | --- | --- | | B. | Lack of risk takers |  |  |  | | --- | --- | | C. | No training at colleges and universities |  |  |  | | --- | --- | | D. | Unexpected growth and financing issues | |

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| 12. | Which of the following is a reason for the drastic changes in small business management trends?      |  |  | | --- | --- | | A. | Accounting departments becoming independent of computer support |  |  |  | | --- | --- | | B. | Diverse shift away from people-related activities |  |  |  | | --- | --- | | C. | Improvements in communications and computer technology |  |  |  | | --- | --- | | D. | Excess supply of managerial talent | |

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| 13. | \_\_\_\_\_ is the fundamental redesign of a business, often resulting in reduction in size and markets.      |  |  | | --- | --- | | A. | Reinvention |  |  |  | | --- | --- | | B. | Incremental change |  |  |  | | --- | --- | | C. | Reengineering |  |  |  | | --- | --- | | D. | Acculturation | |

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| 14. | \_\_\_\_\_ refers to the process of reducing the number of employees to increase efficiency.      |  |  | | --- | --- | | A. | Freezing |  |  |  | | --- | --- | | B. | Rightsizing |  |  |  | | --- | --- | | C. | Procuring |  |  |  | | --- | --- | | D. | Resourcing | |

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| 15. | Which of the following is the result of the trend in business to become more active globally?      |  |  | | --- | --- | | A. | A growing number of large and small U.S. businesses are or are becoming foreign owned. |  |  |  | | --- | --- | | B. | The American consumer is increasingly noticing the change in managerial styles. |  |  |  | | --- | --- | | C. | The foreign-owned companies are increasingly adopting traditional managerial styles. |  |  |  | | --- | --- | | D. | A growing number of small business owners and managers are refraining from adapting to nontraditional managerial styles. | |

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| 16. | Which of the following is a reason for starting a small business?      |  |  | | --- | --- | | A. | To get a chance to act like automatons |  |  |  | | --- | --- | | B. | To get freedom from decision-making responsibility |  |  |  | | --- | --- | | C. | To focus on selling the same products that are available in the market |  |  |  | | --- | --- | | D. | To satisfy personal objectives | |

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| 17. | A new small business owner's primary motive is usually \_\_\_\_\_.      |  |  | | --- | --- | | A. | independence, that is, freedom from interference or control by superiors |  |  |  | | --- | --- | | B. | the need to obtain a second income for balancing the losses of other ventures |  |  |  | | --- | --- | | C. | the need to provide a niche product |  |  |  | | --- | --- | | D. | to seek security, place, power, prestige, high income, and benefits | |

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| 18. | Which of the following refers to an introspective personal analysis that can help a small business owner determine whether the combination of qualities he or she has will help him or her succeed as a small business owner?      |  |  | | --- | --- | | A. | Analysis of one's attitude |  |  |  | | --- | --- | | B. | Analysis of one's financial status |  |  |  | | --- | --- | | C. | Analysis of the value of the products to be sold |  |  |  | | --- | --- | | D. | Analysis of the capacity of the facility to be used | |

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| 19. | According to the Small Business Administration's (SBA) Office of Advocacy (www.sba.gov), only \_\_\_\_\_ tend to be dominated by larger businesses.      |  |  | | --- | --- | | A. | specialized delivery and catering services |  |  |  | | --- | --- | | B. | social assistance and educational services |  |  |  | | --- | --- | | C. | construction and personnel/supply services |  |  |  | | --- | --- | | D. | management, business, and financial services | |

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| 20. | The occupation with the fastest growth overall is \_\_\_\_\_.      |  |  | | --- | --- | | A. | professional service |  |  |  | | --- | --- | | B. | health care |  |  |  | | --- | --- | | C. | office and administrative support |  |  |  | | --- | --- | | D. | sales and related services | |

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| 21. | Which of the following is true about the first stage of the typical growth pattern that small businesses tend to follow?      |  |  | | --- | --- | | A. | Owners manage the business and do all the work. |  |  |  | | --- | --- | | B. | Owners manage their companies but hire employees to help with routine and/or management activities. |  |  |  | | --- | --- | | C. | Owners hire managers to run the firms. |  |  |  | | --- | --- | | D. | Owners outsource much of the supervisory work. | |

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| 22. | Which of the following is true about the final stage of the typical growth pattern that small businesses tend to follow?      |  |  | | --- | --- | | A. | Owners manage the business and do all the work. |  |  |  | | --- | --- | | B. | Owners manage their companies but hire employees to help with routine and/or management activities. |  |  |  | | --- | --- | | C. | Owners hire managers to run the firms. |  |  |  | | --- | --- | | D. | Owners outsource much of the supervisory work. | |

