

1. A sole proprietorship has the most difficulty obtaining initial capital.	a. True	b. False			
2. It is a good idea to write a business plan even if you do not need financing from a bank.	a. True	b. False			
3. Poor customer relations could have an adverse effect on sales.	a. True	b. False			
4. Cash is an example of a fixed asset.	a. True	b. False			
5. The calculation for mark-up on full cost is: Selling Price = total cost per unit + (desired mark-up x cost per unit)	a. True	b. False			
6. A business plan is a carefully constructed guide for the person starting one's own business.	a. True	b. False			
7. Ready-made software almost always costs more than computer programs developed in-house.	a. True	b. False			
8. "Theory X" managers place little value on organizational climate (how people are getting along with each other).	a. True	b. False			
9. The method for computing "owner's equity" is: Owner's Equity = liabilities - assets	a. True	b. False			
10. A business plan lays out the strategy for an organization to make the best of its resources and advantages to meet its objectives.	a. True	b. False			
11. Reregulation is the process of removing existing regulations, forgoing proposed regulations, or reducing the rate at which new regulations are enacted.	a. True	b. False			
12. Not every state has a sales tax.	a. True	b. False			
13. One of the most important factors in locating a new corporation is the business tax rate of a particular state.	a. True	b. False			
14. Any party to a contract may "assign" the rights specified unless assignment is specifically prohibited by law.	a. True	b. False			
15. One of the advantages of a sole proprietorship is that profits are taxed as personal income of the owner, so the owner is taxed only once.	a. True	b. False			
16. The Clayton Act of 1914 prohibits five common business practices used to reduce competition.	a. True	b. False			
17. A speculative risk is a risk that involves only the possibility of loss, whereas a pure risk is a risk that accompanies the possibility of earning a profit.	a. True	b. False			
18. It is good business for a small business to seek professional assistance in preparing federal income tax returns.	a. True	b. False			
19. Personal assets of an owner are at risk in a corporate structure.	a. True	b. False			

20. The most common way of financing a new business is with bank loans.	a. True	b. False			
21. Which is not included in a marketing plan?	a. the situation analysis	b. the marketing strategies	c. the budget	d. the business plan	e. the marketing objectives
22. The five-member committee charged with the responsibility of investigating illegal trade practices and enforcing antitrust laws is the	a. Federal Antitrust Commission.	b. U.S. Antitrust Panel.	c. Illegal Trade Committee.	d. Federal Trade Panel.	e. Federal Trade Commission.
23. Which of the following is NOT a "truth" about pricing?	a. Price conveys a certain image or perceived value.	b. Most customers are price knowledgeable, but they may not be price conscious.	c. It is generally easier to lower prices than to raise prices.	d. High-income consumers tend to be less price conscious.	e. Charging whatever the market will bear may be an appropriate pricing strategy.'
24. Every management information system (MIS) performs four functions. Which is NOT an MIS function?	a. stores and updates information	b. analyzes information	c. collects data	d. presents information to users	e. processes data into information
25. A photographer agrees to "shoot" a wedding for \$600. A month before the wedding the photographer changes his mind. The bride and groom find another photographer whose charge is \$1,000. The bride and groom sue the first photographer for \$400 (the difference between the two prices). This suit is called	a. rescission of a contract.	b. cancellation of a contract.	c. demand for specific performance.	d. a suit for monetary damages.	e. restitution.
26. What magazine gives the buying power figures for every county and city of over 100,000 population?	a. Business Week	b. Marketing Trends Magazine	c. Nation's Business Magazine	d. Sales and Marketing Management Magazine	e. New Age Consumer Magazine
27. Entrepreneurs need to devote significant time to developing a marketing plan since it is a key component in the business planning process. What is NOT included in the marketing plan?	a. pricing policy	b. income projections	c. geographic market	d. consumers and demand	e. competition
28. A decision to market a new product involves what kind of risk?	a. price risk	b. calculated risk	c. minimal risk	d. risk avoidance	e. speculative risk
29. Which is NOT a type of publicity?	a. news release	b. feature article	c. press conference	d. captioned photograph	e. annual report
30. You buy a shirt for \$27.88. The county sales tax is 2 percent, and the state sales tax is 7 percent. What do you pay for the shirt?	a. \$28.43	b. \$30.38	c. \$29.27	d. \$28.78	e. \$29.83
31. The federal act stating that labels must warn consumers of the hazards of using products that may cause illness or death if improperly used is the	a. Consumer Labeling Act.	b. Hazardous Products Act.	c. Consumer Hazardous Products Act.	d. Hazardous Substances Labeling Act.	e. Consumer Substances Labeling Act.
32. A graphic description of the types and sequences of operations in a computer program is called a	a. control unit.	b. matrix.	c. flow chart.	d. computer network.	e. software program.
33. Common factors creating a need for more capital in a growing business include all BUT	a. sales growth.	b. expansion.	c. seasonal factors.	d. opportunities to increase costs.	e. economic conditions.

