Quiz Review 2 - Chapter 5-7

Matching

Complete the following using the terms listed.

a. entrepreneur
b. globalization
c. angel investor
d. turnaround entrepreneur
e. debt financing
f. intrapreneur
g. equity financing
h. classic entrepreneur
i. change agent
j. seed capital
k. venture capitalist
l. skunkworks
m. pacing
n. information technology

1. The significant increase of international marketing and sales is a result of _____.
2. ____ is the initial funding needed to launch a new venture.
3. A person who identifies a business opportunity and allocates available resources to tap that market is a(n) _____.
4. A(n) ____ is an individual who lends money to new ventures in exchange for an equity stake.
5. A manager who tries to revitalize an established firm in order to keep it competitive in today’s marketplace is called a(n) _____.
6. A(n) ____ seeks a profitable opportunity in the private enterprise system and takes the necessary risks to set up and operate a business.
7. To secure ____, entrepreneurs exchange a share of ownership in their company for money supplied by one or more investors.
8. An entrepreneurially oriented person who seeks to develop new products and ventures within large organizations is a(n) _____.
9. ____ are business firms or groups of individuals who invest in new and growing firms.
10. A(n) ____ buys an unprofitable firm and makes enough improvement in its operation to generate new profits.
11. ____ helps entrepreneurs work quickly and efficiently, provide attentive customer service, increase sales, and project professional images.
12. A(n) ____ program consists of company-initiated projects that focus on a few products and technologies in which the firm sees potential for rapid marketplace winners.
13. When entrepreneurs use ____, they borrow money from banks, finance companies, and credit card companies, which must be repaid.
14. A(n) ____ program is initiated by an employee who conceives an idea and then recruits resources from within the firm.

Essay

15. Define the concept of small business and identify the industries in which small businesses are established.
16. Discuss the economic and social contributions of small business.
17. Describe three primary reasons a small business might fail.
18. List the elements contained in a business plan.
19. Explain the benefits and drawbacks of buying a franchise.
20. What are the three forms of business ownership? How are they different from one another?
21. Describe the four categories of entrepreneurs. Which entrepreneur actually starts his or her own company?
22. List the eight major characteristics of an entrepreneur.
23. Distinguish between corporate Web sites and marketing Web sites.
24. What is e-business? List the major forms of business-to-business communication and transactions.
25. Why is the development of safe payment systems important to the future growth of e-commerce? What are some of the safe payment systems currently in use?
26. List the major challenges regarding e-commerce for both consumers and businesses.
27. Assume a manufacturer wants to sell products directly online, in addition to selling them through traditional retailers. What are some issues the manufacturer should consider?
28. Explain the difference between banner ads, pop-up ads, and search marketing.
29. List the steps involved in developing a successful Web site.
30. Explain the difference between click-through rates and conversion rates.

Multiple Choice
Identify the choice that best completes the statement or answers the question.

31. Innovation is possible in small business because they ________.
   a. have the funds to turn new ideas into large-scale, profitable ventures
   b. employ highly intelligent, motivated people
   c. provide fertile ground for new ideas
   d. work harder

32. ________ newly launched businesses fail within two years after commencing operations.
   a. Less than one in ten
   b. About one of every three
   c. About half of all
   d. Almost all

33. Many businesses fail during the early years because of ________.
   a. unmotivated owners
   b. poor planning
   c. niche markets
   d. inadequate financing

34. The two principals in a franchising agreement are ________.
   a. manager and worker
   b. franchiser and worker
   c. franchiser and franchisee
   d. big money investor and start-up visionary

35. Sole proprietorships have all of the following advantages EXCEPT ________.
a. ease of formation  
b. unlimited life  
c. ease of liquidation  
d. profits subject only to a single tax  

36. Corporations have all of the following advantages EXCEPT ________.
   a. favorable tax treatment  
   b. limited liability  
   c. expanded financial capacity  
   d. unlimited life  

37. The maximum number of shareholders is limited to ________ for a firm to qualify as a subchapter S corporation.
   a. 25  
   b. 50  
   c. 75  
   d. 100  