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| 23. | Which of the following statements is true about the typical growth pattern of a small business?      |  |  | | --- | --- | | A. | Owners do not need to give managers a financial interest in the business to hold them. |  |  |  | | --- | --- | | B. | The length of service of professional managers (as opposed to owner-managers) in small businesses tends to be relatively long. |  |  |  | | --- | --- | | C. | Owners typically hire professional managers as soon as they start their business. |  |  |  | | --- | --- | | D. | Professional managers who work in small companies move from one company to another as they progress upward in rank and earnings. | |

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| 24. | \_\_\_\_\_ is a voluntary decision to terminate a business.      |  |  | | --- | --- | | A. | Foreclosure |  |  |  | | --- | --- | | B. | Formal failure |  |  |  | | --- | --- | | C. | Discontinuance |  |  |  | | --- | --- | | D. | Bankruptcy | |

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| 25. | Mark opened a café in his neighborhood. Soon his café became very popular, and his revenues started increasing. Steve, the owner of a popular restaurant, saw Mark's success and asked him to join his restaurant. The financial incentive that Steve offered Mark was more than what he earned at his café. Moreover, Mark would not have to face the daily hassles of managing everything on his own. Mark decided to shut down his café and join the restaurant. This is an example of:      |  |  | | --- | --- | | A. | foreclosure. |  |  |  | | --- | --- | | B. | formal failure. |  |  |  | | --- | --- | | C. | discontinuance. |  |  |  | | --- | --- | | D. | bankruptcy. | |

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| 26. | John opened All-for-Shop, a small retail outlet, in his neighborhood. He could not sustain it for more than a year because of huge losses and chose to shut it down. Fortunately, he did not have any creditors. Which of the following does the situation describe?      |  |  | | --- | --- | | A. | Formal failure |  |  |  | | --- | --- | | B. | Foreclosure |  |  |  | | --- | --- | | C. | Bankruptcy |  |  |  | | --- | --- | | D. | Personal failure | |

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| 27. | Which of the following statements is true about failure and small businesses?      |  |  | | --- | --- | | A. | Personal failures typically end up in court with some kind of loss to the creditors. |  |  |  | | --- | --- | | B. | A discontinuance may result from the apparent advantages of working for someone else. |  |  |  | | --- | --- | | C. | Formal failures are far more numerous than personal ones. |  |  |  | | --- | --- | | D. | Discontinuance usually results when creditors file a lawsuit against a small business. | |

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| 28. | \_\_\_\_\_ nurture young firms and help them to survive and grow during the startup period when they are most vulnerable.      |  |  | | --- | --- | | A. | Successful graduates |  |  |  | | --- | --- | | B. | Business incubators |  |  |  | | --- | --- | | C. | International trade organizations |  |  |  | | --- | --- | | D. | Conglomerates | |

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| 29. | Which of the following does a business incubator do to help small business owners succeed?      |  |  | | --- | --- | | A. | Find out the competition and make deals for cooperation |  |  |  | | --- | --- | | B. | Provide management assistance and shared office services |  |  |  | | --- | --- | | C. | Hire employees and train them |  |  |  | | --- | --- | | D. | Keep their financial records up to date | |

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| 30. | Which of the following is the main goal of an incubation program?      |  |  | | --- | --- | | A. | Provide financial assistance |  |  |  | | --- | --- | | B. | Exempt small businesses from interest on loans |  |  |  | | --- | --- | | C. | Procure equipment |  |  |  | | --- | --- | | D. | Produce businesses that are financially viable and freestanding | |

**True / False Questions**

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| 31. | Small firms generate most new private employment.    True    False |

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| 32. | Today more students think self-employment is a safer haven than working for big corporations.    True    False |

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| 33. | The growth rate of the general workforce is always greater than the growth rate of self-employment.    True    False |

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| 34. | A small business is one that is owned and operated by a group of entrepreneurs and is dominant in its field of operation.    True    False |

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| 35. | An entrepreneurial venture may never grow large, and the owners may not want it to, as they prefer a more relaxed and less aggressive approach to running the business.    True    False |

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| 36. | One of the unique contributions of small businesses is that they keep larger firms competitive.    True    False |

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| 37. | Employees in large workplaces have higher job satisfaction than those in smaller firms.    True    False |

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| 38. | A small business provides employees with a variety of learning experiences not open to individuals holding more specialized jobs in larger companies.    True    False |

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| 39. | The reality that small businesses train people to become better leaders and managers and to develop their talents and energies more effectively has led more college graduates to seek full-time jobs with small businesses.    True    False |

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| 40. | Managers of small firms must be specialists rather than generalists.    True    False |

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| 41. | Nowadays, smaller firms are exempt from many federal regulations and even some state and local ones.    True    False |

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| 42. | Few jobs in small firms are unaffected by improvements in communications and computer technology.    True    False |

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| 43. | Downsizing or rightsizing is reducing the number of employees in order to achieve efficiency.    True    False |

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| 44. | Technological advances in automation, computers, robotics, and electronic communication, along with changing markets resulting from cultural, demographic, and economic changes, have affected traditional "smokestack" industries.    True    False |

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| 45. | Reengineering is the fundamental redesign of a business, often resulting in reduction in size and markets.    True    False |

