Entrepreneurial Finance v3 1st edition Hettinger Test Bank

SKU: 9781453394816-TEST-BANK

Chapter 1: How Businesses Make Money

TRUE/FALSE

1. A business must understand its areas of expertise and how this expertise can be applied to make money.
   ANS: T DIF: Easy REF: Section 1.1

2. All businesses use the same operating strategies to create a competitive advantage.
   ANS: F DIF: Easy REF: Section 1.1

3. Many companies are successful at being both operational-centric and customer-centric.
   ANS: F DIF: Moderate REF: Section 1.1

4. An operational-centric business focuses on optimizing operations rather than on obtaining the highest prices.
   ANS: T DIF: Moderate REF: Section 1.2

5. Reducing product costs is less important to a customer-centric business than to an operational-centric business.
   ANS: T DIF: Difficult REF: Section 1.2

MULTIPLE CHOICE

6. Which of the following is not one of the four key business strategies?
   a. innovation and design
   b. imitating competitors
   c. sales and marketing
   d. customer service
   ANS: B DIF: Easy REF: Section 1.1

7. A customer-centric business could use all of the following strategies except:
   a. innovation and design
   b. sales and marketing
   c. low-cost operations
   d. customer service
   ANS: C DIF: Moderate REF: Section 1.1

8. An operational-centric business would most likely utilize which of the following strategies?
   a. innovation and design
   b. sales and marketing
   c. low cost operations
   d. customer service

© 2024 FlatWorld

Entrepreneurial Finance v3 1st edition Hettinger Test Bank

ANS: C DIF: Moderate REF: Section 1.1

9. Which of the following is the best example of an innovation and design strategy?
   a. using research and development to create patentable products
   b. a national advertising campaign to create brand awareness
   c. outsourcing call center operations to reduce costs
   d. creating a social media presence
   ANS: A DIF: Moderate REF: Section 1.1

10. Which of the following is the best example of a customer service strategy?
    a. using focus groups for feedback during product design
    b. research to analyze a customer's click patterns on the company website
    c. employing a dedicated product sales force
    d. offering a longer warranty than the competition
    ANS: D DIF: Moderate REF: Section 1.1

11. Which of the following is the best example of a sales and marketing strategy?
    a. hiring highly qualified product designers
    b. hiring a dedicated sales force
    c. outsourcing customer service to Asia to reduce costs
    d. switching to a just-in-time inventory system
    ANS: B DIF: Moderate REF: Section 1.1

12. Which of the following is the best example of a sales and marketing strategy?
    a. targeted Facebook advertising
    b. locating the flagship store in New York's Rockefeller Center
    c. creating an iconic logo
    d! All of the available are true.
    ANS: D DIF: Moderate REF: Section 1.1

13. Which of the following is the best example of a sales and marketing strategy?
    a. offering free shipping
    b. optimizing systems throughput
    c. hiring highly qualified product designers
    d. using focus groups for feedback during product design
    ANS: A DIF: Moderate REF: Section 1.1

14. Which of the following is the best example of an operations-focused strategy?
    a. locating warehouses nationwide
    b. automating factories
    c. outsourcing
    d! All of the available are true.
    ANS: D DIF: Easy REF: Section 1.1

15. Which of the following is not likely to be used as a primary strategy by a customer-centric business?

© 2024 FlatWorld

Entrepreneurial Finance v3 1st edition Hettinger Test Bank

a. using research and development to create patentable products
b. a national advertising campaign to create brand awareness
c. outsourcing call center operations to reduce costs
d. creating a social media presence
ANS: C DIF: Difficult REF: Section 1.1

16. Which of the following strategies is least likely to be used as a primary strategy by an operational-centric business?
a. hiring IT professionals to evaluate customer data
b. upgrading the GPS systems in the trucking fleet
c. marble floors in the stores
d. upgrading the conveyor systems in the warehouses
ANS: C DIF: Moderate REF: Section 1.1

17. A company that locates its flagship store on Fifth Avenue in New York is likely using a(n) _____ strategy.
a. sales and marketing
b. cost of goods sold
c. operations
d. innovation and design
ANS: A DIF: Moderate REF: Section 1.1

18. A company that purchases products in bulk from China and resells them for a small mark up on eBay is most likely using a(n) _____ strategy.
a. sales and marketing
b. counter trade
c. operational centric
d. innovation and design
ANS: C DIF: Moderate REF: Section 1.1