34. What are the "4 P's of Marketing?"	a. product, promotion, place, position	b. position, product, promotion, price	c. promotion, price, place, position	d. price, product, promotion, place	e. product, promotion, position, place
35. What percentage of new businesses fail within the first five years of operation?	a. 10 percent	b. 30 percent	c. 80 percent	d. 90 percent	e. 50 percent
36. The most popular software packages for business applications are in all BUT which one of the following:	a. graphics	b. spreadsheets	c. word processing	d. database management	e. personal bookkeeping
37. A motivation process in which a manager and his/her employees collaborate in setting employee work goals is called	a. strategic planning.	b. cafeteria planning.	c. management by objectives.	d. management by fiat.	e. top-down management.
38. Which of the following is NOT an area of responsibility of the Federal Trade Commission?	a. pricing	b. competition	c. advertising	d. product warranty	e. consumer credit
39. Which is NOT part of a basic bookkeeping system?	a. sales projection ledger	b. sales journal	c. accounts receivable ledger	d. furniture, fixture, equipment ledger	e. accounts payable ledger
40. What percent of the nation's workforce belong to unions?	a. 90 percent	b. 50 percent	c. 75 percent	d. 10 percent	e. 25 percent
41. What is NOT typically an insurable risk for business?	a. business liability	b. fire	c. worker's compensation	d. business interruption	e. lack of sales
42. Total company dollar sales divided by total industry dollar sales equals market	a. segment.	b. plan.	c. position.	d. location.	e. share.
43. An activity whereby employees learn a new computer program that they will be expected to use on the job is an example of	a. recruiting.	b. performance appraisal.	c. employee compensation.	d. employee selection.	e. employee development.
44. A building you own and run your business out of is considered a	a. lingering asset.	b. continuing cost.	c. current asset.	d. one-time cost.	e. fixed asset.
45. There are 5,000 convenience stores in the Quick Market chain. The corporate headquarters collects \$200 from each store yearly to cover any losses suffered through natural disasters. This is a form of what kind of insurance?	a. risk insurance	b. pure insurance	c. premium insurance	d. self-insurance	e. co-insurance
46. Which is not a stage of the "product life cycle?"	a. growth	b. adolescence	c. introduction	d. decline	e. maturity
47. Under provisions of the Federal Unemployment Tax Act, employers must pay an unemployment tax equal to what percent of the first \$7,000 of each employee's annual wages?	a. 3.2 percent	b. 2.6 percent	c. 7.2 percent	d. 4.3 percent	e. 6.2 percent
48. The organizational structure includes all but	a. departmental responsibilities.	b. delegation of authority.	c. job descriptions.	d. coordination of personnel.	e. employee compensation and benefits.
49. The basic financial plan contains estimates for all the following categories except	a. projected operating expenses.	b. pricing policy.	c. projected cash flow.	d. cost of starting the business and maintaining it for a specified period of time.	e. projected income.

50. Computer service bureaus are used by many small businesses that do not have their own computer departments. A computer service bureau does all of the following EXCEPT it	a. uses its own computers to generate reports.	b. owns and operates the computer hardware and software it uses.	c. does routine clerical and accounting jobs.	d. electronically connects to the small businesses it serves.	e. guarantees consistent, accurate reports.
51. Which step is NOT needed in establishing an information system?	a. developing an information base	b. developing an information processing system	c. purchasing the appropriate computer system	d. analyzing the information requirements	e. building controls into the system
52. What would be the net profit of a business that has total sales of \$400,000, with a 50 percent mark-up and operating expenses of 40 percent of total sales?	a. \$120,000	b. \$280,000	c. \$40,000	d. \$80,000	e. \$320,000
53. A "contract" is a legally enforceable agreement that is negotiated between two or more individuals. Which of the following areas is NOT a requirement that must be fulfilled in a contract?	a. There must be an offer and acceptance.	b. Parties to a contract may be minors (under 21 years of age) if so stated on the contract.	c. Each party must receive value.	d. The contract must be stated in a form in which all contract components are included.	e. The contract must have a lawful objective.
54. The act that specifically prohibits any contract or agreement entered into for the purpose of restraining trade is the	a. Antitrust Act.	b. Bigelow Labor and Trust Act.	c. Standard Oil Trust Act.	d. Sherman Restraint of Trade Act.	e. Sherman Antitrust Act.
55. The establishment of an employee safety program to encourage awareness of safety among employees is an example of risk	a. management.	b. reduction.	c. assumption.	d. shifting.	e. transfer.
56. Three types of computers are	a. minicomputer, microcomputer, and microprocessor chips.	b. mainframe, microcomputer, and control unit.	c. minicomputer, microcomputer, and arithmetic-logic unit.	d. minicomputer, microcomputer, and mainframe.	e. control unit, output unit, and arithmetic-logic unit.
57. All are examples of short-term financing needs EXCEPT	a. monthly expenses.	b. current inventory needs.	c. cash-flow problems.	d. unexpected emergencies.	e. business start-up costs.
58. Mike Casey was denied credit when he attempted to purchase an \$800 television set. Mike wanted to know the name of the credit agency "TV Billy's" used to process his application. "TV Billy's" refused to give him the name of the agency. They are in violation of the	a. Civil Right Act.	b. Freedom of Information Act.	c. Fair Credit Reporting Act.	d. Equal Credit Opportunity Act.	e. Equal Rights Act.
59. When an entrepreneur is unsuccessful in obtaining the resources needed to successfully complete the business' objective, the enterprise is considered	a. underutilized.	b. undercapitalized.	c. monetarily deficient.	d. underinvested.	e. subasseted.
60. A set of laws designed to eliminate differences among state regulations affecting business and to simplify interstate commerce is the	a. Uniform Commercial Code.	b. U.S. Interstate Code.	c. Uniform Interstate Code.	d. Administrative Interstate Code.	e. Interstate Common Code.
61. The law that prohibits personnel practices that discriminate against people ages 40-60 is the	a. Equal Rights Act.	b. Fair Employment Act.	c. Age Equity Act.	d. Age Discrimination in Employment Act.	e. Civil Rights Act.
62. One-time only costs are incurred during the start-up phase of a business. Which is NOT a one-time only cost?	a. fixtures	b. utility deposits	c. grand-opening costs	d. leasehold improvements	e. advertising

