# *Entrepreneurship 6th edition LaRock Test Bank*

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***Entrepreneurship: Starting and Operating a Small Business, 6e*** **(LaRock/Mariotti/Glackin)**
**Chapter 1 Entrepreneurs and Entrepreneurship**

1) Products are tangible, meaning ________.
A) you cannot touch them
B) you can sell them
C) you can touch them
D) you can see them
Answer: C
Diff: Easy
Learning Objective: 1.1 Summarize what entrepreneurship is and what entrepreneurs do.
AACSB: Reflective Thinking

2) Entrepreneurs are often both owners and ________.
A) creditors
B) employees
C) customers
D) suppliers
Answer: B
Diff: Moderate
Learning Objective: 1.1 Summarize what entrepreneurship is and what entrepreneurs do.
AACSB: Reflective Thinking

3) What is a key characteristic of opportunity-based entrepreneurs?
A) They are always forced into self-employment.
B) They start businesses mainly to replace lost income.
C) They start businesses to exploit a perceived or created opportunity.
D) They avoid thinking about the future.
Answer: C
Diff: Moderate
Learning Objective: 1.1 Summarize what entrepreneurship is and what entrepreneurs do.
AACSB: Reflective Thinking

4) A necessity-based entrepreneur starts a business to exploit a perceived opportunity or to pursue one that they created.
Answer: FALSE
Diff: Easy
Learning Objective: 1.1 Summarize what entrepreneurship is and what entrepreneurs do.
AACSB: Reflective Thinking

5) Explain how entrepreneurs can add value to scarce resources, and what signal they use to determine whether they are succeeding in doing so.
Answer: A scarce resource is something of value that can be used to make something else or to fill a need. The French economist Jean Baptiste Say wrote at the turn of the 19th century: "The entrepreneur shifts economic resources [like wood or coal] out of an area of lower and into an area of higher productivity and greater yield." By doing this, Say argued that entrepreneurs "added value to scarce resources".
Diff: Challenging
Learning Objective: 1.1 Summarize what entrepreneurship is and what entrepreneurs do.
AACSB: Analytical Thinking

6) Why are teamwork and collaboration important?
A) They are needed to complete most school projects.
B) They generally only matter to managers and leaders.
C) They help businesses succeed because many stakeholders are involved.
D) They are useful only in very small firms.
Answer: C
Diff: Moderate
Learning Objective: 1.10 Develop skills for a future career - employment or entrepreneurship.
AACSB: Application of Knowledge

7) Why are entrepreneurial principles and mindset valuable even for people who never start a business?
Answer: Entrepreneurial principles and mindset are life skills that apply beyond business, helping individuals become more valuable and valued members of teams and communities. By developing competencies like communication, critical thinking, collaboration, creativity, leadership, ethics, and technology skills, people can contribute more effectively in any organization, whether for-profit, not-for-profit, new, or established.
Diff: Moderate
Learning Objective: 1.10 Develop skills for a future career - employment or entrepreneurship.
AACSB: Application of Knowledge

8) The economy of the United States is a ________ system.
A) free-enterprise
B) controlled
C) closed
D) centralized
Answer: A
Diff: Easy
Learning Objective: 1.2 Examine how free-enterprise economies work and how entrepreneurs fit into them.
AACSB: Analytical Thinking

9) A(n) ________ is the wealth and resources of a country or region, including its financial structure.
A) economy
B) government
C) justice system
D) free enterprise
Answer: A
Diff: Moderate
Learning Objective: 1.2 Examine how free-enterprise economies work and how entrepreneurs fit into them.
AACSB: Reflective Thinking

10) Entrepreneurs have more control over more aspects of their working lives than employees. Of which aspect of their working lives do employees have more control?
A) Financial uncertainty
B) Working conditions
C) Time
D) Encroachment on personal time
Answer: A
Diff: Moderate
Learning Objective: 1.2 Examine how free-enterprise economies work and how entrepreneurs fit into them.
AACSB: Reflective Thinking

11) Cash or goods invested to generate income and wealth is called ________.
A) profit
B) capital
C) debt
D) liability
Answer: B
Diff: Easy
Learning Objective: 1.2 Examine how free-enterprise economies work and how entrepreneurs fit into them.
AACSB: Reflective Thinking

