

Entrepreneurship Final Exam Review

True/False

Indicate whether the statement is true or false.

1. Entrepreneurs have changed American business throughout the history of the United States.
2. The creativity of entrepreneurs has led to technological change and increased productivity.
3. Although entrepreneurs can make a lot of money, they cannot choose a business that interests them.
4. Successful entrepreneurs set challenging goals and focus on achieving them.
5. The amount of money needed to start a business is important in determining if a business opportunity is realistic.
6. An entrepreneur should not expect to earn large profits immediately after starting a business.
7. Financial goals are important for an entrepreneur because they help set prices for products and services.
8. Anyone who does business for or with a company can receive an interoffice memorandum.
9. A face-to-face business meeting with a supplier should always have an agenda, but a meeting with a customer can be informal.
10. Multiplication can be used to figure how much profit is earned on a specific item.
11. Calculating an average involves adding all the relevant data and dividing this sum by 100 because averages are shown as percentages.
12. To calculate the amount of sales tax, multiply the purchase price by the tax rate.
13. Successful entrepreneurs use logical problem-solving methods to make effective decisions.
14. Brainstorming consists of trying to get everyone involved to agree on a solution to a problem.
15. For some kinds of problems, consensus building is an effective way for an entrepreneur to make a difficult decision.
16. At the end of a face-to-face business meeting with a supplier or customer, you should thank the person.
17. Although it is more formal than a personal letter, a business letter does not need to be keyed.
18. To calculate the total sale charge, add the sales tax rate to the purchase price.
19. Multiplication can be used to figure the average monthly sales of a specific item.
20. The cash drawer is balanced by adding opening cash to total receipts and then subtracting refunds.
21. To help select the best solution to a problem, a decision maker will quantify or rank each alternative.
22. Consensus building consists of trying to get everyone involved to agree on a solution to a problem.
23. In a market economy, consumers and producers together determine the prices and quantities of goods and services produced.
24. The economic system of a country affects how an item is produced and distributed, but it does not affect the demand for the item.
25. In a market economy, whether or not a good sells determines whether it will continue to be produced.

26. Although the U.S. government taxes certain goods and services, this does not affect production of these goods and services.
27. The equilibrium price and quantity for a good or service are at the point where the supply and demand curves intersect.
28. If a monopoly charges a price that is too high, consumers will switch to a lower-priced good or service.
29. A business must pay its fixed costs regardless of the quantity of goods or services it produces.
30. The variable costs of a business increase when sales increase, but fixed costs stay the same.
31. Marginal cost measures the advantages of producing one additional unit of a good or service.
32. The government affects the U.S. economy by taxing certain goods and services.
33. The USDA inspects some businesses to be sure the owners have passed examinations and paid licensing fees.
34. A business broker or a lawyer can help you determine a price to offer for an existing business.
35. The start-up costs for a franchise include renting a facility and purchasing inventory.
36. More than 500,000 people in the United States own franchises and the number is growing.
37. There is less risk in starting your own business than in buying a business or franchise because there is less money involved.
38. Both a sole proprietorship and a partnership are simple to start and have low initial costs.
39. Liability is the main reason entrepreneurs set up corporations.
40. The difference between an S corporation and a regular corporation is that an S corporation must lose money in the early years.

Multiple Choice

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

41. An assessment of your interests is
 - a. self-discipline
 - b. an advantage of entrepreneurship
 - c. helpful in deciding what business is right for you
 - d. a non-financial goal
42. Characteristics of successful entrepreneurs include
 - a. optimism
 - b. independence
 - c. self-control
 - d. indiscretion
43. Setting specific financial goals before starting a business
 - a. helps you compare different business opportunities
 - b. is not necessary for most entrepreneurs
 - c. ensures the business is able to earn the profits you want
 - d. will increase your personal satisfaction
44. To determine if a business opportunity is realistic, you should find out
 - a. how much money is needed to start the business
 - b. the rate of failure for this type of business
 - c. how many hours a week it is likely to take to run the business

