Package Title: Practice

Course Title: Boone, Contemporary Business, Third Canadian Edition

Chapter Number: 05

Shuffle: No

Question type: Multiple-Choice

1) What characterizes a small business?

a) It is independently owned and operated and is not dominant in its market.

b) It operates at a loss for many years until it is a large business.

c) Small businesses grow slowly.

d) Small businesses are sole proprietorships.

Answer: a

Difficulty: Easy

Learning Objective 1: LO5.1 Describe the characteristics of a small business.

Section Reference 1: Most Businesses are Small Businesses

Bloom’s Taxonomy: Comprehension

AACSB: Communication

2) Most businesses are considered small if they employ fewer than \_\_\_\_\_workers.

a) 100

b) 500

c) 5,000

d) 1,000

Answer: a

Difficulty: Easy

Learning Objective 1: LO5.1 Describe the characteristics of a small business.

Section Reference 1: Most Businesses are Small Businesses

Bloom’s Taxonomy: Knowledge

AACSB: Communication

3) Approximately what percentage of Canadian businesses are considered small businesses?

a) 98%

b) 86%

c) 72%

d) 55%

Answer: a

Difficulty: Easy

Learning Objective 1: LO5.1 Describe the characteristics of a small business.

Section Reference 1: Most Businesses are Small Businesses

Bloom’s Taxonomy: Comprehension

AACSB: Communication

4) Small businesses account for what percentage of Canada’s total value of exports?

a) 12%

b) 28%

c) 41%

d) 67%

Answer: c

Difficulty: Medium

Learning Objective 1: LO5.2 Discuss the contributions of small businesses to the economy.

Section Reference 1: Contributions of Small Business to the Economy

Bloom’s Taxonomy: Knowledge

AACSB: Communication

5) Which of the following is least likely to be a small business?

a) A restaurant

b) A construction company

c) A mining company

d) An auto repair shop

Answer: c

Difficulty: Easy

Learning Objective 1: LO5.2 Discuss the contributions of small businesses to the economy.

Section Reference 1: Contributions of Small Business to the Economy

Bloom’s Taxonomy: Comprehension

AACSB: Communication

6) Small businesses are more likely than large ones to hire

a) the youngest workers.

b) the oldest workers.

c) minorities.

d) women

Answer: a

Difficulty: Easy

Learning Objective 1: LO5.2 Discuss the contributions of small businesses to the economy.

Section Reference 1: Contributions of Small Business to the Economy

Bloom’s Taxonomy: Knowledge

AACSB: Communication

7) Small firms produce \_\_\_\_\_\_\_ times more patents per employee than larger firms.

a) 5

b) 13

c) 18

d) 22

Answer: b

Difficulty: Medium

Learning Objective 1: LO5.2 Discuss the contributions of small businesses to the economy.

Section Reference 1: Contributions of Small Business to the Economy

Bloom’s Taxonomy: Knowledge

AACSB: Communication

8) Over the duration of many years, more than \_\_\_\_\_\_\_ of all new jobs are created by small business.

a) 20%

b) 35%

c) 50%

d) 70%

Answer: c

Difficulty: Easy

Learning Objective 1: LO5.2 Discuss the contributions of small businesses to the economy.

Section Reference 1: Contributions of Small Business to the Economy

Bloom’s Taxonomy: Knowledge

AACSB: Communiucation

9) Small businesses often fail due to:

a) inadequate financing.

b) management shortcomings.

c) difficulty dealing with government regulations.

d) all of the above.

Answer: d

Difficulty: Easy

Learning Objective 1: LO5.3 Discuss why small businesses fail.

Section Reference 1: Why Small Businesses Fail

Bloom’s Taxonomy: Knowledge

AACSB: Communuication

10) Why do home-based businesses often have lower costs?

a) Owners work more hours because their office is their home.

b) Customers are not willing to pay competitive prices for home-based services.

c) Funds that are not being used to pay rent can be directed into the business.

d) There is an increase in the owner’s quality of life.

Answer: c

Difficulty: Easy

Learning Objective 1: LO5.1 Describe the characteristics of a small business.

Section Reference 1: Most Businesses are Small Businesses

Bloom’s Taxonomy: Comprehension

AACSB: Communication

11) Small businesses are much more likely to fail than large businesses, especially during economic downturns, because of:

a) management shortcomings.

b) difficulty dealing with government regulations.

c) inadequate financing.

d) all of the above.

