# *Small Business Management Entrepreneurship and Beyond 6th edition Hatten Test Bank*

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# Chapter 2 Small Business Management Entrepreneurship and Ownership

## TRUEFALSE

**1.** A small business manager and an entrepreneur perform the same functions.

(A) True

(B) False

**Answer :** (B)

**2.** Entrepreneurs recognize an opportunity and start a business to take advantage of it.

(A) True

(B) False

**Answer :** (A)

**3.** Entrepreneurship and small business management are processes, not isolated incidents.

(A) True

(B) False

**Answer :** (A)

**4.** Financial risks, material risks, and psychological risks are all risks faced by the entrepreneur.

(A) True

(B) False

**Answer :** (A)

**5.** Mergers, IPOs, and ESOPs are all forms that can be taken in the harvest stage of the startup process model.

(A) True

(B) False

**Answer :** (A)

**6.** A triggering event is a specific event or occurrence that sparks the entrepreneur to proceed from thinking to doing.

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(A) True

(B) False

**Answer :** (A)

**7.** In the end, every business will eventually reach the harvest stage.

(A) True

(B) False

**Answer :** (B)

**8.** Environmental factors are the traits possessed by the business owner that affect the development of the small business.

(A) True

(B) False

**Answer :** (B)

**9.** Personal characteristics vary as a business evolves from one stage to another.

(A) True

(B) False

**Answer :** (A)

**10.** There is only one factor that could be called a triggering event.

(A) True

(B) False

**Answer :** (B)

**11.** Personality characteristics are not useful in predicting who will be a successful entrepreneur.

(A) True

(B) False

**Answer :** (A)

**12.** The primary reason most people go into business for themselves is to gain the respect of others.

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(A) True

(B) False

**Answer :** (B)

**13.** Independence and control over their own lives are reasons many people begin small businesses.

(A) True

(B) False

**Answer :** (A)

**14.** More than 50 percent of business owners started their own business in order to earn large sums of money.

(A) True

(B) False

**Answer :** (B)

**15.** Individuals who prefer steady pay and a normal nine-to-five work schedule also tend to gravitate toward self-employment.

(A) True

(B) False

**Answer :** (B)

**16.** Income uncertainty is one of the most challenging aspects of starting a new business.

(A) True

(B) False

**Answer :** (A)

**17.** The conclusion after more than 30 years of research on personal characteristics is that successful entrepreneurs cannot be predicted.

(A) True

(B) False

**Answer :** (A)

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**18.** The typical entrepreneur tends to accept moderate risk only after careful examination.

(A) True

(B) False

**Answer :** (A)

**19.** The three most important characteristics that every successful entrepreneur possesses are perseverance, needed technical skills, and a deep belief in himself/herself.

(A) True

(B) False

**Answer :** (A)

**20.** Entrepreneurs tend to have a weaker internal locus of control than do people in general.

(A) True

(B) False

**Answer :** (B)

**21.** One's own efforts are the most important factor to a person with a strong locus of control.

(A) True

(B) False

**Answer :** (A)

**22.** Over 25 percent of all new business owners have an MBA or other professional degree.

(A) True

(B) False

**Answer :** (B)

**23.** Entrepreneurs and small business owners typically have higher education levels than the general public.

(A) True

(B) False

**Answer :** (A)

**24.** The most common form of business in the United States today is the corporation.

(A) True

(B) False

**Answer :** (B)

**25.** A sole proprietorship is owned by two or more persons.

(A) True

(B) False

**Answer :** (B)

**26.** A major advantage of a sole proprietorship is that the owner has complete control over the business.

(A) True

(B) False

**Answer :** (A)

**27.** The major disadvantage of a sole proprietorship is limited liability.

(A) True

(B) False

**Answer :** (B)

**28.** The biggest advantage of partnerships is the pooling of talents and resources.

(A) True

(B) False

**Answer :** (A)

**29.** In a partnership, if both partners bring the same qualities to the business, then one of them is probably not needed.

(A) True

(B) False

**Answer :** (A)

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**30.** Although the ability to raise capital is better with a partnership than with a proprietorship, a partnership still cannot usually gather as many resources as a corporation.