12) The U.S. economy is a free enterprise system. It is also referred to as a "free trade system" because it is based on ________.
A) voluntary exchange
B) gambling and chance
C) involuntary exchange
D) government cooperation
Answer: A
Diff: Easy
Learning Objective: 1.2 Examine how free-enterprise economies work and how entrepreneurs fit into them.
AACSB: Analytical Thinking

13) Which of the following is **not** a characteristic of the free-market system?
A) Individuals and companies may compete for their own economic gains.
B) Private wealth and property ownership are permissible.
C) Prices are determined by a central authority.
D) Free-market forces primarily determine prices.
Answer: C
Diff: Challenging
Learning Objective: 1.2 Examine how free-enterprise economies work and how entrepreneurs fit into them.
AACSB: Analytical Thinking

14) The free-market system is also called ________.
A) volunteerism
B) socialism
C) capitalism
D) dogmatism
Answer: C
Diff: Easy
Learning Objective: 1.2 Examine how free-enterprise economies work and how entrepreneurs fit into them.
AACSB: Reflective Thinking

15) In a free-market system, which is also called capitalism, individuals and companies compete for their own economic gains.
Answer: TRUE
Diff: Moderate
Learning Objective: 1.2 Examine how free-enterprise economies work and how entrepreneurs fit into them.
AACSB: Analytical Thinking

16) The economy of the United States is a free-enterprise system.
Answer: TRUE
Diff: Easy
Learning Objective: 1.2 Examine how free-enterprise economies work and how entrepreneurs fit into them.
AACSB: Analytical Thinking

17) Most of the world's businesses are ________ businesses.
A) small
B) medium-sized
C) large
D) family-owned
Answer: A
Diff: Easy
Learning Objective: 1.3 Describe small business.
AACSB: Analytical Thinking

18) A company that has less than ________ employees and sales of less than $________ million per year is a small business according to the Small Business Administration.
A) 100; 5
B) 100; 10
C) 500; 5
D) 500; 10
Answer: C
Diff: Moderate
Learning Objective: 1.3 Describe small business.
AACSB: Analytical Thinking

19) How have millennials and Generation Z redefined success?
A) Success is only measured by how much money is earned.
B) Success is defined solely by owning a large corporation.
C) Success is individualized and includes factors beyond income and wealth.
D) Success is defined only by working fewer hours.
Answer: C
Diff: Challenging
Learning Objective: 1.3 Describe small business.
AACSB: Reflective Thinking

20) The corporate equivalent of paying owners a portion of the business's profits is called a ________.
A) bonus
B) dividend
C) capital
D) revenue
Answer: B
Diff: Moderate
Learning Objective: 1.4 Explain the costs and benefits of entrepreneurship.
AACSB: Reflective Thinking

21) Which of the following is listed as a potential benefit of entrepreneurship related to personal schedule?
A) Guaranteed weekends off
B) Control over how and when you spend your time
C) A fixed 9-to-5 workday
D) Mandatory overtime set by a supervisor
Answer: B
Diff: Moderate
Learning Objective: 1.4 Explain the costs and benefits of entrepreneurship.
AACSB: Analytical Thinking

22) Which of the following best illustrates the benefit of creation/ownership in entrepreneurship?
A) Taking a commission on every sale
B) Wearing informal clothes at work
C) Turning a hobby into a business and owning the profits it generates
D) Relying on a manager to evaluate performance
Answer: C
Diff: Challenging
Learning Objective: 1.4 Explain the costs and benefits of entrepreneurship.
AACSB: Analytical Thinking

23) Why do consumers benefit from free trade and the resulting competition between businesses?
A) Competition drives away the entrepreneurs who use resources most wisely.
B) Competition tends to drive down prices and improve quality.
C) Competition offers consumers fewer choices and makes the marketplace less confusing.
D) Competition reduces the choices to consumers.
Answer: B
Diff: Challenging
Learning Objective: 1.4 Explain the costs and benefits of entrepreneurship.
AACSB: Reflective Thinking

24) What is the main purpose of a cost/benefit analysis?
A) To ensure that all decisions maximize profits
B) To justify hiring professional advisors to make decisions
C) To compare pros and cons in a less emotional, more concrete way
D) To avoid considering nonfinancial factors in decisions
Answer: C
Diff: Challenging
Learning Objective: 1.4 Explain the costs and benefits of entrepreneurship.
AACSB: Reflective Thinking