Answer: d

Difficulty: Easy

Learning Objective 1: LO5.3 Discuss why small businesses fail.

Section Reference 1: Why Small Businesses Fail

Bloom’s Taxonomy: Knowledge

AACSB: Communication

12) What percentage of small businesses survive the first five years of operations?

a) 20%

b) 30%

c) 50%

d) 70%

Answer: d

Difficulty: Easy

Learning Objective 1: LO5.3 Discuss why small businesses fail.

Section Reference 1: Why Small Businesses Fail

Bloom’s Taxonomy: Knowledge

AACSB: Communication

13) A written document that provides a statement of a company’s goals, methods for achieving goals, and standards for measurement is

a) a marketing plan.

b) a business plan.

c) an incorporation document.

d) a financial blueprint.

Answer: b

Difficulty: Easy

Learning Objective 1: LO5.4 Describe the features of an effective business plan.

Section Reference 1: The Business Plan: A Foundation for Success

Bloom’s Taxonomy: Knowledge

AACSB: Communication

14) An effective business plan should include:

a) the vision of the founder(s) and its mission.

b) description of potential competitors.

c) what makes the company unique.

d) all of the above.

Answer: d

Difficulty: Easy

Learning Objective 1: LO5.4 Describe the features of an effective business plan.

Section Reference 1: The Business Plan: A Foundation for Success

Bloom’s Taxonomy: Comprehension

AACSB: Communication

15) The primary purpose for developing a business plan is:

a) to obtain financing for the business.

b) to document the founding history of the business.

c) to outline the qualifications of the new business owner(s).

d) to charter the new business with the province in which it is located.

Answer: a

Difficulty: Medium

Learning Objective 1: LO5.4 Describe the features of an effective business plan.

Section Reference 1: The Business Plan: A Foundation for Success

Blooms Taxonomy: Comprehension

AACSB: Communication

16) Which section of a business plan addresses the target customer base and how to promote business with that base?

a) the company vision

b) the client blueprint

c) the marketing strategy

d) the mission statement

Answer: c

Difficulty: Easy

Learning Objective 1: LO5.4 Describe the features of an effective business plan.

Section Reference 1: The Business Plan: A Foundation for Success

Bloom’s Taxonomy: Comprehension

AACSB: Communication

17) The BDC was created by an act of Parliament in what year?

a) 1932

b) 1940

c) 1944

d) 1954

Answer: c

Difficulty: Medium

Learning Objective 1: LO5.5 Identify the assistance available to small businesses. Section Reference 1: Assistance for Small Businesses

Bloom’s Taxonomy: Knowledge

AACSB: Communication

18) About \_\_\_\_\_\_\_\_\_\_ of all self-employed people in Canada are women.

a) one quarter

b) one third

c) half

d) two thirds

Answer: b

Difficulty: Easy

Learning Objective 1: LO5.5 Identify the assistance available to small businesses.

Section Reference 1: Assistance for Small Businesses

Bloom’s Taxonomy: Knowledge

AACSB: Communication

19) Which of the following is **not** a Canadian organization that assists small businesses?

a) CSBFP

b) CABI

c) BDC

d) SBA

Answer: d

Difficulty: Easy

Learning Objective 1: LO5.5 Identify the assistance available to small businesses.

Section Reference 1: Assistance for Small Businesses

Bloom’s Taxonomy: Knowledge

AACSB: Communication

20) \_\_\_\_\_\_\_\_\_\_ is money invested in a business by another business or a group of individuals in return for an ownership share.

a) Financial assistance

b) A direct loan

c) A business incubator

d) Venture capital

Answer: d

Difficulty: Easy

Learning Objective 1: LO5.5 Identify the assistance available to small businesses.

Section Reference 1: Assistance for Small Businesses

Bloom’s Taxonomy: Knowledge

AACSB: Communication

21) Nearly \_\_\_\_\_\_\_\_\_\_of all small- and medium-sized enterprises (SMEs) in Canada have at least one female owner.

a) one quarter

b) one third

c) half

d) two thirds

Answer: c

Difficulty: Easy

Learning Objective 1: LO5.5 Identify the assistance available to small businesses.

Section Reference 1: Assistance for Small Businesses

Bloom’s Taxonomy: Knowledge

AACSB: Communication

22) \_\_\_\_\_\_\_\_\_\_\_ is an organization that provides temporary low-cost, shared facilities to small start-up companies.

a) Small business administration

b) Business incubator

c) Venture capitalist

d) Loan specialist

Answer: b

Difficulty: Easy

Learning Objective 1: LO5.5 Identify the assistance available to small businesses.

