Introduction and Chapter 1: The Successful Business

For multiple choice questions, circle one answer. For true or false questions, circle a (true) or b (false).

1. When developing a business plan, which is most important?
   a. The plan itself
   b. The planning

2. In what ways does a business plan help you succeed?
   a. You make your mistakes on paper, not with precious time and real money
   b. You ask the tough questions
   c. You examine all aspects of your business
   d. All of the above
   e. b and c

3. Which of the following are not necessary factors of a successful business?
   a. The business concept
   b. Financial control
   c. Creating a new product
   d. Ability to attract, motivate and retain employees

4. Meeting ___________ is the basis of all business. (needs)

5. Successful businesses must incorporate how many of the following elements:
   
   Something new | Something better | Underserved or new market
   New delivery or distribution channel | Increased integration

   a. Zero
   b. At least one
   c. Three
   d. All five
6. To understand the market, which of the following must you do?
   a. Define the market
   b. Gather market data
   c. Evaluate the market
   d. Determine market readiness
   e. All of the above

7. True or false? Your company is subject to the same conditions that affect your industry overall.
   a. True. No business operates in a vacuum.
   b. False. My business is special.

8. A clear strategic plan
   a. Enables you to capture the entire market
   b. Distinguishes you from competitors
   c. Is sensitive, top-secret information
   d. All of the above

9. Evaluate each member of management for:
   a. Experience
   b. Realism
   c. Flexibility
   d. Ability to work well with others
   e. All of the above

10. Demographics trends in the U.S. indicate a tight labor market through the early part of the 21st century. To enhance their ability to attract employees, employers should:
    a. Provide free pizza and beer to employees every Friday
    b. Develop a reputation as a good company to work for
    c. Develop management practices that treat employees fairly
    d. All of the above
    e. b and c
11. True or false? Things take longer and cost more than anticipated.
   a. True. Build financial cushions into your plan to allow for unanticipated expenses and delays.
   b. False. Developing a business plan will enable you to control and foresee every possible variable of your business.

12. Change may come in forms such as technological change, sociological change, or competitive change. What types of businesses do not need to plan for these changes?
   a. Static businesses that are unaffected by change
   b. Certain traditional service businesses such as maintenance services (e.g., landscaping, plumbing and electrical) and counseling services (e.g., marriage, weight loss, career planning)
   c. Sole proprietorships without employees
   d. None of the above

13. True or false? Companies that emphasize goals (e.g., business, social, or environmental goals) in addition to making money succeed better and survive longer than companies whose whole sole motivation is money.
   a. True. Values-driven companies usually better weather short-term financial setbacks because employees and management are committed to goals in addition to financial rewards.
   b. False. The only legitimate reason to run a business is to earn a profit.

14. Global considerations to keep in mind when developing your business plan include:
   a. Target market
   b. Competitors
   c. Suppliers
   d. Labor
   e. Social responsibility
   f. All of the above

15. It is useful to consider your personal goals—otherwise known as the four Cs—
when deciding on the nature of your business. The four Cs are:

a. Control, Challenge, Creativity, Competition
b. Control, Challenge, Creativity, Cash
c. Community, Challenge, Creativity, Cash
d. None of the above
Chapter 2: Getting Your Plan Started

For multiple choice questions, circle one answer. For true or false questions, circle a (true) or b (false).

16. When conducting research, do the following:
   a. Make a list of questions and look for answers to them
   b. Find every possible source of information
   c. Begin with general background information
   d. All of the above
   e. a and c

17. True or false? Governments do not make most data they collect public and accessible on the Internet.
   a. True. Although the government collects vast amounts of data, this is available to the public for a fee only.
   b. False. The U.S. Census Bureau, the U.S. Department of Commerce, and the U.S. Department of Labor are just three of the government sites that provide a wealth of free information.

18. Good offline research resources include:
   a. Libraries, both public and university
   b. Small business development centers (SBDCs) and sub-centers
   c. Trade and industry associations
   d. Paid research services
   e. All of the above

19. True or false? If yours is an ongoing business (not newly established), you need to gather historical data about your company.
   a. False. Existing businesses do not need business plans.
   b. True. All businesses should plan for the future and work on their business plans on a regular basis.

20. For some data, you will have to undertake your own research. What is the easiest method of obtaining data:
a. Personal observation
b. Informational interviews
c. Surveys
d. Focus groups

21. Which of the following are accessible sources for market research?
   a. Potential customers and suppliers
   b. Similar businesses serving different cities
   c. Banks, real estate agents, universities, chambers of commerce, merchant groups, and others observing the local economy
   d. Entrepreneurs’ groups
   e. All of the above

22. True or false? You should never talk to your competitors.
   a. True. Show contempt for your competitors at all times.
   b. False. Some competitors may be willing to talk with you directly, especially in instances where there is more work than the market can handle.

23. When evaluating your data, make sure to:
   a. Use older data first
   b. Translate the data into units rather than dollars in order to take inflation into account
   c. Impress your investors by using the most optimistic figures and values
   d. All of the above
   e. a and c

24. True or false? Doing a quick feasibility analysis can save you time.
   a. True. Before diving into your plan, you’ll find out if your idea is workable or whether it needs to be altered dramatically.
   b. False. A business plan makes doing a feasibility analysis redundant.
Chapter 3: Making Your Plan Compelling

For multiple choice questions, circle one answer. For true or false questions, circle a (true) or b (false).

1. True or false? An investor can dismiss your plan in less than five minutes.
   a. True. Investors are inundated with plans and you must capture their attention immediately.
   b. False. As part of their jobs, investors must read every plan cover to cover that crosses their desks.

2. Some of the most-asked questions readers of your plan will pose are:
   a. Is the business idea solid?
   b. Is the market large enough?
   c. Are the financial projections realistic and positive?
   d. Is management experienced and capable?
   e. How will I get my money back?
   f. All of the above

3. Which three sections of your business plan must spark enough interest for the reader to continue reading:
   a. Executive Summary, Financials, Appendix
   b. Company Description, Financials, Management Description
   c. Executive Summary, Financials, Management Description
   d. None of the above

4. True or false? Mistakes in a business plan are okay as long as they are unintentional.
   a. True. You will have time to explain to an investor who questions an incorrect fact that you simply made an honest mistake.
   b. False. The worst mistake you can make in a business plan is a mistake.

