

Test Bank

CHAPTER 2: SMALL BUSINESS MANAGEMENT AND ENTREPRENEURSHIP

Multiple Choice

1. What type of agreement allows a person the right to produce a product with permission of the intellectual property owner?

- a. leasing agreement
- b. production agreement
- c. private label agreement
- d. licensing agreement

Ans: D

KEY: Learning Objective: 2.4: Explain the role of innovation to small business.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.4: Creativity and Innovation in Small Business

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

2. In a six-stage model of innovation development, testing extends to refining the produce design and identifying production options at which stage?

- a. discovery
- b. product development
- c. early growth
- d. commercialization

Ans: B

KEY: Learning Objective: 2.4: Explain the role of innovation to small business.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.4: Creativity and Innovation in Small Business

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

3. The building of prototypes occurs in which stage of the six-stage model of innovation?

- a. discovery
- b. product development
- c. technology demonstration
- d. commercialization

Ans: C

KEY: Learning Objective: 2.4: Explain the role of innovation to small business.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.4: Creativity and Innovation in Small Business

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

4. One barrier to innovation in small business is _____.

- a. a shortage of engineering and production job talent

- b. lack of entrepreneurs entering new markets
- c. too much data analytics
- d. too many new business opportunities

Ans: A

KEY: Learning Objective: 2.4: Explain the role of innovation to small business.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.4: Creativity and Innovation in Small Business

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

5. Rubin's day-to-day job as a business owner involves identifying opportunities for which marketable ideas exist and assuming the risk to make these ideas happen. Rubin can best be described as a/an _____.

- a. innovator
- b. marketer
- c. entrepreneur
- d. small business manager

Ans: C

KEY: Learning Objective: 2.1: Articulate the differences between the small business manager and the entrepreneur.

REF: Cognitive Domain: Knowledge

Answer Location: Entrepreneurship and the Small Business Manager

Difficulty Level: Medium

TOP: AACSB Standard: Reflective thinking

6. Jasper has developed a concept for a start-up company that involves developing a new process for priming and painting automobile panels. Based on this example, Jasper is focusing on which entrepreneurial behavior?

- a. creation
- b. innovation
- c. risk assumption
- d. performance intention

Ans: B

KEY: Learning Objective: 2.1: Articulate the differences between the small business manager and the entrepreneur.

REF: Cognitive Domain: Knowledge

Answer Location: What Is an Entrepreneur?

Difficulty Level: Medium

TOP: AACSB Standard: Reflective thinking

7. Which of the following behaviors was not cited as being included in most definitions of an entrepreneur?

- a. controlling
- b. creation
- c. innovation
- d. risk assumption

Ans: A

KEY: Learning Objective: 2.2: Discuss the steps in preparing for small business ownership.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.2: A Model of the Start-Up Process

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

8. A small business manager faces which of the following environmental forces?

- a. finding opportunities
- b. prompting creativity
- c. locating an incubator
- d. hiring and retaining employees

Ans: D

KEY: Learning Objective: 2.2: Discuss the steps in preparing for small business ownership.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.2: A Model of the Start-Up Process

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

9. _____ is the entrepreneurial behavior that involves the expectation of high levels of growth or profit.

- a. General management
- b. Supply chain
- c. Risk assumption
- d. Performance intention

Ans: D

KEY: Learning Objective: 2.1: Articulate the differences between the small business manager and the entrepreneur.

REF: Cognitive Domain: Knowledge

Answer Location: What Is an Entrepreneur?