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| 46. | Those interested in small business management need to understand what the challenge of being active globally is and what the rewards may be.    True    False |

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| 47. | One result of the current trends in business is the decreasing number of large and small U.S. businesses that are or become foreign owned.    True    False |

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| 48. | Not all small business owners and managers make a lot of money, nor do they all intend to.    True    False |

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| 49. | Growth depends on attaining both profit and social objectives, which are not necessarily incompatible.    True    False |

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| 50. | Small business owners expect quick and concrete results from their investment of time and capital instead of engaging in the long-range planning.    True    False |

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| 51. | With so much time, money, and energy devoted to the business, small business owners tend to have more zeal and devotion than do managers of big companies.    True    False |

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| 52. | Most of the growing industries are dominated by large companies.    True    False |

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| 53. | With advances in technology, many tasks in the health care industry are now performed by highly paid and skilled workers.    True    False |

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| 54. | Most creative entrepreneurs are very good managers.    True    False |

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| 55. | The length of service of professional managers (as opposed to owner-managers) in small businesses tends to be relatively long.    True    False |

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| 56. | In formal failures, an owner who cannot succeed voluntarily terminates the business.    True    False |

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| 57. | Personal failures are failures ending up in court with some kind of loss to creditors.    True    False |

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| 58. | Personal failures are more common than formal failures.    True    False |

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| 59. | While the usual incubation period of a business is two to three years, 30 percent of incubator clients typically graduate each year.    True    False |

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| 60. | One of the causes of discontinuance or failure is that the amount of time and/or physical effort demanded of the small business manager was not recognized and/or planned for.    True    False |

**Essay Questions**

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| 61. | Mention some of the reasons for the increased interest in small business. |

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| 62. | Mention the features required for a small business to be classified as "small." |

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| 63. | Mention some major contributions made by small businesses. |

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| 64. | What are the repeated areas that create problems for small business owners and entrepreneurs? |

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| 65. | Describe some of the current trends challenging small business owners. |

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| 66. | Explain why people start small businesses. |

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| 67. | Mention the characteristics of successful owners of small businesses. |

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| 68. | Explain how a poorly planned growth and the threat of failure limit the success of small firms. |

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| 69. | Mention the causes or reasons of discontinuance or failure. |

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| 70. | What are business incubators? How do they help young firms succeed? |

Chapter 01 Starting Your Small Business Answer Key

**Multiple Choice Questions**

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| 1. | Which of the following is a major reason for the increased interest in small business?      |  |  | | --- | --- | | A. | There is no major fear of being impacted by recession. |  |  |  | | --- | --- | | **B.** | There is a growing trend toward self-employment. |  |  |  | | --- | --- | | C. | The rate of profit achieved by small businesses is higher than that of big corporations. |  |  |  | | --- | --- | | D. | There are very few government regulations and paperwork for small businesses. | |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-01 Define what is mean by the term business.* |

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| 2. | Which of the following statements is true about the impact of small businesses and entrepreneurship on educational institutions?      |  |  | | --- | --- | | **A.** | Entrepreneurship and small business management are accepted as academically respected disciplines by many high schools, colleges, and universities. |  |  |  | | --- | --- | | B. | Community colleges are reluctant to offer courses for small business owners. |  |  |  | | --- | --- | | C. | Today more students think working for big corporations is a safer haven than self-employment. |  |  |  | | --- | --- | | D. | Educational institutions have discovered that by teaching entrepreneurship they will be able to put a restriction on free enterprise. | |

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| *Accessibility: Keyboard Navigation Difficulty: 2 Medium Learning Objective: 01-01 Define what is mean by the term business.* |

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| 3. | Which of the following statements is true about small businesses?      |  |  | | --- | --- | | **A.** | The manager usually owns the business. |  |  |  | | --- | --- | | B. | The area of operations is not necessarily local, although the market is primarily local. |  |  |  | | --- | --- | | C. | Capital is supplied and ownership is held by a large number of individuals. |  |  |  | | --- | --- | | D. | Management of small businesses is highly dependent, because the businesses are owned by a group of people. | |

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| 4. | Which of the following features must a business have to be classified as small?      |  |  | | --- | --- | | **A.** | Management is independent, and the area of operation is primarily local. |  |  |  | | --- | --- | | B. | It is dominant in its field of operation, and it employs 100­-200 people. |  |  |  | | --- | --- | | C. | Ownership is held by a large group of people, and the market is primarily local. |  |  |  | | --- | --- | | D. | Capital is provided by a federal institution, and the objectives are non-profitability and service to the government. | |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-01 Define what is mean by the term business.* |

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| 5. | A \_\_\_\_\_ is any business that is independently owned and operated and is not dominant in its field of operation.      |  |  | | --- | --- | | A. | monopolistic organization |  |  |  | | --- | --- | | B. | public enterprise |  |  |  | | --- | --- | | C. | close corporation |  |  |  | | --- | --- | | **D.** | small business | |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-01 Define what is mean by the term business.* |

