|  |
| --- |
| **True / False** |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1. It is estimated that more than one million new businesses are started in the United States each year.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 2. Reasonable estimates place nonemployer (e.g., single person or small family) businesses started each year at less than 100,000.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 3. The entrepreneurial process involves: developing opportunities, gathering resources, and managing and building operations, all with the goal of creating value.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 4. A market-oriented economic system provides an environment that fosters the formation, development, and transformation of ideas into useful products and services.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 5. Capitalism is a market-oriented system that prohibits private ownership of physical and financial assets.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 6. Democratic capitalism exists where a country or state organized as a democracy adopts a capitalistic economic system.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 7. Entrepreneurs provide the financing to individuals who think, reason, and act to convert ideas into commercial opportunities and create opportunities.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 8. Entrepreneurship is the process of changing ideas into commercial opportunities and creating value.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 9. An entrepreneur is an individual who thinks, reasons, and acts to convert ideas into commercial opportunities and to create value.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 10. Mark Twain once said, “I was always able to see an opportunity before it became one.”   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 11. Around two-thirds of new employers survive at least two years, and only about one-half survive for at least five years.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 12. A study of the U.S. Census Bureau's Characteristics of Business Owners database suggests that about two-thirds of closed businesses were successful at closure.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 13. Nearly half of business failures are due to economic factors such as inadequate sales, insufficient profits, and industry weakness.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 14. Financial causes, such as excessive debt and insufficient financial capital, are not major contributors to business failures.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 15. Although the risks associated with starting a new entrepreneurial venture are large, there is always room for one more success.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 16. Fads are large societal, demographic, or technological trends or changes that are slow in forming but, once in place, continue for many years.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 17. Fads are not predictable, have short lives, and do not involve macro changes.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 18. Three of the major megatrends discussed in Chapter 1 include: societal trends or changes, demographic trends or changes, and technological trends or changes.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 19. In Chapter 1, five megatrend categories are identified as sources of entrepreneurial opportunities.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 20. Entrepreneurial opportunities can occur only when there are societal changes in the world.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 21. In the broadest context, societal change reflects the evolution of humanity over time.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 22. In the early 1970s, Harry Dent recognized that the U.S. economy centered on the creation and distribution of information.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 23. The gig economy involves individuals working as independent contractors and accepting short-term jobs or assignments, rather than being full-time employees.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 24. The sharing economy refers to the cross-referencing of innovations for record-keeping purposes.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 25. The me-first economy reflects the willingness of individuals to share their assets with others to provide a new way of distributing goods and services.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 26. The boomers generation applies to people born in the United States during the 1946–1964 time period.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 27. The millennials generation consists of people born in the United States after 1996.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 28. Technological change may be the most important source of entrepreneurial opportunities.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 29. Perhaps the most important invention in shuttling us from an industrial society to an information society was the computer chip.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 30. Environmental commerce, or e-commerce, involves the use of electronic means to conduct business online.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 31. “Crises and "'bubbles'” and “emerging economies and global change” are considered to be sources of entrepreneurial opportunities.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 32. The “dot.com” or Internet bubble burst in 2008.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 33. The housing asset bubble burst in 2006.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 34. Disruptive innovation is an innovation that creates a new market or network that disrupts and displaces an existing market or network.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 35. Nine principles of entrepreneurial finance are identified and explored in this textbook.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 36. The time value of money is an important component of the rent one pays for using someone else's financial capital.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 37. One principle of entrepreneurial finance is “risk and expected reward go hand in hand."   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 38. While cash is the language of business, accounting is the currency.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 39. Private financial markets are a place where standardized contracts or securities are traded on organized securities exchanges with restrictions on how they can be transferred.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 40. A venture's financial objective is to survive.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 41. Free cash flow is the net income forecasted to be available to the venture's owners over time.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 42. Free cash flows are adjusted for risk and the time value of money when used to calculate the value of a venture.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 43. Free cash exists when cash exceeds that which is needed to operate, pay creditors, and invest in assets.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 44. Free cash is all of the cash available to cover operating expenses.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 45. Owner–manager (agency) conflicts are differences between a manager's self-interest and that of the owners who hired the manager.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 46. The owner–debtholder conflict is the divergence of the owners' and lenders' self-interests as the firm gets close to going “public.”   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 47. The financial objective of increasing value is inconsistent with developing positive character and reputation.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 48. Venture character and reputation can be assets or liabilities.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 49. Entrepreneurial finance is the application and adaptation of financial tools and techniques to the planning, funding, operations, and valuation of an entrepreneurial venture.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 50. Financial distress occurs when cash flow is insufficient to meet current debt obligations.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 51. The second stage in a successful venture's life cycle is the startup stage.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 52. The rapid-growth stage directly follows the startup stage.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 53. Early-stage ventures include firms in their development, startup, or survival life cycle stages.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 54. Business angels are wealthy individuals, operating as informal or private investors, who provide venture financing for small businesses.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 55. Mezzanine financing is temporary financing needed to keep the venture afloat until the next offering.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
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| 56. A venture, if organized as a corporation, may desire to provide venture investor liquidity by establishing a public market for its equity.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 57. An initial public offering provides a venture with a source of bridge financing.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |
| --- |
| **Multiple Choice** |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 58. The entrepreneurial process involves:   |  |  |  | | --- | --- | --- | |  | a. | developing opportunities | |  | b. | gathering resources | |  | c. | managing and building operations | |  | d. | developing opportunities, gathering resources, and managing and building operations |  |  |  | | --- | --- | | *ANSWER:* | d | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 59. The goal of the entrepreneurial process is to:   |  |  |  | | --- | --- | --- | |  | a. | develop opportunities | |  | b. | gather resources | |  | c. | manage and build operations | |  | d. | create value |  |  |  | | --- | --- | | *ANSWER:* | d | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 60. Which of the following countries engage in democratic capitalism?   |  |  |  | | --- | --- | --- | |  | a. | United States | |  | b. | United States, France, and Germany | |  | c. | France and Germany | |  | d. | United States and France |  |  |  | | --- | --- | | *ANSWER:* | b | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 61. Successful entrepreneurs do not exhibit which of the following traits?   |  |  |  | | --- | --- | --- | |  | a. | recognize and seize commercial opportunities | |  | b. | tend to be doggedly optimistic | |  | c. | express conditional optimism | |  | d. | are pessimistic about the future |  |  |  | | --- | --- | | *ANSWER:* | d | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 62. Which of the following individuals once said, “I was seldom able to see an opportunity, until it ceased to be one.”   |  |  |  | | --- | --- | --- | |  | a. | Mark Twain | |  | b. | Bill Gates | |  | c. | Steve Jobs | |  | d. | Jeff Bezos |  |  |  | | --- | --- | | *ANSWER:* | a | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 63. About what percent of all new employers in the United States survive for at least two years?   |  |  |  | | --- | --- | --- | |  | a. | one-fifth | |  | b. | one-third | |  | c. | one-half | |  | d. | two-thirds |  |  |  | | --- | --- | | *ANSWER:* | d | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 64. About one-half of all new employers in the United States survive for at least how many years after being started?   |  |  |  | | --- | --- | --- | |  | a. | two years | |  | b. | three years | |  | c. | five years | |  | d. | eight years |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 65. Which of the following is not considered to be a megatrend in this textbook?   |  |  |  | | --- | --- | --- | |  | a. | societal, demographic, and technological changes | |  | b. | crises and "bubbles" | |  | c. | fads | |  | d. | emerging economies and global changes |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 66. Fads:   |  |  |  | | --- | --- | --- | |  | a. | are not predictable | |  | b. | have short lives | |  | c. | do not involve macro changes | |  | d. | are not predictable, have short lives, and do not involve macro changes |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 67. Which of the following are sources of entrepreneurial opportunities?   |  |  |  | | --- | --- | --- | |  | a. | societal, demographic, and technological trends | |  | b. | crises and "bubbles" | |  | c. | emerging economies and global changes | |  | d. | societal, demographic, and technological trends; crises and "bubbles"; and emerging | |  | e. | economies and global changes |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 68. Which of the following is not a source of entrepreneurial opportunities referred to in this textbook?   |  |  |  | | --- | --- | --- | |  | a. | societal changes | |  | b. | political changes | |  | c. | demographic changes | |  | d. | technological changes |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 69. Where individuals accept short-term job assignments instead of having full-time employment is called the:   |  |  |  | | --- | --- | --- | |  | a. | sharing economy | |  | b. | gig economy | |  | c. | make-work economy | |  | d. | declining economy |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 70. The sharing economy is a(n):   |  |  |  | | --- | --- | --- | |  | a. | developing societal megatrend | |  | b. | fad | |  | c. | exchange of food at local restaurants | |  | d. | demographic bubble |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 71. The sharing economy involves:   |  |  |  | | --- | --- | --- | |  | a. | the traditional distribution model | |  | b. | peer-to-peer arrangements | |  | c. | hierarchical arrangements involving a third intermediary party | |  | d. | peer-to-peer and hierarchical arrangements |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 72. Which of the following generation classifications is associated with births in the 1965–1980 time period?   |  |  |  | | --- | --- | --- | |  | a. | boomers | |  | b. | Generation X | |  | c. | millennials | |  | d. | Generation Z |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 73. Harry Dent documented major generation waves in the United States during the twentieth century in:   |  |  |  | | --- | --- | --- | |  | a. | 1972 | |  | b. | 1982 | |  | c. | 1993 | |  | d. | 2003 |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 74. E-commerce refers to:   |  |  |  | | --- | --- | --- | |  | a. | environmental commerce | |  | b. | electronic commerce | |  | c. | economic commerce | |  | d. | exploratory commerce |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 75. The “dot.com” or Internet bubble burst in:   |  |  |  | | --- | --- | --- | |  | a. | 1990 | |  | b. | 2000 | |  | c. | 2006 | |  | d. | 2008 |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 76. An innovation that creates a new market or network that displaces an existing market or network is called a:   |  |  |  | | --- | --- | --- | |  | a. | crisis or "bubble" | |  | b. | disruptive innovation | |  | c. | fad | |  | d. | negative innovation |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 77. What is the number of principles of entrepreneurial finance that are emphasized in this textbook?   |  |  |  | | --- | --- | --- | |  | a. | three | |  | b. | five | |  | c. | seven | |  | d. | nine |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 78. The time value of money concept is associated with which of the following principles of entrepreneurial finance?   |  |  |  | | --- | --- | --- | |  | a. | real, human, and financial capital must be rented from owners | |  | b. | risk and expected reward go hand in hand | |  | c. | while accounting is the language of business, cash is the currency | |  | d. | it is dangerous to assume that people act against their own self-interests |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 79. Maximizing the value of the venture for its owners is the common financial goal of which of the following?   |  |  |  | | --- | --- | --- | |  | a. | the entrepreneur | |  | b. | the debtholders | |  | c. | the venture equity investors | |  | d. | the entrepreneur and the venture equity investors |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 80. Which of the following is considered to be an agency conflict?   |  |  |  | | --- | --- | --- | |  | a. | owner–manager conflict | |  | b. | stockholder–manager conflict | |  | c. | stockholder–debtholder conflict | |  | d. | owner–debtholder conflict |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 81. Which of the following possible conflicts of interest is usually minimized through the use of equity incentives?   |  |  |  | | --- | --- | --- | |  | a. | owner–manager conflict | |  | b. | owner–employee conflict | |  | c. | manager–employee conflict | |  | d. | owner–debtholder conflict |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 82. Which of the following possible conflicts of interest increases in divergence at venture gets close to bankruptcy?   |  |  |  | | --- | --- | --- | |  | a. | owner–manager conflict | |  | b. | owner–employee conflict | |  | c. | manager–employee conflict | |  | d. | owner–debtholder conflict |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 83. Which of the following is not a life cycle stage of a successful venture?   |  |  |  | | --- | --- | --- | |  | a. | development stage | |  | b. | startup stage | |  | c. | survival stage | |  | d. | declining stage |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 84. Which of the following does not describe activity during the startup stage of a venture's life cycle?   |  |  |  | | --- | --- | --- | |  | a. | the venture's organization | |  | b. | the venture's development | |  | c. | operating cash flows are generated | |  | d. | initial revenue model is put in place |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 85. Which stage of a venture's life cycle is best characterized by the period when revenues start to grow and when cash flows from operations begin covering cash outflows?   |  |  |  | | --- | --- | --- | |  | a. | survival stage | |  | b. | startup stage | |  | c. | rapid-growth stage | |  | d. | early-maturity stage |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 86. Which of the following is not a major source of startup financing for a venture's startup stage?   |  |  |  | | --- | --- | --- | |  | a. | the entrepreneur's assets | |  | b. | business operations | |  | c. | family and friends | |  | d. | venture capitalists |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 87. Obtaining bank loans, issuing bonds, and issuing stock is characteristic of which type of financing during a venture's life cycle?   |  |  |  | | --- | --- | --- | |  | a. | seed financing | |  | b. | second-round financing | |  | c. | mezzanine financing | |  | d. | seasoned financing |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 88. During a venture's rapid-growth stage, funds for plant expansion, marketing expenditures, working capital, and product or service improvements is obtained through:   |  |  |  | | --- | --- | --- | |  | a. | seed financing | |  | b. | second-round financing | |  | c. | mezzanine financing | |  | d. | liquidity-stage financing |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 89. Founder and venture investor shares that are sold to the public after the initial public offering to the public is called a:   |  |  |  | | --- | --- | --- | |  | a. | secondary market transaction | |  | b. | secondary stock offering | |  | c. | venture offering | |  | d. | bridge loan |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 90. Which of the following advise and assist corporations on the type, timing, and costs of issuing new debt and equity securities?   |  |  |  | | --- | --- | --- | |  | a. | brokerage firms | |  | b. | venture law firms | |  | c. | specialist firms | |  | d. | investment banking firms |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 91. Which stage in the venture life cycle is characterized by creating and building value, obtaining additional financing, and examining opportunities?   |  |  |  | | --- | --- | --- | |  | a. | survival stage | |  | b. | startup stage | |  | c. | rapid-growth stage | |  | d. | early-maturity stage |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 92. Which of the following statements is correct?   |  |  |  | | --- | --- | --- | |  | a. | the development stage occurs between the startup and survival stages of a venture's life cycle | |  | b. | the early-maturity stage is the final stage of a new venture's life cycle | |  | c. | firms typically begin to cover all expenses with internally generated funds during the survival stage | |  | d. | during the startup stage, revenues grow much more rapidly than cash expenditures |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 93. The last three stages of a successful venture's life cycle occur in the following order:   |  |  |  | | --- | --- | --- | |  | a. | startup, development, rapid-growth | |  | b. | startup, survival, rapid-growth | |  | c. | survival, rapid-growth, early-maturity | |  | d. | development, startup, survival |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 94. The stage that precedes the survival stage in a successful venture's life cycle is called the:   |  |  |  | | --- | --- | --- | |  | a. | rapid-growth stage | |  | b. | early-maturity stage | |  | c. | development stage | |  | d. | startup stage |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 95. During the early-maturity stage of a venture's life cycle, the primary source of funds is in the form of:   |  |  |  | | --- | --- | --- | |  | a. | mezzanine financing | |  | b. | seasoned financing | |  | c. | seed financing | |  | d. | first-round financing |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 96. The type of financing that occurs during the development stage of a venture's life cycle is typically referred to as:   |  |  |  | | --- | --- | --- | |  | a. | seed financing | |  | b. | startup financing | |  | c. | second-round financing | |  | d. | mezzanine financing |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 97. Mezzanine financing is associated with which of the following life cycle stages?   |  |  |  | | --- | --- | --- | |  | a. | development stage | |  | b. | startup stage | |  | c. | survival stage | |  | d. | rapid-growth stage |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 98. Entrepreneurial finance involves:   |  |  |  | | --- | --- | --- | |  | a. | planning | |  | b. | planning and funding | |  | c. | planning, funding, and operations | |  | d. | planning, funding, operations, and valuation |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 99. The first three stages of a successful venture's life cycle occur in the following order:   |  |  |  | | --- | --- | --- | |  | a. | development, startup, survival | |  | b. | development, rapid-growth, survival | |  | c. | startup, development, rapid-growth | |  | d. | survival, rapid-growth, early-maturity |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 100. The last stage in a successful venture's life cycle is called the:   |  |  |  | | --- | --- | --- | |  | a. | rapid-growth stage | |  | b. | early-maturity stage | |  | c. | development stage | |  | d. | survival stage |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 101. The type of financing that occurs during the survival stage of a venture's life cycle is typically referred to as:   |  |  |  | | --- | --- | --- | |  | a. | seed financing | |  | b. | startup financing | |  | c. | first-round financing | |  | d. | mezzanine financing |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 102. Which of the following would not be considered a type of venture financing?   |  |  |  | | --- | --- | --- | |  | a. | seed financing | |  | b. | startup financing | |  | c. | mezzanine financing | |  | d. | seasoned financing |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 103. One study of successful entrepreneurs indicated that a majority felt that the most important factor in the long-term success of their ventures was:   |  |  |  | | --- | --- | --- | |  | a. | being greedy | |  | b. | having high ethical standards | |  | c. | working hard | |  | d. | taking frequent vacations |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 104. Financial markets where customized contracts or securities are negotiated, created, and held with restrictions on how they can be transferred are called:   |  |  |  | | --- | --- | --- | |  | a. | private financial markets | |  | b. | public financial markets | |  | c. | domestic financial markets | |  | d. | international financial markets |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| **Supplementary Questions (may require basic knowledge of probability and/or prior introductory accounting and business concepts)** |

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| 105. You have the opportunity of making a $5,000 investment. The outcomes one year from now will be either $4,500 or $6,000, with an equal chance of either outcome occurring. What is the expected outcome?   |  |  |  | | --- | --- | --- | |  | a. | $4,500 | |  | b. | $6,000 | |  | c. | $5,250 | |  | d. | $5,750 |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 106. You have the opportunity of making a $5,000 investment. The outcomes one year from now will be either $5,000 or $6,000, with an equal chance of either outcome occurring. What is the expected rate of return?   |  |  |  | | --- | --- | --- | |  | a. | 10% | |  | b. | 15% | |  | c. | 20% | |  | d. | 25% |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 107. A project requires an initial investment of $1,000,000. In one year, there is a 40% chance of a $950,000 return; a 50% chance of a $1,200,000 return; and a 10% chance of a $2,000,000 return. What is the project's expected return one year from now?   |  |  |  | | --- | --- | --- | |  | a. | 12.8% | |  | b. | 15.5% | |  | c. | 18.0% | |  | d. | 38.3% |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 108. Lindsey and Tobias have the opportunity to invest in a project that requires an investment of $3,000. In one year, there is a 35% chance of a $2,900 return; a 40% chance of a $3,400 return; and a 25% chance of a $4,500 return. Lindsey requires a 15% return on the project after the first year, but Tobias requires a return of only 12%. Using the expected rate of return:   |  |  |  | | --- | --- | --- | |  | a. | Lindsey and Tobias should both invest in the project | |  | b. | Only Tobias should invest in the project | |  | c. | Only Lindsey should invest in the project | |  | d. | Lindsey and Tobias should both reject the project |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 109. You are considering investing in two independent projects: A and B. Project A requires an initial investment of $12,000. In one year, there is a 30% chance of a $10,500 return; a 50% chance of a $12,500 return; and a 20% chance of a $14,500 return. Project B requires an initial investment of $1,000. In one year, there is a 25% chance of a $950 return; a 25% chance of a $1,000 return; and a 50% chance of a $1,200 return. If you require a 7% return on your investment after one year, you should:   |  |  |  | | --- | --- | --- | |  | a. | accept Project A and reject Project B | |  | b. | accept Project B and reject Project A | |  | c. | accept both projects | |  | d. | reject both projects |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 110. Assume that you can sell a new product at $5.00 per unit. Variable costs are $3.00 per unit, and fixed costs are $20,000. What is the breakeven point in sales units?   |  |  |  | | --- | --- | --- | |  | a. | 5,000 | |  | b. | 7,500 | |  | c. | 10,000 | |  | d. | 12,500 |  |  |  | | --- | --- | | *ANSWER:* | c | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 111. Assume that you can sell a new product at $5.00 per unit. Variable costs are $3.00 per unit, and fixed costs are $20,000. What will be the profit before taxes if you sell 12,000 units next year?   |  |  |  | | --- | --- | --- | |  | a. | $0 | |  | b. | $2,000 | |  | c. | $4,000 | |  | d. | $8,000 |  |  |  | | --- | --- | | *ANSWER:* | c | |