(A) True

(B) False

**Answer :** (A)

**31.** In a partnership, the partners will be held liable only for their own negligence.

(A) True

(B) False

**Answer :** (B)

**32.** If a partner leaves, the partnership is dissolved and the remaining partners can either find a new partner or terminate the business.

(A) True

(B) False

**Answer :** (A)

**33.** One of the most serious problems that can threaten a partnership is managerial conflict.

(A) True

(B) False

**Answer :** (A)

**34.** Foresight in writing articles of partnership can solve many partner problems in the future.

(A) True

(B) False

**Answer :** (A)

**35.** A closely held corporation publicly trades its shares of stock on a major auction market.

(A) True

(B) False

**Answer :** (B)

**36.** A form of business ownership where the business is owned by a limited group of people and the stock is not traded publicly is called a closely held corporation.

(A) True

(B) False

**Answer :** (A)

**37.** Limited liability is the major advantage of forming a business as a corporation.

(A) True

(B) False

**Answer :** (A)

**38.** C corporations and S corporations are taxed the same.

(A) True

(B) False

**Answer :** (B)

**39.** A document describing a business that is filed with the state in which a business is formed is referred to as articles of incorporation.

(A) True

(B) False

**Answer :** (A)

**40.** C corporations provide individuals with limited-liability protection of a corporation while allowing the tax advantages of a partnership.

(A) True

(B) False

**Answer :** (B)

**41.** LLCs can be an attractive form of ownership for small businesses.

(A) True

(B) False

**Answer :** (A)

## MULTICHOICE

**42.** According to the opening Vignette, John Goscha can best be described as a/an

(A) Franchiser

(B) Entrepreneur

(C) Corporate business manager

(D) Small business manager

**Answer :** (B)

**43.** Rubin's day-to-day job as a business owner involves identifying opportunities for which marketable ideas exist and assuming the risk to make these ideas happen. Rubin can best be described as a/an

(A) Innovator

(B) Marketer

(C) Entrepreneur

(D) Small business manager

**Answer :** (C)

**44.** Jasper has developed a concept for a start-up company that involves developing a new process for priming and painting automobile panels. Based on this example, Jasper is focusing on which entrepreneurial behavior?

(A) Creation

(B) Innovation

(C) Risk assumption

(D) Performance intention

**Answer :** (B)

**45.** Which of the following behaviors was *not* cited as being included in most definitions of an entrepreneur?

(A) Controlling

(B) Creation

(C) Innovation

(D) Risk assumption

**Answer :** (A)

**46.** A small business manager faces which of the following environmental forces?

(A) Finding opportunities

(B) Prompting creativity

(C) Locating an incubator

(D) Hiring and retaining employees

**Answer :** (D)

**47.** ____ is the entrepreneurial behavior that involves the expectation of high levels of growth or profit.

(A) General management

(B) Supply chain

(C) Risk assumption

(D) Performance intention

**Answer :** (D)

**48.** Entrepreneurship primarily involves which phase of business?

(A) The startup process

(B) Hiring of key employees

(C) Maintaining a positive cash flow

(D) Building and maintaining a sufficient customer base

**Answer :** (A)

**49.** The entrepreneurial process in the startup process model begins with

(A) A visit to the local banker for startup funds

(B) A visit to the local library for more information on the business

(C) A visit to a favorite business professor for advice

(D) An innovative idea that is refined as the idea is thought through

**Answer :** (D)

**50.** The entrepreneurship process begins with

(A) An innovative idea

(B) A triggering event

(C) Implementation

(D) Growth

**Answer :** (A)

**51.** Sue Pallen is a partner in a cake-decorating company. Her role within the company is to identify new markets for growth and sustaining the company's long-term financial health by maintaining all financial records. As such, Sue can best be described as a/an

(A) Entrepreneur

(B) CEO

(C) Nonprofit manager

(D) Small business manager

**Answer :** (D)

**52.** The time span for the innovation phase may be

(A) One month or less

(B) One year or more

(C) Several months or even several years

(D) Five years or more

**Answer :** (C)

**53.** The phase of implementation in the entrepreneurial process involves all but which of the following?

(A) Introducing new products

(B) Opening new markets

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(C) Industrial reorganization

(D) Developing an advertising campaign

**Answer :** (D)

**54.** Which of the following is the key element needed to bring the entrepreneurial idea to reality during the implementation stage?