Section Reference 1: Assistance for Small Businesses

Blooms Taxonomy: Knowledge

AACSB: Communication

23) Which of the following is **not** a benefit to the franchisor in a franchise agreement?

a) A franchisor can handle a larger, more complex business.

b) A franchisor employs fewer direct employees.

c) A franchisor can make better buying deals because of quantity purchases.

d) A franchisor is in control of the daily operations of a much larger business.

Answer: d

Difficulty: Easy

Learning Objective 1: LO5.6 Explain franchising.

Section Reference 1: Franchising

Bloom’s Taxonomy: Comprehension

AACSB: Communication

24) A franchisor:

a) is the small business person who purchases the franchise.

b) incurs no risk in the transaction.

c) provides building plans, site selection help, managerial programs and other services for a fee.

d) guarantees profits to the purchaser.

Answer: c

Difficulty: Easy

Learning Objective 1: LO5.6 Explain franchising.

Section Reference 1: Franchising

Bloom’s Taxonomy: Knowledge

AACSB: Communication

25) Which of the following risks does the franchisor risk in a franchise agreement?

a) loss of money for several years

b) loss of control over business reputation

c) loss of absolute control of operations

d) all of the above

Answer: d

Difficulty: Easy

Learning Objective 1: LO5.6 Explain franchising.

Section Reference 1: Franchising

Bloom’s Taxonomy: Comprehension

AACSB: Communication

26) Which province leads the rest of Canada in franchising?

a) Ontario

b) Quebec

c) Alberta

d) British Columbia

Answer: a

Difficulty: Easy

Learning Objective 1: LO5.6 Explain franchising.

Section Reference 1: Franchising

Bloom’s Taxonomy: Knowledge

AACSB: Communication

27) Which is the most common form of business ownership?

a) sole proprietorship

b) partnership

c) corporation

d) public ownership

Answer: a

Difficulty: Easy

Learning Objective 1: LO5.7 Outline the forms of private business ownership.

Section Reference 1: Forms of Private Business Ownership

Bloom’s Taxonomy: Knowledge

AACSB: Communication

28) A legal organization with assets and liabilities separate from those of its owner is called:

a) a sole proprietorship.

b) a partnership.

c) a corporation.

d) all of the above.

Answer: c

Difficulty: Easy

Learning Objective 1: LO5.7 Outline the forms of private business ownership.

Section Reference 1: Forms of Private Business Ownership

Bloom’s Taxonomy: Knowledge

AACSB: Communication

29) How does a partnership differ from a sole proprietorship?

a) double taxed on income

b) funds are limited

c) more difficult to dissolve

d) all of the above

Answer: c

Difficulty: Medium

Learning Objective 1: LO5.7 Outline the forms of private business ownership.

Section Reference 1: Forms of Private Business Ownership

Bloom’s Taxonomy: Comprehension

AACSB: Analytic

30) Which of the following is **not** an advantage of a corporation?

a) Limited liability for the owners

b) Ease of formation

c) Continuity

d) Expanded financial capacity

Answer: b

Difficulty: Easy

Learning Objective 1: LO5.7 Outline the forms of private business ownership.

Section Reference 1: Forms of Private Business Ownership

Bloom’s Taxonomy: Comprehension

AACSB: Analytic

31) Which of the following is a major draw-back to sole proprietorships?

a) the owner’s personal financial liability

b) a higher chance of being audited

c) a lack of long-term continuity

d) all of the above

Answer: d

Difficulty: Easy

Learning Objective 1: LO5.7 Outline the forms of private business ownership.

Section Reference 1: Forms of Private Business Ownership

Bloom’s Taxonomy: Comprehension

AACSB: Communication

32) Which type of business is most likely to operate as a cooperative business?

a) food service

b) agricultural

c) real estate

d) tax service

Answer: b

Difficulty: Easy

Learning Objective 1: LO5.8 Describe public and collective business ownership.

Section Reference 1: Public and Collective Ownership of Business

Bloom’s Taxonomy: Application

AACSB: Communication

33) Cooperatives allow members to:

a) share equipment.

b) share in other efforts such as marketing.

c) benefit from group purchasing discounts.

d) do all of the above.

Answer: d

Difficulty: Easy

Learning Objective 1: LO5.8 Describe public and collective business ownership.