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| 6. | An entrepreneurial venture is characterized by:      |  |  | | --- | --- | | **A.** | innovative strategic practices and/or products. |  |  |  | | --- | --- | | B. | independent ownership and operation and no desire for dominance in its field. |  |  |  | | --- | --- | | C. | no scope of growing large, and the owners may not want it to. |  |  |  | | --- | --- | | D. | normal sales, profits, and growth as opposed to rapid growth and a quick sellout. | |

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| *Accessibility: Keyboard Navigation Difficulty: 2 Medium Learning Objective: 01-01 Define what is mean by the term business.* |

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| 7. | Which of the following is characteristic of a small business owner?      |  |  | | --- | --- | | A. | Is innovative and focuses primarily on profitability and growth |  |  |  | | --- | --- | | **B.** | Perceives the business as being an extension of his or her personality |  |  |  | | --- | --- | | C. | Starts and manages a business for many reasons other than furthering personal goals |  |  |  | | --- | --- | | D. | Prefers a less relaxed and more aggressive approach to running the business | |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-01 Define what is mean by the term business.* |

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| 8. | Smaller firms tend to:      |  |  | | --- | --- | | A. | minimize innovation and flexibility. |  |  |  | | --- | --- | | B. | not provide a comprehensive learning experience to their employees. |  |  |  | | --- | --- | | **C.** | keep larger firms competitive. |  |  |  | | --- | --- | | D. | provide reduced employee job satisfaction. | |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-02 Name some of the unique contributions of small businesses.* |

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| 9. | Which of the following best describes one of the contributions of small businesses?      |  |  | | --- | --- | | **A.** | They are sources of new ideas or services that larger businesses may be unable to provide. |  |  |  | | --- | --- | | B. | They provide large capital gains to the owners. |  |  |  | | --- | --- | | C. | Their products and services are sold at prices that are lower than large businesses' prices. |  |  |  | | --- | --- | | D. | They provide economies of scale that large businesses cannot match. | |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-02 Name some of the unique contributions of small businesses.* |

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| 10. | Which of the following statements is true about small businesses?      |  |  | | --- | --- | | A. | They get easy financing that leads to too many choices for funding. |  |  |  | | --- | --- | | B. | Small businesses provide low employee job satisfaction owing to a lower volume of transactions. |  |  |  | | --- | --- | | C. | They are not subject to burdensome government regulations and paperwork. |  |  |  | | --- | --- | | **D.** | Inadequate management in small businesses creates problems for small business owners and entrepreneurs. | |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-03 Explain some of the current problems small businesses face.* |

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| 11. | Which of the following is a problem faced by small businesses today?      |  |  | | --- | --- | | A. | Lack of advertising |  |  |  | | --- | --- | | B. | Lack of risk takers |  |  |  | | --- | --- | | C. | No training at colleges and universities |  |  |  | | --- | --- | | **D.** | Unexpected growth and financing issues | |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-03 Explain some of the current problems small businesses face.* |

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| 12. | Which of the following is a reason for the drastic changes in small business management trends?      |  |  | | --- | --- | | A. | Accounting departments becoming independent of computer support |  |  |  | | --- | --- | | B. | Diverse shift away from people-related activities |  |  |  | | --- | --- | | **C.** | Improvements in communications and computer technology |  |  |  | | --- | --- | | D. | Excess supply of managerial talent | |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-04 Discuss some of the current trends challenging entrepreneurs and small businesses owners.* |

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| 13. | \_\_\_\_\_ is the fundamental redesign of a business, often resulting in reduction in size and markets.      |  |  | | --- | --- | | **A.** | Reinvention |  |  |  | | --- | --- | | B. | Incremental change |  |  |  | | --- | --- | | C. | Reengineering |  |  |  | | --- | --- | | D. | Acculturation | |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-04 Discuss some of the current trends challenging entrepreneurs and small businesses owners.* |

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| 14. | \_\_\_\_\_ refers to the process of reducing the number of employees to increase efficiency.      |  |  | | --- | --- | | A. | Freezing |  |  |  | | --- | --- | | **B.** | Rightsizing |  |  |  | | --- | --- | | C. | Procuring |  |  |  | | --- | --- | | D. | Resourcing | |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-04 Discuss some of the current trends challenging entrepreneurs and small businesses owners.* |

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| 15. | Which of the following is the result of the trend in business to become more active globally?      |  |  | | --- | --- | | **A.** | A growing number of large and small U.S. businesses are or are becoming foreign owned. |  |  |  | | --- | --- | | B. | The American consumer is increasingly noticing the change in managerial styles. |  |  |  | | --- | --- | | C. | The foreign-owned companies are increasingly adopting traditional managerial styles. |  |  |  | | --- | --- | | D. | A growing number of small business owners and managers are refraining from adapting to nontraditional managerial styles. | |