25) What is the opportunity cost of entrepreneurship?
A) The total amount of money invested in a business
B) The cost of all materials used in production
C) The cost of the next-best investment or opportunity you give up
D) The fees paid to advisors and mentors
Answer: C
Diff: Moderate
Learning Objective: 1.4 Explain the costs and benefits of entrepreneurship.
AACSB: Reflective Thinking

26) Why are mentors and business advisors important for entrepreneurs?
A) They guarantee that a business will never fail.
B) They do all the work so the entrepreneur can avoid many of the day-to-day responsibilities.
C) They share experience, insight, and guidance that can help avoid errors and support success.
D) They replace the need for any planning or preparation.
Answer: C
Diff: Moderate
Learning Objective: 1.4 Explain the costs and benefits of entrepreneurship.
AACSB: Reflective Thinking

27) Describe three potential rewards of becoming an entrepreneur that appeal to you.
Answer: (The answer should describe three of the following five rewards.)
1. Control Over Time - Do you work better at midnight than at 8 a.m.? If you start your own business, you have control over how you spend your time. Are you the type of person who would rather work hard for two weeks nonstop and then take a break? If you are an entrepreneur, you can. You can also choose to hire other people to do tasks that you do not want to do or are not good at, so you can stay focused on what you do best. Bill Gates likes to spend his time designing software. He hires other people to manage Microsoft's operations and market and sell its products.
2. Fulfillment - Successful entrepreneurs are passionate about their businesses. They are excited and fulfilled by their work. Entrepreneurs are almost never bored. If something about running their business is boring to them, they can hire someone to do that task.
3. Creation/Ownership - Entrepreneurship is a creative endeavor: Entrepreneurs put their time into creating something that they hope will survive and become profitable. Entrepreneurs own the businesses that they create and the profits that the businesses earn. Ownership is the key to wealth. Your goal is to create a business that makes a continuing profit. Eventually, you may be able to sell that business for a multiple of earnings. That is how entrepreneurs create wealth.
4. Control Over Compensation - Entrepreneurs choose how they are paid. As owner of your company, you can decide to:
• Pay yourself a salary - a fixed payment made at regular intervals, such as every week, or every month. No matter how much time you put in, the salary remains the same.
• Pay yourself a wage - a fixed payment per hour.
• Take a share of the company's profit - as the owner you can pay yourself a portion of the business's profit. This payment is called a dividend.
• Take a commission on every sale you make - A commission is a percentage of the value of a sale. If you decide to pay yourself 10% commission and you sell one of your products for $120, your commission on the sale would be $12.
5. Control Over Working Conditions - As an entrepreneur you can create a working environment that reflects your values. If you believe in recycling, you can make sure your company recycles. You also evaluate your own performance. No one else has the power to hire or fire you.
Diff: Challenging
Learning Objective: 1.4 Explain the costs and benefits of entrepreneurship.
AACSB: Written and Oral Communication

28) Explain why it is important to consider opportunity cost when making a decision.
Answer: Using a comparison of costs and benefits to make a decision is called cost/benefit analysis. It is a helpful tool because we tend to make decisions with our emotions, not by using our intellect to evaluate the pros and cons. Cost/benefit analysis can be inaccurate without including opportunity cost. This is the cost of your "next-best investment." People often make decisions without considering opportunity costs and then wonder why they are not happy with the outcome. Each time you make a decision about what to do with your time, energy, or money, think about the cost of the opportunities that you are giving up.
Diff: Challenging
Learning Objective: 1.4 Explain the costs and benefits of entrepreneurship.
AACSB: Reflective Thinking

29) As a start-up, Uber had a current market valuation of over $50 billion. Uber is an example of a(n) ________.
A) unicorn
B) lifestyle business
C) intrapreneurship venture
D) microenterprise
Answer: A
Diff: Moderate
Learning Objective: 1.5 Recognize the various entrepreneurial options.
AACSB: Reflective Thinking

30) Entrepreneurs that participate in activities to avoid harm to the environment or help protect it in some ways are engaged in ________.
A) venture philanthropy
B) green entrepreneurship
C) social entrepreneurship
D) corporate responsibility
Answer: B
Diff: Easy
Learning Objective: 1.5 Recognize the various entrepreneurial options.
AACSB: Reflective Thinking

