Student name:\_\_\_\_\_\_\_\_\_\_

**TRUE/FALSE - Write 'T' if the statement is true and 'F' if the statement is false.  
1)** Small firms generate most new private employment.

1) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-01 Define what is mean by the term business.

**2)** Today more students think self-employment is a safer haven than working for big corporations.

2) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-01 Define what is mean by the term business.

**3)** The growth rate of the general workforce is always greater than the growth rate of self-employment.

3) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Learning Objective : 01-01 Define what is mean by the term business.  
Difficulty : 2 Medium

**4)** A small business is one that is owned and operated by a group of entrepreneurs and is dominant in its field of operation.

4) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-01 Define what is mean by the term business.

**5)** An entrepreneurial venture may never grow large, and the owners may not want it to, as they prefer a more relaxed and less aggressive approach to running the business.

5) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-01 Define what is mean by the term business.

**6)** One of the unique contributions of small businesses is that they keep larger firms competitive.

6) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-02 Name some of the unique contributions of small businesses.

**7)** Employees in large workplaces have higher job satisfaction than those in smaller firms.

7) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-02 Name some of the unique contributions of small businesses.

**8)** A small business provides employees with a variety of learning experiences not open to individuals holding more specialized jobs in larger companies.

8) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-02 Name some of the unique contributions of small businesses.

**9)** The reality that small businesses train people to become better leaders and managers and to develop their talents and energies more effectively has led more college graduates to seek full-time jobs with small businesses.

9) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 2 Medium  
Learning Objective : 01-02 Name some of the unique contributions of small businesses.

**10)** Managers of small firms must be specialists rather than generalists.

10) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 2 Medium  
Learning Objective : 01-03 Explain some of the current problems small businesses face.

**11)** Nowadays, smaller firms are exempt from many federal regulations and even some state and local ones.

11) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-03 Explain some of the current problems small businesses face.

**12)** Few jobs in small firms are unaffected by improvements in communications and computer technology.

12) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-04 Discuss some of the current trends challenging entrepreneurs and small bus

**13)** Downsizing or rightsizing is reducing the number of employees in order to achieve efficiency.

13) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-04 Discuss some of the current trends challenging entrepreneurs and small bus

**14)** Technological advances in automation, computers, robotics, and electronic communication, along with changing markets resulting from cultural, demographic, and economic changes, have affected traditional "smokestack" industries.

14) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-04 Discuss some of the current trends challenging entrepreneurs and small bus

**15)** Reengineering is the fundamental redesign of a business, often resulting in reduction in size and markets.

15) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-04 Discuss some of the current trends challenging entrepreneurs and small bus

**16)** Those interested in small business management need to understand what the challenge of being active globally is and what the rewards may be.

16) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-04 Discuss some of the current trends challenging entrepreneurs and small bus

**17)** One result of the current trends in business is the decreasing number of large and small U.S. businesses that are or become foreign owned.

17) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-04 Discuss some of the current trends challenging entrepreneurs and small bus

**18)** Not all small business owners and managers make a lot of money, nor do they all intend to.

18) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-05 Explain why people start small businesses.

**19)** Growth depends on attaining both profit and social objectives, which are not necessarily incompatible.

19) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 2 Medium  
Learning Objective : 01-05 Explain why people start small businesses.

**20)** Small business owners expect quick and concrete results from their investment of time and capital instead of engaging in the long-range planning.

20) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-06 Describe the characteristics of successful entrepreneurs.

**21)** With so much time, money, and energy devoted to the business, small business owners tend to have more zeal and devotion than do managers of big companies.

21) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-06 Describe the characteristics of successful entrepreneurs.

**22)** Most of the growing industries are dominated by large companies.

22) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-07 Describe where the opportunities are for small businesses.

**23)** With advances in technology, many tasks in the health care industry are now performed by highly paid and skilled workers.

23) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 2 Medium  
Learning Objective : 01-07 Describe where the opportunities are for small businesses.

**24)** Most creative entrepreneurs are very good managers.

24) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-08 Identify some of the areas of concern for small business owners.

