Test Bank

Chapter 1: Small Business: An Overview

## Multiple Choice

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

Ans: C

KEY: Learning Objective: 1.1: Describe the characteristics of small business.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.1: What Is Small Business?

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

2. The number of people who make small business their primary occupation is which of the following?

a. 2 million

b. 6 million

c. 12 million

d. 25 million

Ans: C

KEY: Learning Objective: 1.1: Describe the characteristics of small business.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.1: What Is Small Business?

Difficulty Level: Medium

TOP: AACSB Standard: Analytical thinking

3. 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

Ans: D

KEY: Learning Objective: 1.1: Describe the characteristics of small business.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.1: What Is Small Business?

Difficulty Level: Easy

TOP: AACSB Standard: Reflective thinking

4. 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

Ans: A

KEY: Learning Objective: 1.1: Describe the characteristics of small business.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.1: What Is Small Business?

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

5. The industry that employs the greatest number of people in small business is which of the following?

a. construction

b. manufacturing

c. retail businesses

d. services

Ans: D

KEY: Learning Objective: 1.1: Describe the characteristics of small business.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.1: What Is Small Business?

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

6. What percentage of businesses in the service sector are small?

a. 71 percent

b. 51 percent

c. 31 percent

d. 11 percent

Ans: A

KEY: Learning Objective: 1.1: Describe the characteristics of small business.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.1: What Is Small Business?

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

7. William Smith works for an automobile company that generates an annual revenue exceeding $200 million, but accounts for less than one percent of the global automobile market. Based on this information, the company that William works for would be considered a \_\_\_\_\_\_.

a. conglomerate

b. corporation

c. small business

d. franchise

Ans: C

KEY: Learning Objective: 1.1: Describe the characteristics of small business.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.1: What Is Small Business?

Difficulty Level: Easy

TOP: AACSB Standard: Reflective thinking

8. Although Small Business Administration (SBA) standards allow up to 500 employees in some types of businesses, the most common limit is \_\_\_\_\_\_.

a. 10

b. 50

c. 100

d. 200

Ans: C

KEY: Learning Objective: 1.1: Describe the characteristics of small business.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.1: What Is Small Business?

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

9. Until the early 1800s, most goods were produced \_\_\_\_\_\_.

a. by small manufacturers

b. by workers in their cottages

c. by large factories

d. by large groups of workers in the town hall

Ans: B

KEY: Learning Objective: 1.2: Explain the role of small business in the U.S. economy.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.2: Small Businesses in the U.S. Economy

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

10. 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.

Ans: B

KEY: Learning Objective: 1.2: Explain the role of small business in the U.S. economy.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.2: Small Businesses in the U.S. Economy

Difficulty Level: Medium

TOP: AACSB Standard: Analytical thinking

11. The marketing concept was a paradigm shift that involved \_\_\_\_\_\_.

a. a focus on production

b. a focus on quality

c. a focus on consumer wants and needs

d. a focus on marketing

Ans: C

KEY: Learning Objective: 1.2: Explain the role of small business in the U.S. economy.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.2: Small Businesses in the U.S. Economy

Difficulty Level: Medium

TOP: AACSB Standard: Analytical thinking

12. What startup business of the 1960s used flatter organizational structure, improved customer service, and more flexibility to knock Sears out of its role of world’s largest retailer?

a. K-Mart

b. Woolco

c. Wal-Mart

d. Target

Ans: C

KEY: Learning Objective: 1.2: Explain the role of small business in the U.S. economy.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.2: Small Businesses in the U.S. Economy

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

13. Why has the number of students studying entrepreneurship increased so dramatically since the early 1970s?

a. More students wanted to buy this book and take this professor’s course.

b. The economy has been bad so no other jobs have been available.

c. Marketplace desires change quickly.

d. More small businesses are being formed and the cost of mistakes is higher.

