

**TEST BANK**



*Entrepreneurial*  
**FINANCE**  
FIFTH EDITION



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**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

- 1) A plan that relates to a specific area of a business, such as marketing, is known as a strategic plan. 1) \_\_\_\_\_
- 2) A plan that relates to a specific area of a business, such as marketing, is known as a functional plan. 2) \_\_\_\_\_
- 3) A goal is a measurable objective that can be reached in a specified time frame. 3) \_\_\_\_\_
- 4) Public corporations have double taxation, unlimited liability for owners, and can raise large amounts of cash by selling stocks or bonds. 4) \_\_\_\_\_
- 5) Public corporations have double taxation, limited liability for owners, and can raise large amounts of cash by selling stocks or bonds. 5) \_\_\_\_\_
- 6) Limited partnerships have limited liability for all of the partners. 6) \_\_\_\_\_
- 7) A Subchapter S corporation can sell its stock to any number of shareholders. 7) \_\_\_\_\_
- 8) Franchisers purchase the right to sell products or services of the franchisee. 8) \_\_\_\_\_
- 9) A franchiser sells the right to produce a product or service to the franchisee. 9) \_\_\_\_\_
- 10) The Service Core of Retired Executives (SCORE) is a group of retired government bureaucrats who provide help to small business owners. 10) \_\_\_\_\_
- 11) The Service Core of Retired Executives (SCORE) is a group of retired business owners and managers who provide help to small business owners. 11) \_\_\_\_\_
- 12) Prior to applying for a loan through an approved Small Business Administration lender, you must establish the form of business ownership. 12) \_\_\_\_\_
- 13) Partnerships have the same basic tax requirements as the sole proprietorship and are therefore the most popular form of business ownership. 13) \_\_\_\_\_
- 14) The buy-sell agreement prevents a partner from selling a partnership interest without the consent of the other partners. 14) \_\_\_\_\_
- 15) If a partner dies his share of the partnership must be sold to an outsider. 15) \_\_\_\_\_
- 16) The buy sell agreement preserves the continuity of ownership and insures that everyone is treated fairly. 16) \_\_\_\_\_
- 17) In a limited liability Partnership all of the partners have unlimited liability. 17) \_\_\_\_\_

17) \_\_\_\_\_

- 18) In a limited liability Partnership all of the partners can participate in day to day operations. 18) \_\_\_\_\_
- 19) A limited liability partnership is legal in all states. 19) \_\_\_\_\_
- 20) The SBA, SCORE and the authors recommend that an executive summary be attached to the beginning of the business plan. 20) \_\_\_\_\_
- 21) When composing a business plan, the executive summary should be written first 21) \_\_\_\_\_
- 22) The executive summary is the initial introduction to the business plan. 22) \_\_\_\_\_
- 23) A mission statement is specific. 23) \_\_\_\_\_
- 24) Company goals describe where you want your business to be at some future date. 24) \_\_\_\_\_
- 25) A marketing mix is a marketing strategy. 25) \_\_\_\_\_
- 26) Secondary data gathers information first hand. 26) \_\_\_\_\_
- 27) The Operational plan describes how a business will actually deliver your product or service to the customer. 27) \_\_\_\_\_
- 28) If your business has more than 10 people, you do not need an organizational chart. 28) \_\_\_\_\_
- 29) Every succession plan must have a buy-sell agreement. 29) \_\_\_\_\_
- 30) When borrowing funds for a business, lenders provide money in exchange for partial ownership of the business. 30) \_\_\_\_\_
- 31) When obtaining funds for a business, investors provide money in exchange for partial ownership of the business. 31) \_\_\_\_\_
- 32) A company in the Later Stage of development usually has negative cash flow. 32) \_\_\_\_\_
- 33) The best place to get a loan for a business is the Small Business Administration because they loan you government funds. 33) \_\_\_\_\_
- 34) The SBA lends the funds for a business start-up but is not a guarantor of the loan. 34) \_\_\_\_\_
- 35) The SBA has two major programs: 7(a) for general business purposes and 504 for the purchase of buildings or major equipment. 35) \_\_\_\_\_
- 36) Grants are moneys provided to businesses that don't have to be repaid. 36) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 37) The management function that takes us from some current state to a desired future state is 37) \_\_\_\_\_
- A) directing.
  - B) organizing.
  - C) staffing.
  - D) controlling.
  - E) planning.
- 38) The basic five functions that every manager must perform include 38) \_\_\_\_\_
- A) planning, financing, bookkeeping, controlling, staffing.
  - B) planning, organizing, controlling, directing, financing
  - C) planning, directing, organizing, staffing, controlling.
  - D) planning, organizing, bookkeeping, directing, staffing.
  - E) None of the above include all of the management functions.
- 39) The time horizon for strategic plans is 39) \_\_\_\_\_
- A) fifteen or more years.
  - B) five years.
  - C) ten or more years.
  - D) more than one year.
  - E) There is no definite time horizon for strategic plans.
- 40) Carla has just started a business and is asking herself the following question. Where do I want my business to be in five years? Carla is in the process of 40) \_\_\_\_\_
- A) developing a strategic plan.
  - B) establishing the basic control functions for her business.
  - C) determining how to write a functional plan.
  - D) establishing basic parameters for her business.
  - E) analyzing her financial requirements.
- 41) Converting functional plans into annual dollar requirements is the process of 41) \_\_\_\_\_
- A) budgeting.
  - B) accounting.
  - C) controlling.
  - D) financial planning.
  - E) monetary planning.
- 42) Timothy is in the process of establishing goals for his company. Which of the following is a goal? 42) \_\_\_\_\_
- A) Our business should increase sales by 10 percent.
  - B) Our business should increase sales by 10 percent every year for the next five years.
  - C) Our marketing area should include the entire United States.
  - D) Our business should market to all customers.
  - E) Our business should increase sales every year.
- 43) Gathering all of the monetary requirements that a firm will need in order to support each functional plan is the process of 43) \_\_\_\_\_

