

CHAPTER 1 TEST BANK

A) MULTIPLE CHOICE

Select the "most correct" option:

1. Compared to willing entrepreneurs, “reluctant” entrepreneurs:
 - a. are more likely to be successful in starting a business.
 - b. are less likely to be successful in starting a business.
 - c. have the same success rates.
 - d. are more likely to abandon the process of starting a business.
2. Academics tend to define “small business” as having fewer than:
 - a. 5 employees.
 - b. 10 employees.
 - c. 100 employees.
 - d. 500 employees.
3. Writing a Business Plan is largely a process of:
 - a. step-by-step construction.
 - b. revision and rewriting.
 - c. getting others to write the plan.
 - d. finding the right format.
4. Entrepreneurship is best defined as:
 - a. gambling.
 - b. risking money to make profit.
 - c. innovation.
 - d. the management of people.
5. "Junk research":
 - a. is based on flawed logic or poor scientific method.
 - b. is research conducted by non-academics.
 - c. is totally valid, even though it is not recognized by the research community.
 - d. is the rigorous study of entrepreneurs.
6. Entrepreneurs in Canada tend to work:
 - a. fewer hours than employed people.
 - b. about the same number of hours as employed people.
 - c. more hours than employed people.
 - d. there is no information on who works more hours.
7. The more specialized that a business is, the more likely it is to:

- a. make money.
 - b. require more customers.
 - c. need a large inventory.
 - d. go bankrupt.
8. It is best to have a partner whose personality is:
- a. the same as yours.
 - b. opposite to yours.
 - c. complimentary to yours.
 - d. conflicting with yours.
9. The term "micro-enterprise" usually refers to a business that has fewer than:
- a. 2 employees.
 - b. 5 employees.
 - c. 10 employees.
 - d. 100 employees.
10. Compared to the general population, successful entrepreneurs tend to be:
- a. more aggressive.
 - b. more impulsive.
 - c. more confident in their abilities to influence their own futures.
 - d. more willing to take advantage of others.

B) TRUE OR FALSE

- 1. T. F. A person can learn the skills of running a small business from this course.
- 2. T. F. Generally, a "business" must have some value of its own, apart from its owner.
- 3. T. F. All Business Plans follow the same basic model.
- 4. T. F. The skills and traits that employers are looking for and the skills and traits needed to own a business are virtually identical.
- 5. T. F. If the owner of a sole proprietorship is killed, the "business" no longer exists as a legal entity.
- 6. T. F. Freelancers generally work under long-term contract to one employer at a time.
- 7. T. F. A single retail clothing store that is part of a national chain is generally considered to be a small business.
- 8. T. F. The greater the variety of potential customers that a new business has, the greater its potential for profit.

9. T. F. The definition of a business may change a number of times during the writing of a business plan.
10. T. F. Limited liability partnerships are a legal form reserved for self-governing professions like lawyers and accountants.

C) FILL IN THE BLANKS

1. A business where the owner is officially a “shareholder” is called a _____
2. Having total personal responsibility for company debts is called _____ liability.
3. The form of business giving all of the owners "unlimited liability" is called a _____ partnership.
4. The simplest and cheapest legal form of business to start is a _____.
5. An unsatisfied need or opportunity in the marketplace is referred to as a _____.

D) SHORT ANSWER

- 1) In three or four sentences discuss your personality traits and explain why you will (or will not) make a good entrepreneur.
- 2) Identify a specific kind of business that "right now" would be a good time to start. Identify the recent change or changes that have given rise to this opportunity.

E) ESSAY

1. Discuss the nature and findings of the research into the personalities of successful entrepreneurs. Suggest some areas that future studies in this field could investigate. (1 page max).

2. Discuss the advantages and disadvantages of self-employment compared to working for a large firm. (1 page max).

CHAPTER 1 TEST ANSWERS AND MARKING NOTES

Test Bank

Difficulty Level: (e) = easy, (m) = medium, (h) = hard

A) MULTIPLE CHOICE

1d (h); 2d (e); 3b(m); 4b(e); 5a(h); 6c(m); 7a(h); 8c(h); 9b(e); 10c(m)

B) TRUE/FALSE

1F(h); 2T(m); 3F(h); 4F(m); 5T(e); 6F(e); 7F(m); 8F(m); 9T(e); 10T(h)

C) FILL IN THE BLANKS

1. corporation (e); 2. unlimited, liability (m); 3. general (m);
4. sole proprietorship (m); 5. Gap (m)

D) SHORT ANSWER

1. A complete answer should identify the traits of being hard working, self-confident and goal-oriented and include personal examples. (m)
2. For full marks, the changes should be recent and the link to the business opportunity should be clear. (h)

E) ESSAY

1. The discussion should focus on why much of the research in this area is not valid and the need for "longitudinal" studies that test people before they become successful entrepreneurs. (h)
See text, pages 3-4.

2. Issues discussed should include workload, health, family life, income and a personal sense of control. (m) See text, pages 5-7.