**Homework Assignment 111**

**Course Number: 210211.10**

**Course Name: Entrepreneurship**

**Chapters 7-10**

**PART III: MOVING FROM AN IDEA TO AN ENTREPRENEURIAL FIRM**

Following are 33 questions each worth five points. Circle or highlight the answer you think most correct.

**Chapter 7 Preparing the Proper Ethical and Legal Foundation**

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.

A) entrepreneurs' agreement

B) creators' agreement

C) founders' agreement

D) initiators' agreement

E) originators' agreement

2) Most founders' agreements include a \_\_\_\_\_\_\_\_ clause, which legally obligates the departing founder to sell to the remaining founders his or her interest in the firm if the remaining founders are interested.

A) redemption

B) buyback

C) statutory purchase

D) voluntary recoup

E) shareholder surrender

3) Which of the following is typically **NOT** included in the founders' agreement for a firm?

A) Marketing plan

B) Legal form of business ownership

C) Buyback clause

D) Apportionment of stock

E) Identity and proposed titles of the founders

4) The Savvy Entrepreneurial Firm feature in Chapter 7 focuses on the topic of vesting company stock. According to the feature, a typical startup's vesting schedule lasts \_\_\_\_\_\_\_\_ and includes a 12-month cliff.

A) 12 months

B) 12 months to 24 months

C) 24 months to 36 months

D) 36 months to 48 months

E) 48 months to 60 months

5) A(n) \_\_\_\_\_\_\_\_ agreement binds an employee or another party to not disclose a company's trade secret. A \_\_\_\_\_\_\_\_ agreement prevents an individual from competing against a former employer for a specific period of time.

A) nondisclosure; noncompete

B) non breach-of-trust; nonchallenge

C) voluntary truth; nonparticipate

D) binding confidentiality; noncompete

E) ethics; nonparticipate

6) Jessica Marsh just took a job with Instagram. As part of her employment contract, Jessica signed an agreement that states that she will not disclose any of Instagram's trade secrets. The agreement that Jessica signed is called a(n) \_\_\_\_\_\_\_\_ agreement.

A) nondisclosure

B) non breach-of-trust

C) ethics

D) binding confidentiality

E) legitimacy

7) Steven Diaz just took a job with Harley Davidson. As part of his employment agreement, Harley Davidson required Steven to sign an agreement, which states that if he leaves Harley Davidson, he will not work for a firm that competes against Harley Davidson for at least two years. The agreement that Steven signed is called a \_\_\_\_\_\_\_\_ agreement.

A) nondisclosure

B) nonparticipate

C) nonchallenge

D) noncompete

E) noncontend

8) \_\_\_\_\_\_\_\_ is the process in which an impartial third party helps those involved in a dispute reach an agreement.

A) Conciliation

B) Reconciliation

C) Negotiation

D) Appeasement

E) Mediation

**Chapter 8 Assessing a New Venture's Financial Strength and Viability**

1) For Essentium Materials, the company profiled in the opening feature in Chapter 8, an essential financial metric is to work to grow its monthly revenues faster than its monthly \_\_\_\_\_\_\_\_ rate.

A) accounts payable

B) accounts receivable

C) burn

D) return

E) profitability

2) Financial management deals with two things—managing a company's finances and \_\_\_\_\_\_\_\_.

A) operations management

B) inventory control

C) raising money

D) production management

E) supply chain management

3) The four main financial objectives of a firm are \_\_\_\_\_\_\_\_.

A) efficiency, effectiveness, strength, and flexibility

B) power, success, efficiency, and effectiveness

C) control, effectiveness, liquidity, and power

D) success, strength, liquidity, and profitability

E) profitability, liquidity, efficiency, and stability

4) Which of the following was **NOT** identified as one of the four main financial objectives of a firm?

A) Stability

B) Efficiency

C) Timeliness

D) Liquidity

E) Profitability

5) Southwest Airlines uses its assets very productively. Its turnaround time, or the time that its airplanes sit on the ground while they are being loaded and unloaded, is the lowest in the airline industry. In terms of the primary financial objectives of a firm, this attribute is a measure of Southwest's \_\_\_\_\_\_\_\_.

A) efficiency

B) effectiveness

C) stability

D) liquidity

E) profitability

6) The strength and vigor of a firm's overall financial posture is referred to as \_\_\_\_\_\_\_\_.

A) liquidity

B) effectiveness

C) stability

D) profitability

E) efficiency

7) \_\_\_\_\_\_\_\_ are an estimate of a firm's future income and expenses, based on its past performance, its current circumstances, and its future plans.

A) Calculation statements

B) Forecasts

C) Statements of cash flow

D) Financial statements

E) Prediction statements

8) \_\_\_\_\_\_\_\_ are itemized forecasts of a company's income, expenses, and capital needs and are also an important tool for financial planning and control.

A) Profitability statements

B) Financial statements

C) Owners' equity statements

D) Budgets

E) Statements of cash flows

**Chapter 9 Building a New-Venture Team**

1) The fact that companies often falter because the people who start the firms can't adjust quickly enough to their new roles and because the firm lacks a "track record" with outside buyers and sellers, is referred to as the \_\_\_\_\_\_\_\_.

A) liability of preparedness

B) liability of newness

C) burden of novelty

D) burden of freshness

E) millstone of innovation

2) Savanna Combs opened a clothing boutique two years ago. Unfortunately, the boutique failed after 18 months. Savanna attributes the failure of her boutique to the fact that her employees couldn't adjust quickly enough to their new roles and that her boutique lacked a "track record" with outside buyers and sellers, which made it difficult to form partnerships and make sales. Savanna suffered from what research calls the \_\_\_\_\_\_\_\_.

A) burden of novelty

B) millstone of innovation

C) liability of newness

D) liability of preparedness

E) burden of newness

3) The high failure rate among new ventures is due, in part, to the liability of newness, which refers to the fact that new companies often falter because \_\_\_\_\_\_\_\_.

A) they are underfunded and the founders of the firms don't move quickly enough to put together boards of directors and boards of advisors that can provide them direction and advice

B) the founders of the firms underestimate the complexities involved with starting a new business and the firms lack a "track record" with outside buyers and sellers

C) the people who start the firms can't adjust quickly enough to their new roles and the firms lack a "track record" with outside buyers and sellers

D) the people who start the firms can't adjust quickly enough to their new roles and they are underfunded

E) the founders of the firms underestimate the complexities involved with starting a new business and they don't move quickly enough to establish business partnerships

4) Sam Atkinson, a new entrepreneur who had just launched his venture, joined an entrepreneurship boot camp. Sam's goal in joining the boot camp was to overcome the liability of \_\_\_\_\_\_\_\_.

A) entry barriers

B) foreignness

C) startups

D) failure

E) newness

5) Which of the following statements is untrue regarding founding teams?

A) The members of heterogeneous teams are diverse in terms of their abilities and experiences.

B) The members of homogenous teams are very similar in terms of their abilities and experiences.

C) Teams that have worked together before have an edge.

D) Studies show that more than one individual starts 50 to 70 percent of all new firms.

E) It is generally believed that new ventures started by an individual have an advantage over new ventures started by a team.

6) Which of the following statements is incorrect regarding founding teams?

A) The members of heterogeneous teams are diverse in terms of their abilities and experiences.

B) Teams that are working together for the first time have an advantage over teams that have worked together before.

C) The psychological support that cofounders of a new business can offer one another is an important element of a firm's success.

D) The members of homogeneous teams are very similar in terms of their abilities and experiences.

E) Studies show that more than one individual starts 50 to 70 percent of all new teams.

7) The members of heterogeneous teams are \_\_\_\_\_\_\_\_.

A) diverse in terms of their abilities and experiences

B) diverse in terms of their abilities, but very similar in terms of their experiences

C) similar in terms of their abilities and experiences

D) diverse in terms of their experiences, but very similar in terms of their abilities

E) sometimes diverse in terms of their abilities and experiences and sometimes similar along the same dimensions

8) The members of homogeneous teams are \_\_\_\_\_\_\_\_ in terms of their \_\_\_\_\_\_\_\_.

A) diverse; abilities and experiences

B) diverse; abilities, but very similar in terms of their experiences

C) similar; abilities and experiences

D) diverse; experiences, but very similar in terms of their abilities

E) sometimes diverse; abilities and experiences and sometimes similar along the same dimensions

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

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

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

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

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

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

**Chapter 10 Getting Financing or Funding**

1) Kinvolved, the company profiled in the opening feature of Chapter 10, is an EdTech startup that involves an app to track student absences. The company was co-founded by Miriam Altman and Alexandra Meis. Which of the following is true about Kinvolved's founding story?

A) Both Altman and Meis were college professors before starting the venture.

B) The co-founders raised money via an Indiegogo crowdfunding campaign.

C) Altman and Meis went public via an IPO soon after launch.

D) Both Altman and Meis attended Stanford University.

E) Altman and Meis met while they were teaching at Harvard University.

2) Steven and Emily Campbell are planning to open a casual dining restaurant in downtown Akron, Ohio, and need $125,000 to get started. They have $50,000 of their own money, which leaves $75,000. After getting turned down by a couple of banks, they decided to turn to their relatives and acquaintances for help. Fortunately, they were able to raise the money through a gift from Steven's grandfather, a loan from Emily's parents, and a small investment by Steven's best friend in college, Doug. The money that an entrepreneur raises in this manner is referred to as \_\_\_\_\_\_\_\_.

A) friends and family

B) bootstrapping

C) networking money

D) compassion money

E) legacy money

3) According to the textbook, many entrepreneurs go about the task of raising capital haphazardly because they \_\_\_\_\_\_\_\_.

A) are uncomfortable talking about money and they haven't written a business plan

B) lack experience in this area and because they don't know much about their choices

C) are focused on the nuts and bolts of starting their business

D) haven't completed a feasibility analysis or business plan

E) are intimidated by the process and they are unsure of how much money they need

4) Courtney Young is the founder of a company in the semiconductor industry. Courtney's firm is still in the feasibility analysis stage and doesn't have a product that is ready to sell. The company is spending about $25,000 per month and expects to maintain that level of spending until it reaches profitability. The $25,000 a month is Courtney's \_\_\_\_\_\_\_\_ rate.

A) consumption

B) utilization

C) burn

D) usage

E) liquidity

5) The three primary reasons startups need funding are \_\_\_\_\_\_\_\_.

A) cash flow challenges, capital investments, and lengthy product development cycles

B) business research, cash flow challenges, and costs associated with building a brand

C) bonuses for members of the new venture team, attorney fees, and lengthy product development cycles

D) attorney fees, capital investments, and marketing research

E) bonuses for members of the new venture team, marketing research, and personnel costs

6) In startup firms, inventory must be purchased, employees must be trained and paid, and advertising must be paid for before cash is generated from sales. Which of the following reasons that motivate firms to seek funding or financing is illustrated in this example?

A) Cash flow challenges

B) Marketing costs

C) Personnel costs

D) Capital investments

E) Lengthy product development cycles

7) For startup firms, the cost of buying real estate, building facilities, and purchasing equipment often exceeds the firm's ability to provide funds for those needs on its own. Which of the following reasons that motivate firms to seek funding or financing is illustrated in this example?

A) Lengthy product development cycles

B) Costs associated with building a brand

C) Cash flow challenges

D) Capital investments

E) Personnel costs

8) Peter Simmons owns a specialized computer software company. Although Peter's software designers and programmers are very good, it takes 2-3 years to develop a good software product. This example illustrates the need for funding or financing referred to as \_\_\_\_\_\_\_\_.

A) personnel costs

B) marketing costs

C) costs associated with building a brand

D) lengthy product development cycles

E) cash flow challenges