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

10. Entrepreneurship primarily involves which phase of business?

- a. the start-up process
- b. hiring of key employees
- c. maintaining a positive cash flow
- d. building and maintaining a sufficient customer base

Ans: A

KEY: Learning Objective: 2.2: Discuss the steps in preparing for small business ownership.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.2: A Model of the Start-Up Process

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

11. The entrepreneurial process in the start-up process model begins with _____.
- a visit to the local banker for start-up funds
 - a visit to the local library for more information on the business
 - a visit to a favorite business professor for advice
 - an innovative idea that is refined as the idea is thought through

Ans: D

KEY: Learning Objective: 2.2: Discuss the steps in preparing for small business ownership.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.2: A Model of the Start-Up Process

Difficulty Level: Medium

TOP: AACSB Standard: Analytical thinking

12. The entrepreneurship process begins with _____.
- an innovative idea
 - a triggering event
 - implementation
 - growth

Ans: A

KEY: Learning Objective: 2.2: Discuss the steps in preparing for small business ownership.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.2: A Model of the Start-Up Process

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

13. Sue Pallen is a partner in a cake-decorating company. Her role within the company is to identify new markets for growth and sustaining the company's long-term financial health by maintaining all financial records. As such, Sue can best be described as a/an _____.

- entrepreneur
- CEO
- nonprofit manager
- small business manager

Ans: D

KEY: Learning Objective: 2.1: Articulate the differences between the small business manager and the entrepreneur.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.1: The Entrepreneur-Manager Relationship

Difficulty Level: Medium

TOP: AACSB Standard: Reflective thinking

14. The time span for the innovation phase may be _____.
- one month or less

- b. one year or more
- c. several months or even several years
- d. five years or more

Ans: C

KEY: Learning Objective: 2.2: Discuss the steps in preparing for small business ownership.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.2: A Model of the Start-Up Process

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

15. The phase of implementation in the entrepreneurial process involves all but which of the following?

- a. introducing new products
- b. opening new markets
- c. industrial reorganization
- d. developing an advertising campaign

Ans: D

KEY: Learning Objective: 2.2: Discuss the steps in preparing for small business ownership.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.2: A Model of the Start-Up Process

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

16. Which of the following is the key element needed to bring the entrepreneurial idea to reality during the implementation stage?

- a. capital/money
- b. commitment
- c. management expertise
- d. a college education

Ans: B

KEY: Learning Objective: 2.2: Discuss the steps in preparing for small business ownership.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.2: A Model of the Start-Up Process

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

17. When does the entrepreneurship stage end and the small business management stage begin?

- a. when the maturity stage ends
- b. when the growth stage ends
- c. after the entrepreneurial event ends
- d. when the triggering event ends

Ans: C

KEY: Learning Objective: 2.2: Discuss the steps in preparing for small business ownership.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.2: A Model of the Start-Up Process

Difficulty Level: Medium

TOP: AACSB Standard: Analytical thinking

18. Which stage of the start-up process is characterized by relative certainty that the business will survive?

- a. growth
- b. maturity
- c. harvest
- d. implementation

Ans: B

KEY: Learning Objective: 2.2: Discuss the steps in preparing for small business ownership.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.2: A Model of the Start-Up Process

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

19. The stage in the start-up process model in which the small business owner removes himself/herself from the business is which of the following?

- a. growth
- b. maturity
- c. implementation
- d. harvest

Ans: D

KEY: Learning Objective: 2.2: Discuss the steps in preparing for small business ownership.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.2: A Model of the Start-Up Process

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

20. In the growth stage of the start-up process model, what is the primary goal of the small business?

- a. regulations
- b. employees
- c. vendors
- d. reaching critical mass (survival)

Ans: D

KEY: Learning Objective: 2.2: Discuss the steps in preparing for small business ownership.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.2: A Model of the Start-Up Process

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

21. Forces that occur outside of the business that affect the business and its owner are referred to as _____.

- a. financial factors
- b. controlled factors
- c. environmental factors
- d. internal factors

Ans: C

KEY: Learning Objective: 2.2: Discuss the steps in preparing for small business ownership.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.2: A Model of the Start-Up Process

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

22. In the triggering event and the implementation stages of the start-up process model, which of the following environmental factors will affect the small business?

