

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

- 1) A(n) _____ is a written document that deals with issues such as the relative split of the equity among the founders of the firm, how individual founders will be compensated for the cash or the "sweat equity" they put into the firm, and how long the founder will have to remain with the firm for their shares to fully vest. 1) _____
 - A) founders' agreement
 - B) entrepreneurs' agreement
 - C) creators' agreement
 - D) originators' agreement
 - E) initiators' agreement
- 2) A company's _____ defines the products and markets on which it will concentrate. 2) _____
 - A) product/market scope
 - B) basis of differentiation
 - C) tactical analysis
 - D) business mission
 - E) supplier/buyer scope
- 3) In regard to business models, which of the following statements is incorrect? 3) _____
 - A) A firm's business model is inherently dependent on the collection of resources it controls and the capabilities it possesses.
 - B) There is a standard business model that most firms follow.
 - C) It is often difficult to determine what another firm's business model is.
 - D) It is dangerous for a company to assume that it can be successful by simply copying the business model of another firm.
 - E) A firm's business model is its plan or diagram for how it competes.
- 4) Nike's familiar phrase "Just do it" is an example of a(n): 4) _____
 - A) catchline
 - B) notice-line
 - C) attention-line
 - D) tagline
 - E) grabline
- 5) _____ are anything rare and valuable that a firm owns. 5) _____
 - A) Tactical properties
 - B) Tactical assets
 - C) Deliberate assets
 - D) Operational assets
 - E) Strategic assets
- 6) Alice Murphy just opened a soup and salad restaurant near Golden Gate Park in San Francisco. Rather than borrow money or raise funds from investors, Alice used her creativity and ingenuity and figured out how to get her business up and running without the need for external funding. Amy is utilizing a technique referred to as: 6) _____
 - A) Bootstrapping
 - B) Venture Capital
 - C) Networking
 - D) Angel Investment
 - E) IPO

- 7) All of the following are advantages of a sole proprietorship except: 7) _____
- A) creating one is easy and inexpensive
 - B) business losses can be deducted against the sole proprietor's other sources of income
 - C) it is not subject to double taxation
 - D) the owner maintains complete control of the business
 - E) unlimited liability
- 8) Most C corporations have two classes of stock: 8) _____
- A) standard and substandard
 - B) regular and special
 - C) ordinary and distinct
 - D) premium and normal
 - E) common and preferred
- 9) You are going to be selling surfboards from your shop you opened in San Diego. Your total fixed costs for the operation are \$5,000 per month. The board will be a 9 foot, soft top foam board. Your variable cost per board is \$140 dollars. What is your break even sales units if you charge \$240 per board. 9) _____
- A) You need to know the variable cost related to the production
 - B) 80 boards
 - C) 70 boards
 - D) 100 boards
 - E) 50 boards
- 10) A separate legal entity organized under the authority of a state is referred to as a: 10) _____
- A) corporation
 - B) general partnership
 - C) conglomerate
 - D) sole proprietorship
 - E) limited partnership
- 11) The four components of a firm's business model are: 11) _____
- A) opportunity recognition, feasibility analysis, business plan, and human resource plan
 - B) core strategy, strategic resources, partnership network, and customer interface
 - C) economic environment, social environment, technological environment, and legal-regulatory environment
 - D) marketing plan, core strategy, business plan, and customer interface
 - E) marketing plan, operating plan, financial plan, and human resource plan
- 12) A firm's marketing mix consists of the following four elements: 12) _____
- A) enthusiasm, passion, product, and price
 - B) place, promotion, passion, and product
 - C) passion, pride, promotion, and place
 - D) product, price, promotion, and place
 - E) passion, pleasure, product, and price

- 13) Which of the following is an advantage of a C Corporation? 13) _____
- A) Income is subject to double taxation.
 - B) Small shareholders typically have little voice in the management of the firm.
 - C) Business losses cannot be deducted against the shareholders' other sources of income.
 - D) Stock is liquid if traded on a major stock exchange.
 - E) Setting up and maintaining one is more difficult than for a sole proprietorship or a partnership.
- 14) A board of directors has three formal responsibilities: 14) _____
- A) appoint the officers of the firm, conduct the annual meeting, and submit the firm's annual report to the Securities & Exchange Commission
 - B) periodically update the firm's business plan, declare dividends, and write the firm's marketing plan
 - C) write the firm's strategic plan, declare dividends, and conduct the annual meeting
 - D) appoint the officers of the firm, declare dividends, and oversee the affairs of the corporation
 - E) provide funding to the firm, write the firm's strategic plan, and submit the firm's annual report to the Securities & Exchange Commission
- 15) Blake Henderson has just finished writing a business plan for a startup in the medical products industry. He has now reached the point where he needs to develop a plan for how his firm will compete, use its resources, structure its relationships, interface with customers, and create value to sustain itself on the basis of the profits it earns. Blake needs to establish his firm's: 15) _____
- A) business model
 - B) business template
 - C) operating plan
 - D) tactical plan
 - E) feasibility plan
- 16) Two fatal flaws can render a business model untenable from the beginning. These are: 16) _____
- A) failure to complete a business plan and failure to get funding
 - B) failure to complete a business plan and overemphasizing the importance of feasibility analysis
 - C) failure to copy the industry leader's business plan and a complete misread of the customer
 - D) a complete misread of the customer and utterly unsound economics
 - E) overemphasizing the importance of feasibility analysis and utterly unsound economics
- 17) The _____ is the string of activities that moves a product from the raw material stage, through manufacturing and distribution, and ultimately to the end user. 17) _____
- A) business chain
 - B) consequence sequence
 - C) meaning chain
 - D) value chain
 - E) worth procession