- d. all of these
- 45. Information about business opportunities is available from
 - a. the Postal Service
 - b. most banks
 - c. the Small Business Administration
 - d. none of these
- 46. An employee
 - a. owns a business venture
 - b. works for someone else
 - c. sets financial goals for a business
 - d. takes the risk of a business venture
- 47. Which of the following is a service business?
 - a. hardware store
 - b. lumber mill
 - c. travel agency
 - d. almond grower
- 48. Characteristics of successful entrepreneurs include
 - a. ambition
 - b. loyalty
 - c. self-confidence
 - d. self-control
- 49. Aptitude is the ability to
 - a. work with people
 - b. evaluate your strengths and weaknesses
 - c. set goals
 - d. none of these
- 50. Your suitability for entrepreneurship is based on
 - a. your age
 - b. where you live
 - c. your commitment to the business
 - d. how well you work with people
- 51. Information about business opportunities is available from
 - a. the Yellow Pages of your telephone directory
 - b. the library
 - c. a thesaurus
 - d. all of these
- 52. Setting specific financial goals before starting a business
 - a. allows you to avoid borrowing money
 - b. ensures the business is able to earn the profits you want
 - c. determines personal satisfaction
 - d. evaluates your suitability for entrepreneurship
- 53. To determine if a business opportunity is realistic, you should
 - a. find out what risks are associated with the business
 - b. take an aptitude test
 - c. set your non-financial goals
 - d. all of these
- 54. Problems in business often occur because people
 - a. fail to listen to each other
 - b. do not speak loud enough

- c. ask too many questions
 - d. take incomplete notes
55. To help them make decisions and solve problems, entrepreneurs often use
- a. decision building
 - b. a formal problem-solving model
 - c. an organization chart
 - d. none of these
56. Which of the following is *not* a step in the decision-making process?
- a. define the problem
 - b. take action
 - c. identify various solutions
 - d. define the solution
57. Which of the following loans has the lowest yearly interest?
- a. \$30,000 loan at a rate of 7.25%
 - b. \$25,000 loan at a rate of 8.5%
 - c. \$40,000 loan at a rate of 6%
 - d. \$35,000 loan at a rate of 8%
58. Which of the following is *not* an important tip to keep in mind when conducting a business conversation on the telephone?
- a. take notes
 - b. speak clearly
 - c. thank the person at the end of the conversation
 - d. speak politely
59. Problems in business often occur because people
- a. are rushed
 - b. are not cheerful
 - c. fail to listen to each other
 - d. ask too many questions
60. To determine the average monthly growth rate,
- a. divide the dollar increase in one month by the sales the previous month
 - b. divide the total monthly growth by the number of months of data
 - c. multiply the growth rate by last month's sales
 - d. divide one month's sales by the next month's sales
61. Which of the following loans has the lowest yearly interest?
- a. \$30,000 loan at a rate of 6.25%
 - b. \$25,000 loan at a rate of 8.25%
 - c. \$40,000 loan at a rate of 7%
 - d. \$20,000 loan at a rate of 9.5%
62. Which of the following is *not* a step in the decision-making process?
- a. evaluate alternatives and select the best option
 - b. identify the action
 - c. evaluate the action
 - d. define the problem
63. To help them make decisions and solve problems, entrepreneurs often use
- a. a formal problem-solving model
 - b. consensus building
 - c. brainstorming
 - d. all of these
64. In a command economy,

