

**Test Bank for Entrepreneurial Finance 6th edition by Adelman Marks ISBN 0133140512
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Test Bank

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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 16) _____

treated fairly.

- 17) In a limited liability partnership, all of the partners have unlimited liability. 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 firsthand. 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) controlling.
B) planning.
C) directing.
D) organizing.
E) staffing.
- 38) The basic five functions that every manager must perform include 38) _____
A) planning, organizing, bookkeeping, directing, staffing.
B) planning, organizing, controlling, directing, financing.
C) planning, financing, bookkeeping, controlling, staffing.
D) planning, directing, organizing, staffing, controlling.
E) None of the above include all of the management functions.

- 39) The time horizon for strategic plans is 39) _____
- A) five years.
 - B) more than one year.
 - C) ten or more years.
 - D) fifteen or more years.
 - 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) establishing the basic control functions for her business.
 - B) analyzing her financial requirements.
 - C) developing a strategic plan.
 - D) establishing basic parameters for her business.
 - E) determining how to write a functional plan.
- 41) Converting functional plans into annual dollar requirements is the process of 41) _____
- A) monetary planning.
 - B) controlling.
 - C) financial planning.
 - D) budgeting.
 - E) accounting.
- 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 every year for the next five years.
 - B) Our business should market to all customers.
 - C) Our business should increase sales by 10 percent.
 - D) Our marketing area should include the entire United States.
 - 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) monetary planning.
 - B) accounting.
 - C) budgeting.
 - D) controlling.
 - 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) planning.
 - B) organizing.
 - C) directing.
 - D) staffing.
 - E) controlling.
- 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) directing.

- C) staffing.
- D) planning.
- E) controlling.

- 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 _____
- A) staffing.
 - B) directing.
 - C) planning
 - D) controlling.
 - E) organizing.
- 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? _____
- A) When will it be accomplished?
 - B) Where do I want my business to be in five years?
 - C) Where will they perform their duties?
 - D) What skills do they need?
 - E) Who will carry out this plan?
- 48) The majority of businesses in the United States today are organized as _____
- A) corporations.
 - B) partnerships.
 - C) limited partnerships.
 - D) Subchapter S corporations.
 - E) sole proprietorships.
- 49) Which of the following is NOT a disadvantage of the sole proprietorship? _____
- A) limited management expertise
 - B) limited access to capital
 - C) limited liability for the owner
 - D) limited lifetime of the business
- 50) The sole proprietor has all of the following advantages, EXCEPT _____
- A) choice of how to pay federal and local taxes.
 - B) choice of retirement plan.
 - C) choice of location for the business.
 - D) choice of product to be sold.
 - E) choice of services to be offered.
- 51) One drawback to a partnership is that it _____
- A) has unlimited liability for each of the partners.
 - B) generally has more management expertise than the sole proprietorship.
 - C) is subject to double taxation.
 - D) generally has more access to capital than the sole proprietor.
- 52) The form of business ownership that gives the owner total control of how the business is run is the _____
- A) sole proprietorship.
 - B) Subchapter S corporation.

- C) partnership.
- D) corporation.
- E) limited partnership.

- 53) The form of business ownership that involves double taxation and limited liability for the owners is the _____
- A) Subchapter S corporation.
 - B) partnership.
 - C) corporation.
 - D) limited partnership.
 - E) sole proprietorship.
- 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 _____
- A) Subchapter S corporation.
 - B) partnership.
 - C) corporation.
 - D) limited partnership.
 - E) sole proprietorship.
- 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, and want equal shares of the business. However, they are worried about liability because they had heard of a consultant who crashed a client's computer and was sued for \$1,000,000. They also want to avoid double taxation. The most likely form of business organization for them would be a _____
- A) sole proprietorship.
 - B) partnership.
 - C) Subchapter S corporation.
 - D) corporation.
 - E) limited partnership.
- 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 going to 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 _____
- A) partnership.
 - B) corporation.
 - C) limited partnership.
 - D) Subchapter S corporation.
 - E) sole proprietorship.
- 57) Unlimited liability for the owner is a problem for which of the following? _____
- A) corporation
 - B) limited partnership
 - C) partnership
 - D) sole proprietorship
 - E) both C and D

- 58) Which of the following is true for a Limited Liability Company (LLC)? 58) _____
- A) Business income is taxed at the individual's personal rate.
 - B) The company is limited in its liability.
 - C) Business income is taxed at the corporate rate.
 - D) The owners have unlimited 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) training of employees and managers
 - B) name recognition
 - C) marketing strategy and advertising
 - D) having a predetermined location that guarantees a profit
 - E) standardization of products and services
- 61) Which of the following pertain to the internal workings of a company? 61) _____
- A) opportunities and weaknesses
 - B) strengths and threats
 - C) opportunities and threats
 - D) strengths and weaknesses
 - E) strengths and opportunities
- 62) Which of the following pertain to the external factors that are outside the control of a company? 62) _____
- A) strengths and weaknesses
 - B) opportunities and weaknesses
 - C) opportunities and threats
 - D) strengths and opportunities
 - E) strengths and threats
- 63) SWOT is an acronym which stands for 63) _____
- A) Strengths, Working capital, Obligations, and Threats.
 - B) Strengths, Weaknesses, Opportunities, and Threats.
 - C) Strengths, Weaknesses, Obligations, and Threats.
 - D) Strengths, Weaknesses, Opportunities, and Troubles.
 - E) Strengths, Working capital, 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) threat.
 - B) opportunity.
 - C) obligation.
 - D) weakness.
 - E) strength.
- 65) George is analyzing the market for his bagel business. He saw an advertisement for a new bagel shop that has just opened one mile from his bagel shop. For George's bagel business, this represents a(n) 65) _____

- A) obligation.
- B) opportunity.
- C) threat.
- D) weakness.
- E) strength.

- 66) George is analyzing the market for his bagel business. He knows that his shop has the highest quality bagel in the city. He has picked up several customers who previously shopped at a competitor but told him they switched because of his consistent quality. For George's bagel business, this represents a(n) _____
- A) strength.
 - B) weakness.
 - C) obligation.
 - D) opportunity.
 - E) threat.
- 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 _____
- A) the fast food industry.
 - B) the cereal industry.
 - C) the automobile industry.
 - D) the convenience store industry.
 - E) the oil industry.
- 68) When applying for a loan with the Small Business Administration, you will have to provide tax returns for a period of _____
- A) two years.
 - B) four years.
 - C) three years.
 - D) five years.
 - E) one year.
- 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) Service Core of Retired Executives.
 - C) Service College for Retaining Employees.
 - D) Special Core of Retired Entrepreneurs.
 - E) none of the above.
- 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
- 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.

- 72) Which of the following is a weakness? 72) _____
- 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
- 73) An executive summary should be attached to 73) _____
- A) the end of the completed business plan.
 - B) the beginning of the business plan.
 - C) the middle of the business plan.
 - D) none of the above.
- 74) Which of the following should NOT be in the executive summary? 74) _____
- A) a brief description of the product or service
 - B) your business strategy for success
 - C) a summary of quarterly revenue
 - D) an estimate of how much money you will need
- 75) A mission statement 75) _____
- 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.
- 76) In identifying your form of business ownership, which of the following should be included? 76) _____
- A) your ownership structure
 - B) reasons for your selection
 - C) advantages of your choice
 - D) all of the above
- 77) Which of the following is an example of primary data? 77) _____
- A) reading the newspaper
 - B) gathering information about your competition
 - C) public information in libraries
 - D) gathering your own data firsthand
- 78) Which of the following variables in the marketing mix is the easiest to change rapidly? 78) _____
- A) product
 - B) promotion
 - C) price
 - D) place
- 79) The financial plan consists of 79) _____
- A) a 4-year profit projection.
 - B) a 12-month projection.
 - C) breakeven analysis.
 - D) all of the above.
- 80) Bankers differ from investors in that 80) _____
- A) bankers are looking for assurances of interest payments and repayment of the principal of the loan.
 - B) bankers are looking for company growth.
 - C) bankers are looking for a return on equity.
 - D) all of the above.
- 81) Which of the following stages has a concept and is less than 18 months old? 81) _____

D) A 504 Loan Program requires a 25% minimum down payment.

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) B
- 38) D
- 39) E
- 40) C
- 41) D
- 42) A
- 43) E
- 44) D
- 45) E
- 46) B
- 47) D
- 48) E
- 49) C
- 50) A
- 51) A

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