- A) accounting.
- B) controlling.
- C) budgeting.
- D) monetary planning.
- E) financial planning.

- 44) Geoffrey is in the process of determining how many people he will require to operate his restaurant during each business day. He is performing the management function of 44) \_\_\_\_\_
- A) controlling.
  - B) planning.
  - C) directing.
  - D) staffing.
  - E) organizing.
- 45) Jennifer is the manager of a credit card processing department. She has determined that each processor should be able to input information on 75 credit purchases per hour. She has established a range of plus or minus 5 purchases and an error rate of no more than 2 per hour. Jennifer is performing the management function of 45) \_\_\_\_\_
- A) organizing.
  - B) planning.
  - C) staffing.
  - D) controlling.
  - E) directing.
- 46) Carl is a construction supervisor. He has to make sure that the inside rooms of the house are painted by this evening because the carpeting company is scheduled to bring in the carpeting first thing tomorrow morning. He told Tim to paint the hall and told Anne to paint the master bedroom. Because he is short handed, he will paint the kitchen. Carl is performing the management function of 46) \_\_\_\_\_
- A) staffing.
  - B) controlling.
  - C) organizing.
  - D) planning
  - E) directing.
- 47) Tom is establishing some basic plans for his business. He is in the process of writing down some basic questions that he believes the plans should answer. Which of the following questions does not relate to establishing a functional plan? 47) \_\_\_\_\_
- A) When will it be accomplished?
  - B) What skills do they need?
  - C) Where do I want my business to be in five years?
  - D) Where will they perform their duties?
  - E) Who will carry out this plan?
- 48) The majority of businesses in the United States today are organized as 48) \_\_\_\_\_
- A) subchapter S corporations.
  - B) limited partnerships.
  - C) partnerships.

- D) sole proprietorships.
- E) corporations.