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| *Accessibility: Keyboard Navigation Difficulty: 2 Medium Learning Objective: 01-04 Discuss some of the current trends challenging entrepreneurs and small businesses owners.* |

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| 16. | Which of the following is a reason for starting a small business?      |  |  | | --- | --- | | A. | To get a chance to act like automatons |  |  |  | | --- | --- | | B. | To get freedom from decision-making responsibility |  |  |  | | --- | --- | | C. | To focus on selling the same products that are available in the market |  |  |  | | --- | --- | | **D.** | To satisfy personal objectives | |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-05 Explain why people start small businesses.* |

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| 17. | A new small business owner's primary motive is usually \_\_\_\_\_.      |  |  | | --- | --- | | **A.** | independence, that is, freedom from interference or control by superiors |  |  |  | | --- | --- | | B. | the need to obtain a second income for balancing the losses of other ventures |  |  |  | | --- | --- | | C. | the need to provide a niche product |  |  |  | | --- | --- | | D. | to seek security, place, power, prestige, high income, and benefits | |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-05 Explain why people start small businesses.* |

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| 18. | Which of the following refers to an introspective personal analysis that can help a small business owner determine whether the combination of qualities he or she has will help him or her succeed as a small business owner?      |  |  | | --- | --- | | **A.** | Analysis of one's attitude |  |  |  | | --- | --- | | B. | Analysis of one's financial status |  |  |  | | --- | --- | | C. | Analysis of the value of the products to be sold |  |  |  | | --- | --- | | D. | Analysis of the capacity of the facility to be used | |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-05 Explain why people start small businesses.* |

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| 19. | According to the Small Business Administration's (SBA) Office of Advocacy (www.sba.gov), only \_\_\_\_\_ tend to be dominated by larger businesses.      |  |  | | --- | --- | | A. | specialized delivery and catering services |  |  |  | | --- | --- | | B. | social assistance and educational services |  |  |  | | --- | --- | | **C.** | construction and personnel/supply services |  |  |  | | --- | --- | | D. | management, business, and financial services | |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-07 Describe where the opportunities are for small businesses.* |

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| 20. | The occupation with the fastest growth overall is \_\_\_\_\_.      |  |  | | --- | --- | | A. | professional service |  |  |  | | --- | --- | | **B.** | health care |  |  |  | | --- | --- | | C. | office and administrative support |  |  |  | | --- | --- | | D. | sales and related services | |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-07 Describe where the opportunities are for small businesses.* |

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| 21. | Which of the following is true about the first stage of the typical growth pattern that small businesses tend to follow?      |  |  | | --- | --- | | **A.** | Owners manage the business and do all the work. |  |  |  | | --- | --- | | B. | Owners manage their companies but hire employees to help with routine and/or management activities. |  |  |  | | --- | --- | | C. | Owners hire managers to run the firms. |  |  |  | | --- | --- | | D. | Owners outsource much of the supervisory work. | |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-08 Identify some of the areas of concern for small business owners.* |

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| 22. | Which of the following is true about the final stage of the typical growth pattern that small businesses tend to follow?      |  |  | | --- | --- | | A. | Owners manage the business and do all the work. |  |  |  | | --- | --- | | B. | Owners manage their companies but hire employees to help with routine and/or management activities. |  |  |  | | --- | --- | | **C.** | Owners hire managers to run the firms. |  |  |  | | --- | --- | | D. | Owners outsource much of the supervisory work. | |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-08 Identify some of the areas of concern for small business owners.* |

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| 23. | Which of the following statements is true about the typical growth pattern of a small business?      |  |  | | --- | --- | | A. | Owners do not need to give managers a financial interest in the business to hold them. |  |  |  | | --- | --- | | B. | The length of service of professional managers (as opposed to owner-managers) in small businesses tends to be relatively long. |  |  |  | | --- | --- | | C. | Owners typically hire professional managers as soon as they start their business. |  |  |  | | --- | --- | | **D.** | Professional managers who work in small companies move from one company to another as they progress upward in rank and earnings. | |

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| *Accessibility: Keyboard Navigation Difficulty: 2 Medium Learning Objective: 01-08 Identify some of the areas of concern for small business owners.* |

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| 24. | \_\_\_\_\_ is a voluntary decision to terminate a business.      |  |  | | --- | --- | | A. | Foreclosure |  |  |  | | --- | --- | | B. | Formal failure |  |  |  | | --- | --- | | **C.** | Discontinuance |  |  |  | | --- | --- | | D. | Bankruptcy | |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-08 Identify some of the areas of concern for small business owners.* |

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| 25. | Mark opened a café in his neighborhood. Soon his café became very popular, and his revenues started increasing. Steve, the owner of a popular restaurant, saw Mark's success and asked him to join his restaurant. The financial incentive that Steve offered Mark was more than what he earned at his café. Moreover, Mark would not have to face the daily hassles of managing everything on his own. Mark decided to shut down his café and join the restaurant. This is an example of:      |  |  | | --- | --- | | A. | foreclosure. |  |  |  | | --- | --- | | B. | formal failure. |  |  |  | | --- | --- | | **C.** | discontinuance. |  |  |  | | --- | --- | | D. | bankruptcy. | |

