**CHAPTER 1: THE BUSINESS MODEL**

**TEST BANK**

A) MULTIPLE CHOICE

Select the "most correct" option:

1. Characteristics of an entrepreneur include all of the following except:
2. Entrepreneurs are often very hard-working and dedicated to seeing their dream become reality.
3. Entrepreneurs tend to have more confidence in their own ability to influence their futures.
4. Successful entrepreneurs cannot afford to take any risks. They have limited capital to deploy and any mistakes may result in failure.
5. Entrepreneurs often “think outside the box” when trying to find solutions to problems when resources are limited and traditional options are just not feasible.
6. Academics tend to define “small business” as having fewer than:
7. 5 employees.
8. 10 employees.
9. 100 employees.
10. 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 primary business skills required from an entrepreneur include each of the following except:

a. Financial Planning

b. Marketing and Sales

c. Communication and Negotiation

d. Asset Management

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 from 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

.

6. Provisions for \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ in a partnership agreement will help in the case of argument among the partners.

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).

1. Compare and contrast 3 legal business structures. Provide at least one advantage and one disadvantage for each structure.

**CHAPTER 1 TEST ANSWERS AND MARKING NOTES**

**Test Bank**

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

A) MULTIPLE CHOICE

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

B) TRUE/FALSE

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

C) FILL IN THE BLANKS

1. corporation (e); 2. unlimited, liability (m); 3. general (m);

4. sole proprietorship (m); 5. Gap (m) 6. Dispute settlement (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).
2. Issues discussed should include workload, health, family life, income and a personal sense of control. (m).
3. Answers will vary, however, they should include discussion on Sole Proprietorship, General Partnership, and Corporation. Students may also opt to discuss Limited Partnership, Limited Liability Partnership or Business Co-operative. (m)