31) What are microenterprises, and why are they important in the United States economy?
Answer: Microenterprises are very small firms, often solo-entrepreneur ventures, or businesses with up to nine employees, frequently started for part-time income, temporary support, or lifestyle reasons. In the United States, they constitute the overwhelming majority of firms and a significant share of private employment, meaning they can be the difference between poverty and stability for many households, even when they are not designed for large-scale growth.
Diff: Moderate
Learning Objective: 1.5 Recognize the various entrepreneurial options.
AACSB: Written and Oral Communication

32) Entrepreneurs look at five basic ways of opportunity for business ideas. Which is **not** one of those five?
A) Developing a new market for an existing product
B) Producing a product more cheaply
C) Finding new ways to use existing technology
D) Raising prices in an existing market
Answer: D
Diff: Moderate
Learning Objective: 1.6 Evaluate opportunities to start your own business.
AACSB: Analytical Thinking

33) Entrepreneurs view problems as a(n) ________.
A) roadblock
B) opportunity
C) hurdle
D) challenge
Answer: B
Diff: Moderate
Learning Objective: 1.6 Evaluate opportunities to start your own business.
AACSB: Reflective Thinking

34) The great economist Joel Schumpeter emphasized that innovation is the key to entrepreneurship. Which of the following is a basic way to create a new business?
A) Expand on old technology
B) Develop current markets
C) Use new technology to produce a new product
D) Find a less expensive source of resources
Answer: C
Diff: Challenging
Learning Objective: 1.6 Evaluate opportunities to start your own business.
AACSB: Analytical Thinking

35) The best business opportunities often combine both ________ and ________.
A) extreme luck; chance
B) luck; sales skill
C) sales; marketing
D) internal; external factors
Answer: D
Diff: Moderate
Learning Objective: 1.6 Evaluate opportunities to start your own business.
AACSB: Reflective Thinking

36) How can entrepreneurs train their minds to recognize business opportunities?
A) By ignoring frustrations and focusing only on success stories
B) By asking questions about frustrations and needs, brainstorming "Wouldn't it be nice if…" ideas, and combining interests and challenges in new ways
C) By waiting for others to present them with ideas
D) By copying existing products exactly as they are
Answer: B
Diff: Moderate
Learning Objective: 1.6 Evaluate opportunities to start your own business.
AACSB: Reflective Thinking

37) Which of the following is mentioned as a specific way AI-based tools can help entrepreneurs?
A) Preparing tax returns automatically
B) Writing all company policies
C) Generating names and logos based on industry and desired branding
D) Hiring employees without interviews
Answer: C
Diff: Moderate
Learning Objective: 1.6 Evaluate opportunities to start your own business.
AACSB: Reflective Thinking

38) In what ways can entrepreneurs use listening, observing, and analyzing to form business ideas?
Answer: Entrepreneurs listen to others to hear complaints or unmet needs, observe people and situations to spot gaps or inefficiencies, and analyze problems to imagine products or services that could solve them. Each method becomes a structured way to turn everyday frustrations and patterns into specific, describable business concepts rather than vague wishes.
Diff: Moderate
Learning Objective: 1.6 Evaluate opportunities to start your own business.
AACSB: Reflective Thinking

39) A business opportunity is an idea, plus ________.
A) it is attractive to suppliers
B) it may have marginal performance in your business environment
C) it has a limitless window of time to work within
D) it is attractive to customers and will work in your business environment
Answer: D
Diff: Moderate
Learning Objective: 1.7 Distinguish between ideas and opportunities.
AACSB: Analytical Thinking

40) Which of the following is listed as one of the five roots of opportunity in the marketplace?
A) Eliminating all competition through regulation
B) Ignoring changes in laws and trends
C) Competitive advantages in price, location, quality, reputation, or speed
D) Focusing only on internal weaknesses
Answer: C
Diff: Moderate
Learning Objective: 1.7 Distinguish between ideas and opportunities.
AACSB: Application of Knowledge