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| *Accessibility: Keyboard Navigation Difficulty: 2 Medium Learning Objective: 01-08 Identify some of the areas of concern for small business owners.* |

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| 26. | John opened All-for-Shop, a small retail outlet, in his neighborhood. He could not sustain it for more than a year because of huge losses and chose to shut it down. Fortunately, he did not have any creditors. Which of the following does the situation describe?      |  |  | | --- | --- | | A. | Formal failure |  |  |  | | --- | --- | | B. | Foreclosure |  |  |  | | --- | --- | | C. | Bankruptcy |  |  |  | | --- | --- | | **D.** | Personal failure | |

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| *Accessibility: Keyboard Navigation Difficulty: 2 Medium Learning Objective: 01-08 Identify some of the areas of concern for small business owners.* |

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| 27. | Which of the following statements is true about failure and small businesses?      |  |  | | --- | --- | | A. | Personal failures typically end up in court with some kind of loss to the creditors. |  |  |  | | --- | --- | | **B.** | A discontinuance may result from the apparent advantages of working for someone else. |  |  |  | | --- | --- | | C. | Formal failures are far more numerous than personal ones. |  |  |  | | --- | --- | | D. | Discontinuance usually results when creditors file a lawsuit against a small business. | |

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| *Accessibility: Keyboard Navigation Difficulty: 2 Medium Learning Objective: 01-08 Identify some of the areas of concern for small business owners.* |

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| 28. | \_\_\_\_\_ nurture young firms and help them to survive and grow during the startup period when they are most vulnerable.      |  |  | | --- | --- | | A. | Successful graduates |  |  |  | | --- | --- | | **B.** | Business incubators |  |  |  | | --- | --- | | C. | International trade organizations |  |  |  | | --- | --- | | D. | Conglomerates | |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-08 Identify some of the areas of concern for small business owners.* |

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| 29. | Which of the following does a business incubator do to help small business owners succeed?      |  |  | | --- | --- | | A. | Find out the competition and make deals for cooperation |  |  |  | | --- | --- | | **B.** | Provide management assistance and shared office services |  |  |  | | --- | --- | | C. | Hire employees and train them |  |  |  | | --- | --- | | D. | Keep their financial records up to date | |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-08 Identify some of the areas of concern for small business owners.* |

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| 30. | Which of the following is the main goal of an incubation program?      |  |  | | --- | --- | | A. | Provide financial assistance |  |  |  | | --- | --- | | B. | Exempt small businesses from interest on loans |  |  |  | | --- | --- | | C. | Procure equipment |  |  |  | | --- | --- | | **D.** | Produce businesses that are financially viable and freestanding | |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-08 Identify some of the areas of concern for small business owners.* |

**True / False Questions**

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| 31. | Small firms generate most new private employment.    **TRUE** |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-01 Define what is mean by the term business.* |

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| 32. | Today more students think self-employment is a safer haven than working for big corporations.    **TRUE** |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-01 Define what is mean by the term business.* |

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| 33. | The growth rate of the general workforce is always greater than the growth rate of self-employment.    **FALSE** |

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| *Accessibility: Keyboard Navigation Difficulty: 2 Medium Learning Objective: 01-01 Define what is mean by the term business.* |

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| 34. | A small business is one that is owned and operated by a group of entrepreneurs and is dominant in its field of operation.    **FALSE** |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-01 Define what is mean by the term business.* |

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| 35. | An entrepreneurial venture may never grow large, and the owners may not want it to, as they prefer a more relaxed and less aggressive approach to running the business.    **FALSE** |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-01 Define what is mean by the term business.* |

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| 36. | One of the unique contributions of small businesses is that they keep larger firms competitive.    **TRUE** |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-02 Name some of the unique contributions of small businesses.* |

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| 37. | Employees in large workplaces have higher job satisfaction than those in smaller firms.    **FALSE** |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-02 Name some of the unique contributions of small businesses.* |

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| 38. | A small business provides employees with a variety of learning experiences not open to individuals holding more specialized jobs in larger companies.    **TRUE** |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-02 Name some of the unique contributions of small businesses.* |

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| 39. | The reality that small businesses train people to become better leaders and managers and to develop their talents and energies more effectively has led more college graduates to seek full-time jobs with small businesses.    **TRUE** |

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| *Accessibility: Keyboard Navigation Difficulty: 2 Medium Learning Objective: 01-02 Name some of the unique contributions of small businesses.* |

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| 40. | Managers of small firms must be specialists rather than generalists.    **FALSE** |

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| *Accessibility: Keyboard Navigation Difficulty: 2 Medium Learning Objective: 01-03 Explain some of the current problems small businesses face.* |

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| 41. | Nowadays, smaller firms are exempt from many federal regulations and even some state and local ones.    **FALSE** |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-03 Explain some of the current problems small businesses face.* |