- 49) Which of the following is not a disadvantage of the sole proprietorship? 49) \_\_\_\_\_
- A) limited management expertise
  - B) limited access to capital
  - C) limited lifetime of the business
  - D) limited liability for the owner
- 50) The sole proprietor has all of the following advantages, except 50) \_\_\_\_\_
- A) choice of how to pay federal and local taxes.
  - B) choice of location for the business.
  - C) choice of product to be sold.
  - D) choice of services to be offered.
  - E) choice of retirement plan.
- 51) One drawback to a partnership is that it 51) \_\_\_\_\_
- A) has unlimited liability for each of the partners.
  - B) is subject to double taxation.
  - C) generally has more access to capital than the sole proprietor.
  - D) generally has more management expertise than the sole proprietorship.
- 52) The form of business ownership that gives the owner total control of how the business is run is the 52) \_\_\_\_\_
- A) limited partnership.
  - B) corporation.
  - C) sole proprietorship.
  - D) partnership.
  - E) Subchapter S corporation.
- 53) The form of business ownership that involves double taxation and limited liability for the owners is the 53) \_\_\_\_\_
- A) sole proprietorship.
  - B) limited partnership.
  - C) corporation.
  - D) partnership.
  - E) Subchapter S corporation.
- 54) Jane is the president of a business. She runs the business on a daily basis and makes all of the decisions because she has ten years of experience in this business. There are ten other owners in this business, but they have no say in how this business is being run. Jane's business is probably organized as a 54) \_\_\_\_\_
- A) Subchapter S corporation.
  - B) corporation.
  - C) sole proprietorship.
  - D) limited partnership.
  - E) partnership.
- 55) Carl, Anne, and Al were friends in college. After graduation they decided to open a computer consulting business. They each have \$20,000 to put into the

business, 55)

and want

equal

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the

business.

However

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also

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avoid

double

taxation.

The most

likely

form of

business

organizat

ion for

them

would be

a

A) Subchapter S corporation.

B) corporation.

C) partnership.

D) limited partnership.

E) sole proprietorship.

56) Carl, Anne, and Al were friends in college. After graduation they decided to open a company that sells computer printer ribbons and cartridges. They each have \$20,000 to put into the business, and want equal shares of the business. They are not worried about liability because they are not actually going to work on printers or work in their customer's place of business. They also want to avoid double taxation. The most likely form of business organization for them would be a

56) \_\_\_\_\_

- A) partnership.
- B) corporation.
- C) sole proprietorship.
- D) Subchapter S corporation.
- E) limited partnership.

- 57) Unlimited liability for the owner is a problem for which of the following? 57) \_\_\_\_\_
- A) limited partnership
  - B) corporation
  - C) partnership
  - D) sole proprietorship
  - E) both C and D above
- 58) Which of the following is true for a Limited Liability Company (LLC)? 58) \_\_\_\_\_
- A) The owners have unlimited liability.
  - B) Business income is taxed at the corporate rate.
  - C) Business income is taxed at the individual's personal rate.
  - D) The company is limited in its liability.
  - E) None of the above.
- 59) You have always wanted to own your own McDonald's restaurant. You contacted this corporation and received the details of purchasing one of these restaurants. If you are granted permission you will become a \_\_\_\_\_ and the McDonald's corporation is the \_\_\_\_\_. 59) \_\_\_\_\_
- A) franchiser; franchiser
  - B) franchisee; franchisee
  - C) franchiser; franchisee
  - D) franchisee; franchiser
- 60) Which of the following is not an advantage of obtaining a franchise? 60) \_\_\_\_\_
- A) standardization of products and services
  - B) having a pre-determined location that guarantees a profit
  - C) training of employees and managers
  - D) name recognition
  - E) marketing strategy and advertising
- 61) Which of the following pertain to the internal workings of a company? 61) \_\_\_\_\_
- A) strengths and weaknesses
  - B) strengths and opportunities
  - C) opportunities and weaknesses
  - D) strengths and threats
  - E) opportunities and threats
- 62) Which of the following pertain to the external factors which are outside the control of a company? 62) \_\_\_\_\_
- A) opportunities and threats
  - B) opportunities and weaknesses
  - C) strengths and weaknesses
  - D) strengths and opportunities
  - E) strengths and threats
- 63) SWOT is an acronym which stands for 63) \_\_\_\_\_
- A) Strengths, Weaknesses, Opportunities, and Troubles.



- B) Strengths, Weaknesses, Obligations, and Threats.
- C) Strengths, Working capital, Opportunities, and Threats.
- D) Strengths, Working capital, Obligations, and Threats.
- E) Strengths, Weaknesses, Opportunities, and Threats.