**25)** The length of service of professional managers (as opposed to owner-managers) in small businesses tends to be relatively long.

25) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-08 Identify some of the areas of concern for small business owners.

**26)** In formal failures, an owner who cannot succeed voluntarily terminates the business.

26) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-08 Identify some of the areas of concern for small business owners.

**27)** Personal failures are failures ending up in court with some kind of loss to creditors.

27) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-08 Identify some of the areas of concern for small business owners.

**28)** Personal failures are more common than formal failures.

28) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-08 Identify some of the areas of concern for small business owners.

**29)** While the usual incubation period of a business is two to three years, 30 percent of incubator clients typically graduate each year.

29) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-08 Identify some of the areas of concern for small business owners.

**30)** One of the causes of discontinuance or failure is that the amount of time and/or physical effort demanded of the small business manager was not recognized and/or planned for.

30) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-08 Identify some of the areas of concern for small business owners.

**MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.  
31)** Which of the following is a major reason for the increased interest in small business?

31) \_\_\_\_\_\_

A) There is no major fear of being impacted by recession.   
 B) There is a growing trend toward self-employment.  
 C) The rate of profit achieved by small businesses is higher than that of big corporations.  
 D) There are very few government regulations and paperwork for small businesses.

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-01 Define what is mean by the term business.

**32)** Which of the following statements is true about the impact of small businesses and entrepreneurship on educational institutions?

32) \_\_\_\_\_\_

A) Entrepreneurship and small business management are accepted as academically respected disciplines by many high schools, colleges, and universities.   
 B) Community colleges are reluctant to offer courses for small business owners.  
 C) Today more students think working for big corporations is a safer haven than self-employment.  
 D) Educational institutions have discovered that by teaching entrepreneurship they will be able to put a restriction on free enterprise.

**Question Details**Accessibility : Keyboard Navigation  
Learning Objective : 01-01 Define what is mean by the term business.  
Difficulty : 2 Medium

**33)** Which of the following statements is true about small businesses?

33) \_\_\_\_\_\_

A) The manager usually owns the business.   
 B) The area of operations is not necessarily local, although the market is primarily local.  
 C) Capital is supplied and ownership is held by a large number of individuals.  
 D) Management of small businesses is highly dependent, because the businesses are owned by a group of people.

**Question Details**Accessibility : Keyboard Navigation  
Learning Objective : 01-01 Define what is mean by the term business.  
Difficulty : 2 Medium

**34)** Which of the following features must a business have to be classified as small?

34) \_\_\_\_\_\_

A) Management is independent, and the area of operation is primarily local.   
 B) It is dominant in its field of operation, and it employs 100­-200 people.  
 C) Ownership is held by a large group of people, and the market is primarily local.  
 D) Capital is provided by a federal institution, and the objectives are non-profitability and service to the government.

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-01 Define what is mean by the term business.

**35)** A \_\_\_\_\_ is any business that is independently owned and operated and is not dominant in its field of operation.

35) \_\_\_\_\_\_

A) monopolistic organization   
 B) public enterprise  
 C) close corporation  
 D) small business

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-01 Define what is mean by the term business.

**36)** An entrepreneurial venture is characterized by:

36) \_\_\_\_\_\_

A) innovative strategic practices and/or products.   
 B) independent ownership and operation and no desire for dominance in its field.  
 C) no scope of growing large, and the owners may not want it to.  
 D) normal sales, profits, and growth as opposed to rapid growth and a quick sellout.

**Question Details**Accessibility : Keyboard Navigation  
Learning Objective : 01-01 Define what is mean by the term business.  
Difficulty : 2 Medium

**37)** Which of the following is characteristic of a small business owner?

37) \_\_\_\_\_\_

A) Is innovative and focuses primarily on profitability and growth   
 B) Perceives the business as being an extension of his or her personality  
 C) Starts and manages a business for many reasons other than furthering personal goals  
 D) Prefers a less relaxed and more aggressive approach to running the business

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-01 Define what is mean by the term business.