38. The board of directors of a corporation is elected by the ________.
   a. corporation's employees  
   b. bondholders and other creditors  
   c. corporate officers  
   d. stockholders  

39. Which of the following best describes an entrepreneur?
   a. The owner of a small business  
   b. An individual who creates a new business product  
   c. The investors in a new business  
   d. A risk taker who seeks a profitable opportunity  

40. Entrepreneurs are similar to small-business owners in all of the following ways EXCEPT:
   a. Entrepreneurs possess more drive.  
   b. Entrepreneurs eventually want to become big-business owners.  
   c. Entrepreneurs have more creative energy.  
   d. Entrepreneurs focus on the growth of their company.  

41. What makes entrepreneurs unique is their overwhelming desire to ________.
   a. become successful  
   b. utilize their creative energy  
   c. manage employees  
   d. make their business grow  

42. Franz and Arlene had an idea for a different type of ice cream. They struggled to open their own small business, and later, to expand production and distribution. Their products are distributed nationwide and their sales continue to increase. Franz and Arlene are examples of ________.
   a. classic entrepreneurs  
   b. intrapreneurs  
   c. turnaround entrepreneurs  
   d. change agents  

43. 3M Co. encourages its employees to develop innovative new products, ideas, and commercial ventures. 3M encourages its employees to be ________.
   a. classic entrepreneurs  
   b. intrapreneurs  
   c. turnaround entrepreneurs  
   d. innovative associates  

44. Studies indicate that approximately ________ percent of Americans run their own business.
a. 25
b. 50
c. 10
d. 75

45. Today, approximately ________ percent of Americans access the Internet at home, school, work, or public-access sites.
   a. 10
   b. 25
   c. 40
   d. 60

46. Price auctions on eBay are an example of ________.
   a. e-business
   b. communication
   c. information
   d. entertainment

47. One of the reasons Wal-Mart has become the market leader in retailing is the company’s use of ________, which provides computer-to-computer exchanges of invoices, purchase orders, price quotations and other information between buyers and sellers.
   a. intranets
   b. electronic data interchange
   c. private exchanges
   d. e-procurement

48. All of the following are challenges facing e-commerce EXCEPT ________.
   a. privacy concerns
   b. protection of intellectual property
   c. getting people to go online
   d. measuring the effectiveness of Internet promotions

49. Alex has kidney disease and wants to connect online with other people in the same situation to share ideas and information. Which online community would be ideal for his purpose?
   a. blog
   b. newsgroup
   c. electronic bulletin board
   d. podcast

True/False
Indicate whether the statement is true or false.

50. Many of today's most successful high-technology companies began as small businesses.

51. Microsoft, Yahoo! and Google began as small businesses.

52. Innovation is a major small business advantage.

53. Most small business owners realize that personal credit cards carry excessive interest rates, and they will avoid using them to finance their business.

54. Hispanics are the nation's largest group of minority business owners.

55. One important advantage of franchising is its ability to provide business expertise for relatively inexperienced franchisees.

56. One of the main advantages of buying a franchise is name recognition.
57. A classic entrepreneur is also a change agent.
58. Entrepreneurs are wealth creators.
59. A successful entrepreneur is a visionary.
60. Some surveys suggest the Web is the number one medium for new-product information -- surpassing catalogs, print ads, and trade shows.
61. Always write long, detailed messages in business emails in order to avoid confusion and ambiguity in your correspondence.
62. Online banking is a significant participant of e-business.
63. RSS (Really Simple Syndication) software allows blog readers to be continually up-to-date on new material posted on their favorite blogs.
64. Banner ads are the most common form of Internet advertising.
Quiz Review 2 - Chapter 5-7
Answer Section