(A) Capital/money

(B) Commitment

(C) Management expertise

(D) A college education

**Answer :** (B)

**55.** When does the entrepreneurship stage end and the small business management stage begin?

(A) When the maturity stage ends

(B) When the growth stage ends

(C) After the entrepreneurial event ends

(D) When the triggering event ends

**Answer :** (C)

**56.** Which stage of the startup process is characterized by relative certainty that the business will survive?

(A) Growth

(B) Maturity

(C) Harvest

(D) Implementation

**Answer :** (B)

**57.** The stage in the startup process model in which the small business owner removes himself/herself from the business is which of the following?

(A) Growth

(B) Maturity

(C) Implementation

(D) Harvest

**Answer :** (D)

**58.** In the growth stage of the startup process model, what is the primary goal of the small business?

(A) Regulations

(B) Employees

(C) Vendors

(D) Reaching critical mass (survival)

**Answer :** (D)

**59.** Forces that occur outside of the business that affect the business and its owner are referred to as

(A) Financial factors

(B) Controlled factors

(C) Environmental factors

(D) Internal factors

**Answer :** (C)

**60.** In the triggering event and the implementation stages of the startup process model, which of the following environmental factors will affect the small business?

(A) Role models

(B) Suppliers

(C) Bankers

(D) Competition

**Answer :** (D)

**61.** An entrepreneur faces which of the following environmental forces?

(A) Hiring and retaining employees

(B) Dealing with vendors and suppliers

(C) Fighting government regulations

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(D) Identifying product opportunities

**Answer :** (D)

**62.** In the ____ stage of the business management process, attention is placed on team building, setting strategies, and creating a structure and culture of the business.

(A) Harvest

(B) Growth

(C) Maturity

(D) Innovation

**Answer :** (B)

**63.** In the triggering event stage of the startup process model (Figure 2.3), which of the following personal characteristics are needed by the small business owner?

(A) Leadership

(B) Vision

(C) Commitment

(D) Boredom

**Answer :** (C)

**64.** In the innovation and triggering event stages of the startup process model (see Figure 2.3), which of the following personal characteristics are needed by the small business owner?

(A) Better opportunity

(B) Planning

(C) Commitment

(D) Risk taking

**Answer :** (D)

**65.** In the growth stage of the startup process model (Figure 2.3), which of the following organizational characteristics is needed?

(A) Strategy

(B) Marketing

(C) IPO

(D) Operation management

**Answer :** (A)

**66.** About half of all business owners choose to go into business for themselves because they

(A) Want to earn lots of money

(B) Like the challenge

(C) Want to avoid hard work

(D) Want to fulfill others' expectations

**Answer :** (B)

**67.** The primary reason most people start their own business is to

(A) Build for their family

(B) Earn large sums of money

(C) Use their skills/abilities

(D) Live where they like

**Answer :** (C)

**68.** Some of the risks assumed through self-employment include all of the following **except**

(A) Income uncertainty

(B) Long work hours

(C) Personal liability

(D) A change in the owner's personality

**Answer :** (D)

**69.** Which of the following is not prerequisite for becoming a successful entrepreneur?

(A) Passion

(B) Determination

(C) Knowledge

(D) Education

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**Answer :** (D)

**70.** In the Reality Check "Small Biz on Campus," what did Whitney Williams begin selling while still in college?

(A) Unique-flavored chewing gum

(B) A new water-skiing product

(C) Refurbished cell phones

(D) Custom jewelry

**Answer :** (D)

**71.** At Wingate University, a product that wirelessly connects to a smartphone and app to test blood alcohol levels was developed by

(A) Faculty

(B) Students

(C) Research specialists

(D) Campus police

**Answer :** (B)

**72.** The personal quality linked to entrepreneurship in which people are motivated to excel and choose situations where success is likely is known as

(A) Locus of control

(B) Need to achieve

(C) Need to succeed

(D) High performance goals

**Answer :** (B)

**73.** The ability to control one's own fate is known as

(A) Locus of control

(B) Self-determination

(C) Perseverance

(D) Need to achieve

**Answer :** (A)

**74.** The ability to see, conceive, and create new and unique products, services, and processes is known as

(A) Innovation

(B) Risk taking

(C) Product development

(D) Locus of control

**Answer :** (A)

**75.** A characteristic of entrepreneurial personality that leads one to avoid goals that would be extremely difficult to achieve or goals with success almost guaranteed is called

(A) Internal locus of control

(B) A high desire for risk

(C) Flexibility

(D) A high need to achieve

**Answer :** (D)

**76.** After spending 15 years working in the restaurant industry, Alex has decided to open a restaurant of his own. His 15 years of experience will allow him to capitalize on which of the following?