**38)** Smaller firms tend to:

38) \_\_\_\_\_\_

A) minimize innovation and flexibility.   
 B) not provide a comprehensive learning experience to their employees.  
 C) keep larger firms competitive.  
 D) provide reduced employee job satisfaction.

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-02 Name some of the unique contributions of small businesses.

**39)** Which of the following best describes one of the contributions of small businesses?

39) \_\_\_\_\_\_

A) They are sources of new ideas or services that larger businesses may be unable to provide.   
 B) They provide large capital gains to the owners.  
 C) Their products and services are sold at prices that are lower than large businesses' prices.  
 D) They provide economies of scale that large businesses cannot match.

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-02 Name some of the unique contributions of small businesses.

**40)** Which of the following statements is true about small businesses?

40) \_\_\_\_\_\_

A) They get easy financing that leads to too many choices for funding.   
 B) Small businesses provide low employee job satisfaction owing to a lower volume of transactions.  
 C) They are not subject to burdensome government regulations and paperwork.  
 D) Inadequate management in small businesses creates problems for small business owners and entrepreneurs.

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-03 Explain some of the current problems small businesses face.

**41)** Which of the following is a problem faced by small businesses today?

41) \_\_\_\_\_\_

A) Lack of advertising   
 B) Lack of risk takers  
 C) No training at colleges and universities  
 D) Unexpected growth and financing issues

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-03 Explain some of the current problems small businesses face.

**42)** Which of the following is a reason for the drastic changes in small business management trends?

42) \_\_\_\_\_\_

A) Accounting departments becoming independent of computer support   
 B) Diverse shift away from people-related activities  
 C) Improvements in communications and computer technology  
 D) Excess supply of managerial talent

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-04 Discuss some of the current trends challenging entrepreneurs and small bus

**43)** \_\_\_\_\_ is the fundamental redesign of a business, often resulting in reduction in size and markets.

43) \_\_\_\_\_\_

A) Reinvention   
 B) Incremental change  
 C) Reengineering  
 D) Acculturation

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-04 Discuss some of the current trends challenging entrepreneurs and small bus

**44)** \_\_\_\_\_ refers to the process of reducing the number of employees to increase efficiency.

44) \_\_\_\_\_\_

A) Freezing   
 B) Rightsizing  
 C) Procuring  
 D) Resourcing

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-04 Discuss some of the current trends challenging entrepreneurs and small bus

**45)** Which of the following is the result of the trend in business to become more active globally?

45) \_\_\_\_\_\_

A) A growing number of large and small U.S. businesses are or are becoming foreign owned.   
 B) The American consumer is increasingly noticing the change in managerial styles.  
 C) The foreign-owned companies are increasingly adopting traditional managerial styles.  
 D) A growing number of small business owners and managers are refraining from adapting to nontraditional managerial styles.

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 2 Medium  
Learning Objective : 01-04 Discuss some of the current trends challenging entrepreneurs and small bus

**46)** Which of the following is a reason for starting a small business?

46) \_\_\_\_\_\_

A) To get a chance to act like automatons   
 B) To get freedom from decision-making responsibility  
 C) To focus on selling the same products that are available in the market  
 D) To satisfy personal objectives

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-05 Explain why people start small businesses.

**47)** A new small business owner's primary motive is usually \_\_\_\_\_.

47) \_\_\_\_\_\_

A) independence, that is, freedom from interference or control by superiors   
 B) the need to obtain a second income for balancing the losses of other ventures  
 C) the need to provide a niche product  
 D) to seek security, place, power, prestige, high income, and benefits

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-05 Explain why people start small businesses.

**48)** Which of the following refers to an introspective personal analysis that can help a small business owner determine whether the combination of qualities he or she has will help him or her succeed as a small business owner?

48) \_\_\_\_\_\_

A) Analysis of one's attitude   
 B) Analysis of one's financial status  
 C) Analysis of the value of the products to be sold  
 D) Analysis of the capacity of the facility to be used

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-05 Explain why people start small businesses.