- a. role models
- b. suppliers
- c. bankers
- d. competition

Ans: D

KEY: Learning Objective: 2.2: Discuss the steps in preparing for small business ownership.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.2: A Model of the Start-Up Process

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

23. An entrepreneur faces which of the following environmental forces?

- a. hiring and retaining employees
- b. dealing with vendors and suppliers
- c. fighting government regulations
- d. identifying product opportunities

Ans: D

KEY: Learning Objective: 2.2: Discuss the steps in preparing for small business ownership.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.2: A Model of the Start-Up Process

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

24. In the _____ stage of the business management process, attention is placed on team building, setting strategies, and creating a structure and culture of the business.

- a. harvest
- b. growth
- c. maturity
- d. innovation

Ans: B

KEY: Learning Objective: 2.2: Discuss the steps in preparing for small business ownership.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.2: A Model of the Start-Up Process

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

25. In the triggering event stage of the startup process model, which of the following personal characteristics is needed for a small business owner?

- a. leadership
- b. vision
- c. commitment
- d. boredom

Ans: C

KEY: Learning Objective: 2.2: Discuss the steps in preparing for small business ownership.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.2: A Model of the Start-Up Process

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

26. In the innovation and triggering event stages of the start-up process model, which of the following personal characteristics is needed for a small business owner?

- a. better opportunity
- b. planning
- c. commitment
- d. risk taking

Ans: D

KEY: Learning Objective: 2.2: Discuss the steps in preparing for small business ownership.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.2: A Model of the Start-Up Process

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

27. In the growth stage of the start-up process model, which of the following organizational characteristics is needed?

- a. strategy
- b. marketing
- c. IPO
- d. operation management

Ans: A

KEY: Learning Objective: 2.2: Discuss the steps in preparing for small business ownership.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.2: A Model of the Start-Up Process

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

28. About half of all business owners choose to go into business for themselves because they _____.

- a. want to earn lots of money
- b. like the challenge
- c. want to avoid hard work
- d. want to fulfill others' expectations

Ans: B

KEY: Learning Objective: 2.3: Enumerate the advantages and disadvantages of self-employment.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.3: Your Decision For Self-Employment

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

29. The primary reason most people start their own business is to _____.

- a. build for their family
- b. earn large sums of money
- c. use their skills/abilities
- d. live where they like

Ans: C

KEY: Learning Objective: 2.3: Enumerate the advantages and disadvantages of self-employment.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.3: Your Decision For Self-Employment

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

30. Which of the following is not prerequisite for becoming a successful entrepreneur?

- a. passion
- b. determination
- c. knowledge
- d. education

Ans: D

KEY: Learning Objective: 2.3: Enumerate the advantages and disadvantages of self-employment.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.3: Your Decision For Self-Employment

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

31. The personal quality linked to entrepreneurship in which people are motivated to excel and choose situations where success is likely is known as _____.

- a. locus of control
- b. need to achieve
- c. need to succeed
- d. high performance goals

Ans: B

KEY: Learning Objective: 2.3: Enumerate the advantages and disadvantages of self-employment.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.3: Your Decision For Self-Employment

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

32. The ability to control one's own fate is known as _____.

- a. locus of control
- b. self-determination
- c. perseverance
- d. need to achieve

Ans: A

KEY: Learning Objective: 2.3: Enumerate the advantages and disadvantages of self-employment.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.3: Your Decision For Self-Employment

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

33. The ability to see, conceive, and create new and unique products, services, and processes is known as _____.

- a. innovation
- b. risk taking
- c. product development
- d. locus of control

Ans: A

KEY: Learning Objective: 2.3: Enumerate the advantages and disadvantages of self-employment.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.3: Your Decision For Self-Employment

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

34. A characteristic of entrepreneurial personality that leads one to avoid goals that would be extremely difficult to achieve or goals with success almost guaranteed is called _____.