- 64) George is analyzing the market for his bagel business. He noticed that there are no bagel shops in the northeast section of his city. For George's bagel business, this represents a(n) 64) \_\_\_\_\_
- A) obligation.
  - B) weakness.
  - C) strength.
  - D) threat.
  - E) opportunity.
- 65) George is analyzing the market for his bagel business. He saw an advertisement for a new bagel shop which has just opened one mile from his bagel shop. For George's bagel business, this represents a(n) 65) \_\_\_\_\_
- A) obligation.
  - B) weakness.
  - C) opportunity.
  - D) strength.
  - E) threat.
- 66) George is analyzing the market for his bagel business. He knows that his has the highest quality bagel in the city. He has picked up several customers who previously shopped at a competitor but told him they changed because of his consistent quality. For George's bagel business, this represents a(n) 66) \_\_\_\_\_
- A) strength.
  - B) weakness.
  - C) threat.
  - D) opportunity.
  - E) obligation.
- 67) Environmental factors can lead the business owner to evaluate and change his or her business plans. An industry that recently underwent a major shift in marketing due to technological change and new competition, according to the textbook is 67) \_\_\_\_\_
- A) the fast food industry.
  - B) the cereal industry.
  - C) the automobile industry.
  - D) the oil industry.
  - E) the convenience store industry.
- 68) When applying for a loan with the Small Business Administration, you will have to provide tax returns for a period of 68) \_\_\_\_\_
- A) two years.
  - B) four years.
  - C) three years.
  - D) one year.
  - E) five years.

- 69) SCORE is a source of information and training for the small business owner. The acronym SCORE stands for  
A) Special College for Retraining Employees.  
B) Special Core of Retired Entrepreneurs.  
C) Service Core of Retired Executives.  
D) Service College for Retaining Employees.  
E) none of the above. 69) \_\_\_\_\_
- 70) Location is probably the single most important factor affecting the success of the \_\_\_\_\_ business establishment.  
A) manufacturing  
B) retailing  
C) wholesale  
D) both A and B above  
E) both B and C above 70) \_\_\_\_\_
- 71) When running a SWOT analysis, one should also consider personal Strengths and Weaknesses because  
A) business owners should evaluate those items where they are weak.  
B) business owners should list those items that they really dislike doing.  
C) business success requires that owners have no weaknesses.  
D) both A and B above.  
E) both B and C above. 71) \_\_\_\_\_
- 72) Which of the following is a weakness?  
A) you perform better than your competitors  
B) an area of your business that you perform well in  
C) inexperienced workers  
D) None of the above. 72) \_\_\_\_\_
- 73) An executive summary should be attached to  
A) somewhere in the middle of the business plan.  
B) the end of the completed business plan.  
C) the beginning of the business plan.  
D) none of the above. 73) \_\_\_\_\_
- 74) Which of the following should not be in the executive summary?  
A) an estimate of how much money you will need  
B) your business strategy for success  
C) a brief description of the product or service  
D) a summary of quarterly revenue 74) \_\_\_\_\_
- 75) A mission statement  
A) is a brief statement explaining the purpose of the company and its guiding principles.  
B) is very specific.  
C) helps the organization reach its goals.  
D) none of the above. 75) \_\_\_\_\_
- 76) In identifying your form of business ownership the following should be included 76) \_\_\_\_\_

- A) advantages of your choice.
- B) your ownership structure.
- C) reasons for your selection.
- D) all of the above.

- 77) Which of the following is an example of primary data? 77) \_\_\_\_\_
- A) reading the newspaper
  - B) public information in libraries
  - C) gathering your own data first hand
  - D) the gathering information about your competition
- 78) Which of the following variables in the marketing mix is the easiest to change rapidly? 78) \_\_\_\_\_
- A) place
  - B) product
  - C) price
  - D) promotion
- 79) The financial plan consists of 79) \_\_\_\_\_
- A) breakeven analysis.
  - B) a 12 month projection.
  - C) a 4 year profit projection.
  - D) all of the above.
- 80) Bankers differ from investors in that 80) \_\_\_\_\_
- A) bankers are looking for a return on equity.
  - B) bankers are looking for assurances of interest payments and repayment of the principal of the loan.
  - C) bankers are looking for company growth.
  - D) all of the above.
- 81) Which of the following stages has a concept and is less than 18 months old? 81) \_\_\_\_\_
- A) later stage
  - B) expansion stage
  - C) early stage
  - D) seed/start up stage
- 82) Which of the following stages has high revenue growth but does not show a profit? 82) \_\_\_\_\_
- A) early stage
  - B) expansion stage
  - C) seed/start up stage
  - D) later stage
- 83) Which of the following stages is less than 3 years old the product and service is available? 83) \_\_\_\_\_
- A) early stage
  - B) later stage
  - C) expansion stage
  - D) seed/start up stage
- 84) Which of the following stages has a positive cash flow? 84) \_\_\_\_\_
- A) expansion stage
  - B) seed/start up stage
  - C) later stage
  - D) early stage
- 85) Which of the following does not hold true for angel investors? 85) \_\_\_\_\_
- A) They provide the seed money for the startup and early stages of company growth.
  - B) They take an active position and provide mentoring.
  - C) They normally are wealthy individuals.
  - D) They have an intolerance for loss.
- 86) Which of the following does hold true for venture capitalists? 86) \_\_\_\_\_