Ans: D

KEY: Learning Objective: 1.2: Explain the role of small business in the U.S. economy.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.2: Small Businesses in the U.S. Economy

Difficulty Level: Medium

TOP: AACSB Standard: Analytical thinking

14. What is the annual revenue currently generated by Hispanic-owned businesses?

a. $700 billion

b. $150 billion

c. $222 billion

d. $39 billion

Ans: C

KEY: Learning Objective: 1.3: Discuss the importance of diversity in the marketplace and the workplace.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.3: Workforce Diversity and Small Business Ownership

Difficulty Level: Medium

TOP: AACSB Standard: Diverse and multicultural work environments

15. SBA 8(a) certification provides preference in bidding on federal and state contracts to \_\_\_\_\_\_.

a. women only

b. minorities only

c. women and minorities

d. first-generation Americans

ANS: C

KEY: Learning Objective: 1.3: Discuss the importance of diversity in the marketplace and the workplace.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.3: Workforce Diversity and Small Business Ownership

Difficulty Level: Easy

TOP: AACSB Standard: Diverse and multicultural work environments

16. Since 2002, the share of women owning their own business increased by what percent?

a. 10

b. 20

c. 38

d. 50

Ans: C

KEY: Learning Objective: 1.3: Discuss the importance of diversity in the marketplace and the workplace.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.3: Workforce Diversity and Small Business Ownership

Difficulty Level: Easy

TOP: AACSB Standard: Diverse and multicultural work environments

17. John Deere relies on hundreds of vendors to produce component parts for its farm equipment. This illustrates which secret of small business success?

a. Small businesses have competitive advantage over large businesses.

b. A symbiotic relationship exists between small and large businesses.

c. Small businesses perform more efficiently than larger ones.

d. Small businesses are able to innovate more easily than larger ones.

Ans: B

KEY: Learning Objective: 1.5: Suggest ways to court success in a small business venture.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.4: Secrets of Small Business Success

Difficulty Level: Medium

TOP: AACSB Standard: Reflective thinking

18. The chemical producer, Hoechst Celanese, found that diversity in the work force was particularly beneficial in which area?

a. problem solving

b. reaching a consensus

c. exploring one point of view

d. downsizing

Ans: A

KEY: Learning Objective: 1.3: Discuss the importance of diversity in the marketplace and the workplace.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.3: Workforce Diversity and Small Business Ownership

Difficulty Level: Easy

TOP: AACSB Standard: Diverse and multicultural work environments

19. 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

Ans: D

KEY: Learning Objective: 1.5: Suggest ways to court success in a small business venture.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.4: Secrets of Small Business Success

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

20. 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

Ans: A

KEY: Learning Objective: 1.5: Suggest ways to court success in a small business venture.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.4: Secrets of Small Business Success

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

21. 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

Ans: C

KEY: Learning Objective: 1.5: Suggest ways to court success in a small business venture.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.4: Secrets of Small Business Success

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

22. The stronger and more sustainable the competitive advantage a small business maintains, the better the chances of \_\_\_\_\_\_.

a. guaranteeing a profit

b. winning and keeping customers

c. obtaining a loan from a bank

d. entering the international market

Ans: B

KEY: Learning Objective: 1.5: Suggest ways to court success in a small business venture.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.4: Secrets of Small Business Success

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

23. You have a small business that offers printing services. One of the services you offer is a high-speed color copier. You are currently the only printing service in a tristate area that offers such a service. You currently have \_\_\_\_\_\_.

a. creative destruction

b. a competitive advantage

c. a qualitative advantage

d. a capital advantage

Ans: B

KEY: Learning Objective: 1.5: Suggest ways to court success in a small business venture.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.4: Secrets of Small Business Success

Difficulty Level: Medium

TOP: AACSB Standard: Reflective thinking

24. 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.

Ans: C

KEY: Learning Objective: 1.5: Suggest ways to court success in a small business venture.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.4: Secrets of Small Business Success

Difficulty Level: Medium

TOP: AACSB Standard: Reflective thinking

25. In order to take advantage of economies of scale, large businesses usually \_\_\_\_\_\_.

a. devote resources to produce selected quantities of products

b. devote resources to produce large quantities of products

c. devote resources that are committed for only short time periods

d. devote resources that are able to quickly respond to a changing market

Ans: B

KEY: Learning Objective: 1.2: Explain the role of small business in the U.S. economy.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.2: Small Businesses in the U.S. Economy

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

26. The incentive for innovation of new ideas and products is generally strongest for \_\_\_\_\_\_.

a. research and development divisions of large companies

b. small businesses

c. government-funded research laboratories

d. colleges and universities

Ans: B

KEY: Learning Objective: 1.5: Suggest ways to court success in a small business venture.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.4: Secrets of Small Business Success