- a. internal locus of control
- b. a high desire for risk
- c. flexibility
- d. a high need to achieve

Ans: D

KEY: Learning Objective: 2.3: Enumerate the advantages and disadvantages of self-employment.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.3: Your Decision For Self-Employment

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

35. After spending 15 years working in the restaurant industry, Alex has decided to open a restaurant of his own. His 15 years of experience will allow him to capitalize on which of the following?

- a. passion
- b. determination
- c. trustworthiness
- d. knowledge

Ans: D

KEY: Learning Objective: 2.3: Enumerate the advantages and disadvantages of self-employment.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.3: Your Decision For Self-Employment

Difficulty Level: Easy

TOP: AACSB Standard: Reflective thinking

36. In terms of education level of new business owners, the most common educational degree level is the _____.

- a. bachelor degree level
- b. MBA level
- c. PhD level
- d. associate degree level

Ans: A

KEY: Learning Objective: 2.3: Enumerate the advantages and disadvantages of self-employment.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.3: Your Decision For Self-Employment

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

37. The one overriding characteristic needed to be a successful small business owner is which of the following?

- a. confidence
- b. energy
- c. vision for the future

d. incredible tenacity

Ans: D

KEY: Learning Objective: 2.3: Enumerate the advantages and disadvantages of self-employment.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.3: Your Decision For Self-Employment

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

38. Which two areas of coursework are the fastest growing subjects in business schools?

a. management and marketing

b. entrepreneurship and small business management

c. operation management and finance

d. management and finance

Ans: B

KEY: Learning Objective: 2.3: Enumerate the advantages and disadvantages of self-employment.

REF: Cognitive Domain: Knowledge

Answer Location: Preparing Yourself for Business Ownership

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

39. One-day to one-year programs offered through college extension departments that are tailored to entrepreneurs and small business owners are referred to as _____.

a. small-business counseling programs

b. entrepreneurial degree programs

c. corporate grind programs

d. executive education programs

Ans: D

KEY: Learning Objective: 2.3: Enumerate the advantages and disadvantages of self-employment.

REF: Cognitive Domain: Knowledge

Answer Location: Preparing Yourself for Business Ownership

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

40. Which of the following is more important in the future development of a small business owner than the formal education received in school?

a. financial backing

b. management expertise

c. lifelong learning

d. technical skills

Ans: C

KEY: Learning Objective: 2.3: Enumerate the advantages and disadvantages of self-employment.

REF: Cognitive Domain: Knowledge

Answer Location: Preparing Yourself for Business Ownership

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

NARRBEGIN: 2-2

Scenario 2-2. Harry Homer and Jenny Juno are two people extremely interested in establishing a small business. Harry is interested in marketing his newly developed product, which increases the speed by which data are transferred through phone lines. He sees great potential for his new product and is willing to devote his life savings and begin this new venture. Jenny is also interested in this product. She too sees a great potential down the road as businesses adapt this new technology. In the future, she can see a major company growing quickly with the ability to go public or merge with a major phone company.

NARREND

41. In Scenario 2-2, Jenny could be categorized as what type of a business individual?

- a. entrepreneur
- b. business manager
- c. small business owner
- d. small business entrepreneur

Ans: B

KEY: Learning Objective: 2.1: Articulate the differences between the small business manager and the entrepreneur.

REF: Cognitive Domain: Comprehension

Answer Location: Entrepreneurship and the Small Business Manager

Difficulty Level: Medium

TOP: AACSB Standard: Reflective thinking

NAR: 2-2

42. In Scenario 2-2, which phase is Harry at in the start-up process model?

- a. implementation
- b. triggering event
- c. innovation
- d. growth

Ans: A

KEY: Learning Objective: 2.2: Discuss the steps in preparing for small business ownership.