Section Reference 1: Public and Collective Ownership of Business

Bloom’s Taxonomy: Knowledge

AACSB: Communication

34) Via Rail Canada is an example of:

a) a partnership.

b) a limited liability corporation.

c) a Crown Corporation.

d) a non-for-profit franchise.

Answer: c

Difficulty: Easy

Learning Objective 1: LO5.8 Describe public and collective business ownership.

Section Reference 1: Public and Collective Ownership of Business

Bloom’s Taxonomy: Knowledge

AACSB: Communication

35) Which of the following is most likely to be a co-operative business operation?

a) a group of neighbouring farm owners

b) a chain of restaurants

c) a mom-and-pop grocery store

d) a nursing home

Answer: a

Difficulty: Easy

Learning Objective 1: LO5.8 Describe public and collective business ownership.

Section Reference 1: Public and Collective Ownership of Business

Bloom’s Taxonomy: Application

AACSB: Communication

36) Owners of common shares:

a) have preferred rights in case of bankruptcy.

b) hire the Chief Executive Officer.

c) have voting rights but only residual claims on the firm’s assets.

d) make most of the major decisions.

Answer: c

Difficulty: Medium

Learning Objective 1: LO5.9 Discuss the organizational structure of corporations.

Section Reference 1: Organizing a Corporation

Bloom’s Taxonomy: Knowledge

AACSB: Communication

37) Who owns the corporation?

a) The Board of Directors

b) The CEO

c) The employees

d) The shareholders

Answer: d

Difficulty: Easy

Learning Objective 1: LO5.9 Discuss the organizational structure of corporations.

Section Reference 1: Organizing a Corporation

Bloom’s Taxonomy: Knowledge

AACSB: Communication

38) Which level of management in a corporation hires the CEO?

a) shareholders

b) board of directors

c) top management

d) middle management

Answer: b

Difficulty: Easy

Learning Objective 1: LO5.9 Discuss the organizational structure of corporations.

Section Reference 1: Organizing a Corporation

Bloom’s Taxonomy: Knowledge

AACSB: Communication

39) A \_\_\_\_\_\_\_\_\_\_\_ sells shares to the general public, which sets up a diversified ownership.

a) closed corporation

b) closely held corporation

c) publicly held corporation

d) private corporation

Answer: c

Difficulty: Easy

Learning Objective 1: LO5.9 Discuss the organizational structure of corporations.

Section Reference 1: Organizing a Corporation

Bloom’s Taxonomy: Knowledge

AACSB: Communication

40) A(n) \_\_\_\_\_\_\_\_\_ combines firms in the same industry that wish to diversify, increase their customer base, cut costs, or offer expanded product lines.

a) acquisition

b) vertical merger

c) conglomerate merger

d) horizontal merger

Answer: d

Difficulty: Easy

Learning Objective 1: LO5.10 Describe mergers, acquisitions, and joint ventures.

Section Reference 1: When Businesses Join Forces

Bloom’s Taxonomy: Knowledge

AACSB: Analytic

41) Why might a firm acquire another company?

a) Mergers guarantee future profitability.

b) Acquisitions allow a company to enter new markets and improve competitiveness.

c) Acquisitions are always less expensive than creating new products.

d) Governments regulate acquisitions less than they do mergers.

Answer: b

Difficulty: Easy

Learning Objective 1: LO5.10 Describe mergers, acquisitions, and joint ventures.

Section Reference 1: When Businesses Join Forces

Bloom’s Taxonomy: Comprehension

AACSB: Analytic

42) A merger between two companies in different levels of the production and marketing of a product is called a \_\_\_\_\_\_\_\_\_\_\_ merger.

a) joint

b) horizontal

c) industry-dominate

d) vertical

Answer: d

Difficulty: Easy

Learning Objective 1: LO5.10 Describe mergers, acquisitions, and joint ventures.

Section Reference 1: When Businesses Join Forces

Bloom’s Taxonomy: Knowledge

AACSB: Communication

43) A(n) \_\_\_\_\_\_\_\_\_ consists of two or more firms combined to form one company.

a) merger

b) acquisition

c) joint venture

d) vertical merger

Answer: a

Difficulty: Easy

Learning Objective 1: LO5.10 Describe mergers, acquisitions, and joint ventures.

Section Reference 1: When Businesses Join Forces

Bloom’s Taxonomy: Knowledge

AACSB: Communication