- 18) A firm's _____ describes why it exists and what its business model is supposed to accomplish. 18) _____
- A) vision statement
 - B) responsibility statement
 - C) mission statement
 - D) feasibility statement
 - E) duty statement
- 19) A firm's total revenue was \$200,000 dollars and their fixed costs were \$120,000 dollars. They had net income of \$0 dollars. They sold units at \$2,000 with a variable cost per unit of \$1,000. How many units were sold by this company? 19) _____
- A) 0 units
 - B) 100 units
 - C) 90 units
 - D) 80 units
 - E) You need more information
- 20) Zappo's competence in customer service, Apple's competence in designing consumer products, and Netflix's competence in supply chain management are examples of _____, which serve as each of these respective firms' competitive advantage of their rivals. 20) _____
- A) core elements
 - B) distinguishing attributes
 - C) foundational competencies
 - D) foundational attributes
 - E) core competencies
- 21) You are presenting your business, which has been marking profit, to an investor. You tell him that the industry average profit margin for your business is 20%. What would be the most likely response from the investor in regards to clarifying this statement in regards to your business? (hint- all of the questions are good questions but only one clarifies the above statement the best) 21) _____
- A) What is your total revenue and on that revenue what is your net profit?
 - B) What is your cost of goods sold and total revenue?
 - C) What are your fixed and variable costs for the last fiscal period?
 - D) Who is the current chairmen of your board?
 - E) What valuation method did you use to come up with your current company valuation?
- 22) Which of the following are the primary elements of a startup's core strategy? 22) _____
- A) target customer, fulfillment and support, pricing structure
 - B) suppliers, partners, other key relationships
 - C) core competencies, strategic assets, funding model
 - D) pricing structure, suppliers, strategic assets
 - E) mission statement, product/market scope, basis for differentiation
- 23) Which of the following is a disadvantage of a C Corporation? 23) _____
- A) Stock is liquid if traded on a major stock exchange.
 - B) Income is subject to double taxation.
 - C) limited liability
 - D) Raising capital is easier than a partnership or sole proprietorship.
 - E) No restrictions exist on the number of shareholders.

- 24) A _____ partnership is a modified form of a general partnership. 24) _____
- A) restricted
 - B) fractional
 - C) constrained
 - D) limited
 - E) partial
- 25) Which one of the following statements about Richard Branson's history is not correct? 25) _____
- A) Virgin Records ran into financial problems in 1980 and lost 1 million pounds
 - B) Richard Branson got into trouble with the law for selling export stock
 - C) Richard Branson and his friends came up with the name Virgin because they were virgins at business.
 - D) Virgin Laptops (a very brief Virgin industry) ran into a major lawsuit over outsourcing conditions
 - E) Richard Branson's mother re-mortgaged her family home to help pay a settlement for legal trouble Richard got into regarding business.
- 26) Jillian Belk owns an environmental services company. The way Jillian prices her services is to figure her cost and then add a 22 percent markup. The method that Jillian uses to determine her prices is called: 26) _____
- A) competitive-based pricing
 - B) cost-based pricing
 - C) economic-based pricing
 - D) conformity-based pricing
 - E) value-based pricing
- 27) A(n) _____ is a route a product takes from the place it is made to the customer who is the end user. 27) _____
- A) allotment channel
 - B) product channel
 - C) promotion channel
 - D) trade channel
 - E) distribution channel
- 28) Which of the following statements is incorrect regarding boards of directors? 28) _____
- A) If a new venture organizes as a corporation, it is not legally required to have a board of directors, but it is strongly recommended.
 - B) A board is typically made up of both inside and outside directors.
 - C) The boards for publicly traded companies are required by law to have audit and compensation committees.
 - D) The board is responsible for declaring dividends.
 - E) Most boards meet formally three or four times a year.
- 29) Which of the following statements regarding personnel is incorrect when creating a startup 29) _____
- A) Investors only want one founder to have equity or they will not invest
 - B) Founding team members should get the equity division in writing
 - C) A team can be nice to get founder's through the difficult times which are almost certain to happen to any startup.
 - D) An angel investor might become actively involved in a startup.
 - E) Raising financing for a startup is usually very difficult

- 30) Which is important to investors regarding a founder? 30) _____
- A) Their past experience and success
 - B) Their personality
 - C) Their passion for the business
 - D) None of the above
 - E) Answers A, B and C

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

- 31) Almost all firms partner with others to make their business models work. 31) _____
- 32) Choosing a legal entity for a firm is a one-time event. Once a form of legal entity has been chosen, it cannot be changed. 32) _____
- 33) If a startup fails they are legally required to repay all the equity financing that they have received back to their investors. 33) _____
- 34) If you had Sauron's ring of power it would probably be easier to start a business and grow it. But then eventually the ring's power would turn the company evil. (Hint: the answer is true) 34) _____
- 35) If an entrepreneur receives an offer of 1 million for 10% equity in his company and 1.3 million from another investor for 10% equity, he will always accept the offer for more money if the amount of equity is the same for both offers. 35) _____
- 36) An advisory board can be established for general purposes or can be set up to address a specific need. 36) _____
- 37) A firm's target market is the limited group of individuals or businesses that it goes after or tries to appeal to. 37) _____
- 38) Because Venture Capital firms have so many startups applying and they can choose the best startups, the investments that they make have low risk. 38) _____
- 39) Corporations are organized as either C Corporations, T Corporation, or subchapter S corporations. 39) _____
- 40) Angel investors, private placement, venture capital, and initial public offerings are the most common sources of equity funding. 40) _____