- A) They invest several million dollars.
- B) Invest in companies with proven track records.
- C) They provide financing at the later stages of business development.
- D) All of the above.

87) Which of the following forms of business ownership is the most prevalent for a buy-sell agreement? 87) \_\_\_\_\_

- A) Sub Chapter S Corporation
- B) corporation
- C) LLC
- D) partnership

88) When formulating a Business Succession Plan the owner should determine several things. Which of the following is not considered? 88) \_\_\_\_\_

- A) Should ownership be held by family members only?
- B) Does the owner want the business ownership to pass directly to the heirs or in trust?
- C) Are the owner and the spouse on the same page with respect to continuing the business?
- D) Should the business be sold to pay inheritance taxes?

89) Which of the following are not included in the financial section of a business proposal when seeking a bank loan? 89) \_\_\_\_\_

- A) The interest rate that will be paid for the loan.
- B) The amount of the loan.
- C) What collateral you are offering for the loan.
- D) How many years it will take to repay the loan.

90) Which of the following holds true for the Small Business Administration? 90) \_\_\_\_\_

- A) A 504 Loan Program requires a 25 percent minimum down payment.
- B) The SBA does not guarantee small business loans.
- C) The SBA actually loans money to small business and is a bank.
- D) The SBA requires that you create your business plan or loan proposal prior to applying for an SBA guaranteed loan.

91) Which of the following hold true with regard to grants? 91) \_\_\_\_\_

- I. Grants are moneys provided to business and other entities that don't have to be repaid.
  - II. Grantee must perform the service for which the grant was approved.
  - III. Government grants exceed \$400 billion per year.
  - IV. Size Standards for all businesses to qualify for grants are the same for all industries.
- A) I & II
  - B) I & IV
  - C) I, II, & IV
  - D) I, II, & III

- 1) FALSE
- 2) TRUE
- 3) TRUE
- 4) FALSE
- 5) TRUE
- 6) FALSE
- 7) FALSE
- 8) FALSE
- 9) TRUE
- 10) FALSE
- 11) TRUE
- 12) TRUE
- 13) FALSE
- 14) TRUE
- 15) FALSE
- 16) TRUE
- 17) FALSE
- 18) TRUE
- 19) FALSE
- 20) TRUE
- 21) FALSE
- 22) TRUE
- 23) FALSE
- 24) TRUE
- 25) TRUE
- 26) FALSE
- 27) TRUE
- 28) FALSE
- 29) FALSE
- 30) FALSE
- 31) TRUE
- 32) FALSE
- 33) FALSE
- 34) FALSE
- 35) TRUE
- 36) TRUE
- 37) E
- 38) C
- 39) E
- 40) A
- 41) A
- 42) B
- 43) E
- 44) D
- 45) D
- 46) E
- 47) B
- 48) D
- 49) D
- 50) A
- 51) A

- 52) C
- 53) C
- 54) D
- 55) A
- 56) D
- 57) E
- 58) C
- 59) D
- 60) B
- 61) A
- 62) A
- 63) E
- 64) E
- 65) E
- 66) A
- 67) E
- 68) C
- 69) C
- 70) B
- 71) D
- 72) C
- 73) C
- 74) D
- 75) A
- 76) D
- 77) C
- 78) C
- 79) D
- 80) B
- 81) D
- 82) B
- 83) A
- 84) C
- 85) D
- 86) D
- 87) D
- 88) D
- 89) A
- 90) D
- 91) D