MATCHING

1. ANS: B  PTS: 1  DIF: 2  REF: p. 191
OBJ: TYPE: KN  TOP: AACSB Analytic

OBJ: TYPE: KN  TOP: AACSB Analytic

3. ANS: H  PTS: 1  DIF: 2  REF: p. 185
OBJ: TYPE: KN  TOP: AACSB Analytic

4. ANS: C  PTS: 1  DIF: 2  REF: p. 205
OBJ: TYPE: KN  TOP: AACSB Analytic

5. ANS: I  PTS: 1  DIF: 2  REF: p. 186
OBJ: TYPE: KN  TOP: AACSB Analytic

6. ANS: A  PTS: 1  DIF: 2  REF: p. 184
OBJ: TYPE: KN  TOP: AACSB Analytic

7. ANS: G  PTS: 1  DIF: 2  REF: p. 205
OBJ: TYPE: KN  TOP: AACSB Analytic

8. ANS: F  PTS: 1  DIF: 2  REF: p. 186
OBJ: TYPE: KN  TOP: AACSB Analytic

9. ANS: K  PTS: 1  DIF: 2  REF: p. 205
OBJ: TYPE: KN  TOP: AACSB Analytic

10. ANS: D  PTS: 1  DIF: 2  REF: p. 202
OBJ: TYPE: KN  TOP: AACSB Analytic

11. ANS: N  PTS: 1  DIF: 2  REF: p. 193
OBJ: TYPE: KN  TOP: AACSB Technology

12. ANS: M  PTS: 1  DIF: 2  REF: p. 206 | p. 207
OBJ: TYPE: KN  TOP: AACSB Analytic

13. ANS: E  PTS: 1  DIF: 2  REF: p. 203
OBJ: TYPE: KN  TOP: AACSB Analytic

14. ANS: L  PTS: 1  DIF: 2  REF: p. 206
OBJ: TYPE: KN  TOP: AACSB Analytic

ESSAY

15. ANS:
Small business in the United States is defined by the Small Business Administration as a company that is independently owned and operated and is not dominant in its field. The definition is also based on annual sales and the number of employees. Manufacturing firms having less than 500 employees are classified as small business, while small business wholesalers cannot have more than 100 employees. Retailers can have up to $6 million in annual sales and be considered small businesses, while an agricultural business cannot have more than $750,000 in annual sales to be classified as a small business. About 50 percent of small businesses are operated out of the home. Most small businesses are involved in retailing and service industries.

PTS: 1  DIF: 3  REF: p. 146  OBJ: TYPE: KN
TOP: AACSB Analytic
16. ANS:
Small businesses create 75 percent of the new jobs in the U.S. economy and employ half of U.S. workers. They provide valuable outlets for entrepreneurial activity and often contribute to the creation and innovation of new industries or development of new business processes. Women, minorities, and immigrants find small-business ownership to be an attractive alternative to working in large firms and are starting new companies at a much faster rate than the overall growth in U.S. businesses. Small firms may also offer enhanced lifestyle flexibility and opportunities to gain personal satisfaction.

PTS: 1 DIF: 2 REF: p. 151 | p. 153
OBJ: TYPE: AP TOP: AACSB Reflective Thinking

17. ANS:
Small businesses might fail due to management shortcomings, inadequate financing, and difficulty dealing with government regulations. Business founders often possess great strengths in specific areas, but they may not be adept in areas such as accounting and order fulfillment. Inadequate financing is another leading cause of small business failure, particularly uneven cash flows. Even home-based businesses have to accommodate start-up expenses. Finally, small businesses can drown in paperwork and regulation red tape. While a large firm can hire specialists in a particular area, small business owners have to deal with limited staffs and budgets.

PTS: 1 DIF: 3 REF: p. 154 | p. 157
OBJ: TYPE: KN TOP: AACSB Analytic

18. ANS:
A typical business plan contains the following elements: (1) an executive summary answering the who, what, why, where, when, and how questions for the business in brief; (2) an introduction stating the concept, purpose, and objectives of the proposed business, along with an overview of the industry; (3) a detailed marketing plan describing the firm's target market, its anticipated competition, and pricing; (4) a financial section outlining sources of capital, cash flow projections, and the breakeven point; and (5) resumes of the principals.