REF: Cognitive Domain: Comprehension

Answer Location: Concept Module 2.2: A Model of the Start-Up Process

Difficulty Level: Easy

TOP: AACSB Standard: Reflective thinking

NAR: 2-2

43. In Scenario 2-2, at which stage in the start-up process model will Jenny begin her part in this new venture?

- a. implementation
- b. innovation
- c. growth
- d. triggering event

Ans: C

KEY: Learning Objective: 2.2: Discuss the steps in preparing for small business ownership.

REF: Cognitive Domain: Comprehension

Answer Location: Concept Module 2.2: A Model of the Start-Up Process

Difficulty Level: Easy

TOP: AACSB Standard: Reflective thinking

NAR: 2-2

44. In Scenario 2-2, all but which of the following are characteristics Harry possesses as a small business person?

- a. risk taker
- b. passion
- c. perseverance
- d. risk averse

Ans: D

KEY: Learning Objective: 2.3: Enumerate the advantages and disadvantages of self-employment.

REF: Cognitive Domain: Comprehension

Answer Location: Traits of Successful Entrepreneurs

Difficulty Level: Easy

TOP: AACSB Standard: Reflective thinking

NAR: 2-2

45. In Scenario 2-2, what will be the most challenging aspect of beginning this new business?

- a. long hours spent on the business
- b. the commitment that the business requires
- c. income uncertainty
- d. choosing the right form of business ownership

Ans: C

KEY: Learning Objective: 2.2: Discuss the steps in preparing for small business ownership.

REF: Cognitive Domain: Comprehension

Answer Location: Concept Module 2.2: A Model of the Start-Up Process

Difficulty Level: Easy

TOP: AACSB Standard: Reflective thinking

NAR: 2-2

True/False

1. A small business manager and an entrepreneur perform the same functions.

Ans: F

KEY: Learning Objective: 2.1: Articulate the differences between the small business manager and the entrepreneur.

REF: Cognitive Domain: Knowledge

Answer Location: Entrepreneurship and the Small Business Manager

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

2. Entrepreneurs recognize an opportunity and start a business to take advantage of it.

Ans: T

KEY: Learning Objective: 2.1: Articulate the differences between the small business manager and the entrepreneur.

REF: Cognitive Domain: Knowledge

Answer Location: What Is an Entrepreneur?

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

3. Entrepreneurship and small business management are processes, not isolated incidents.

Ans: T

KEY: Learning Objective: 2.1: Articulate the differences between the small business manager and the entrepreneur.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.1: The Entrepreneur-Manager Relationship

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

4. Financial risks, material risks, and psychological risks are all risks faced by the entrepreneur.

Ans: T

KEY: Learning Objective: 2.1: Articulate the differences between the small business manager and the entrepreneur.

REF: Cognitive Domain: Knowledge

Answer Location: What Is an Entrepreneur?

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

5. Mergers, IPOs, and ESOPs are all forms that can be taken in the harvest stage of the startup process model.

Ans: T

KEY: Learning Objective: 2.2: Discuss the steps in preparing for small business ownership.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.2: A Model of the Start-Up Process

Difficulty Level: Medium

TOP: AACSB Standard: Analytical thinking

6. A triggering event is a specific event or occurrence that sparks the entrepreneur to proceed from thinking to doing.

Ans: T

KEY: Learning Objective: 2.2: Discuss the steps in preparing for small business ownership.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.2: A Model of the Start-Up Process

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

7. In the end, every business will eventually reach the harvest stage.

Ans: F

KEY: Learning Objective: 2.2: Discuss the steps in preparing for small business ownership.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.2: A Model of the Start-Up Process

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

8. Environmental factors are the traits possessed by the business owner that affect the development of the small business.