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

27. 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

Ans: A

KEY: Learning Objective: 1.5: Suggest ways to court success in a small business venture.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.4: Secrets of Small Business Success

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

28. Linda Waters, a chemical engineer at a large pharmaceutical company, has lead a team to develop a new drug that effectively treats the common flu faster than any other drug on the market. This is an example of what type of innovation?

a. process innovation

b. product innovation

c. service innovation

d. management innovation

Ans: B

KEY: Learning Objective: 1.5: Suggest ways to court success in a small business venture.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.4: Secrets of Small Business Success

Difficulty Level: Medium

TOP: AACSB Standard: Reflective thinking

29. Creating a new way to organize a business’s resources involves \_\_\_\_\_\_.

a. process innovation

b. product innovation

c. service innovation

d. management innovation

Ans: D

KEY: Learning Objective: 1.5: Suggest ways to court success in a small business venture.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.4: Secrets of Small Business Success

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

30. 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

Ans: A

KEY: Learning Objective: 1.5: Suggest ways to court success in a small business venture.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.4: Secrets of Small Business Success

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

31. The process of creative destruction involves which of the following?

a. the destruction of current products

b. the replacement of current products

c. the innovation of new products

d. the replacement of existing products with new and better products

Ans: D

KEY: Learning Objective: 1.5: Suggest ways to court success in a small business venture.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.4: Secrets of Small Business Success

Difficulty Level: Medium

TOP: AACSB Standard: Analytical thinking

32. Big business competes based on mass production and, thus, lower prices. Small business can compete based on \_\_\_\_\_\_.

a. personalized services and products

b. lower prices than big business can offer

c. quality

d. accessibility to large amounts of capital

Ans: A

KEY: Learning Objective: 1.5: Suggest ways to court success in a small business venture.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.4: Secrets of Small Business Success

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

33. Allen Campbell’s small tire business has recently closed due to credit foreclosure. This is an example of \_\_\_\_\_\_.

a. voluntary withdrawal

b. bankruptcy

c. business failure

d. adequate management

Ans: C

KEY: Learning Objective: 1.6: Name the most common causes of small business failure.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.5: Understanding the Risks of Small Business Ownership

Difficulty Level: Easy

TOP: AACSB Standard: Reflective thinking

34. The valuable skills and knowledge that employees of a business possess are collectively called \_\_\_\_\_\_.

a. business assets

b. tangible inventory

c. outsourcing

d. intellectual capital

Ans: D

KEY: Learning Objective: 1.5: Suggest ways to court success in a small business venture.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.4: Secrets of Small Business Success

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

35. The lifeblood of any new small business is which of the following?

a. cash

b. a large target market

c. a customer base

d. a quality product/service

Ans: A

KEY: Learning Objective: 1.5: Suggest ways to court success in a small business venture.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.4: Secrets of Small Business Success

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

36. The most valuable asset a small business owner has is \_\_\_\_\_\_.

a. a quality product

b. buildings and equipment

c. a good relationship with his/her banker

d. employees

Ans: D

KEY: Learning Objective: 1.5: Suggest ways to court success in a small business venture.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.4: Secrets of Small Business Success

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

37. Intellectual capital is the skill and knowledge possessed by \_\_\_\_\_\_.

a. the small business owner

b. the small business consultant

c. the small business employees

d. the banker for a small business

Ans: C

KEY: Learning Objective: 1.5: Suggest ways to court success in a small business venture.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.4: Secrets of Small Business Success

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

38. A business failure occurs when a business closes for any of the following reasons except \_\_\_\_\_\_.

a. bankruptcy

b. a reorganization

c. a receivership

d. a merger

Ans: D

KEY: Learning Objective: 1.6: Name the most common causes of small business failure.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.5: Understanding the Risks of Small Business Ownership

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

39. The most common cause of business failure is \_\_\_\_\_\_.

a. choosing the wrong type of business ownership

b. starting a business that is too large

c. lack of marketing expertise by the small business owner

d. lack of management experience

Ans: D

KEY: Learning Objective: 1.6: Name the most common causes of small business failure.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.5: Understanding the Risks of Small Business Ownership