- a. individuals are usually able to obtain exactly what they want
 - b. there is very little choice in what is available
 - c. production decisions are made by individuals
 - d. scarcity does not exist
65. The supply curve shows that the quantity produced of a good or service
- a. decreases as price increases
 - b. is not affected by price
 - c. increases as price increases
 - d. increases as price decreases
66. Demand, an individual's need or desire for a product or service at a given price,
- a. increases as price decreases
 - b. is not affected by price
 - c. increases as price increases
 - d. decreases as price decreases
67. A company that has a monopoly
- a. controls all of a market
 - b. must be licensed
 - c. cannot compete in a market economy
 - d. can receive a subsidy from the government
68. The fixed costs of a business
- a. are different each month
 - b. include interest on business loans
 - c. include the cost of production materials
 - d. are based on the quantity of goods produced
69. Government influences production in a market economy by
- a. determining what goods and services are to be produced
 - b. providing subsidies to producers of certain kinds of goods
 - c. selling goods and services
 - d. taxing monopolies at a high rate
70. A company that competes for business
- a. is a monopoly
 - b. must be licensed
 - c. cannot charge prices that are much higher than its competitors
 - d. will usually fail in a market economy
71. In a market economy,
- a. individuals are usually able to obtain exactly what they want
 - b. there is very little choice in what is available
 - c. production decisions are made by the government
 - d. scarcity does not exist
72. Marginal benefit measures the advantages of
- a. changing a fixed cost to a variable cost
 - b. increased opportunity costs
 - c. producing one additional unit of a good or service
 - d. a competitive market
73. Variable costs of a business
- a. are the same each month
 - b. include interest on business loans
 - c. include the cost of insurance
 - d. are based on the quantity of goods produced

74. In a market economy, the government may serve as a
- provider of social programs
 - redistributor of income
 - provider of public goods
 - all of these
75. When buying a business, you should do all of the following *except*
- have an accountant write the sales contract
 - analyze financial reports for the past three years
 - determine how to finance the business
 - have an expert determine the value of the business
76. When buying a business, you should do all of the following *except*
- have a lawyer draw up the sales contract
 - analyze financial reports for at least the past seven years
 - determine how to finance the business
 - write specific objectives about the kind of business you want to buy
77. Which of the following is *not* an advantage of owning a franchise?
- supplies can be less expensive
 - only certain products or services may be offered
 - established product or service
 - management and other assistance
78. Demand for your product or service is an important consideration when
- buying a franchise
 - starting your own business
 - buying an existing business
 - entering a family business
79. Operating costs of a franchise
- are paid by the franchisee
 - include a fee for the right to run the franchise
 - include a fee for advertising
 - all of these
80. Before buying a franchise, you should
- determine all costs and royalty fees
 - have an attorney examine the agreement
 - find out if you are guaranteed an exclusive territory
 - all of these

Matching

Match each term to the correct definition below.

- Advantage of entrepreneurship
- Agricultural business
- Aptitude
- Birdseye
- Disadvantage of entrepreneurship
- Employees
- Entrepreneurs
- Entrepreneurship
- Financial goal
- Knox

- k. Non-financial goal
- l. Self-assessment
- m. Service business
- n. Trade show

- 81. The ability to learn a particular kind of job
- 82. Special meetings at which companies display their products
- 83. How quickly you will pay off your debts
- 84. People who work for someone else
- 85. Evaluation of your strengths and weaknesses
- 86. The process of running a business of one's own
- 87. Nobody tells an entrepreneur what to do
- 88. Entrepreneur who had a major impact on eating habits throughout the world
- 89. People who own, operate, and take the risk of a business venture
- 90. Uncertain and irregular incomes

Match each term to the correct definition below.

- a. Average
- b. Brainstorming
- c. Business letter
- d. Consensus
- e. Consensus building
- f. Growth rate
- g. Interest
- h. Interoffice memo
- i. Markdown
- j. Markup
- k. Memorandum
- l. Principal
- m. Rate of interest
- n. Term

- 91. A creative group problem-solving technique that involves generating a large number of fresh ideas
- 92. Number of years for which a loan is extended
- 93. An amount deducted from the retail price to determine the sales price
- 94. An amount charged for borrowing money
- 95. A memo from one person in a company to another
- 96. Amount of money borrowed in a loan
- 97. An agreement among a group of people
- 98. A short written form of business communication that has a set format
- 99. An amount added to the cost price to determine the sales price
- 100. The percent that is the basis for interest earned or paid

Essay

- 101. What are the characteristics of a market economy?
- 102. Explain why having prior records of revenues, expenses, and profits is an advantage of buying an existing business.

- 103.** What role does the board of directors play in a corporation?
- 104.** Why is it important to visit a facility during business hours before purchasing a business?
- 105.** Describe these two operating costs of a franchise.
- a. Initial franchise fee:
 - b. Start-up costs: