**Entrepreneurship**

**And**

**Small Business Management**

Homework 3

Chapter 5

Following are 20 questions: 16 multiple choice questions worth 4 points each and four open questions worth nine points each.

1) A solid business plan \_\_\_\_\_\_\_\_.   
A) forces potential entrepreneurs to look at their business idea in the harsh light of reality   
B) requires a potential entrepreneur to assess the venture's chances of success more objectively   
C) helps prove to outsiders, such as potential lenders and investors, that a business idea can be successful  
 D) All of the above   
  
2) The second essential purpose for creating a business plan is \_\_\_\_\_\_\_\_.   
A) to guide the operation of the company by charting its future course and devising a strategy for following it   
B) to attract lenders and investors  
 C) to file with the SEC before a public stock offering   
D) to attract potential managers and employees to run the new venture

3) To convince lenders and investors to put their money into the venture, a business plan must prove to them that it offers a high probability of repayment or an attractive rate of return. This is the \_\_\_\_\_\_\_\_ test.   
A) attractiveness   
B) competitive   
C) reality   
D) value

4) Which of the following is true regarding the process of building a business plan?   
A) It allows an entrepreneur to replace "I think" with "I know" and to make mistakes on paper, which is cheaper than making them in reality.   
B) It reduces the risk and uncertainty of launching a company by "teaching" the entrepreneur more about the industry, the market and the proposed venture.   
C) It requires an entrepreneur to subject the business idea to a more objective and critical evaluation.   
D) All of the above   
  
  
  
  
  
5) Which of the following is true about the preparation of a business plan?   
A) The format should follow a "cookie-cutter" approach to ensure uniformity and consistency with others and to promote ease of understanding.  
B) The elements of the plan may be standard, but the content should reflect the unique aspects of the business and the excitement of the entrepreneur.   
C) The plan should cover every standard element in great detail and be at least 100 pages long to prove to potential lenders and investors that the entrepreneur has studied the business and the market opportunity.   
D) The entrepreneur should avoid seeking the advice of professionals, such as accountants, business professors, and attorneys.

6) The \_\_\_\_\_\_\_\_ is also known as the "elevator pitch" and is written last, but is included as the first part of the business plan and should summarize all the relevant points in about two pages.   
A) loan proposal   
B) business history   
C) business profile   
D) executive summary   
  
7) The executive summary section of the business plan \_\_\_\_\_\_\_\_.   
A) should be a concise summary of the business venture   
B) should be no more than two pages long   
C) must capture the reader's attention and entice her/him to read the rest of the plan   
D) All of the above

7) The \_\_\_\_\_\_\_\_ serves as the "thesis statement" for the entire business plan and is the broadest expression of a company's purpose and defines the direction in which it will move.  
 A) executive summary   
B) mission statement   
C) company history  
 D) marketing strategy

8) The company history section of the business plan typically includes \_\_\_\_\_\_\_\_.   
A) significant financial and operational events   
B) highlights of the key goals and objectives the company has accomplished in the past   
C) a brief description of when and how the company was formed and how it has evolved over time D) All of the above

9) The relationship between core competencies and competitive advantage is best described by which statement?   
A) Strengthening a company's competitive advantage strengthens its core competencies.  
 B) A company's core competencies become the nucleus of its competitive advantage.   
C) As a company's core competencies become stronger, its competitive advantage becomes weaker. D) There is no relationship between core competencies and competitive advantage.

10) Which of the following is not a characteristic of the strategic management procedure for a small company?   
A) It should use a relatively short planning horizon (i.e., two years or less, typically).   
B) It should begin with an extensive objective-setting session.   
C) It should encourage the participation of employees and even outsiders to improve the reliability and creativity of the resulting plan.   
D) It should allow for flexibility and not be overly structured.   
  
11) When developing a company's mission statement, an entrepreneur should remember to \_\_\_\_\_\_\_\_.   
A) write the statement alone without anyone else's interference   
B) omit statements about her/his values because they may turn some stakeholders off  
 C) keep it short and simple   
D) All of the above  
  
12) Your \_\_\_\_\_\_\_\_ competitors offer the same products and services, and customers often compare prices, features, and deals from these competitors as they shop.   
A) significant  
 B) direct   
C) indirect   
D) All of the above   
  
13) Which of the following is an effective method of collecting information about competitors?   
A) Ask customers and suppliers what competitors are doing.   
B) Talk to employees, especially sales representatives and purchasing agents, about competitors.   
C) Attend trade shows and collect competitors' sales literature.  
D) All of the above   
  
14) Which of the following is not a characteristic of a well-written objective?   
A) Realistic, yet challenging   
B) Measurable   
C) General  
 D) Timely

15) Every business is characterized by a set of controllable variables that determines the relative success (or lack of it) of market participants called \_\_\_\_\_\_\_\_.   
A) distinctive competencies   
B) key success factors   
C) opportunities and threats   
D) competitive edge

16) Which of the following is not one of the three components of intellectual capital?   
A) Human   
B) Structural   
C) Competitor   
D) Customer

Open Questions:

1.) To get external financing, an entrepreneur's plan must pass three tests with potential lenders and investors. List and briefly explain all three.

2) What is strategic management? What role does a strategic plan play in a small company?

3) Assume that you are a consultant to a small independent hardware store in a town where a retail giant such as Wal-Mart, Kmart, or Target is about to open. The large retailer sells many of the same items the small hardware store sells, but at lower prices. What advice would you offer the owner concerning the hardware store's strategy? Explain. Keep it brief.

4) Assume you own a small camera shop that sells and repairs cameras and equipment. Discuss some of the methods you might select to allow you to successfully compete against the many large retailers that are nearby.