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

40. A common cause of business failure is \_\_\_\_\_\_.

a. choosing the wrong type of business ownership

b. starting a business that is too large

c. industry weakness

d. specialized management knowledge

Ans: C

KEY: Learning Objective: 1.6: Name the most common causes of small business failure.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.5: Understanding the Risks of Small Business Ownership

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

41. Sam closed the doors to her home-based consulting company only two years after opening because she was tired of working 80-hour weeks. This is an example of which mistake leading to business failure?

a. failing to understand the level of commitment required

b. neglecting to plan

c. not using employees effectively

d. mishandling finances

Ans: A

KEY: Learning Objective: 1.6: Name the most common causes of small business failure.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.5: Understanding the Risks of Small Business Ownership

Difficulty Level: Medium

TOP: AACSB Standard: Reflective thinking

42. A business failure occurs when a business \_\_\_\_\_\_.

a. closes because of retirement by the owner

b. is sold

c. closes because of lack of demand for the product

d. closes with financial losses to creditors

Ans: D

KEY: Learning Objective: 1.6: Name the most common causes of small business failure.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.5: Understanding the Risks of Small Business Ownership

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

43. A partnership that is restructured or a business that moves to a new location is considered to be which of the following?

a. business failure

b. business termination

c. business success

d. business venture

Ans: B

KEY: Learning Objective: 1.6: Name the most common causes of small business failure.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.5: Understanding the Risks of Small Business Ownership

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

44. According to the U.S. Census Bureau, approximately \_\_\_\_\_\_ of closed businesses were successful at the time of their closure.

a. one-quarter

b. one-third

c. two-thirds

d. three-quarters

Ans: B

KEY: Learning Objective: 1.6: Name the most common causes of small business failure.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.5: Understanding the Risks of Small Business Ownership

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

45. Which percentage of small businesses are actually forced out of business with financial loss to creditors?

a. 10 percent

b. 20 percent

c. 50 percent

d. 75 percent

Ans: B

KEY: Learning Objective: 1.6: Name the most common causes of small business failure.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.5: Understanding the Risks of Small Business Ownership

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

NARRBEGIN: 1-1

Scenario 1-1. Larry Linsuine is thinking of marketing a new idea he has been using. After years of experience as a deer hunter, he has perfected a tree stand that gives him an added advantage in deer hunting. He calls his new tree stand The Tree Hugger. He has now begun the process of manufacturing his tree stands with 20 employees working out of his garage. His life savings have provided the equity for his operation.

NARREND

46. In Scenario 1-1, what type of business is Larry beginning?

a. large business

b. joint venture

c. small business

d. none of these

Ans: C

PREFACE NAME: Scenario 1-1

KEY: Learning Objective: 1.1: Describe the characteristics of small business.

REF: Cognitive Domain: Comprehension

Answer Location: Concept Module 1.1: What Is Small Business?

Difficulty Level: Easy

TOP: AACSB Standard: Reflective thinking

NAR: 1-1

47. In Scenario 1-1, what advantage will Larry have over his competition with his new product?

a. competitive advantage

b. comparative advantage

c. qualitative advantage

d. financial advantage

Ans: A

PREFACE NAME: Scenario 1-1

KEY: Learning Objective: 1.5: Suggest ways to court success in a small business venture.

REF: Cognitive Domain: Comprehension

Answer Location: Concept Module 1.4: Secrets of Small Business Success

Difficulty Level: Easy

TOP: AACSB Standard: Reflective thinking

NAR: 1-1

48. In Scenario 1-1, what will be the most difficult problem that Larry will encounter?

a. obtaining sufficient cash

b. finding a target market

c. obtaining accurate information

d. deciding upon appropriate advertising media

Ans: A

PREFACE NAME: Scenario 1-1

KEY: Learning Objective: 1.5: Suggest ways to court success in a small business venture.

REF: Cognitive Domain: Comprehension

Answer Location: Concept Module 1.4: Secrets of Small Business Success

Difficulty Level: Easy

TOP: AACSB Standard: Reflective thinking

NAR: 1-1

NARRBEGIN: 1-2

Scenario 1-2. Franky Ferguson has just reached a turning point in his business. He can no longer retain quality employees because he cannot meet his payroll, he does not have an adequate cash flow to pay his current bills, and he is three months behind in his loan payment to the bank. He must close the doors of this business.