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| 42. | Few jobs in small firms are unaffected by improvements in communications and computer technology.    **TRUE** |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-04 Discuss some of the current trends challenging entrepreneurs and small businesses owners.* |

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| 43. | Downsizing or rightsizing is reducing the number of employees in order to achieve efficiency.    **TRUE** |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-04 Discuss some of the current trends challenging entrepreneurs and small businesses owners.* |

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| 44. | Technological advances in automation, computers, robotics, and electronic communication, along with changing markets resulting from cultural, demographic, and economic changes, have affected traditional "smokestack" industries.    **TRUE** |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-04 Discuss some of the current trends challenging entrepreneurs and small businesses owners.* |

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| 45. | Reengineering is the fundamental redesign of a business, often resulting in reduction in size and markets.    **FALSE** |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-04 Discuss some of the current trends challenging entrepreneurs and small businesses owners.* |

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| 46. | Those interested in small business management need to understand what the challenge of being active globally is and what the rewards may be.    **TRUE** |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-04 Discuss some of the current trends challenging entrepreneurs and small businesses owners.* |

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| 47. | One result of the current trends in business is the decreasing number of large and small U.S. businesses that are or become foreign owned.    **FALSE** |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-04 Discuss some of the current trends challenging entrepreneurs and small businesses owners.* |

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| 48. | Not all small business owners and managers make a lot of money, nor do they all intend to.    **TRUE** |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-05 Explain why people start small businesses.* |

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| 49. | Growth depends on attaining both profit and social objectives, which are not necessarily incompatible.    **TRUE** |

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| *Accessibility: Keyboard Navigation Difficulty: 2 Medium Learning Objective: 01-05 Explain why people start small businesses.* |

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| 50. | Small business owners expect quick and concrete results from their investment of time and capital instead of engaging in the long-range planning.    **TRUE** |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-06 Describe the characteristics of successful entrepreneurs.* |

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| 51. | With so much time, money, and energy devoted to the business, small business owners tend to have more zeal and devotion than do managers of big companies.    **TRUE** |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-06 Describe the characteristics of successful entrepreneurs.* |

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| 52. | Most of the growing industries are dominated by large companies.    **FALSE** |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-07 Describe where the opportunities are for small businesses.* |

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| 53. | With advances in technology, many tasks in the health care industry are now performed by highly paid and skilled workers.    **FALSE** |

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| *Accessibility: Keyboard Navigation Difficulty: 2 Medium Learning Objective: 01-07 Describe where the opportunities are for small businesses.* |

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| 54. | Most creative entrepreneurs are very good managers.    **FALSE** |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-08 Identify some of the areas of concern for small business owners.* |

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| 55. | The length of service of professional managers (as opposed to owner-managers) in small businesses tends to be relatively long.    **FALSE** |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-08 Identify some of the areas of concern for small business owners.* |

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| 56. | In formal failures, an owner who cannot succeed voluntarily terminates the business.    **FALSE** |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-08 Identify some of the areas of concern for small business owners.* |

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| 57. | Personal failures are failures ending up in court with some kind of loss to creditors.    **FALSE** |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-08 Identify some of the areas of concern for small business owners.* |

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| 58. | Personal failures are more common than formal failures.    **TRUE** |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-08 Identify some of the areas of concern for small business owners.* |

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| 59. | While the usual incubation period of a business is two to three years, 30 percent of incubator clients typically graduate each year.    **TRUE** |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-08 Identify some of the areas of concern for small business owners.* |

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| 60. | One of the causes of discontinuance or failure is that the amount of time and/or physical effort demanded of the small business manager was not recognized and/or planned for.    **TRUE** |

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| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-08 Identify some of the areas of concern for small business owners.* |

**Essay Questions**

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| 61. | Mention some of the reasons for the increased interest in small business.     The following are some reasons for the increased interest in small business:  The number of small businesses is growing rapidly. Small firms generate most new private employment. The public favors small business. There is increasing interest in small business entrepreneurship at high schools and colleges. There is a growing trend toward self-employment. Entrepreneurship is attractive to people of all ages. |

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| *Difficulty: 2 Medium Learning Objective: 01-01 Define what is mean by the term business.* |

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| 62. | Mention the features required for a small business to be classified as "small."     To be classified as "small," a small business must have at least two of the following features:  Management is independent, because the manager usually owns the business. Capital is supplied and ownership is held by an individual or a few individuals. The area of operations is primarily local, although the market is not necessarily local. The business is small in comparison with the larger competitors in its industry. |

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| *Difficulty: 2 Medium Learning Objective: 01-01 Define what is mean by the term business.* |

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| 63. | Mention some major contributions made by small businesses.     Some major contributions made by small businesses that set them apart from larger firms are that small businesses tend to:  Encourage innovation and flexibility. Maintain close relationships with customers and the community. Keep larger firms competitive. Provide employees with comprehensive learning experience. Develop risk takers. Generate new employment. Provide greater employee job satisfaction. |

