Exam

Name\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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

1)

Catherine Smith has just finished writing a business plan for a startup in the medical products industry. She has now reached the point where she needs to develop a plan for how her 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. Jennifer needs to establish her firm's:

1)

\_\_\_\_\_\_\_

A)

business model

B)

business template

C)

operating plan

D)

tactical plan

E)

feasibility plan

2)

In regard to business models, which of the following statements is incorrect?

2)

\_\_\_\_\_\_\_

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.

3)

A firm's \_\_\_\_\_\_\_\_ describes why it exists and what its business model is supposed to accomplish.

3)

\_\_\_\_\_\_\_

A)

vision statement

B)

responsibility statement

C)

mission statement

D)

feasibility statement

E)

duty statement

4)

A company's \_\_\_\_\_\_\_\_ defines the products and markets on which it will concentrate.

4)

\_\_\_\_\_\_\_

A)

product/market scope

B)

basis of differentiation

C)

tactical analysis

D)

business mission

E)

supplier/buyer scope

5)

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.

5)

\_\_\_\_\_\_\_

A)

business chain

B)

consequence sequence

C)

meaning chain

D)

value chain

E)

worth procession

6)

Which of the following are the primary elements of a startup's core strategy?

6)

\_\_\_\_\_\_\_

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

7)

Two fatal flaws can render a business model untenable from the beginning. These are:

7)

\_\_\_\_\_\_\_

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

8)

The four components of a firm's business model are:

8)

\_\_\_\_\_\_\_

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

9)

A \_\_\_\_\_\_\_\_ is a resource or capability that serves as a source of a firm's competitive advantage over its rivals.

9)

\_\_\_\_\_\_\_

A)

core element

B)

core competency

C)

distinctive attribute

D)

center attribute

E)

foundational competency

10)

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.

10)

\_\_\_\_\_\_

A)

core elements

B)

distinguishing attributes

C)

foundational competencies

D)

foundational attributes

E)

core competencies

11)

\_\_\_\_\_\_\_\_ are anything rare and valuable that a firm owns.

11)

\_\_\_\_\_\_

A)

Tactical properties

B)

Tactical assets

C)

Deliberate assets

D)

Operational assets

E)

Strategic assets

12)

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.

12)

\_\_\_\_\_\_

A)

founders' agreement

B)

entrepreneurs' agreement

C)

creators' agreement

D)

originators' agreement

E)

initiators' agreement

13)

The simplest form of business entity is the:

13)

\_\_\_\_\_\_

A)

subchapter S corporation

B)

C Corporation

C)

limited liability company

D)

sole proprietorship

E)

general partnership

14)

Which of the following is not one of the four factors identified in the textbook as critical in selecting a form of business ownership?

14)

\_\_\_\_\_\_

A)

accounting considerations

B)

the extent to which personal assets can be shielded from the liabilities of the business

C)

the cost of setting up and maintaining the legal form

D)

tax considerations

E)

the number and types of investors involved

15)

A \_\_\_\_\_\_\_\_ partnership is a modified form of a general partnership.

15)

\_\_\_\_\_\_

A)

restricted

B)

fractional

C)

constrained

D)

limited

E)

partial

16)

A separate legal entity organized under the authority of a state is referred to as a:

16)

\_\_\_\_\_\_

A)

corporation

B)

general partnership

C)

conglomerate

D)

sole proprietorship

E)

limited partnership

17)

All of the following are advantages of a sole proprietorship except:

17)

\_\_\_\_\_\_

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

18)

A disadvantage of corporations is that they are subject to \_\_\_\_\_\_\_\_, which means that a corporation is taxed on its net income and when the same income is distributed to shareholders in the form of dividends it is taxed again on shareholders' personal income tax returns.

18)

\_\_\_\_\_\_

A)

double duty

B)

dual toll

C)

double assessment

D)

double taxation

E)

dual harm

19)

Corporations are organized as either:

19)

\_\_\_\_\_\_

A)

C corporations or subchapter S corporations

B)

permanent corporations or temporary corporations

C)

general corporations or limited corporations

D)

regular corporations or limited liability corporations

E)

voluntary corporations or statutory corporations

20)

Most C corporations have two classes of stock:

20)

\_\_\_\_\_\_

A)

standard and substandard

B)

regular and special

C)

ordinary and distinct

D)

premium and normal

E)

common and preferred

21)

According to the textbook, which of the following statements is inaccurate regarding the size and composition of the founding team of a firm?

21)

\_\_\_\_\_\_

A)

The members of a homogeneous founding team are similar in terms of their abilities and experiences.