63. A system in which several computers can either function individually or communicate with each other is called a(n)	a. mainframe computer.	b. storage unit.	c. flow chart.	d. output unit.	e. computer network.
64. Which of the following describes the belief of a "Theory Y" manager?	a. People need to be controlled.	b. People prefer indirect supervision.	c. Employee potential is not important.	d. People prefer direct supervision.	e. People do not like to work and try to avoid it.
65. A production plan includes all the following EXCEPT	a. a list of heavy machinery needed.	b. a description of the manufacturing process.	c. an outline of raw materials needed.	d. a customer needs analysis.	e. a cost analysis of the manufacturing process.
66. Sales tax makes up what percent of tax revenues for state and local governments?	a. approximately 70 percent	b. approximately 50 percent	c. approximately 5 percent	d. approximately 25 percent	e. approximately 12 percent
67. All the following are advantages of buying an existing business EXCEPT	a. the company has survived start-up and is operating.	b. it will cost less.	c. no start-up is required.	d. employees have been trained.	e. suppliers have been tried and tested.
68. Janine Smith has reason to believe that she was denied credit because she is divorced. She may have a claim under the	a. Equal Rights Act.	b. Fair Credit Reporting Act.	c. Civil Rights Act.	d. Freedom of Information Act.	e. Equal Credit Opportunity Act.
69. Corporate income taxes provide approximately what percent of total federal revenues?	a. Approximately 30 percent	b. Approximately 3 percent	c. Approximately 20 percent	d. Approximately 10 percent	e. Approximately 40 percent
70. Public utilities, radio and television stations, and interstate carriers require huge investments in capital for which duplication of facilities would be wasteful and not in the public interest. They are examples of	a. unregulated monopolies.	b. deregulated monopolies.	c. natural monopolies.	d. antitrust monopolies.	e. fixed monopolies.
71. A business plan typically includes all of the following EXCEPT the	a. form of ownership.	b. marketing plan.	c. goals and objectives.	d. financial plan.	e. succession plan.
72. A systematic procedure for studying jobs to determine their various elements and requirements is called job	a. analysis.	b. description.	c. recruiting.	d. specification.	e. inventory.
73. Which of the following is NOT included in a financial plan?	a. initial capitalization plan	b. projected income statement	c. projected operating statement	d. pricing policy	e. cash flow projection
74. Time plans, commission plans, piece-rate plans, and base plus incentive plans are all part of employee	a. recruitment.	b. tracking.	c. development.	d. compensation.	e. benefits.
75. A disadvantage of a sole proprietorship is	a. secrecy.	b. low cost of formation and dissolution.	c. flexibility.	d. unlimited liability.	e. the ease of formation and dissolution.
76. What percentage of new small businesses succeed in the first year?	a. 10 percent	b. 90 percent	c. 75 percent	d. 25 percent	e. 50 percent
77. Appropriate advisers to contact when starting a new business include all BUT	a. accountants.	b. attorneys.	c. bankers.	d. business seers.	e. trade associations.
78. The concept of "hierarchy of needs," which assumes that people seek to fulfill a variety of needs, was advanced by	a. Frederick Taylor.	b. Frederick Herzberg.	c. Abraham Maslow.	d. Elton Mayo.	e. Douglas McGregor.
79. Business loss or failure can be caused by natural risks, which included all of the following EXCEPT	a. drought.	b. employee behavior.	c. lightening.	d. tornadoes.	e. earthquakes.
80. An example of a "continuing cost" in a business is	a. a license.	b. equipment.	c. furniture.	d. rent.	e. a permit.