NARREND

49. In Scenario 1-2, the valuable skills and knowledge that Franky’s employees possessed is known as \_\_\_\_\_\_.

a. financial capital

b. intellectual capital

c. monetary capital

d. knowledge capital

Ans: B

PREFACE NAME: Scenario 1-2

KEY: Learning Objective: 1.5: Suggest ways to court success in a small business venture.

REF: Cognitive Domain: Comprehension

Answer Location: Concept Module 1.4: Secrets of Small Business Success

Difficulty Level: Easy

TOP: AACSB Standard: Reflective thinking

NAR: 1-2

50. In Scenario 1-2, what is the primary reason Franky has failed?

a. inadequate management

b. lack of a quality product

c. no target market

d. inadequate advertising

Ans: A

PREFACE NAME: Scenario 1-2

KEY: Learning Objective: 1.6: Name the most common causes of small business failure.

REF: Cognitive Domain: Comprehension

Answer Location: Concept Module 1.5: Understanding the Risks of Small Business Ownership

Difficulty Level: Easy

TOP: AACSB Standard: Reflective thinking

NAR: 1-2

51. In Scenario 1-2, which of the following are areas should Franky have worked on in order to help ensure the success of his business?

a. applied for credit for short-term financing

b. laid off some employees

c. managing finances

d. increased his advertising budget

Ans: C

PREFACE NAME: Scenario 1-2

KEY: Learning Objective: 1.6: Name the most common causes of small business failure.

REF: Cognitive Domain: Comprehension

Answer Location: Concept Module 1.5: Understanding the Risks of Small Business Ownership

Difficulty Level: Easy

TOP: AACSB Standard: Reflective thinking

NAR: 1-2

52. In Scenario 1-2, with the closing of his business, Franky has experienced \_\_\_\_\_\_.

a. business termination

b. business failure

c. business closing

d. business merger

Ans: B

PREFACE NAME: Scenario 1-2

KEY: Learning Objective: 1.6: Name the most common causes of small business failure.

REF: Cognitive Domain: Comprehension

Answer Location: Concept Module 1.5: Understanding the Risks of Small Business Ownership

Difficulty Level: Easy

TOP: AACSB Standard: Reflective thinking

NAR: 1-2

53. In Scenario 1-2, Franky joins what percentage of small businesses that have failed?

a. 10 percent

b. 20 percent

c. 50 percent

d. 75 percent

Ans: B

PREFACE NAME: Scenario 1-2

KEY: Learning Objective: 1.6: Name the most common causes of small business failure.

REF: Cognitive Domain: Comprehension

Answer Location: Concept Module 1.5: Understanding the Risks of Small Business Ownership

Difficulty Level: Easy

TOP: AACSB Standard: Reflective thinking

NAR: 1-2

## True/False

1. The Small Business Administration (SBA) estimates there are over 220 million small businesses in the United States.

Ans: F

KEY: Learning Objective: 1.1: Describe the characteristics of small business.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.1: What Is Small Business?

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

2. According to the Small Business Administration, 50 percent of all small businesses are home based.

Ans: T

KEY: Learning Objective: 1.1: Describe the characteristics of small business.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.1: What Is Small Business?

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

3. Of all U.S. companies exporting goods, few are classified as small businesses.

Ans: F

KEY: Learning Objective: 1.1: Describe the characteristics of small business.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.1: What Is Small Business?

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

4. Small businesses create more than 50 percent of all private U.S. gross domestic product (GDP).

Ans: T

KEY: Learning Objective: 1.1: Describe the characteristics of small business.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.1: What Is Small Business?

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

5. There are several definitions for small business; however, the most common criterion is the number of employees working for that business.

Ans: T

KEY: Learning Objective: 1.1: Describe the characteristics of small business.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.1: What Is Small Business?

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

6. A manufacturer with fewer than 500 employees is classified as a small business.

Ans: T

KEY: Learning Objective: 1.1: Describe the characteristics of small business.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.1: What Is Small Business?

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

7. The industry that employs the largest number of people in small business is the manufacturing industry.

Ans: F

KEY: Learning Objective: 1.1: Describe the characteristics of small business.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.1: What Is Small Business?

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

8. In the construction industry 90 percent of the companies are classified as small businesses.

Ans: F

KEY: Learning Objective: 1.1: Describe the characteristics of small business.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.1: What Is Small Business?

