LESSON 1:  

Chapter 1: Small Business: An Overview
Chapter 2: Small Business Management, Entrepreneurship, and Ownership
Chapter 3: Social Responsibility, Ethics, and Strategic Planning.

Multiple Choice
Identify the choice that best completes the statement or answers the question.

1. What percentage of net new jobs do small businesses create annually?
   a. From 10 to 25 percent
   b. From 40 to 50 percent
   c. From 60 to 80 percent
   d. From 85 to 100 percent

2. Ronald Meese is the owner and operator of Meese Mining. To be considered a small business for crediting purposes, what is the maximum number of employees that Ronald can employ?
   a. 50
   b. 100
   c. 200
   d. 500

3. Industry classification codes that are based on annual sales revenue or number of employers are abbreviated as
   a. NAICS
   b. SIC2
   c. NAIA
   d. NCAA

4. The text defines a business as small if it has any of the following characteristics except which of the following?
   a. Less than 100 employees
   b. Little impact on the industry
   c. Independent operations, financing, and ownership
   d. A major impact on the industry

5. The __________ sector of the U.S. economy makes up about 60 percent of total U.S. jobs.
   a. Manufacturing
   b. Agricultural
   c. IT
   d. Service

6. The term economy of scale refers to which of the following?
   a. Increasing costs through the production of larger quantities
   b. Decreasing costs through the production of larger quantities
   c. Decreasing costs through the production of smaller quantities
   d. Increasing costs through the production of smaller quantities
7. Which of the following is a valid tactic for weathering an economic storm?
   a. Jettisoning the best customers
   b. Reducing cooperation with suppliers
   c. Finding recession-resistant opportunities
   d. Hiding cash

8. The impact downsizing has on small business is which of the following?
   a. No labor force to work in small businesses
   b. Opportunity to perform the work large businesses no longer perform
   c. An availability of workers with no skills
   d. Lack of financial backing for small businesses

9. Outsourcing is a method by which larger businesses
   a. Hire more employees
   b. Hire other businesses to provide goods/services instead of doing it themselves
   c. Hire more management specialists
   d. Work fewer hours

    businesses, what percent are owned by Hispanic Americans?
     a. 2.8 percent
     b. 5.8 percent
     c. 15.5 percent
     d. 25.2 percent

11. According to SBA data, the four-year survival rate between 1997 and 2001 is highest for which category
    of business owners?
     a. American Indian/Native Alaskan-owned business owners
     b. Hispanic-owned business owners
     c. Asian/Pacific Islander-owned business owners
     d. Nonminority-owned business owners

    percentage of all nonfarm operations?
     a. About 10 percent
     b. About 28 percent
     c. About 97 percent
     d. About 50 percent

13. From 1976 to 2004, the share of women owning their own business increased from ____ percent to ____
    percent?
    a. 50, 90
    b. 22, 33
    c. 10, 12
    d. 33, 75

14. Small businesses are more able than big businesses to perform efficiently in which of the following areas?
    a. Management
    b. Higher profit margins
    c. Fewer expenses
    d. Distribution
15. Which of the following are the inherent factors that work in favor of small businesses?
   a. Ability to remain flexible and innovative
   b. Management expertise
   c. Emphasis on variety
   d. Emphasis on quantity

16. The ability to offer greater value than one’s competitors is called which of the following?
   a. Quality
   b. Reduction in the price charged
   c. Competitive advantage
   d. Qualitative advantage

17. Large telecommunications companies have an incentive to improve existing lines of products and services to better serve their customers, rather than invent new products. This best demonstrates what aspect of innovation in business?
   a. Research and development departments in large companies fuel innovation
   b. Compared to larger companies, small businesses are not financially equipped to innovate
   c. Real innovation tends to come from independent inventors and small businesses
   d. Large companies are too inflexible to handle real innovation

18. According to the highlight box of inspiring quotes, what did Robert Kennedy say one must dare do in order to achieve greatly?
   a. Serve society
   b. Seek security
   c. Fail miserably
   d. Go fast

19. Inventing a new way to organize physical inputs to produce a product or service refers to
   a. Process innovation
   b. Product innovation
   c. Service innovation
   d. Management innovation

20. The most common types of innovations produced by small business relate to
   a. Service and products
   b. Manufacturing
   c. Management techniques
   d. New resources offered by financial institutions

21. 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

22. 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
23. 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

24. __________ 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

25. 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

26. The phase of implementation in the entrepreneurial process involves all but which of the following?
   a. Introducing new products
   b. Opening new markets
   c. Industrial reorganization
   d. Developing an advertising campaign

27. Which stage of the startup process is characterized by relative certainty that the business will survive?
   a. Growth
   b. Maturity
   c. Harvest
   d. Implementation

28. 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)

29. 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

30. 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
31. 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

32. 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

33. 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

34. iContact is a web-based program developed by University of North Carolina students that promotes
   a. Revenue generation
   b. Social responsibility
   c. Entrepreneurship
   d. Frugality