19. A restaurant hiring a famous chef to prepare specialized meals for customers is an example of which strategy?
a. innovation and design
b. sales and marketing
c. low cost operations
d. customer service
ANS: A DIF: Moderate REF: Section 1.1

20. A fast-food restaurant that installs a burger flipping robot in the kitchen to replace workers is using an example of which strategy?
a. innovation and design
b. customer relations
c. low-cost operations
d. helpful sales force
ANS: C DIF: Moderate REF: Section 1.1

© 2024 FlatWorld

Entrepreneurial Finance v3 1st edition Hettinger Test Bank

21. Which of the following is the best example of a company using an innovation and design strategy?
    a. developing, testing, and patenting new drugs
    b. using a just-in-time inventory system
    c. installing time management software
    d. easy to use instructions and manuals
    ANS: A DIF: Moderate REF: Section 1.1

22. The financial operations of a business are reported in
    a. the Journal of Business Operations.
    b. a company's financial statements.
    c. entries in the CEO's checkbook.
    d. Businesses should not keep financial reports to avoid being audited.
    ANS: A DIF: Easy REF: Section 1.1

COMPLETION

23. For a business to survive, it must have a _____.
    ANS: competitive advantage DIF: Moderate REF: Section 1.1

24. A business that focuses on obtaining higher prices through innovation and design, sales and marketing, or customer service is a _____ business.
    ANS: customer-centric DIF: Easy REF: Section 1.2

25. An _____ business makes money by optimizing their operations and becoming low-cost producers.
    ANS: operational-centric DIF: Easy REF: Section 1.2

26. A(n) _____ business should be in constant contact with its customers.
    ANS: customer-centric DIF: Easy REF: Section 1.2

27. A(n) _____ business focuses on optimizing operations and reducing costs.
    ANS: operational-centric DIF: Easy REF: Section 1.2

28. A(n) _____ business focuses on obtaining higher prices through innovation and design, sales and marketing, and customer service.
    ANS: customer-centric DIF: Easy REF: Section 1.2

29. Operational-centric businesses focus on becoming a _____ producer.
    ANS: low-cost DIF: Moderate REF: Section 1.2

30. The purpose of starting and operating a business is to _____.
    ANS: make money DIF: Moderate REF: Section 1.2

© 2024 FlatWorld

Entrepreneurial Finance v3 1st edition Hettinger Test Bank

31. A manufacturer who automates a manual process is likely focused on _____ as a strategy.
    ANS: operations DIF: Easy REF: Section 1.2

32. As industries mature, the companies in those industries tend to become more _____.
    ANS: operational-centric DIF: Easy REF: Section 1.2

SHORT ANSWER

33. Discuss why a business needs a strategy to be successful long-term.

    ANS: Businesses that are successful long-term have a competitive advantage over the competition that results from conscious effects to either be more operational efficient than the competition or provide a better customer experience than the competition. Operational efficiency, better customer service, better products through innovation and design, and more effective sales and marketing are strategies to create competitive advantage.

    DIF: Moderate REF: Section 1.1

34. Describe the key elements of an innovation and design strategy.

    ANS: When using an innovation and design strategy, a business creates products that are in some way different and better than the products and services offered by the competition. This difference allows the business to charge a higher price.

    DIF: Moderate REF: Section 1.1

35. Describe the key elements of a sales and marketing strategy.

    ANS: When using a sales and marketing strategy, the goals is to make customers aware of your products and to create a higher, better value for your products in the eyes of the customer, which will allow a higher price to be charged.

    DIF: Moderate REF: Section 1.1

36. Describe the key elements of a customer service strategy.

    ANS: Customer service activities help support the customer during and after the purchase process. This support can be provided in person, via print, or online, and should provide a better customer experience than the customer can get from competitors. This difference allows the business to charge a higher price.

    DIF: Moderate REF: Section 1.1

© 2024 FlatWorld

Entrepreneurial Finance v3 1st edition Hettinger Test Bank

37. Describe the key elements of an operations strategy.

    ANS: A business pursuing an operations strategy strives to produce and deliver its products to customers more efficiently and at a lower price than its competitors. Pursuing an operations strategy means continually tying to be more efficient.

    DIF: Moderate REF: Section 1.1

© 2024 FlatWorld

Entrepreneurial Finance v3 1st edition Hettinger Test Bank