5. A business plan should be:
   a. About 40 pages long and cover 8 to 10 years
b. Between 15 and 35 pages long and cover 3 to 5 years  
c. Between 3 and 5 pages and cover 1 year  
d. None of the above  

6. When writing your plan, use language that:  
  
a. Is flowery and poetic  
b. Uses business and industry terms  
c. Uses superlatives such as “best,” “terrific,” or “unmatched”  
d. Includes positive comments from third-party sources  
e. b, c, and d  
f. b and d  

7. True or false? To avoid being redundant, do not use information from one section in your plan in another section.  
  
a. True. Do not repeat yourself in your business plan.  
b. False. People put great faith in numbers and using information from your Financials in other areas of your plan can add significant credibility.  

8. Capture your reader’s attention by using the following elements:  
  
a. Bullet points  
b. Photographs and illustrations  
c. Graphs and charts  
d. All of the above  
e. a and c  

9. A business model canvas:  
  
a. Describes what a company does and the structure it puts into place to make money  
b. Describes some elements of a new business in a one-page, visual format  
c. Replaces the need for in-depth business planning  
d. Is most useful for novice entrepreneurs  
e. c and d
Chapter 4: The Executive Summary

For multiple choice questions, circle one answer. For true or false questions, circle a (true) or b (false).

1. The single most important part of your business plan is:
   a. The Financials
   b. The Executive Summary
   c. Management & Organization
   d. Operations

2. True or false? You should always write your Executive Summary first.
   a. True. The Executive Summary is the most important part of your business plan and therefore you should work on it first before starting any other section.
   b. False. You should work on the Executive Summary only after having considered all aspects of your business.

3. Some investors may ask to see which two parts of the business plan first?
   a. Synopsis Summary and Narrative Summary
   b. Executive Summary and Management & Organization
   c. Executive Summary and Financials
   d. Executive Summary and Appendix

4. The Executive Summary must show many that:
   a. Your basic business concept makes sense
   b. The management is capable
   c. You will earn enough money to retire to an Hawaiian beach house in five years
   d. Your business incorporates competitive advantages
   e. a, b, and d

5. There are two types of Executive Summary. These are the __________ Summary and the __________ Summary. (Synopsis, Narrative)
6. The following type of writing pays off in the Executive Summary:
   a. Clear and straightforward
   b. Flowery and poetic
   c. Logical and dynamic
   d. a and c

7. A busy funder must be able to read your Executive Summary in less than
   a. A week
   b. Five minutes
   c. An hour
   d. 30 seconds
Chapter 5: Company Description

For multiple choice questions, circle one answer. For true or false questions, circle a (true) or b (false).

1. The Company Description must convey many aspects of your business, **but not:**
   a. Company name
   b. Products and services
   c. Feasibility analysis
   d. Location
   e. Financial status

2. Your company name can differ from your own name. Possible company names include:
   a. Legal or corporate names
   b. “DBA” or fictitious names
   c. Brand names
   d. Domain names
   e. All of the above
   f. a, b, and d

3. Your Statement of Mission can describe your company in terms of:
   a. Commitment to quality
   b. Service and customer relationship
   c. Price positioning
   d. Management style and work environment
   e. Social, environmental goals
   f. All of the above

4. You face many legal issues when starting a business, including:
   a. Legal form
   b. Intellectual property
   c. Equipment schedules
d. Loans, leases, or obligations  
e. All of the above  
f. a, b, and d

5. True or false? When an American company operates globally, only U.S. law applies.
   a. True. American companies do not fall under the jurisdiction of the countries in which they operate.  
   b. False. Educate yourself about legal requirements and issues that can affect your business when operating overseas.

6. Include the following when describing your products or services
   a. Sensitive trade secrets  
   b. Nature of products or services  
   c. Number and type of product lines  
   d. Unique features or innovations  
   e. All of the above  
   f. b, c, and d

7. True or false? Include the names of everyone who serves on your management team, Board of Directors, or Advisory Board.
   a. True. Investors want the names of every person on your team and will scrutinize your list closely.
   b. False. Only include names of your management team members or those who sit on your boards if those names are impressive or may be known to your investors.

8. True or false? You should include the location information in your Company Description.
   a. True. List the location of your company’s headquarters, main place of business (if it differs), and any branch locations.  
   b. False. All location information goes into the plan’s Appendix.

9. If applicable, include the following milestones achieved to date:
a. Secured customers
b. Date company founded
c. Stage of product development
d. Fulfilled orders
e. All of the above

10. Which of the following should you include to indicate your financial status?
   a. Present source of funds
   b. Major financial obligations
c. Amount of money you are seeking
d. Key ratio analysis
e. All of the above
f. a, b, and c
Chapter 6: Industry Analysis & Trends

For multiple choice questions, circle one answer. For true or false questions, circle a (true) or b (false).

1. When examining your industry, focus on:
   a. A description of your industry
   b. Trends in your industry
   c. Strategic opportunities that exist in your industry
   d. All of the above

2. The four major economic sectors are:
   a. Service, manufacturing, retail, and agriculture
   b. Service, manufacturing, retail, and business-to-business
   c. Service, manufacturing, retail, and distribution
   d. None of the above

3. If Gross Domestic Product (GDP) is growing faster than your industry:
   a. Your industry is losing ground and your business has less potential
   b. Your are in an industry with more potential

4. Generally, the life cycle of an industry comprises four phases: new, expanding, stable, and:
   a. Exiting
   b. Declining
   c. Developing
   d. None of the above

5. True or false? New industries provide excellent entrepreneurial activities.
   a. True. The growth rate is very high for new industries and smaller companies are well suited to respond to rapid changes.
   b. False. New industries are unproven and therefore too risky for entrepreneurial activity.
6. Industries are sensitive to economic cycles. Some companies that tend to do well in down times are:
   a. Discount department stores
   b. Construction
   c. Used car dealerships
   d. All of the above
   e. a and c

7. For many industries, certain times of year produce higher revenues than others. This trait is known as:
   a. Seasonality
   b. Sales volatility
   c. Sensitivity
   d. Roller coaster effect

8. True or false? Technological advances only affect businesses in the technology industry.
   a. True. In low-tech industries, technological advances do not affect core business functions such as sales and distribution, marketing, customer service, and relationships with suppliers.
   b. False. In all businesses, technological advances change the way products are made and sold, and how information and communication is managed.

9. True or false? Some governmental, regulatory measures actually create strategic opportunities.
   a. True. In the environmental field, for instance, increased government regulation over pollution has led to whole new industries dealing with waste management and energy conservation.
   b. False. Regulation, licensing, and certification dictate how certain industries conduct business; like all annoyances, they present zero opportunity.