35. 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

36. 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

37. The three forms of business ownership include all but which of the following?
   a. Sole proprietorships
   b. Partnerships
   c. Corporations
   d. Joint ventures

38. 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
39. The single biggest disadvantage of sole proprietorships is which of the following?
   a. Limited resources
   b. Limited skills
   c. Unlimited liability
   d. Double taxation

40. 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

41. Which concept refers to the fact that a business has the obligation to impact society on four levels—
   economic, legal, ethical, and philanthropic?
   a. Business responsibility
   b. Moral obligation
   c. Social responsibility
   d. Ethical responsibility

42. _______ is a set of shared beliefs within an organization.
   a. Ethics
   b. Social responsibility
   c. Strategic planning
   d. Culture

43. Art has always played by the rules and obeyed the law. He believes that law is society’s codification of
   right and wrong. Art possesses qualities within which level of the social responsibility pyramid?
   a. Philanthropic goodwill
   b. Ethical responsibility
   c. Legal obligations
   d. Economic responsibility

44. The Sherman Antitrust Act was established to provide what type of protection within the legal
   environment?
   a. Consumer protection
   b. Trade protection
   c. Environmental protection
   d. Employee protection

45. The Civil Rights Act of 1964 was established to provide what type of protection within the legal
   environment?
   a. Consumer protection
   b. Trade protection
   c. Environmental protection
   d. Employee protection

46. Consumer protection involves which of the following?
   a. Setting safety standards and regulations for food and drugs
   b. Enforcing laws that prevent monopolies
   c. Setting minimum standards for air, water, and noise
   d. Enforcing laws preventing discrimination
47. The EPA was created to enforce laws regarding which regulations pertaining to business?
   a. Consumer protection laws  
   b. Laws to protect competition  
   c. Laws to protect the environment  
   d. Laws to prevent discrimination

48. In order to ensure a small business is free of sexual harassment, all but which of the following should be done?
   a. Have a clearly written policy prohibiting sexual harassment  
   b. Hold mandatory training programs on policies and prevention  
   c. Implement a program to be used if complaints are received  
   d. Ignore complaints until the manager is certain a real problem exists

49. Dealing with the consequences of one’s own actions is referred to as
   a. Idealism  
   b. Utilitarianism  
   c. Deontology  
   d. Virtue ethics

50. Philanthropic goodwill would be concerned with which of the following?
   a. Reasonable profit  
   b. Meeting the legal requirements of all laws dealing with discrimination  
   c. Meeting obligations to society  
   d. Improving quality of life and promoting goodwill

51. ______ is the ability to last and produce results into the future.
   a. Sustainability  
   b. Innovation  
   c. Social impact  
   d. Entrepreneurship

52. A tool with which the owner of a business communicates ethical expectations to everyone associated with the business is called a
   a. Code of conduct  
   b. Tool of ethics  
   c. Code of ethics  
   d. Tool of conduct

53. The first function of good management is which of the following?
   a. Good planning  
   b. Good organization  
   c. Good leadership  
   d. Good recruiting and hiring

54. Green marketing refers to businesses showing concern for which of the following issues?
   a. The environment  
   b. Willingness to devote a percentage of profits to charitable organizations  
   c. Landscaping cities through development of parks  
   d. Offering child care services as part of employee benefit packages
55. All but which of the following are steps in the strategic planning process?
   a. Mission statement
   b. Competitive analysis
   c. Control systems
   d. Identifying all interest expenses

56. The reason an organization exists is called a
   a. Profit margin
   b. Mission statement
   c. Statement of intentions
   d. Profit potential

57. The mission statement should have how many words?
   a. 100 or fewer
   b. 75 or fewer
   c. 50 or fewer
   d. 25 or fewer

58. Environmental analysis is important to small businesses because
   a. They are less flexible
   b. They are less sensitive to customer preferences
   c. They have more competitors
   d. They have fewer resources to risk

59. The increased popularity of tattoos among teens and twenty-somethings means opportunity for skin artists
    who are able to provide this service in a small business. This is an example of what type of opportunity?
    a. Economic
    b. Legal
    c. Competitive
    d. Sociocultural

60. Which of the following environments would the threat of new trade restrictions fall into?
    a. Economic
    b. Legal/regulatory
    c. Sociocultural
    d. Competitive

*** Multiple Choice Answer Sheet Follows ***
ANSWER SHEET
Lesson 1: Chapters 1 – 3

1. _____ 21. _____ 41. _____
2. _____ 22. _____ 42. _____
3. _____ 23. _____ 43. _____
4. _____ 24. _____ 44. _____
5. _____ 25. _____ 45. _____
6. _____ 26. _____ 46. _____
7. _____ 27. _____ 47. _____
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10. _____ 30. _____ 50. _____
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18. _____ 38. _____ 58. _____
19. _____ 39. _____ 59. _____
20. _____ 40. _____ 60. _____