Ans: F

KEY: Learning Objective: 2.2: Discuss the steps in preparing for small business ownership.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.2: A Model of the Start-Up Process

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

9. Personal characteristics vary as a business evolves from one stage to another.

Ans: T

KEY: Learning Objective: 2.2: Discuss the steps in preparing for small business ownership.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.2: A Model of the Start-Up Process

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

10. There is only one factor that could be called a triggering event.

Ans: F

KEY: Learning Objective: 2.2: Discuss the steps in preparing for small business ownership.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.2: A Model of the Start-Up Process

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

11. Personality characteristics are not useful in predicting who will be a successful entrepreneur.

Ans: T

KEY: Learning Objective: 2.2: Discuss the steps in preparing for small business ownership.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.2: A Model of the Start-Up Process

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

12. The primary reason most people go into business for themselves is to gain the respect of others.

Ans: F

KEY: Learning Objective: 2.3: Enumerate the advantages and disadvantages of self-employment.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.3: Your Decision For Self-Employment

Difficulty Level: Medium

TOP: AACSB Standard: Analytical thinking

13. Independence and control over their own lives are reasons many people begin small businesses.

Ans: T

KEY: Learning Objective: 2.3: Enumerate the advantages and disadvantages of self-employment.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.3: Your Decision For Self-Employment

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

14. More than 50 percent of business owners started their own business in order to earn large sums of money.

Ans: F

KEY: Learning Objective: 2.3: Enumerate the advantages and disadvantages of self-employment.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.3: Your Decision For Self-Employment

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

15. Individuals who prefer steady pay and a normal nine-to-five work schedule also tend to gravitate toward self-employment.

Ans: F

KEY: Learning Objective: 2.3: Enumerate the advantages and disadvantages of self-employment.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.3: Your Decision For Self-Employment

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

16. Income uncertainty is one of the most challenging aspects of starting a new business.

Ans: T

KEY: Learning Objective: 2.3: Enumerate the advantages and disadvantages of self-employment.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.3: Your Decision For Self-Employment

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

17. The conclusion after more than 30 years of research on personal characteristics is that successful entrepreneurs cannot be predicted.

Ans: T

KEY: Learning Objective: 2.3: Enumerate the advantages and disadvantages of self-employment.

REF: Cognitive Domain: Knowledge

Answer Location: Traits of Successful Entrepreneurs

Difficulty Level: Medium

TOP: AACSB Standard: Analytical thinking

18. The typical entrepreneur tends to accept moderate risk only after careful examination.

Ans: T

KEY: Learning Objective: 2.3: Enumerate the advantages and disadvantages of self-employment.

REF: Cognitive Domain: Knowledge

Answer Location: Traits of Successful Entrepreneurs

Difficulty Level: Medium

TOP: AACSB Standard: Analytical thinking

19. The three most important characteristics that every successful entrepreneur possesses are perseverance, needed technical skills, and a deep belief in himself/herself.

Ans: T

KEY: Learning Objective: 2.3: Enumerate the advantages and disadvantages of self-employment.

REF: Cognitive Domain: Knowledge

Answer Location: Traits of Successful Entrepreneurs

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

20. Entrepreneurs tend to have a weaker internal locus of control than do people in general.

Ans: F

KEY: Learning Objective: 2.3: Enumerate the advantages and disadvantages of self-employment.

REF: Cognitive Domain: Knowledge

Answer Location: Traits of Successful Entrepreneurs

Difficulty Level: Medium

TOP: AACSB Standard: Analytical thinking

21. One's own efforts are the most important factor to a person with a strong locus of control.

Ans: T

KEY: Learning Objective: 2.3: Enumerate the advantages and disadvantages of self-employment.

REF: Cognitive Domain: Knowledge

Answer Location: Traits of Successful Entrepreneurs

Difficulty Level: Medium

TOP: AACSB Standard: Analytical thinking

22. Over 25 percent of all new business owners have an MBA or other professional degree.

Ans: F

KEY: Learning Objective: 2.3: Enumerate the advantages and disadvantages of self-employment.

REF: Cognitive Domain: Knowledge

Answer Location: Preparing Yourself for Business Ownership

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

23. Entrepreneurs and small business owners typically have higher education levels than the general public.

Ans: T

KEY: Learning Objective: 2.3: Enumerate the advantages and disadvantages of self-employment.