10. In industries with a large number of suppliers and distributors:
    a. Costs remain lower but entry is relatively difficult
    b. Costs remain lower and entry is relatively easy
11. No area of your Industry Analysis is more important than an evaluation of the financial patterns characterizing your industry. Be sure to research factors such as:
   a. Retail and distributor markup on goods
   b. Sales commission
   c. Standard credit terms
   d. Costs of labor, materials, energy, shipping, etc.
   e. All of the above

12. In a global company, industry trends worldwide that may affect your company include:
   a. Industry size and growth rates
   b. Seasonality concerns
   c. Government regulations
   d. Suppliers and distributors
   e. All of the above
Chapter 7: Target Market

For multiple choice questions, circle one answer. For true or false questions, circle a (true) or b (false).

1. Essential to business success is a thorough understanding of your customers. You must know:
   a. Who your customers are
   b. What your customers want
   c. How your customers behave
   d. What your customers can afford
   e. All of the above

2. A market-driven company is shaped by:
   a. Demands and trends of the marketplace
   b. The inherent characteristics of a product or service
   c. Sales structures
   d. Market readiness, preparation, and planning

3. True or false? Describe your market in the broadest possible terms by including all those who might potentially use your product.
   a. True. This shows investors that you have a huge market to exploit.
   b. False. Doing so gives you little genuine information on which to base your business decisions.

4. To be a useful planning tool, the definition of your target market must be definable, meaningful, sizable, and:
   a. Flush with cash
   b. Disposable
   c. Reachable
   d. Affordable
   e. All of the above
5. Demographic information of your target market includes specific, factual traits such as:
   a. Age and gender
   b. Income level
   c. Education level
   d. Home ownership
   e. All of the above
   f. a, b, and d

6. A geographic description can include traits such as:
   a. Area served (e.g., neighborhood, city, state, region, country)
   b. Density or type (e.g., suburban, urban, rural, etc.)
   c. Your business location
   d. Climate
   e. All of the above
   f. a, b, and c

7. When marketing products or services globally online, what limitations may you face?
   a. Issues of fulfillment (e.g., shipping goods)
   b. Language
   c. Licensing or legal issues
   d. Limits of realistic market demand from different areas
   e. None; online, the whole world is my geographic target market
   f. a through d

8. To get a sense of the concerns and interests of your customers, you may want to examine:
   a. Magazines they read, where they shop, cars they drive
   b. Their life stage or business stage
   c. Issues they face
   d. How they spend their time
   e. All of the above
f. a, c, and d

9. Some of the psychographic factors that can describe your target market are:
   a. Early adopter
   b. Fiscally prudent
   c. Religious
   d. Educated
   e. All of the above
   f. a, b, and c

10. To understand the purchasing patterns of your customers, research factors such as:
    a. Method of payment
    b. How they learned about the product or service
    c. Where, when, how often and how much they buy
    d. Reason for first purchase
    e. All of the above
    f. b, c, and d

11. True or false. Although all customers want the highest quality, best service, and greatest convenience, all at the lowest price, they know they have to make tradeoffs.
    a. True. Customers know they will have to pay a little more for extra features, or perhaps drive farther to get a lower price.
    b. False. You should offer all of these aspects to your customers.

12. Before starting her oatmeal business, Goldilocks undertakes thorough market research. The first target market she researches is too small and has few customers. The second is too big and has lots of competition. The third is just right—it serves a limited number of customers and serves a specific need. This third market is known as a _________ market. (niche)

13. Market trends include:
    a. A market growing or shrinking in size
b. Changes in demographic or lifestyle make-up

c. Changes in social values

d. Barriers to entry for competition

e. All of the above

f. a, b, and c
Chapter 8: The Competition

For multiple choice questions, circle one answer. For true or false questions, circle a (true) or b (false).

1. In your business plan, including the statement “We have no competition” likely indicates what to investors:
   a. Your company presents an excellent opportunity to get in on a new, unexploited, and potentially lucrative opening in the market
   b. You have not fully examined the realities of your business
   c. There is no market for your concept
   d. b and c

2. When preparing the competitive analysis portion of your business plan, focus on identifying factors such as:
   a. Who your competitors are
   b. On what basis you compete
   c. Potential future competitors
   d. Barriers to entry for new competitors
   e. All of the above
   f. a, b, and c

3. True or false? Judge your competition solely on the basis of whether your product or service is better than theirs.
   a. True. Consumers naturally choose superior products or services over inferior ones.
   b. False. Many other factors, such as price, distribution, and operational assets determine your success in comparison to other companies.

4. Customers may judge the product or service offered by both you and the competition on which of the following factors?
   a. Product or service features
   b. Direct or indirect costs
   c. Durability or maintenance
d. Image, style, perceived value
e. Customer relationships
f. Social consciousness
g. All of the above

5. Many operational factors can increase your competitiveness, such as:
   a. Marketing program/budget
   b. Operational efficiencies
   c. Strategic partnerships
d. Company morale
e. All of the above
   f. a, b, and c

6. True or false? The first company to gain a foothold in the market can often leverage being early into a significant competitive advantage.
   a. True. Having a market to yourself even for a brief period may enable your company to gain dominance.
   b. False. Although a company may enter a market first, the second to enter that same market almost always surpasses the first, gaining what is known as the “second mover advantage.”

7. Installed user base refers to:
   a. The software industry’s existing market
   b. A sizable portion of the market that already uses a product or service similar to yours
   c. A company’s “installation” or establishment of market dominance by giving products and services away for free
d. None of the above

8. Companies that previously may have been able to compete effectively in a particular geographic area may now face worldwide competition from international companies marketing their products or services on the ___________. (Internet, Web, etc.)
9. Companies that generate a significant portion of all sales to the target market must be carefully considered because they:
   a. Generally define the standard features of the product or service
   b. Substantially influence customers’ perception of the product or service
   c. Usually devote considerable resources to maintaining their market share
   d. All of the above
   e. a and b

10. When predicting what the competition will look like in the future:
   a. Forecast approximately the next 12 years
   b. Base forecast on concrete evidence (e.g., current product lines)
   c. If other companies have overlooked the market for your product or service, you do not need to predict what the competition looks like because you have none
   d. All of the above
   e. a and b

11. Barriers to entry may include:
   a. Intellectual property or patents
   b. The requirement of substantial expertise
   c. Market saturation
   d. Licensing and regulation
   e. All of the above
   f. a, b, and c
Chapter 9: Strategic Assessment & Risk Assessment

For multiple choice questions, circle one answer. For true or false questions, circle a (true) or b (false).

1. Defining your strategic position enables you to answer which following critical question:
   a. What business am I in?
   b. How do I run my business?
   c. What do my customers get?
   d. What is the greatest risk my company faces?

2. Which of the following come together in your strategic position?
   a. Your strengths and weaknesses
   b. Industry trends and developments
   c. Market changes and opportunities
   d. Changes and opportunities brought about by new technologies
   e. All of the above
   f. a, b, and c

3. True or false? As important as helping you determine what to do, a well-defined strategic position is a boon in helping you decide what NOT to do.
   a. True. If you don’t want to be, or can’t be, all things to all customers, you need to decide what you won’t do in your business.
   b. False. A strategic position defines what you do to create a meaningful place in the market. You don’t have room in your business plan to also discuss what you don’t do.

4. True or false? A true strategic position is not the same as an advertising campaign or slogan.
   a. True. Advertising is a means to your strategic position.
   b. False. A strategic position helps you create a consistent image.

5. Which of the following are just some of the ways you can distinguish yourself from the competition?
6. Name one key customer perception factor upon which customers distinguish your products and services from the competition. __________ (price, quality, features, customer service, societal impact, or convenience)

7. Which of the following can be used to segment the market?
   a. Geography/location
   b. Age, income, interests, family size, etc.
   c. Social media
   d. Specialized needs
   e. All of the above
   f. a, b, and d

8. True or false? The goal of a market share strategy is to become the proverbial “800-pound gorilla” in the market.
   a. True. A market share strategy aims to establish and command a dominant portion of the market.
   b. False. The market share strategy is based on targeting a specific portion of the market.

9. A business model:
   a. Describes what a company does and the structure it puts into place to make money
   b. Describes some elements of a new business in a one-page, visual format
   c. Replaces the need for in-depth business planning
   d. Is most useful for novice entrepreneurs
   e. b, c, and d
10. A first-mover advantage may enable entrepreneurs to:
   a. Capture significant market share before competitors enter market
   b. Secure strategic partners
   c. Capture media attention
   d. Lock in financing sources
   e. All of the above
   f. a, c, and d

11. A lean start-up:
   a. Advocates getting a product to market as soon as possible.
   b. Refers to social ventures with the mission to address the obesity epidemic.
   c. Must be prepared to pivot away from the original idea if necessary.
   d. Sees how real customers use the product or service and revise and improve it.
   e. a, c, and d

12. Branding is:
   a. Easy to achieve
   b. Expensive
   c. Time consuming
   d. Defined by consistent quality, price, service, or convenience
   e. All of the above
   f. a, b, and c

13. True or false. Every business involves risk.
   a. True. Businesses face various types of risk.
   b. False. Certain businesses face zero risk and just can’t fail.

14. A SWOT chart delineates what?
   a. Strengths, Weaknesses, Operations, Trends
   b. Strengths, Weaknesses, Opportunities, Trends
   c. Strengths, Weaknesses, Opportunities, Threats
   d. Strengths, Weaknesses, Options, Threats
15. The key types of risk companies face include:
   a. Market risk
   b. Technology risk
   c. Domino risk
   d. Execution risk
   e. All of the above
   f. a, b, and d
Chapter 10: Market Plan & Sales Strategy

For multiple choice questions, circle one answer. For true or false questions, circle a (true) or b (false).

1. Marketing:
   a. Makes customers aware of you
   b. Solicits the sales and completes the orders
   c. Delivers your company’s message
   d. All of the above
   e. a and c

2. The four P’s of marketing are:
   a. Product, Price, Place, Promotion
   b. Product, Price, Priorities, Promotion
   c. Product, Profit, Priorities, Promotion
   d. Product, Price, Place, Promotion

3. The five Fs sum up what customers want. These are:
   a. Functions, Finances, Freedom, Feelings, Future
   b. Facts, Finances, Freedom, Feelings, Future
   c. Functions, Feasibility, Freedom, Feelings, Future

4. When choosing marketing vehicles, to get the most for your money, look for:
   a. Fit
   b. Mix
   c. Collateral
   d. Repetition
   e. All of the above
   f. a, b, and d

5. Marketing vehicles include:
   a. Company website
   b. Ads: print, TV/radio, online

Test Bank

c. Advertising specialties
d. Trade shows
e. All of the above
f. a, b, and d

6. True or false? Buy ads based merely on the number of people they will reach.
   a. True. The more ads you buy, the more sales you’ll make.
   b. False. Buy ads aimed specifically at your target market.

7. Use social networking sites to:
   a. Spread the word or create buzz
   b. Build referral sources/networking connections
   c. Enhance credibility
   d. Create banner ads on websites other than your own
   e. All of the above
   f. a, b, and c

8. Blogs:
   a. Is a term short for Web Logorrhea
   b. Work well for businesses in which expertise is valued
   c. Should only contain your sales messages
   d. Can greatly enhance your visibility and credibility
   e. All of the above
   f. b and d

9. Other online marketing tactics include:
   a. Podcasts and video
   b. Daily deals
   c. User-review sites
   d. All of the above
   e. a and b

10. True or false. When you use SEO, or Search Engine Optimization, as a marketing
tactic, every time a customer enters keywords into a search engine that result in your ad showing up in the search results and that customer clicks on your ad, you pay a fee.

a. True. You pay a minimal fee only when the customer clicks on the ad. You don’t pay just for the ad showing up in search results.
b. False. You do not pay fees when customers click on SEO ads.

11. Effective email newsletters may contain which of the following?
a. Information and tips your customers can use
b. Short articles
c. Special announcements
d. Coupons and special offers
e. All of the above
f. a, b, and c

12. Website ads:
a. Merely annoy people and you should avoid using them
b. Include banner ads
c. Include interstitial ads—ads that target a captive audience
d. All of the above
e. b and c

13. Types of online advertising include:
a. Portal sites/directories
b. Sponsorships
c. Online classifieds
d. Affiliate auction
e. All of the above

14. You can make your website friendly for international customers by:
a. Including multiple languages, currencies, customer support for various time zones, etc.
b. Designing special landing pages for each target country
c. Understanding cultural norms
d. All of the above

15. Which two components make up a company’s sales structure?
   a. Inside sales and outside sales
   b. Sales force and sales process
   c. Marketing and closing
   d. Sales activities and sales channels

16. Inside sales personnel include:
   a. Floor salespeople
   b. Personnel who take phone orders
   c. Personnel who travel to customers’ locations
   d. Telemarketers
   e. All of the above
   f. a, b, and d

17. You should compensate an effective sales team well because:
   a. Selling is difficult and often dispiriting work
   b. Sales are income-producing activities
   c. They will feel more of an incentive to make sales
   d. All of the above
   e. b and c

18. Procedures for making sales include:
   a. On-site sales personnel
   b. Mail order catalogs
   c. Telemarketing
   d. Online sales, e-commerce
   e. Third-party distributors and retailers
   f. All of the above
   g. a through d
19. Aspects you should consider in evaluating your sales process include:
   a. Cold-calling
   b. Leads
   c. Order-fulfillment
   d. Follow-up efforts
   e. All of the above
   f. a, b, and d

20. One of the biggest challenges in selling globally is:
   a. Collecting funds from customers
   b. Fulfilling physical products
   c. Partnering with a global partner
   d. Attending international trade shows
Chapter 11: Operations

For multiple choice questions, circle one answer. For true or false questions, circle a (true) or b (false).

1. Operations:
   a. Cover day-to-day functions
   b. Seem mundane but are vital to success
   c. Can create a competitive advantage
   d. All of the above

2. Limit the Operations section to issues that:
   a. Are essential to the nature and success of your company
   b. Provide you with a distinct competitive edge
   c. Describe the kind of business you are in
   d. Overcome a frequent problem in businesses of your type
   e. All of the above
   f. a, b, and d

3. Operations cover many aspects of business, including:
   a. Research and development
   b. Production planning
   c. Inventory management
   d. Supply and distribution
   e. All of the above
   f. b, c, and d

4. True or false? This section of the business plan is meant to be an operations manual.
   a. True. To do a thorough job presenting your operations, you must develop an operations manual within your business plan.
   b. False. Your operations section does not need to be thoroughly detailed. Be brief.
5. When describing your location, list:
   a. Square footage
   b. Access to parking, transportation
   c. Shipping access
   d. Access to other necessary facilities
   e. All of the above
   f. None of the above; inclusion of these factors is unnecessary

6. Include information on which of the following when applicable?
   a. Lease
   b. Improvements
   c. Utilities/maintenance
   d. Key factors affecting success
   e. All of the above
   f. None of the above; inclusion of these factors is unnecessary

7. Assessing your production plan may:
   a. Increase profitability
   b. Improve the quality of your product
   c. Determine the number and types of employees you need
   d. All of the above
   e. a and b

8. True or false? Excess capacity is the ability to sell more than currently producing.
   a. True. This represents a waste of selling potential.
   b. False. Excess capacity is the ability to produce more than currently selling.

9. Quality Control activities include:
   a. Regular inspection throughout the production process
   b. Occasional testing or sampling of randomly selected goods
   c. Rewards programs for quality assurance
   d. Solicitation of customer comments
   e. All of the above
f. a, b, and c

10. “Just-in-time” inventory control:
   a. Turns over inventory “just in time” for the next selling season (e.g., Summer)
   b. Keeps inventory stocked only to the levels needed to produce goods just in time for delivery
   c. Is dependent on adequate communication systems and good supplier relationships
   d. All of the above
   e. b and c

11. LIFO stands for:
   a. Less Inventory, Faster Overturn
   b. Less Inventory, Fewer Operations
   c. Last In, First Out
   d. Less In, Fewer Out

12. When planning supply and distribution:
   a. It’s fine to depend on just one supplier or distributor
   b. Develop excellent relationships with suppliers and distributors
   c. Work out good payment plans and communication methods
   d. Select suppliers and distributors that understand your needs
   e. All of the above
   f. b, c, and d

13. True or false. When the quality of goods of suppliers is equal, you should choose your suppliers based on price alone.
   a. True. Supplies represent a significant cost of doing business and you must always try to find supplies at the best price.
   b. False. You may find supplies at a good price but with a problematic delivery time for example.

14. When planning distribution, what should you take into consideration?
   a. How product gets to consumer
b. Effectiveness and reputation of distributors
c. Terms
d. Alternative distribution methods
e. All of the above
f. a, b, and d

15. Effective order fulfillment requires:
   a. Good internal communications between sales and processing departments
   b. Plans on dealing with rush shipments
   c. Building sufficient flexibility into your policies so you can handle unusual requests
   d. All of the above
   e. b and c

16. Customer service is part of any future sale. Good customer service entails:
   a. Establishing good service, warranty, and return policies
   b. Doing nothing unless customers complain
   c. Developing ongoing relationships with customers
   d. All of the above
   e. a and c

17. True or false? Outsourcing refers to the practice of arranging for another company or contractor to provide you with either a business service or component product.
   a. True. A company may outsource products or services to this third party.
   b. False. Outsourcing refers to the practice of moving a company’s operations or functions to another country

18. True or false? All companies need ongoing research and development.
   a. True. Even a company selling old-fashioned products such as cookies needs to develop new products.
   b. False. Only industries involved with rapidly changing technology or rapidly changing consumer preferences need to undertake R&D.
19. To ensure financial control:
   a. Send invoices out quickly and establish a follow-up system
   b. Design financial systems to be source of regular information
   c. Establish systems to prevent employee embezzlement
   d. Learn to love math
   e. All of the above
   f. a, b, and c

20. True or false? Include contingency plans—emergency and disaster planning—in your business plan.
   a. True. Bad things happen to good companies sooner or later and investors want to know you have planned for such an occasion.
   b. False. These plans do not need to be included in any written plan for funding, but they may prove to be a substantial benefit to your company’s future.
Chapter 12: Technology Plan

For multiple choice questions, circle one answer. For true or false questions, circle a (true) or b (false).

1. True or false? A technology plan is not necessary for all businesses.
   a. True. You only need a technology plan if you are preparing a business plan that is heavily dependent on technology.
   b. False. Even if your company makes old-fashioned chocolate chip cookies, you’ll rely on technology to handle many, if not most, routine business operations.

2. Technology:
   a. Can be difficult and/or expensive to change later
   b. Can give a company a competitive edge
   c. Can inhibit growth if cumbersome or inappropriate
   d. All of the above
   e. a and b

3. For businesses developing or exploiting new technology:
   a. Funders and VCs will scrutinize technology plan section closely
   b. The technology plan should include a level of detail geared toward expertise of potential reader
   c. The viability of the concept must be outlined without revealing sensitive company secrets
   d. All of the above
   e. a and c

4. Business functions that could benefit from technology include:
   a. Accounting, taxes, finances
   b. Order taking, tracking, fulfillment, shipping, and invoicing
   c. Database management of customers
   d. Online marketing
   e. All of the above
5. When choosing technology, some issues to consider are:
   a. Functions
   b. Cloud versus on-premise applications
   c. Ability to upgrade and expand
   d. Integration with existing data, technology, systems
   e. All of the above
   f. b, c, and d

6. When operating globally, issues that may arise include:
   a. Telecommunications standards
   b. Some mobile phones won’t work overseas
   c. Connecting with people overseas is difficult and cumbersome
   d. Governments sometimes limit the use/access of technology
   e. All of the above
   f. a, b, and d
Chapter 13: Management & Organization

For multiple choice questions, circle one answer. For true or false questions, circle a (true) or b (false).

1. True or false? Your people determine your success.
   a. True. People are at the heart of every business.
   b. False. People are at the bottom of a list of factors such as industry trends, competition, sales, etc., that determine your success.

2. Your management team may consist of:
   a. Key employees
   b. Board of Directors/Advisory Committee
   c. Consultants and specialists
   d. Key management personnel to be added
   e. All of the above
   f. a, c, and d

3. Principals may include:
   a. Founder
   b. President or CEO
   c. Chief technology officer
   d. Personnel director
   e. All of the above
   f. a, b, and c

4. In evaluating Principals, assess their:
   a. Experience
   b. Successes
   c. Education
   d. Strengths
   e. Areas lacking strength
   f. All of the above
g. a through d

5. Incentives for key employees can include:
   a. Bonuses
   b. Commissions
   c. Equity in the company
   d. Stock options
   e. All of the above
   f. a, b, and d

6. True or false? All businesses that are incorporated must have boards of directors.
   a. True. A board of director has legal responsibility and authority for the corporation.
   b. False. Only larger companies that are incorporated must have boards of directors.

7. An advisory committee:
   a. Renders assistance in a company’s development
   b. Is another term for the board of directors
   c. Is legally responsible for the company
   d. All of the above

8. True or false? Every business should use an attorney and accountant.
   a. True. At least in initial stages, seeking out the advice of a good attorney or accountant is worth the time and money.
   b. False. Consultants and specialists are only for large companies.

9. Your management team may not be complete, especially for start-ups. In your management plan:
   a. Include positions to fill
   b. Include qualifications
   c. Create a sense of balance in the management team
   d. Leave unfilled positions blank
10. When allocating jobs you should:
   a. Consider functional areas, product lines, geographic divisions, etc.
   b. Determine whether team works individually or as a team
   c. Decide which managers supervise which employees
   d. Assign jobs via a coin toss
   e. All of the above
   f. a, b, and c

11. A description of a company’s informal structure:
   a. Is for internal planning only
   b. Should go in your business plan
   c. Outlines which managers have most impact on decisions
   d. Explains how decisions at the top are put into action
   e. a, c, and d
   f. b, c, and d

12. The most important elements of management style include:
   a. Clear policies
   b. Communication
   c. Employee recognition
   d. Enabling employees to affect change
   e. All of the above
   f. a, b, and c

13. Extensive international teams need management located in same country. Responsibilities located abroad may include:
   a. Supervision of technical staff
   b. Sales
   c. Marketing
   d. Customer service
e. All of the above
f. a, b, and c
Chapter 14: Social Responsibility & Sustainability

For multiple choice questions, circle one answer. For true or false questions, circle a (true) or b (false).

1. Corporate Social Responsibility is:
   a. Good for business
   b. Good for the community
   c. Good for the economy
   d. All of the above

2. The benefits of social responsibility include:
   a. Visibility
   b. Positive corporate image
   c. Recruitment tool
   d. Greater employee satisfaction
   e. All of the above
   f. a, b, and c

3. The most basic component of social responsibility is
   a. Donating money
   b. Being a good “corporate citizen”
   c. Environmental awareness
   d. Paying good wages

4. The triple bottom line covers:
   a. People, Planet, Politics
   b. People, Planet, Profit
   c. People, Planet, Products
   d. People, Planet, Profit sharing

5. True or false? The primary purpose of a social venture is to achieve a social or environmental goal while earning a profit.
   a. True. Building houses for low-income families is an example of this.
b. False. Social ventures achieve social goals through business practices that achieve positive social goals.

6. True or false? Socially responsible companies achieve social goals through business practices that achieve social goals.
   a. True. Building market-rate homes using recycled materials is an example of this.
   b. False. The primary purpose of socially responsible companies is to achieve a social goal while earning a profit.

7. Strategies for social entrepreneurs include:
   a. Invent something
   b. Bring something to market
   c. Create new services
   d. Adapt an existing product
   e. All of the above
   f. a, b, and c

8. True or false? One of the most important social goals you can achieve is to create good jobs.
   a. True. If you build a company that pays employees a living wage and treats them with respect and dignity, you have made an immeasurable contribution to society.
   b. False. Although creating jobs is important to the economy, job creation can’t be classified as a social goal.

9. Socially responsible certifications include:
   a. Leadership in Energy and Environmental Design (LEED)
   b. Fair Trade
   c. Energy Star
   d. Humane certified
   e. All of the above
   f. a, b, and c
10. Social and ethical issues you may face in developing countries include:
   a. Child labor
   b. Environmentally harmful practices
   c. Censorship
   d. Bribery, corruption
   e. All of the above
Chapter 15: Development, Milestones & Exit Plan

For multiple choice questions, circle one answer. For true or false questions, circle a (true) or b (false).

1. True or false? One of the most important aspects of business planning is the examination of your long-term goals.
   a. True. You can’t hope to just stumble across success; you have to figure out how to get there.
   b. False. A truly winning business idea just takes off all by itself.

2. Milestones:
   a. Are like signposts that measure your progress along the way
   b. Help you to stay on track
   c. Are hard, pebble-like deposits that form inside the gallbladder
   d. a and b

3. Your vision of your company may include:
   a. Innovator
   b. Quality leader
   c. Niche leader
   d. Exploiter
   e. All of the above
   f. a, b, and c

4. As a market strategy, diversifying entails:
   a. Adding new product lines
   b. Adding new service lines
   c. Hiring employees with diverse backgrounds
   d. Broadening the nature of your company
   e. All of the above
   f. a, b, and d

5. An expansion strategy entails:
6. Other strategies that can take your business from its present situation toward your long-term goals include:
   a. Market penetration
   b. Going global
   c. Refocus
   d. Research and development
   e. All of the above
   f. a, b, and c

7. A detailed list of priorities:
   a. Help you implement your strategies
   b. Is a critical tool for every business
   c. Should be included in your business plan
   d. All of the above
   e. a and b

8. True or false? You should include any milestones to date that you have achieved.
   a. True. You can inspire confidence in your company by indicating any impressive past history.
   b. False. Most new companies have achieved little and investors are only interested in your future milestones.