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| *Difficulty: 2 Medium Learning Objective: 01-02 Name some of the unique contributions of small businesses.* |

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| 64. | What are the repeated areas that create problems for small business owners and entrepreneurs?     These areas include inadequate financing, inadequate management, and burdensome government regulations and paperwork. Inadequate financing: Without adequate funds, a small business owner is unable to acquire and maintain facilities, hire and reward capable employees, produce and market a product, or do the other things necessary to run a successful business. Inadequate management: It is the second problem facing small firms and appears in the forms of limited business knowledge, poor management, inadequate planning, and inexperience. Many owners tend to rely on one-person management and seem reluctant to vary from this managerial pattern. Burdensome government regulations and paperwork: Now, small firms are subject to many of the same regulations as their larger competitors. These regulations are often complex and contradictory, which explains why small business managers find it so difficult to comply with governmental requirements. |

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| *Difficulty: 2 Medium Learning Objective: 01-03 Explain some of the current problems small businesses face.* |

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| 65. | Describe some of the current trends challenging small business owners.     Exploding technology: The primary challenge of exploding technology for small companies will be to improve the selection and training of workers and overcome their resistance to change. Therefore, owners and managers must keep up to date themselves on the latest technologies so they can effectively train their people to use these technologies, including telecommuting. Occupational and industry shifts: Occupational and industry shifts from "smokestack" industries toward more people-orientated activities (demand for employees will become an issue). Among these shifts, reinvention, particularly including a reduction in the size and markets for businesses, has led to fewer job opportunities for those who are less well-trained and educated. Global challenges: The trend in business is to become more active globally, and those interested in small business management need to understand at least what the challenge is and what the rewards may be. |

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| *Difficulty: 2 Medium Learning Objective: 01-04 Discuss some of the current trends challenging entrepreneurs and small businesses owners.* |

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| 66. | Explain why people start small businesses.     People start small businesses to:  1) Satisfy personal objectives—achieve independence, obtain additional income, help their families, provide products not available elsewhere. 2) Achieve business objectives—service, profit, social, and growth objectives. |

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| *Difficulty: 2 Medium Learning Objective: 01-05 Explain why people start small businesses.* |

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| 67. | Mention the characteristics of successful owners of small businesses.     The characteristics of successful owners of small businesses are that they:  Desire independence. Have a strong sense of initiative. Are motivated by personal and family considerations. Expect quick and concrete results. Are able to react quickly. Are dedicated to their businesses. Enter business as much by chance as by design. |

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| *Difficulty: 2 Medium Learning Objective: 01-06 Describe the characteristics of successful entrepreneurs.* |

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| 68. | Explain how a poorly planned growth and the threat of failure limit the success of small firms.     Poorly planned growth appears to be a built-in obstacle facing many small businesses. Clearly, if the owners are incapable, inefficient, or lacking in initiative, their businesses may flounder and eventually fail, or if the owners are mediocre, their businesses remain small. However, if the owners are efficient and capable and their organizations succeed and grow, but in a poorly planned way, they risk losing the very things they seek from their companies. The threat of failure and discontinuance is a reality for many small businesses. A discontinuance is a voluntary decision to quit. A discontinuance may result from any of several factors, including health, changes in family situation, and the apparent advantages of working for some else. A failure results from inability to make a go of the business; things just do not work out as planned. There are two types of failure: (1) formal failures, which end up in court with some kind of loss to the creditors, and (2) personal (informal) failures, where the owner cannot make it financially and so voluntarily calls it quits. Personal failures are far more numerous than formal ones. |

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| *Difficulty: 2 Medium Learning Objective: 01-08 Identify some of the areas of concern for small business owners.* |

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| 69. | Mention the causes or reasons of discontinuance or failure.     Discontinuance or failure results from one or more of the following weaknesses: (1) too much was left to chance, (2) too many decisions were based on a hunch or intuition, (3) crucial obstacles went unnoticed for too long, (4) the amount of time and/or physical effort demanded of the small business manager was not recognized and/or planned for, and (5) the amount of capital needed was either not estimated or grossly underestimated. |

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| *Difficulty: 2 Medium Learning Objective: 01-08 Identify some of the areas of concern for small business owners.* |

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| 70. | What are business incubators? How do they help young firms succeed?     Business incubators nurture young firms and help them to survive and grow during the startup period when they are most vulnerable. Hands-on management assistance, access to financing, and orchestrated exposure to critical business or technical support services are provided. Incubators offer entrepreneurial firms shared office services, access to equipment, flexible leases, and expandable space—all under one roof. The main goal of an incubation program is to produce successful graduates, that is, businesses that are financially viable and freestanding when they leave the incubator. While the usual incubation period is two to three years, 30 percent of incubator clients typically graduate each year. |

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| *Difficulty: 2 Medium Learning Objective: 01-08 Identify some of the areas of concern for small business owners.* |