(A) Passion

(B) Determination

(C) Trustworthiness

(D) Knowledge

**Answer :** (D)

**77.** In terms of education level of new business owners, the most common educational degree level is the

(A) Bachelor degree level

(B) MBA level

(C) PhD level

(D) Associate degree level

**Answer :** (A)

**78.** The one overriding characteristic needed to be a successful small business owner is which of the following?

(A) Confidence

(B) Energy

(C) Vision for the future

(D) Incredible tenacity

**Answer :** (D)

**79.** Which percentage of new business owners have had at least some college education?

(A) 25 percent

(B) 50 percent

(C) 60 percent

(D) 80 percent

**Answer :** (C)

**80.** Which two areas of coursework are the fastest growing subjects in business schools?

(A) Management and Marketing

(B) Entrepreneurship and Small Business Management

(C) Operation Management and Finance

(D) Management and Finance

**Answer :** (B)

**81.** One-day to one-year programs offered through college extension departments that are tailored to entrepreneurs and small business owners are referred to as

(A) Small-business counseling programs

(B) Entrepreneurial degree programs

(C) Corporate grind programs

(D) Executive education programs

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**Answer :** (D)

**82.** Which of the following is more important in the future development of a small business owner than the formal education received in school?

(A) Financial backing

(B) Management expertise

(C) Lifelong learning

(D) Technical skills

**Answer :** (C)

**83.** The three forms of business ownership include all but which of the following?

(A) Sole proprietorships

(B) Partnerships

(C) Corporations

(D) Joint ventures

**Answer :** (D)

**84.** Which of the following is the most common form of business ownership?

(A) Sole proprietorships

(B) Partnerships

(C) Corporations

(D) Joint ventures

**Answer :** (A)

**85.** Which of the following forms of business ownership brings in the most business-generated revenue?

(A) Sole proprietorships

(B) Partnerships

(C) Corporations

(D) Acquisitions

**Answer :** (C)

**86.** The trends for small businesses in the United States from 1980 to 2003 show the greatest increase in the number of

(A) Partnerships

(B) Public corporations

(C) Very small businesses

(D) Private corporations

**Answer :** (C)

**87.** Les, a certified public accountant, is looking to open a new accounting firm. Previously, Les was part-owner of a firm where he fought regularly with other co-owners about management decisions. If he wants to avoid such conflicts and promote independence, which of these should he choose?

(A) Sole proprietorship

(B) Partnership

(C) Corporation

(D) A public company

**Answer :** (A)

**88.** Which form of business ownership grew most rapidly from 1980 to 2006 as evidenced by the number of business tax returns filed?

(A) Sole proprietorships

(B) Partnerships

(C) Corporations

(D) Mergers

**Answer :** (A)

**89.** Which form of business ownership is the single best form in which to organize a small business?

(A) Sole proprietorships

(B) Partnerships

(C) Corporations

(D) There is no single best form.

**Answer :** (D)

**90.** The following are advantages of which form of business ownership: complete control over the business, few legal requirements and restrictions, and taxed as a single entity?

(A) Sole proprietorship

(B) Partnership

(C) Corporation

(D) Joint venture

**Answer :** (A)

**91.** Which form of business organization is easiest to open and easiest to close?

(A) Partnership

(B) Sole proprietorship

(C) Corporation

(D) A public company

**Answer :** (B)

**92.** The tax advantage for sole proprietorships does not last forever. The businessperson must make money in order to be considered a business. Money must be made for how many years in order to be considered a business and not a hobby by the IRS?