**49)** According to the Small Business Administration's (SBA) Office of Advocacy (www.sba.gov), only \_\_\_\_\_ tend to be dominated by larger businesses.

49) \_\_\_\_\_\_

A) specialized delivery and catering services   
 B) social assistance and educational services  
 C) construction and personnel/supply services  
 D) management, business, and financial services

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-07 Describe where the opportunities are for small businesses.

**50)** The occupation with the fastest growth overall is \_\_\_\_\_.

50) \_\_\_\_\_\_

A) professional service   
 B) health care  
 C) office and administrative support  
 D) sales and related services

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-07 Describe where the opportunities are for small businesses.

**51)** Which of the following is true about the first stage of the typical growth pattern that small businesses tend to follow?

51) \_\_\_\_\_\_

A) Owners manage the business and do all the work.   
 B) Owners manage their companies but hire employees to help with routine and/or management activities.  
 C) Owners hire managers to run the firms.  
 D) Owners outsource much of the supervisory work.

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-08 Identify some of the areas of concern for small business owners.

**52)** Which of the following is true about the final stage of the typical growth pattern that small businesses tend to follow?

52) \_\_\_\_\_\_

A) Owners manage the business and do all the work.   
 B) Owners manage their companies but hire employees to help with routine and/or management activities.  
 C) Owners hire managers to run the firms.  
 D) Owners outsource much of the supervisory work.

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-08 Identify some of the areas of concern for small business owners.

**53)** Which of the following statements is true about the typical growth pattern of a small business?

53) \_\_\_\_\_\_

A) Owners do not need to give managers a financial interest in the business to hold them.   
 B) The length of service of professional managers (as opposed to owner-managers) in small businesses tends to be relatively long.  
 C) Owners typically hire professional managers as soon as they start their business.  
 D) Professional managers who work in small companies move from one company to another as they progress upward in rank and earnings.

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 2 Medium  
Learning Objective : 01-08 Identify some of the areas of concern for small business owners.

**54)** \_\_\_\_\_ is a voluntary decision to terminate a business.

54) \_\_\_\_\_\_

A) Foreclosure   
 B) Formal failure  
 C) Discontinuance  
 D) Bankruptcy

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-08 Identify some of the areas of concern for small business owners.

**55)** Mark opened a café in his neighborhood. Soon his café became very popular, and his revenues started increasing. Steve, the owner of a popular restaurant, saw Mark's success and asked him to join his restaurant. The financial incentive that Steve offered Mark was more than what he earned at his café. Moreover, Mark would not have to face the daily hassles of managing everything on his own. Mark decided to shut down his café and join the restaurant. This is an example of:

55) \_\_\_\_\_\_

A) foreclosure.   
 B) formal failure.  
 C) discontinuance.  
 D) bankruptcy.

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 2 Medium  
Learning Objective : 01-08 Identify some of the areas of concern for small business owners.

**56)** John opened All-for-Shop, a small retail outlet, in his neighborhood. He could not sustain it for more than a year because of huge losses and chose to shut it down. Fortunately, he did not have any creditors. Which of the following does the situation describe?

56) \_\_\_\_\_\_

A) Formal failure   
 B) Foreclosure  
 C) Bankruptcy  
 D) Personal failure

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 2 Medium  
Learning Objective : 01-08 Identify some of the areas of concern for small business owners.

**57)** Which of the following statements is true about failure and small businesses?

57) \_\_\_\_\_\_

A) Personal failures typically end up in court with some kind of loss to the creditors.   
 B) A discontinuance may result from the apparent advantages of working for someone else.  
 C) Formal failures are far more numerous than personal ones.  
 D) Discontinuance usually results when creditors file a lawsuit against a small business.

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 2 Medium  
Learning Objective : 01-08 Identify some of the areas of concern for small business owners.

**58)** \_\_\_\_\_ nurture young firms and help them to survive and grow during the startup period when they are most vulnerable.

58) \_\_\_\_\_\_

A) Successful graduates   
 B) Business incubators  
 C) International trade organizations  
 D) Conglomerates

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-08 Identify some of the areas of concern for small business owners.