9. True or false? You should include a risk evaluation in your plan.
   a. True. Assessing the potential risks in your business reassures investors that you are not just naively optimistic in your planning.
b. False. Evaluating your risk is daunting, will shake your enthusiasm, and is sometimes unnecessary because some businesses simply can’t fail.

10. Having a global vision:
   a. Can be a long-term goal
   b. Helps you recognize international opportunities
   c. Expands your company’s long-term growth potential
   d. All of the above

11. An exit plan:
   a. Lets investors know how they’ll get their money back
   b. Clarifies growth strategy
   c. Guides expansion decisions
   d. Reduces friction among principals
   e. All of the above
   f. a and d

12. Exit strategies include:
   a. Going public
   b. Acquisition or merger
   c. Hand down to next generation
   d. Bankruptcy
   e. All of the above
   f. a, b, and c
Chapter 16: The Financials

For multiple choice questions, circle one answer. For true or false questions, circle a (true) or b (false).

1. Numbers are:
   a. Reflections of business decisions
   b. Magical and mysterious
   c. The basis of your financial forms
   d. a and c

2. You can take control of your finances by:
   a. Reading your financial statements
   b. Tracking sales receipts on daily or weekly basis
   c. Paying attention to bad news
   d. Setting policies and sticking with them
   e. All of the above

3. Cash-basis accounting:
   a. Is less common in small businesses
   b. Accounts for income and expenses at the time they are originally transacted
   c. Accounts for income and expenses when money actually changes hands
   d. a and b

4. Global financial considerations include:
   a. Currency fluctuations
   b. Supply and distribution
   c. Interest rates
   d. Potential inflation
   e. All of the above
   f. a, c, and d

5. An Income Statement shows:
   a. Whether your company is making a profit
b. Whether the company has the cash to pay its bills  
c. How much the company is worth overall  
d. The point at which income exceeds expenses

6. The Sources and Use of Funds form shows:  
   a. Where money comes from and how it’s spent  
   b. Point at which sales exceed costs  
   c. Initial investment needed to begin operations  
   d. How you determined the figures used in the financials

7. A Break-Even Analysis shows:  
   a. Where money comes from and how it’s spent  
   b. Point at which sales exceed costs  
   c. Initial investment needed to begin operations  
   d. How you determined the figures used in the financials

8. Gross profit is:  
   a. Total sales before any costs  
   b. Income before operating expenses  
   c. Profit after all expenses/costs  
   d. Outstanding invoices

9. ( ) Numbers appearing in parentheses represent:  
   a. Negative numbers  
   b. Subtotals  
   c. Totals  
   d. Numbers expressed in thousands  
   e. b and c

10. When preparing your financials:  
    a. Be conservative  
    b. Be honest  
    c. Be creative
11. Use the staffing budget to:
   a. Plan how many employees you’ll need
   b. Plan when you’ll need employees
   c. Plan how to fire employees
   d. Plan benefits and taxes
   e. All of the above
   f. a, b, and d

12. Project cash flow based on:
   a. Sales made
   b. Cash received

13. True or false. It’s a good idea to differentiate between the income of each product or service line.
   a. True. This information will help you better understand exactly where you profits come from.
   b. False. It is unnecessary to delve into this kind of detail for mere projections.

14. Which of the following expense may have different tax treatments?
   a. Insurance
   b. Professional services
   c. Meals and entertainment
   d. Telephone/telecommunications

15. Which of the following items appear in the cash flow analysis?
   a. Collections
   b. Interest Income
   c. Reserve
   d. Cost of Goods
16. A balance sheet:
   a. Gives a snapshot of the overall financial worth of the company
   b. Balances assets and liabilities
   c. Includes the worth of existing property and equipment
   d. All of the above
   e. a and b

17. In preparing the Sources and Use of Funds statement, consider which of the following issues and terms?
   a. Funding rounds
   b. Debt financing
   c. Capital expenditures
   d. Working capital
   e. All of the above
   f. b, c, and d

18. An Assumption Sheet:
   a. Helps separate fantasy from reality when making financial projections
   b. Does not require substantial detail
   c. Assumes you will be profitable within the first year
   d. All of the above
   e. a and b

19. Your break even point occurs when:
   a. Sales = the amount of fixed expenses
   b. Total sales = Δexpenses/Δprofits
   c. You initially turn a profit
   d. Sales = the amount of fixed expenses + variable cost of sales
Chapter 17: The Appendix

For multiple choice questions, circle one answer. For true or false questions, circle a (true) or b (false).

1. An Appendix is the proper place to:
   a. Provide information that supports, confirms, and reinforces conclusions reached in the plan
   b. Give greater details about particular aspects covered in the plan
   c. Include very specific details regarding market research, technology, location, etc.
   d. Include dull information
   e. All of the above
   f. a, b, and c

2. Which of the following information is appropriate for the Appendix?
   a. Letters of intent/key contracts
   b. Endorsements
   c. Photos
   d. List of locations
   e. Market research results
   f. All of the above
Chapter 18: Preparing, Presenting & Sending Out Your Plan

For multiple choice questions, circle one answer. For true or false questions, circle a (true) or b (false).

1. You will use your business plan:
   a. As a tool for raising funds
   b. As an internal reference document to guide your company’s development
   c. As a recruitment tool for key personnel
   d. All of the above

2. NDA stands for:
   a. Non-Debt Association
   b. Non-Diversification Affliction
   c. Non-Disclosure Agreement
   d. Negative Debts to Assets

3. Which of the following sentences illustrates the type of writing you should strive for in your business plan?
   a. Profitability will have been reached by Teddy’s Dog Togs in its third year of operation.
   b. Teddy’s Dog Togs will show a profit by year three.

4. True or false? Your electronic slide presentation must be able to stand on its own without a presenter.
   a. True. In some cases you won’t present your plan in person.
   b. False. You will still send a written plan. Investors can turn to this if they don’t “get” something in your presentation.

5. You should be able to convey all the key details of your company in:
   a. 8 slides
   b. 12 slides
   c. 18 slides
   d. 24 slides
6. Key slides to include are:
   a. Your elevator pitch
   b. Size of opportunity
   c. Your specific target customers
   d. Your operations
   e. All of the above
   f. a, b, and c

7. If you put your plan online:
   a. You do not need to provide written copies
   b. Make the site password protected
   c. Financials may be difficult to read
   d. All of the above
   e. b and c

8. You should regularly update your plan because:
   a. Finding funding can take months
   b. Your company plans may change
   c. You may add new members to management
   d. All of the above
   e. b and c
Chapter 19: Looking for Money

For multiple choice questions, circle one answer. For true or false questions, circle a (true) or b (false).