(A) Two out of five years

(B) Three out of five years

(C) Four out of five years

(D) Four out of six years

**Answer :** (B)

**93.** The single biggest disadvantage of sole proprietorships is which of the following?

(A) Limited resources

(B) Limited skills

(C) Unlimited liability

(D) Double taxation

**Answer :** (C)

**94.** Which disadvantage of sole proprietorships centers around the fact that capital is difficult to raise?

(A) Limited resources

(B) Limited skills

(C) Unlimited liability

(D) Lack of continuity

**Answer :** (A)

**95.** Which of the following is created to complete a specified purpose and is limited in duration?

(A) Sole proprietorship

(B) Joint Venture

(C) C Corporation

(D) S Corporation

**Answer :** (B)

**96.** The following are advantages of which form of business ownership: pooled talent, pooled resources, easy to form, tax advantages?

(A) Sole proprietorships

(B) Partnerships

(C) Corporations

(D) Acquisitions

**Answer :** (B)

**97.** A business structure in which the business owners share the management and all of the risk of a business is called a

(A) Sole proprietorship

(B) General partnership

(C) Limited partnership

(D) Corporation

**Answer :** (B)

**98.** The following are disadvantages of which form of business ownership: unlimited liability, management conflict potential, and less independence?

(A) Sole proprietorships

(B) Partnerships

(C) Corporations

(D) Mergers

**Answer :** (B)

**99.** Alice is co-owner of a company where she has unlimited liability. However, there are three additional co-owners within the same company that have limited liability. This company can best be described as a/an

(A) Unlimited partnership

(B) Limited partnership

(C) Uniform partnership

(D) Limited liability company

**Answer :** (B)

**100.** Without a written agreement, a partnership operates according to the rules of the states under the

(A) Uniform Partnership Act

(B) State Regulated Partnership Act

(C) Federal Partnership Act

(D) Small Business Administration

**Answer :** (A)

**101.** In a limited partnership, at least one partner

(A) Has unlimited liability

(B) Has limited liability

(C) Has raised 50 percent more capital than the other partners

(D) Has given up any tax advantages

**Answer :** (B)

**102.** The "right of first refusal" refers to which of the following?

(A) Partners may refuse to let one of the partners leave the business.

(B) Partners may allow one partner to have only limited liability.

(C) Partners may have first chance at buying the selling partner's shares in the business.

(D) Partners may refuse to pay out the profits of the business and instead reinvest the money back into the business.

**Answer :** (C)

**103.** A business structure in which one or more of the owners may be granted limited liability as long as one partner is designated a general partner is called a

(A) General partnership

(B) Fragmented partnership

(C) Limited partnership

(D) Segmented partnership

**Answer :** (C)

**104.** If the partners in a partnership have not written a legal agreement, which act helps to settle any problems that may arise?

(A) SBA

(B) SEC

(C) UPA

(D) FTC

**Answer :** (C)

**105.** A contract between partners of a business that defines obligations and responsibilities of the business owners is called the

(A) UPA

(B) Incorporation of the Partnership

(C) Article of Partnership

(D) Partnership Contract

**Answer :** (C)

**106.** Corporations that sell shares of stock to the public and are listed on the stock exchange are referred to as

(A) Divested corporations

(B) Entrepreneurial corporations

(C) Closely held corporations

(D) Public corporations

**Answer :** (D)

**107.** A partnership that is created to complete a specified purpose and is limited in duration is called a

(A) General partnership

(B) Limited partnership

(C) Corporation

(D) Joint venture

**Answer :** (D)

**108.** Which form of business ownership is the most complicated to form?

(A) Sole proprietorships

(B) Partnerships

(C) Corporations

(D) Subsidiaries

**Answer :** (C)

**109.** As far as the courts are concerned, a corporation has all but which of the following rights?

(A) The right to sue

(B) The right to own property

(C) The right to engage in transactions

(D) The right of first refusal

**Answer :** (D)

**110.** Sylvia is looking to start her own sporting goods manufacturing company, but the venture will

require a great deal of start-up investment. Which of these should she choose to ensure adequate financing?

(A) Partnership

(B) Sole proprietorship

(C) Corporation

(D) Small independent business

**Answer :** (C)

**111.** Which of the following forms of business ownership has the following advantages: limited liability, increased access to resources, and easy transfer of ownership?