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

9. A microbusiness has fewer than five employees, including the owner.

Ans: T

KEY: Learning Objective: 1.1: Describe the characteristics of small business.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.1: What Is Small Business?

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

10. Economy of scale is the lowering of costs through production of larger quantities.

Ans: T

KEY: Learning Objective: 1.2: Explain the role of small business in the U.S. economy.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.2: Small Businesses in the U.S. Economy

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

11. Until the early 1800s, much of the U.S. economy was based on agriculture.

Ans: T

KEY: Learning Objective: 1.2: Explain the role of small business in the U.S. economy.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.2: Small Businesses in the U.S. Economy

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

12. The marketing concept was a paradigm shift that focused on new advertising media.

Ans: F

KEY: Learning Objective: 1.2: Explain the role of small business in the U.S. economy.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.2: Small Businesses in the U.S. Economy

Difficulty Level: Medium

TOP: AACSB Standard: Analytical thinking

13. Interest in entrepreneurship on campuses is high, with almost 2,000 colleges offering courses on the subject.

Ans: T

KEY: Learning Objective: 1.2: Explain the role of small business in the U.S. economy.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.2: Small Businesses in the U.S. Economy

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

14. According to SBA reports, Hispanic-owned businesses generate the most annual revenue of all U.S. minority-owned businesses.

Ans: F

KEY: Learning Objective: 1.3: Discuss the importance of diversity in the marketplace and the workplace.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.3: Workforce Diversity and Small Business Ownership

Difficulty Level: Medium

TOP: AACSB Standard: Diverse and multicultural work environments

15. Self-employment in all nonwhite categories rose by large percentage gains since 2016.

Ans: T

KEY: Learning Objective: 1.3: Discuss the importance of diversity in the marketplace and the workplace.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.3: Workforce Diversity and Small Business Ownership

Difficulty Level: Easy

TOP: AACSB Standard: Diverse and multicultural work environments

16. Asian-owned businesses totaled over 1.9 million, generating over $670 billion of annual revenue.

Ans: T

KEY: Learning Objective: 1.3: Discuss the importance of diversity in the marketplace and the workplace.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.3: Workforce Diversity and Small Business Ownership

Difficulty Level: Easy

TOP: AACSB Standard: Diverse and multicultural work environments

17. Businesses owned by women make up 25 percent of privately owned businesses.

Ans: F

KEY: Learning Objective: 1.3: Discuss the importance of diversity in the marketplace and the workplace.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.3: Workforce Diversity and Small Business Ownership

Difficulty Level: Easy

TOP: AACSB Standard: Diverse and multicultural work environments

18. Resources exist to specifically assist women- and minority-owned businesses.

Ans: T

KEY: Learning Objective: 1.3: Discuss the importance of diversity in the marketplace and the workplace.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.3: Workforce Diversity and Small Business Ownership

Difficulty Level: Easy

TOP: AACSB Standard: Diverse and multicultural work environments

19. Although small businesses tend to enjoy a higher profit margin due to their economies of scale, large businesses are often better at distribution.

Ans: F

KEY: Learning Objective: 1.5: Suggest ways to court success in a small business venture.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.4: Secrets of Small Business Success

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

20. Diversity in the workplace is changing the way our nation and our businesses operate.

Ans: T

KEY: Learning Objective: 1.3: Discuss the importance of diversity in the marketplace and the workplace.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.3: Workforce Diversity and Small Business Ownership

Difficulty Level: Easy

TOP: AACSB Standard: Diverse and multicultural work environments

21. Big businesses need small businesses.

Ans: T

KEY: Learning Objective: 1.5: Suggest ways to court success in a small business venture.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.4: Secrets of Small Business Success

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

22. A symbiotic relationship exists between small business and big business.

Ans: T

KEY: Learning Objective: 1.5: Suggest ways to court success in a small business venture.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.4: Secrets of Small Business Success

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

23. The stronger and more sustainable the competitive advantage, the better the chance of winning and consequently keeping customers.

Ans: T

KEY: Learning Objective: 1.4: Identify some of the opportunities available to small businesses.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.4: Secrets of Small Business Success

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

24. Small business is able to react less quickly to new and changing markets than is large business with its increased economies of scale.