PTS: 1 DIF: 3 REF: p. 158
OBJ: TYPE: KN TOP: AACSB Analytic

19. ANS:
Advantages include the franchisee obtaining a known brand name. Effective franchisers provide advertising help, site selection programs, building plans, accounting systems, management training, and name recognition. Additionally, good franchisers spend time and money over the fee to help the business get started. Disadvantages include expensive franchise fees and future payments. Another potential drawback is that the franchisee is linked to the reputation and management of the franchise.

PTS: 1 DIF: 2 REF: p. 165
OBJ: TYPE: KN TOP: AACSB Analytic

20. ANS:
The three forms of business ownership are sole proprietorships, partnerships, and corporations. Sole proprietorships make up 90 percent of all small businesses. A sole proprietorship offers the advantage of being able to make changes and decisions quickly. The major disadvantage is that the sole proprietor is totally responsible for all debts. The partnership spreads out the responsibilities and allows the business to grow. However, each partner is totally financially responsible for his or her actions, as well as those of each other’s partners. The corporation limits liability, but deals with double taxation.

PTS: 1 DIF: 3 REF: p. 166 | p. 169
OBJ: TYPE: AP TOP: AACSB Reflective Thinking
21. ANS: The four categories of entrepreneurs are classic entrepreneurs, serial entrepreneurs, intrapreneurs, and change agents. A classic entrepreneur identifies a business opportunity and allocates available resources to tap into that market. A serial entrepreneur starts one business, runs it, and then starts and runs additional businesses in succession. An intrapreneur is an employee who develops a new idea or product within the context of an organizational position. A change agent is a manager who revitalizes an existing firm and transforms it into a competitive success. Of the four categories, only classic entrepreneurs actually start their own companies.

PTS: 1 DIF: 3 REF: p. 185 | p. 186
OBJ: TYPE: AP TOP: AACSB Reflective Thinking

22. ANS: The eight major characteristics of an entrepreneur are (1) vision; (2) high energy level; (3) need to achieve; (4) self-confidence and optimism; (5) tolerance for failure; (6) creativity; (7) tolerance for ambiguity; and (8) internal locus of control.

PTS: 1 DIF: 2 REF: p. 194 | p. 195
OBJ: TYPE: KN TOP: AACSB Analytic

23. ANS: Corporate Web sites are designed to increase the firm’s visibility, promote their offerings, and provide information. Marketing Web sites are also designed to communicate information and build customer relationships, but the main purpose of marketing Web sites is to increase purchases by site visitors.

PTS: 1 DIF: 2 REF: p. 217 | p. 218
OBJ: TYPE: KN TOP: AACSB Technology

24. ANS: E-business is the process of selling goods and services through Internet-based exchanges of data. It includes product information; ordering, invoicing, and payment processes; and customer service. In a B2B context, e-business uses Internet technology to conduct transactions between two organizations via extranets, private exchanges, electronic exchanges, and e-procurement.

PTS: 1 DIF: 3 REF: p. 219 | p. 221
OBJ: TYPE: KN TOP: AACSB Technology

25. ANS: Consumers will be reluctant to shop online if they believe that confidential financial information, including credit card numbers, will not be secure if sent over the Internet. In response, companies have developed a number of secure payment systems for e-commerce. Virtually all online retailers encrypt personal and financial information making it difficult for unauthorized persons to obtain the information. Electronic wallets are secured computer data files that contain credit card information, owner identification, and addresses, so that users are not required to type and send this information every time they make a purchase. Additionally, most major companies involved in e-business use Secure Sockets Layer technology, an industry-wide standard for secure Internet payment transactions.

PTS: 1 DIF: 3 REF: p. 225 | p. 226
OBJ: TYPE: AP TOP: AACSB Technology

26. ANS: Consumers are concerned about protecting their privacy and being victimized by Internet fraud. They’re also frustrated with unreliable and hard-to-use Web sites and annoyed over inconveniences of scheduling deliveries and returning merchandise. Businesses are concerned about potential conflicts with business partners, as well as difficulty in measuring the effectiveness of Internet-based promotion.
27. ANS:
If the manufacturer sells its own products, it may compete with some of its usual partners. Retailers usually have their own Web sites, in addition to brick and mortar sites, and may not want their suppliers competing with them for sales. If the manufacturer goes ahead, it runs the risk of damaging relationships with its usual partners. The manufacturer must carefully weigh the benefits of these relationships with the benefits of selling online.