(A) Sole proprietorship

(B) Partnership

(C) Corporation

(D) Joint venture

**Answer :** (C)

**112.** Which of the following forms of business ownership has the following disadvantages: expensive to start, complex to maintain, and double taxation?

(A) Sole proprietorship

(B) Partnership

(C) Corporation

(D) Closely held corporation

**Answer :** (C)

**113.** The legal and administrative costs are one of the major disadvantages of which form of business ownership?

(A) Sole proprietorships

(B) Partnerships

(C) Corporations

(D) General partnerships

**Answer :** (C)

**114.** What types of business entities are subject to double taxation?

(A) Sole proprietorships

(B) Partnerships

(C) Public corporations

(D) Private corporations

**Answer :** (C)

**115.** A type of corporation that taxes the owners as partners yet provides more flexibility is called a/an

(A) Nonprofit corporation

(B) S corporation

(C) Limited partnership

(D) Limited liability company

**Answer :** (D)

**116.** A special type of corporation in which the owners are taxed as partners is called a/an

(A) Nonprofit corporation

(B) S corporation

(C) Limited partnership

(D) Limited liability company

**Answer :** (B)

**117.** What types of corporations largely depend on grants from private foundations and public donations to meet expenses?

(A) Nonprofit corporations

(B) Limited-liability companies

(C) S corporations

(D) C corporations

**Answer :** (A)

**118. Scenario 2-1.** Mary Manting is opening her new business. She is offering a day camp/day care

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summer experience for a newly developed suburb in upscale Yolando. She has little capital and little management experience, and she is concerned with the possibility of lawsuits due to the nature of her business and the unlimited liability that she could then face. She comes to you for business advice.

In Scenario 2-1 above, what would be the major advantage of establishing her business as a sole proprietorship?

(A) Independence

(B) Unlimited resources

(C) Pooled talents

(D) Double taxation

**Answer :** (A)

**119. Scenario 2-1.** Mary Manting is opening her new business. She is offering a day camp/day care summer experience for a newly developed suburb in upscale Yolando. She has little capital and little management experience, and she is concerned with the possibility of lawsuits due to the nature of her business and the unlimited liability that she could then face. She comes to you for business advice.

In Scenario 2-1 above, what would be the major advantage of establishing her business as a general partnership?

(A) Independence

(B) Limited liability

(C) Pooled talents and resources

(D) Double taxation

**Answer :** (C)

**120. Scenario 2-1.** Mary Manting is opening her new business. She is offering a day camp/day care summer experience for a newly developed suburb in upscale Yolando. She has little capital and little management experience, and she is concerned with the possibility of lawsuits due to the nature of her business and the unlimited liability that she could then face. She comes to you for business advice.

In Scenario 2-1 above, which form of business ownership should she choose?

(A) Sole proprietorship

(B) Partnership

(C) Corporation

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(D) Sole partnership

**Answer :** (C)

**121. Scenario 2-1.** Mary Manting is opening her new business. She is offering a day camp/day care summer experience for a newly developed suburb in upscale Yolando. She has little capital and little management experience, and she is concerned with the possibility of lawsuits due to the nature of her business and the unlimited liability that she could then face. She comes to you for business advice.

In Scenario 2-1 above, what will be the biggest advantage of establishing her business as a corporation?

(A) Unlimited liability

(B) Independence

(C) Ease of setup

(D) Limited liability

**Answer :** (D)

**122. Scenario 2-2.** Harry Homer and Jenny Juno are two people extremely interested in establishing a small business. Harry is interested in marketing his newly developed product, which increases the speed by which data are transferred through phone lines. He sees great potential for his new product and is willing to devote his life savings and begin this new venture. Jenny is also interested in this product. She too sees a great potential down the road as businesses adapt this new technology. In the future, she can see a major company growing quickly with the ability to go public or merge with a major phone company.

In Scenario 2-2 above, Jenny could be categorized as what type of a business individual?

(A) Entrepreneur

(B) Business manager

(C) Small business owner

(D) Small business entrepreneur

**Answer :** (B)

**123. Scenario 2-2.** Harry Homer and Jenny Juno are two people extremely interested in establishing a small business. Harry is interested in marketing his newly developed product, which increases the speed by which data are transferred through phone lines. He sees great potential for his new product and is willing to devote his life savings and begin this new venture. Jenny is also interested in this product. She too sees a great potential down the road as businesses adapt this new technology. In the future, she can see a major company growing quickly with the ability to go public or merge with a major phone company.