41) Why is it possible that entrepreneurs can sometimes outperform large corporations when opportunities arise?
A) Large corporations are not interested in profit.
B) Entrepreneurs can enter and exit markets quickly, while big firms may take years to implement new strategies.
C) Entrepreneurs never face competition.
D) Large corporations cannot use technology effectively and spend too much time in implementation.
Answer: B
Diff: Moderate
Learning Objective: 1.7 Distinguish between ideas and opportunities.
AACSB: Application of Knowledge

42) A(n) ________ is an idea that is based on what customers need or want and are willing to buy sufficiently often at a high enough price to sustain a business.
A) opportunity
B) idea
C) strategy
D) All of the above.
Answer: A
Diff: Moderate
Learning Objective: 1.7 Distinguish between ideas and opportunities.
AACSB: Analytical Thinking

43) What are the four characteristics of a business opportunity?
Answer:
1. It is attractive to customers because it creates or adds value for its customers.
2. It will work in the business environment.
3. It can be executed in a defined window of opportunity.
4. It can be implemented with the right team to make it durable.
Diff: Challenging
Learning Objective: 1.7 Distinguish between ideas and opportunities.
AACSB: Analytical Thinking

44) How can you distinguish between an ordinary idea and a true business opportunity?
Answer: Most ideas are not viable opportunities because they are not grounded in actual customer demand. A true opportunity exists only when customers both need or want the product or service and are willing to buy it frequently enough, at prices high enough, to sustain profitability over time. It must generate value for customers and profit for the business.
Diff: Moderate
Learning Objective: 1.7 Distinguish between ideas and opportunities.
AACSB: Analytical Thinking

45) A(n) ________ is a legal and commercial relationship between the owner of a trademark, a service mark, trade name, or advertising symbol and an individual or group seeking to use that identification in a business.
A) franchise
B) idea
C) venture
D) opportunity
Answer: A
Diff: Moderate
Learning Objective: 1.8 Explore the multiple paths to entrepreneurship.
AACSB: Analytical Thinking

46) What is "due diligence" when buying an existing business?
A) The process of creating a new logo and a strong business plan
B) The process of learning about the company's true financial condition, reputation, and viability
C) A mandatory government tax audit required before any business can be started
D) A marketing plan review and an internal audit focused on raising startup capital
Answer: B
Diff: Moderate
Learning Objective: 1.8 Explore the multiple paths to entrepreneurship.
AACSB: Analytical Thinking

47) Why should an entrepreneur use qualified legal and financial counsel before franchising, buying a business, or licensing technology?
A) Because these transactions are relatively simple but they can be very expensive
B) Because these transactions are complex and can have significant financial and personal implications
C) Because counsel is legally required in all small deals if you intend to raise funds
D) Because counsel will guarantee business success
Answer: B
Diff: Challenging
Learning Objective: 1.8 Explore the multiple paths to entrepreneurship.
AACSB: Analytical Thinking

48) When you license a technology, you enter into a contract to use it by purchasing the right to own it.
Answer: FALSE
Diff: Challenging
Learning Objective: 1.8 Explore the multiple paths to entrepreneurship.
AACSB: Analytical Thinking

49) If a business is not making a profit, the entrepreneur knows that ________.
A) no one wants to buy the product/service
B) they are not making good use of scarce resources
C) people are willing to buy the product/service at a high price
D) competition is too great
Answer: B
Diff: Challenging
Learning Objective: 1.9 Explain success signals for entrepreneurs.
AACSB: Analytical Thinking

50) Profit results from the entrepreneur's choices. In this concept, there is a term called "trade-off." With the help of an example, explain what is meant by a "trade-off."
Answer: In business, trade-off is the act of giving up one thing for another. This is the choice that entrepreneurs make all the time and trade-offs affect the profitability of the enterprise. A common example of a trade-off that many entrepreneurs in the food business face is in the choice of ingredients. Let's suppose that oil is a key ingredient in the product that an entrepreneur makes. Let's say that olive oil costs one and a half times more than canola oil. If the entrepreneur believes that there are only minor taste differences between the two oils, a trade-off is whether to reduce cost by switching to canola oil, although doing that may have a small effect on the taste of the product. What the entrepreneur is giving up in taste, they are gaining in profits.
Diff: Moderate
Learning Objective: 1.9 Explain success signals for entrepreneurs.
AACSB: Written and Oral Communication