REF: Cognitive Domain: Knowledge

Answer Location: Preparing Yourself for Business Ownership

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

24. Innovation is the catalyst for business growth.

Ans: T

KEY: Learning Objective: 2.4: Explain the role of innovation to small business.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.4: Creativity and Innovation in Small Business

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

25. The most basic level of product satisfaction is the expected product.

Ans: F

KEY: Learning Objective: 2.4: Explain the role of innovation to small business.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.4: Creativity and Innovation in Small Business

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

26. Product pivoting is one example of new product development.

Ans: T

KEY: Learning Objective: 2.4: Explain the role of innovation to small business.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.4: Creativity and Innovation in Small Business

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

27. New and innovative ideas are worth their weight in gold in the business world.

Ans: F

KEY: Learning Objective: 2.4: Explain the role of innovation to small business.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 2.4: Creativity and Innovation in Small Business

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

Short Answer

1. Compare and contrast a small business manager and an entrepreneur.

Ans: Entrepreneur--creates own business, innovative, assumes risk, and implements the innovative idea.

Small business manager--deals with the day-to-day running of the established business, concerned with the growth of the company and the harvest period.

KEY: Learning Objective: 2.1: Articulate the differences between the small business manager and the entrepreneur.

REF: Cognitive Domain: Comprehension

Answer Location: Entrepreneurship and the Small Business Manager

Difficulty Level: Medium

TOP: AACSB Standard: Analytical thinking

2. Describe the behaviors that are possessed by entrepreneurs.

Ans: creation

innovation

risk assumption

general management

performance intention

KEY: Learning Objective: 2.3: Enumerate the advantages and disadvantages of self-employment.

REF: Cognitive Domain: Comprehension

Answer Location: Traits of Successful Entrepreneurs

Difficulty Level: Medium

TOP: AACSB Standard: Analytical thinking

3. Use the start-up process model to compare and contrast an entrepreneur and a small business manager.

Ans: Entrepreneur--innovation, triggering event, and implementation.

Small business manager--growth, maturity, and harvest.

KEY: Learning Objective: 2.2: Discuss the steps in preparing for small business ownership.

REF: Cognitive Domain: Comprehension

Answer Location: Concept Module 2.2: A Model of the Start-Up Process

Difficulty Level: Medium

TOP: AACSB Standard: Analytical thinking

4. List and discuss the primary reasons that people go into business for themselves.

Ans: (Listed in order from highest level of importance)

use skills/ability

control over life

build for family

like the challenge

live where/how one likes

gain respect/recognition

earn lots of money

fulfill others' expectations

best alternative available

KEY: Learning Objective: 2.3: Enumerate the advantages and disadvantages of self-employment.

REF: Cognitive Domain: Comprehension

Answer Location: Concept Module 2.3: Your Decision For Self-Employment

Difficulty Level: Medium

TOP: AACSB Standard: Analytical thinking

5. Describe two advantages and two disadvantages of self-employment.

Ans: Advantages--independence, use of one's own skills, and opportunity for profits.

Disadvantages--income uncertainty, long hours, and the business takes over one's personal life.

KEY: Learning Objective: 2.3: Enumerate the advantages and disadvantages of self-employment.

REF: Cognitive Domain: Comprehension

Answer Location: Concept Module 2.3: Your Decision For Self-Employment

Difficulty Level: Medium

TOP: AACSB Standard: Analytical thinking

6. Describe three characteristics of a successful entrepreneur.

Ans: passionate

locus of control

determined

innovative

knowledgeable

need to achieve

KEY: Learning Objective: 2.3: Enumerate the advantages and disadvantages of self-employment.

REF: Cognitive Domain: Comprehension

Answer Location: Concept Module 2.3: Your Decision For Self-Employment

Difficulty Level: Medium

TOP: AACSB Standard: Analytical thinking