**59)** Which of the following does a business incubator do to help small business owners succeed?

59) \_\_\_\_\_\_

A) Find out the competition and make deals for cooperation   
 B) Provide management assistance and shared office services  
 C) Hire employees and train them  
 D) Keep their financial records up to date

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-08 Identify some of the areas of concern for small business owners.

**60)** Which of the following is the main goal of an incubation program?

60) \_\_\_\_\_\_

A) Provide financial assistance   
 B) Exempt small businesses from interest on loans  
 C) Procure equipment  
 D) Produce businesses that are financially viable and freestanding

**Question Details**Accessibility : Keyboard Navigation  
Difficulty : 1 Easy  
Learning Objective : 01-08 Identify some of the areas of concern for small business owners.

**ESSAY. Write your answer in the space provided or on a separate sheet of paper.  
61)** Mention some of the reasons for the increased interest in small business.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Question Details**Learning Objective : 01-01 Define what is mean by the term business.  
Difficulty : 2 Medium

**62)** Mention the features required for a small business to be classified as "small."

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Question Details**Learning Objective : 01-01 Define what is mean by the term business.  
Difficulty : 2 Medium

**63)** Mention some major contributions made by small businesses.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Question Details**Difficulty : 2 Medium  
Learning Objective : 01-02 Name some of the unique contributions of small businesses.

**64)** What are the repeated areas that create problems for small business owners and entrepreneurs?

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**Question Details**Difficulty : 2 Medium  
Learning Objective : 01-03 Explain some of the current problems small businesses face.

**65)** Describe some of the current trends challenging small business owners.

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**Question Details**Difficulty : 2 Medium  
Learning Objective : 01-04 Discuss some of the current trends challenging entrepreneurs and small bus

**66)** Explain why people start small businesses.

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**Question Details**Difficulty : 2 Medium  
Learning Objective : 01-05 Explain why people start small businesses.

**67)** Mention the characteristics of successful owners of small businesses.

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**Question Details**Difficulty : 2 Medium  
Learning Objective : 01-06 Describe the characteristics of successful entrepreneurs.

**68)** Explain how a poorly planned growth and the threat of failure limit the success of small firms.

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**Question Details**Difficulty : 2 Medium  
Learning Objective : 01-08 Identify some of the areas of concern for small business owners.

**69)** Mention the causes or reasons of discontinuance or failure.

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**Question Details**Difficulty : 2 Medium  
Learning Objective : 01-08 Identify some of the areas of concern for small business owners.

**70)** What are business incubators? How do they help young firms succeed?

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**Question Details**Difficulty : 2 Medium  
Learning Objective : 01-08 Identify some of the areas of concern for small business owners.

**Answer Key**Test name: Small Business Management ch01

1) TRUE

2) TRUE

3) FALSE

4) FALSE

5) FALSE

6) TRUE

7) FALSE

8) TRUE

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10) FALSE

11) FALSE

12) TRUE

13) TRUE

14) TRUE

15) FALSE

16) TRUE

17) FALSE

18) TRUE

19) TRUE

20) TRUE

21) TRUE

22) FALSE

23) FALSE

24) FALSE

25) FALSE

26) FALSE

27) FALSE

28) TRUE

29) TRUE

30) TRUE

31) B

32) A

33) A

34) A

35) D

36) A

37) B

38) C

39) A

40) D

41) D

42) C

43) A

44) B

45) A

46) D

47) A

48) A

49) C

50) B

51) A

52) C

53) D

54) C

55) C

56) D

57) B

58) B

59) B

60) D

61) The following are some reasons for the increased interest in small business:   
   
The number of small businesses is growing rapidly.   
Small firms generate most new private employment.   
The public favors small business.   
There is increasing interest in small business entrepreneurship at high schools and colleges.   
There is a growing trend toward self-employment.   
Entrepreneurship is attractive to people of all ages.