28. ANS:
Banner ads are small messages placed in high-visibility areas of frequently visited Web sites. A pop-up ad is a separate window that pops up containing an advertising message. Search marketing is an arrangement where a firm pays a search engine a fee to ensure that the firm’s listing appears toward the top of the search results.

29. ANS:
Before designing a Web site, a company must first determine what they want to achieve with the site, such as brand awareness or retail purposes. Other important decisions include who should create, host, and manage the site; how to promote it; and how much funding to allocate. The site should be informative, up-to-date, and contain visually appealing content. Additionally, management must develop ways to measure how well a site accomplishes its objectives through profitability, click-through rates, and conversion rates.

30. ANS:
Click-through rates are the percentages of viewers who, when presented with a banner ad, click on it. Conversion rates are the percentage of Web site visitors who actually make purchases.

MULTIPLE CHOICE

31. ANS: C
OBJ: TYPE: AP TOP: AACSB Reflective Thinking

32. ANS: B
OBJ: TYPE: KN TOP: AACSB Analytic

33. ANS: D
OBJ: TYPE: KN TOP: AACSB Analytic

34. ANS: C
OBJ: TYPE: KN TOP: AACSB Analytic

35. ANS: B
OBJ: TYPE: KN TOP: AACSB Analytic

36. ANS: A
OBJ: TYPE: KN TOP: AACSB Analytic

37. ANS: C
OBJ: TYPE: KN TOP: AACSB Analytic
38. ANS: D PTS: 1 DIF: 1 REF: p. 171
39. ANS: D PTS: 1 DIF: 2 REF: p. 184
40. ANS: D PTS: 1 DIF: 3 REF: p. 184
41. ANS: D PTS: 1 DIF: 2 REF: p. 184
42. ANS: A PTS: 1 DIF: 2 REF: p. 185
43. ANS: C PTS: 1 DIF: 2 REF: p. 186
44. ANS: C PTS: 1 DIF: 2 REF: p. 187
45. ANS: D PTS: 1 DIF: 1 REF: p. 214
46. ANS: A PTS: 1 DIF: 1 REF: p. 215
47. ANS: B PTS: 1 DIF: 3 REF: p. 219
48. ANS: C PTS: 1 DIF: 1 REF: p. 226
49. ANS: B PTS: 1 DIF: 2 REF: p. 231

TRUE/FALSE

50. ANS: T PTS: 1 DIF: 1 REF: p. 151
51. ANS: T PTS: 1 DIF: 2 REF: p. 152
52. ANS: T PTS: 1 DIF: 1 REF: p. 152
53. ANS: F PTS: 1 DIF: 2 REF: p. 156 | p. 157
54. ANS: T PTS: 1 DIF: 1 REF: p. 162
55. ANS: T PTS: 1 DIF: 1 REF: p. 163
56. ANS: T PTS: 1 DIF: 1 REF: p. 165
57. ANS: F PTS: 1 DIF: 2 REF: p. 185
58. ANS: T PTS: 1 DIF: 2 REF: p. 189
59. ANS: T PTS: 1 DIF: 1 REF: p. 195
60. ANS: T  PTS: 1  DIF: 2  REF: p. 214
   OBJ: TYPE: KN  TOP: AACSB Technology
61. ANS: F  PTS: 1  DIF: 2  REF: p. 218
   OBJ: TYPE: AP  TOP: AACSB Communication
62. ANS: T  PTS: 1  DIF: 2  REF: p. 221
   OBJ: TYPE: KN  TOP: AACSB Technology
63. ANS: T  PTS: 1  DIF: 2  REF: p. 232
   OBJ: TYPE: KN  TOP: AACSB Communication | AACSB Technology
64. ANS: T  PTS: 1  DIF: 2  REF: p. 233
   OBJ: TYPE: KN  TOP: AACSB Communication | AACSB Technology