1. True or false? Because raising money is difficult and may take months, you should take any money you can find.
   a. True. All money is equal. In the unlikely event that you run into problems with your investors, you can easily get out of the relationship, especially once your company starts earning a profit.
   b. False. Different sources of money come with different conditions. Make sure you can live with these conditions.

2. Debt financing:
   a. Is more suitable for new companies
   b. Allows you to retain control over the company
   c. May have to be secured with personal assets
   d. All of the above
   e. b and c

3. Equity financing:
   a. Is more suitable for new companies
   b. Has become institutionalized through venture capital firms, angel investors, and other entities
   c. Sometimes results in a controlling share of the company going to investors
   d. All of the above
   e. b and c

4. Venture Capitalists:
   a. Invest large sums of $2 million and up
   b. Look for large potential growth
   c. Specialize in particular industries or stages of development
   d. All of the above
   e. b and c
5. Private or “Angel” Investors:
   a. Invest smaller sums of $5,000 to $50,000
   b. Are well-to-do individuals seeking personal satisfaction or higher returns
   c. Vary widely in quality and nature
   d. All of the above
   e. b and c

6. Corporate venture capital funds:
   a. Are a potential source of funding for companies established as either a C corp, S corp, or LLC
   b. Tend to be a more conservative than traditional VCs and angel investors in their choice of investment
   c. May offer generous terms, higher valuation, and more money
   d. May be unsophisticated in dealing with their investment companies and look for short-term results
   e. All of the above
   f. b, c, and d

7. Small Business Investment Companies (SBICs):
   a. Provide debt financing and/or equity financing
   b. Are licensed by the U.S. Small Business Administration (SBA)
   c. Are good sources of financing for small businesses
   d. All of the above
   e. a and c

8. The U.S. Small Business Association (SBA):
   a. Makes loans directly to businesses
   b. Sets limits on interest rates charged
   c. Has a “micro-loan” program
   d. All of the above
   e. b and c

9. Borrowing from friends and family
Test Bank

a. Is the easiest source of funds to secure  
b. Puts personal relationships at risk  
c. May haunt you for decades if the investment turns sour  
d. All of the above  
e. b and c

10. True or false. The very best source of money comes from sales  
a. True. You neither have to give up a piece of your company, as with investors, nor do you necessarily have to take on debt, as with a loan.  
b. False. You can’t make any sales until you have secured financing to pay for supplies, wages, and other overhead.

11. Crowdfunding:  
a. Makes it possible to raise funds from a large number of acquaintances and strangers  
b. Can provide you with real-time feedback from potential customers  
c. Requires significant marketing efforts to get the word out and attract small investors.  
d. Can result in an enthusiastic fan base before you even launch the product or company  
e. All of the above  
f. a, c, and d

12. You can improve your chances of getting funded by:  
a. Choosing funders active in your industry  
b. Finding intermediaries/introductions  
c. Tailoring the plan (executive summary) for specific recipient  
d. All of the above  
e. a and c

13. When researching recipients, find out:  
a. If they fund businesses in your industry/sector  
b. Stage of business development at which they provide funding
14. An informational interview:
   a. Is a short interview an interested funder will ask for before proceeding further
   b. Gives you the opportunity to get a feel for an institution
   c. Can only take place with a key decision maker
   d. a and c

15. The best intermediary is:
   a. Someone in a related business to the funder
   b. Someone who received financing from the funder (and whose business succeeded)
   c. A friend or relative of the funder
   d. Someone highly regarded in the industry or community
   e. All of the above
   f. a, b, and d

16. True or false? You should tailor the contents of your cover letter and Executive Summary for your recipients.
   a. True. Once you have researched your potential funders, highlight those aspects of your business most likely to fit the needs and interests of the funder.
   b. False. The Venture Capital community is a small one and you may develop a reputation as indecisive.

17. After sending out your plan:
   a. Keep your inquiries brief and professional
   b. You have done your job and now must wait to hear back
   c. Avoid calling or emailing too frequently
18. An elevator pitch:
   a. Is a concise description of a company
   b. Introduces yourself and your company
   c. Takes place in an elevator
   d. All of the above
   e. a and b

19. Include which of the following in your elevator pitch?
   a. Company name
   b. What the company does
   c. Risk evaluation
   d. Which market the company serves
   e. All of the above
   f. a, b, and d
Chapter 21: Internal Planning for Existing Businesses and Corporations

For multiple choice questions, circle one answer. For true or false questions, circle a (true) or b (false).

1. An evaluational plan:
   a. Provides management with information needed for making decisions
   b. Emphasizes data-gathering and assessment
   c. Is appropriate for a company in which the input of middle management and staff is given a lot of weight
   d. All of the above
   e. a and b

2. In goal-setting plans, areas in which specific objectives may be set include:
   a. Sales per employee
   b. Revenues per customer
   c. Profit margin
   d. Inventory levels
   e. All of the above
   f. a, b, and c

3. In goal-setting plans, objectives should be:
   a. Measurable, reasonable, time specific, monetary
   b. Measurable, reasonable, time specific, motivational

4. The problem-solving process consists of:
   a. Defining the problem
   b. Assembling the team
   c. Considering solutions
   d. Recommending specific activities
   e. All of the above
   f. a, c, and d
5. Ratio analysis:
   a. Indicates how one activity or figure relates to another
   b. Compares ratios from one period to another
   c. Can be used to look for ways to increase productivity
   d. Involves fairly complex calculations
   e. All of the above
   f. a, b, and c

6. True or false? Liquidity ratios show the extent of the readily available assets, indicating your company’s ability to meet short-term debts.
   a. True. Generally, you want to try to increase liquidity and decrease amounts tied up in inventory.
   b. False. Liquidity ratios show the amount the company has earned and the profit on sales.

7. Profitability ratios include:
   a. Return on Equity
   b. Return on Assets
   c. Gross Profit Margin
   d. Earnings per Share
   e. All of the above
   f. a, b, and c

8. A strong company has a:
   a. Lower debt ratio percentage
   b. Higher debt ratio percentage

9. Activity ratios include:
   a. Inventory Turnover
   b. Fixed Asset Utilization
   c. Average Collection Period
   d. All of the above
   e. a and b
10. The 80-20 rule means:
   a. 20 percent your employees generate 80 percent of revenues
   b. 80 percent of your sales come from 20 percent of your customers
   c. The last 20 percent of most business ventures uses up 80 percent of expenses
   d. Only 20 percent of investors will read more than 80 percent of your business plan