62) To be classified as "small," a small business must have at least two of the following features:   
   
Management is independent, because the manager usually owns the business.   
Capital is supplied and ownership is held by an individual or a few individuals.   
The area of operations is primarily local, although the market is not necessarily local.   
The business is small in comparison with the larger competitors in its industry.

63) Some major contributions made by small businesses that set them apart from larger firms are that small businesses tend to:   
   
Encourage innovation and flexibility.   
Maintain close relationships with customers and the community.   
Keep larger firms competitive.   
Provide employees with comprehensive learning experience.   
Develop risk takers.   
Generate new employment.   
Provide greater employee job satisfaction.

64) These areas include inadequate financing, inadequate management, and burdensome government regulations and paperwork.   
Inadequate financing: Without adequate funds, a small business owner is unable to acquire and maintain facilities, hire and reward capable employees, produce and market a product, or do the other things necessary to run a successful business.   
Inadequate management: It is the second problem facing small firms and appears in the forms of limited business knowledge, poor management, inadequate planning, and inexperience. Many owners tend to rely on one-person management and seem reluctant to vary from this managerial pattern.   
Burdensome government regulations and paperwork: Now, small firms are subject to many of the same regulations as their larger competitors. These regulations are often complex and contradictory, which explains why small business managers find it so difficult to comply with governmental requirements.

65) Exploding technology: The primary challenge of exploding technology for small companies will be to improve the selection and training of workers and overcome their resistance to change. Therefore, owners and managers must keep up to date themselves on the latest technologies so they can effectively train their people to use these technologies, including telecommuting.   
Occupational and industry shifts: Occupational and industry shifts from "smokestack" industries toward more people-orientated activities (demand for employees will become an issue). Among these shifts, reinvention, particularly including a reduction in the size and markets for businesses, has led to fewer job opportunities for those who are less well-trained and educated.   
Global challenges: The trend in business is to become more active globally, and those interested in small business management need to understand at least what the challenge is and what the rewards may be.

66) People start small businesses to:   
   
1) Satisfy personal objectives—achieve independence, obtain additional income, help their families, provide products not available elsewhere.   
2) Achieve business objectives—service, profit, social, and growth objectives.

67) The characteristics of successful owners of small businesses are that they:   
   
Desire independence.   
Have a strong sense of initiative.   
Are motivated by personal and family considerations.   
Expect quick and concrete results.   
Are able to react quickly.   
Are dedicated to their businesses.   
Enter business as much by chance as by design.

68) Poorly planned growth appears to be a built-in obstacle facing many small businesses. Clearly, if the owners are incapable, inefficient, or lacking in initiative, their businesses may flounder and eventually fail, or if the owners are mediocre, their businesses remain small. However, if the owners are efficient and capable and their organizations succeed and grow, but in a poorly planned way, they risk losing the very things they seek from their companies.   
The threat of failure and discontinuance is a reality for many small businesses. A discontinuance is a voluntary decision to quit. A discontinuance may result from any of several factors, including health, changes in family situation, and the apparent advantages of working for some else. A failure results from inability to make a go of the business; things just do not work out as planned. There are two types of failure: (1) formal failures, which end up in court with some kind of loss to the creditors, and (2) personal (informal) failures, where the owner cannot make it financially and so voluntarily calls it quits. Personal failures are far more numerous than formal ones.

69) Discontinuance or failure results from one or more of the following weaknesses: (1) too much was left to chance, (2) too many decisions were based on a hunch or intuition, (3) crucial obstacles went unnoticed for too long, (4) the amount of time and/or physical effort demanded of the small business manager was not recognized and/or planned for, and (5) the amount of capital needed was either not estimated or grossly underestimated.

70) Business incubators nurture young firms and help them to survive and grow during the startup period when they are most vulnerable. Hands-on management assistance, access to financing, and orchestrated exposure to critical business or technical support services are provided. Incubators offer entrepreneurial firms shared office services, access to equipment, flexible leases, and expandable space—all under one roof. The main goal of an incubation program is to produce successful graduates, that is, businesses that are financially viable and freestanding when they leave the incubator. While the usual incubation period is two to three years, 30 percent of incubator clients typically graduate each year.