



Assessment

Starting Your New Business

Revised Edition

The objectives of this book are:

- To facilitate decision making regarding starting a new business
- To review basic business operating procedures
- To discuss the economics of running a business

Disclaimer: This assessment was written to test the reader on the content of the book. The publisher and author shall have neither liability nor responsibility to any person with respect to any loss or damage caused or alleged to be caused directly or indirectly by the assessment contained herein.

© 1999 NETg • 25 Thomson Place • Boston • MA • www.courseilt.com

Assessment Questions for *Starting Your New Business, Revised Edition*

Select the best response.

1. The percentage of businesses in the United States that have fewer than 20 employees is about:
 - A. 50%
 - B. 60%
 - C. 75%
 - D. 90%

2. More than two-thirds of all small businesses fail within the first five years.
 - A. True
 - B. False

3. Small business owners who are women:
 - A. Are increasing faster than men owners
 - B. Tend to start businesses at an age later than men start
 - C. Are more likely than men to have their businesses fail
 - D. All of the above
 - E. A and B

4. Successful small business owners usually:
 - A. Work very hard but only for short periods of time
 - B. Know when it's important to mislead competitors
 - C. Realize that it's important to make reliable plans
 - D. All of the above
 - E. None of the above

5. Exploratory research about the feasibility of a new business idea should involve:
 - A. Investigating consumer enthusiasm
 - B. Asking people with experience in the field
 - C. Library research
 - D. All of the above
 - E. A and B
6. If you have limited understanding of your proposed business, industry, or customers, you should not try to prepare a business plan.
 - A. True
 - B. False
7. A situation analysis is a study of:
 - A. Your personal financial health
 - B. The competitive environment of the proposed business
 - C. Strategies and tactics for starting a new business
 - D. The objectives of the proposed business
8. In planning a location for your business, you should choose:
 - A. The most economical place until you have some success
 - B. A building needing repairs rather than a new building
 - C. A site where insurance costs are low
 - D. A site with adequate parking if the business is to be retail
9. If there are competitors within your proposed community, you should:
 - A. Evaluate the extent of their control of the market
 - B. Know their services, credit terms, and quality of product
 - C. Evaluate their ability to adapt to changing customer needs
 - D. All of the above
10. It is usually better to have a narrow focus for your business than a broad focus.
 - A. True
 - B. False

11. A business *objective* (not a business *goal*) could be to:
- A. Achieve maximum profitability
 - B. Sell 200 fruit baskets in the first six months
 - C. Satisfy all customers
 - D. Design, produce, and sell an excellent product by the end of the year
12. The return on net worth of a business is the:
- A. Rate of return on the total assets of the business
 - B. Net profit after taxes shown as a percentage of invested funds
 - C. Total assets divided by the net worth after the first operating year
 - D. Net sales divided by the total assets after the first operating year
13. An advantage of incorporating is that:
- A. Liability is limited to the owners, not the employees
 - B. Company growth and performance are facilitated
 - C. A corporation has a separate legal existence
 - D. All of the above
14. Economies of scale but higher initial costs are usually experienced by:
- A. High-capacity operations
 - B. Low-capacity operations
15. The economic order quantity (EOC) is:
- A. A computation involving annual sales, variable cost of sales, inventory costs, and single item cost
 - B. A way to determine excessive inventory
 - C. The amount of inventory that is most viable financially
 - D. All of the above
16. Every week a manager should:
- A. Know payroll costs
 - B. Reconcile the bank statement
 - C. Reconcile assets and liabilities
 - D. All of the above

17. Products of low quality are profitable if you reduce prices and increase advertising.

- A. True
- B. False

18. Regarding a distribution, it is always best to:

- A. Use a wholesaler
- B. Distribute intensively
- C. Ship the fastest way possible
- D. All of the above
- E. None of the above

19. Essential insurance for the small business includes:

- A. Fire, liability, and auto
- B. Workers' compensation
- C. Business interruption
- D. All of the above
- E. A and B

20. A key-person insurance policy:

- A. Can be borrowed against
- B. Can accumulate assets for the business
- C. Incurs taxes on its income and dividends
- D. A and B

21. Forecasting sales of a new business:

- A. Can never have much validity
- B. Is essential to sound planning

22. A balance sheet:

- A. Predicts a company's future success
- B. Shows financial health
- C. Is a once-a-month accounting system

23. A short-term line of credit:

- A. Is not recommended
- B. Helps a company survive start-up costs
- C. Prevents shortness-of-cash crises
- D. B and C

24. In making a business plan, you should:

- A. Avoid making changes
- B. Designate specific responsibilities
- C. Include a timeline
- D. All of the above
- E. B and C

25. Venture capitalists:

- A. Will usually fund a new business with \$25,000 or more
- B. Will actively seek you out if you are starting a new business
- C. Usually want to withdraw their funds before a business matures
- D. Offer funding only for developed business plans

Answer Key for
Starting Your New Business, Revised Edition

Recommended response

| | | | | |
|------|-------|-------|-------|-------|
| 1. D | 6. B | 11. A | 16. A | 21. B |
| 2. A | 7. B | 12. B | 17. B | 22. C |
| 3. E | 8. D | 13. C | 18. E | 23. D |
| 4. E | 9. D | 14. B | 19. E | 24. E |
| 5. D | 10. A | 15. D | 20. E | 25. C |