Ans: F

KEY: Learning Objective: 1.4: Identify some of the opportunities available to small businesses.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.4: Secrets of Small Business Success

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

25. The ability to remain flexible and innovative is an inherent factor in the favor of small businesses.

Ans: T

KEY: Learning Objective: 1.4: Identify some of the opportunities available to small businesses.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.4: Secrets of Small Business Success

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

26. Computers are an invention that small business has contributed to society.

Ans: T

KEY: Learning Objective: 1.4: Identify some of the opportunities available to small businesses.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.4: Secrets of Small Business Success

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

27. Service innovation involves offering a new or altered service for sale.

Ans: T

KEY: Learning Objective: 1.4: Identify some of the opportunities available to small businesses.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.4: Secrets of Small Business Success

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

28. Most small businesses use market research as the primary means of learning about customers.

Ans: F

KEY: Learning Objective: 1.5: Suggest ways to court success in a small business venture.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.4: Secrets of Small Business Success

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

29. Creative destruction refers to the failure of small businesses due to fault of their own.

Ans: F

KEY: Learning Objective: 1.5: Suggest ways to court success in a small business venture.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.4: Secrets of Small Business Success

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

30. Economist Joseph Schumpeter called the replacement of existing products, processes, ideas, and businesses with new and better ones creative destruction.

Ans: T

KEY: Learning Objective: 1.5: Suggest ways to court success in a small business venture.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.4: Secrets of Small Business Success

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

31. The lifeblood of any new business is cash/sufficient startup capital.

Ans: T

KEY: Learning Objective: 1.5: Suggest ways to court success in a small business venture.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.4: Secrets of Small Business Success

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

32. Most new businesses do not survive past their first year.

Ans: F

KEY: Learning Objective: 1.6: Name the most common causes of small business failure.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.5: Understanding the Risks of Small Business Ownership

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

33. The most common cause of business failure is inadequate management and financing.

Ans: T

KEY: Learning Objective: 1.6: Name the most common causes of small business failure.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.5: Understanding the Risks of Small Business Ownership

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

34. Lack of marketing experience is one of the major problems faced by small business owners.

Ans: F

KEY: Learning Objective: 1.6: Name the most common causes of small business failure.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.5: Understanding the Risks of Small Business Ownership

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

35. External factors beyond a small business owner’s control are to blame for most business failures.

Ans: F

KEY: Learning Objective: 1.6: Name the most common causes of small business failure.

REF: Cognitive Domain: Knowledge

Answer Location: Concept Module 1.5: Understanding the Risks of Small Business Ownership

Difficulty Level: Easy

TOP: AACSB Standard: Analytical thinking

## Short Answer

1. Describe in detail the three primary characteristics of a small business.

Ans: Generally fewer than 100 employees.

Independently owned, operated, and financed.

Relatively little impact on the industry.

KEY: Learning Objective: 1.1: Describe the characteristics of small business.

REF: Cognitive Domain: Comprehension

Answer Location: Concept Module 1.1: What Is Small Business?

Difficulty Level: Medium

TOP: AACSB Standard: Analytical thinking

2. Briefly discuss the value of diversity in business.

Ans: Diversity in the workplace can provide creative problem-solving ideas.

A varied workforce is needed at every level of an organization.

KEY: Learning Objective: 1.3: Discuss the importance of diversity in the marketplace and the workplace.

REF: Cognitive Domain: Comprehension

Answer Location: Concept Module 1.3: Workforce Diversity and Small Business Ownership

Difficulty Level: Medium

TOP: AACSB Standard: Diverse and multicultural work environments

3. Explain in detail three advantages that contribute to the success of a small business.

Ans: Competitive advantage

innovation

flexibility

knowledge of the customers.

KEY: Learning Objective: 1.5: Suggest ways to court success in a small business venture.

REF: Cognitive Domain: Comprehension

Answer Location: Concept Module 1.4: Secrets of Small Business Success

Difficulty Level: Medium

TOP: AACSB Standard: Analytical thinking

4. Describe the four primary types of innovation.

Ans: product innovation

service innovation

process innovation

management innovation

KEY: Learning Objective: 1.5: Suggest ways to court success in a small business venture.

REF: Cognitive Domain: Comprehension

Answer Location: Concept Module 1.4: Secrets of Small Business Success

Difficulty Level: Medium

TOP: AACSB Standard: Analytical thinking