In Scenario 2-2 above, which phase is Harry at in the startup process model?

(A) Implementation

(B) Triggering event

(C) Innovation

(D) Growth

**Answer :** (A)

**124. Scenario 2-2.** Harry Homer and Jenny Juno are two people extremely interested in establishing a small business. Harry is interested in marketing his newly developed product, which increases the speed by which data are transferred through phone lines. He sees great potential for his new product and is willing to devote his life savings and begin this new venture. Jenny is also interested in this product. She too sees a great potential down the road as businesses adapt this new technology. In the future, she can see a major company growing quickly with the ability to go public or merge with a major phone company.

In Scenario 2-2 above, at which stage in the startup process model will Jenny begin her part in this new venture?

(A) Implementation

(B) Innovation

(C) Growth

(D) Triggering event

**Answer :** (C)

**125. Scenario 2-2.** Harry Homer and Jenny Juno are two people extremely interested in establishing a small business. Harry is interested in marketing his newly developed product, which increases the speed by which data are transferred through phone lines. He sees great potential for his new product and is willing to devote his life savings and begin this new venture. Jenny is also interested in this product. She too sees a great potential down the road as businesses adapt this new technology. In the future, she can see a major company growing quickly with the ability to go public or merge with a major phone company.

In Scenario 2-2 above, all but which of the following are characteristics Harry possesses as a small business person?

(A) Risk taker

(B) Passion

(C) Perseverance

(D) Risk averse

**Answer :** (D)

**126. Scenario 2-2.** Harry Homer and Jenny Juno are two people extremely interested in establishing a small business. Harry is interested in marketing his newly developed product, which increases the speed by which data are transferred through phone lines. He sees great potential for his new product and is willing to devote his life savings and begin this new venture. Jenny is also interested in this product. She too sees a great potential down the road as businesses adapt this new technology. In the future, she can see a major company growing quickly with the ability to go public or merge with a major phone company.

In Scenario 2-2 above, what will be the most challenging aspect of beginning this new business?

(A) Long hours spent on the business

(B) The commitment that the business requires

(C) Income uncertainty

(D) Choosing the right form of business ownership

**Answer :** (C)

## ESSAY

**127.** Compare and contrast a small business manager and an entrepreneur.

**Answer :**

- Entrepreneurâ creates own business, innovative, assumes risk, and implements the innovative idea
- Small business managerâ deals with the day-to-day running of the established business, concerned with the growth of the company and the harvest period

**128.** Describe the behaviors that are possessed by entrepreneurs. **Answer :**
- Creation
- Innovation
- Risk assumption
- General management
- Performance intention

**129.** Use the startup process model to compare and contrast an entrepreneur and a small business manager. **Answer :**
- Entrepreneurâ innovation, triggering event, implementation
- Small business managerâ growth, maturity, and harvest

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**130.** List and discuss the primary reasons that people go into business for themselves. **Answer :**
(Listed in order from highest level of importance)

- Use skills/ability
- Control over life
- Build for family
- Like the challenge
- Live where/how one likes
- Gain respect/recognition
- Earn lots of money
- Fulfill others' expectations
- Best alternative available

**131.** Describe two advantages and two disadvantages of self-employment. **Answer :**

- Advantagesâ¯independence, use of one's own skills, and opportunity for profits
- Disadvantagesâ¯income uncertainty, long hours, and the business takes over one's personal life

**132.** Describe three characteristics of a successful entrepreneur. **Answer :**

- Passionate
- Locus of control
- Determined
- Innovative
- Knowledgeable
- Need to achieve

**133.** Compare and contrast a sole proprietorship, a partnership, and a corporation. **Answer :**

- Sole proprietorshipâ¯one owner, independence, control over one's life, unlimited liability, hard to raise capital, and tax benefits
- Partnershipsâ¯two or more persons, pooled talents, pooled resources, unlimited liability, and tax benefits
- Corporationâ¯legal entity, easier access to resources, limited liability, harder to control, and double taxation

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