B)

The members of a heterogeneous founding team are diverse in terms of their abilities and experiences.

C)

A founding team can be too big, causing communication problems and increasing potential for conflict.

D)

A founding team larger than four people is typically too large to be practical.

E)

There is no relationship between a founding team's size and its effectiveness.

22)

If a new venture organizes as a corporation, it is legally required to have a(n) \_\_\_\_\_\_\_\_, which is a panel of individuals who are elected by a corporation's shareholders to oversee the management of the firm.

22)

\_\_\_\_\_\_

A)

board of directors

B)

team of advisors

C)

board of advisors

D)

review team

E)

accountability panel

23)

A board of directors has three formal responsibilities:

23)

\_\_\_\_\_\_

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

24)

A(n) \_\_\_\_\_\_\_\_ is a route a product takes from the place it is made to the customer who is the end user.

24)

\_\_\_\_\_\_

A)

allotment channel

B)

product channel

C)

promotion channel

D)

trade channel

E)

distribution channel

25)

Pat Walker owns an environmental services company. The way Pat prices her services is to figure her cost and then add a 22 percent markup. The method that Pat uses to determine her prices is called:

25)

\_\_\_\_\_\_

A)

competitive-based pricing

B)

cost-based pricing

C)

economic-based pricing

D)

conformity-based pricing

E)

value-based pricing

26)

Nike's familiar phrase "Just do it" is an example of a(n):

26)

\_\_\_\_\_\_

A)

catchline

B)

notice-line

C)

attention-line

D)

tagline

E)

grabline

27)

A firm's marketing mix consists of the following four elements:

27)

\_\_\_\_\_\_

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

28)

Which of the following is a disadvantage of a C Corporation?

28)

\_\_\_\_\_\_

A)

No restrictions exist on the number of shareholders.

B)

limited liability

C)

Stock is liquid if traded on a major stock exchange.

D)

Income is subject to double taxation.

E)

Raising capital is easier than a partnership or sole proprietorship.

29)

Which of the following is an advantage of a C Corporation?

29)

\_\_\_\_\_\_

A)

Income is subject to double taxation.

B)

Business losses cannot be deducted against the shareholders' other sources of income.

C)

Setting up and maintaining one is more difficult than for a sole proprietorship or a partnership.

D)

Stock is liquid if traded on a major stock exchange.

E)

Small shareholders typically have little voice in the management of the firm.

30)

Which of the following statements about advisory boards is incorrect?

30)

\_\_\_\_\_\_

A)

An advisory board is a panel of experts who are asked by a firm's managers to provide counsel and advice on an ongoing basis.

B)

The fact that a corporation has a board of directors does not preclude it from establishing one or more advisory boards.

C)

An advisory board can be established for general purposes or can be set up to address a specific issue or need.

D)

A growing number of startups are forming advisory boards.

E)

Similar to a board of directors, an advisory board has legal responsibility for the firm in certain areas.

**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)

There is no standard business model that dictates how firms in a particular industry should compete.

32)

\_\_\_\_\_\_

33)

The idea that it's important to get "everything in writing" in regard to business agreements causes unnecessary work and can lead to an erosion of trust between business partners.

33)

\_\_\_\_\_\_

34)

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.

34)

\_\_\_\_\_\_

35)

Corporations are organized as either C Corporations, T Corporation, or subchapter S corporations.

35)

\_\_\_\_\_\_

36)

An advisory board can be established for general purposes or can be set up to address a specific need.

36)

\_\_\_\_\_\_

37)

In value-based pricing, the list price is determined by estimating what customers are willing to pay for a product and then backing off a bit to provide a cushion.

37)

\_\_\_\_\_\_

38)

"Brand premium" is the term that denotes the set of assets and liabilities that are linked to a brand and enable it to raise a firm's valuation.

38)

\_\_\_\_\_\_

39)

A firm's "position" is concerned with how it is situated relative to its rivals.

39)

\_\_\_\_\_\_

40)

A firm's target market is the limited group of individuals or businesses that it goes after or tries to appeal to.

40)

\_\_\_\_\_\_

1)

A

2)

B

3)

C

4)

A

5)

D

6)

E

7)

D

8)

B

9)

B

10)

E

11)

E

12)

A

13)

D

14)

A

15)

D

16)

A

17)

E

18)

D

19)

A

20)

E

21)

E

22)

A

23)

D

24)

E

25)

B

26)

D

27)

D

28)

D

29)

D

30)

E

31)

TRUE

32)

TRUE

33)

FALSE

34)

FALSE

35)

FALSE

36)

TRUE

37)

TRUE

38)

FALSE

39)

TRUE

40)

TRUE