Final Examination
Semester 3 / Year 2011

COURSE : ENTREPRENEURSHIP
COURSE CODE : BUSS2003
TIME : 2 1/2 HOURS
DEPARTMENT : MANAGEMENT
LECTURER : WONG YONG HUAT

Student’s ID :
Batch No. :

Notes to candidates:
1) The question paper consists of 4 pages, **20 multiple choices, and 6 essay questions.**
2) Answer all multiple choice questions, and answer all 6 essay questions.
3) Return the question paper with your answer booklet.
Part A-20 multiple choice questions (2 marks per question, total 40 marks). Circle the right answer

1. Which of the following is the main purpose for writing a business plan?
   A) The plan helps the company develop a "road map" to follow.
   B) The plan introduces potential investors and other stakeholders to the business opportunity.
   C) Both A and B are equally important.
   D) Neither A nor B captures the true purpose of a business plan.

2. The document that does the best job of introducing potential investors and other stakeholders with the business opportunity the firm is pursuing and how it plans to pursue it is the:
   A) business plan
   B) feasibility analysis
   C) opportunity analysis
   D) industry analysis

3. Which of the following statements is incorrect regarding business plans?
   A) A firm's business plan is typically the first aspect of a proposed venture that will be seen by an investor.
   B) To make the best impression, a business plan should follow an unconventional structure, so it will stand out.
   C) A business plan has both an external and an internal audience.
   D) A company's business plan is typically written by its founders.

4. There are three types of business plans:
   A) functional business plan, full business plan, feasibility plan
   B) summary business plan, contingency plan, full business plan
   C) functional business plan, contingency plan, full business plan
   D) summary business plan, full business plan, operational business plan

5. Financial management deals with two things raising money and:
   A) operations management
   B) inventory control
   C) managing a company's finances
   D) production management

6. The four main financial objectives of a firm are:
   A) efficiency, effectiveness, strength, and flexibility
   B) power, success, efficiency, effectiveness
   C) control, effectiveness, liquidity, and power
   D) profitability, liquidity, efficiency, and stability
7. A financial statement is a(n):
A) set of ratios which depict relationships between a firm's financial items
B) estimate of a firm's future income and expenses
C) hybrid statement of cash flows
D) written report that quantitatively describes a firm's financial health

8. ________ are itemized forecasts of a company's income, expenses, and capital needs and are also an important tool for financial planning and control.
A) Profitability statements
B) Financial statements
C) Owners' equity statements
D) Budgets

9. A ________ is the group of founders, key employees, and advisers that move a new venture from an idea to a fully functioning firm.
A) new venture panel
B) startup team
C) new venture team
D) new project team

10. The high failure rate among new ventures is due in part to the liability of newness, which refers to the fact that new companies often falter because:
A) they are underfunded and the founder's of the firms don't move quickly enough to put together boards of directors and boards of advisors that can provide them direction and advice
B) they underestimate the complexities involved with starting a new business and the firm lacks a "track record" with outside buyers and sellers
C) the people who start the firms can't adjust quickly enough to their new roles and the firm lacks a "track record" with outside buyers and sellers
D) the people who start the firms can't adjust quickly enough to their new roles and they are underfunded

11. Which of the following was not identified in the textbook as an element of a new venture team?
A) board of advisors
B) suppliers and vendors
C) key employees
D) lenders and investors

12. According to the textbook, many entrepreneurs go about the task of raising capital haphazardly because:
A) they are uncomfortable talking about money and they haven't written a business plan
B) they lack experience in this area and because they don't know much about their choices
C) they are focused on the nuts and bolts of starting their business
D) they haven't completed a feasibility analysis or business plan
13. The three reasons start-ups need funding are:
   A) cash flow challenges, capital investments, and lengthy product development cycles
   B) business research, cash flow challenges, and costs associated with building a brand
   C) bonuses for members of the new venture team, attorney fees, and lengthy product development cycles
   D) attorney fees, capital investments, and marketing research

14. According to the textbook, beyond their own funds, the second source of funds for many new ventures is:
   A) government grants
   B) business angels
   C) friends and family
   D) banks

15. The first step in selecting a target market is to study the industry in which the firm intends to compete and determine the different potential target markets in that industry. This process is called:
   A) market positioning
   B) market splitting
   C) market targeting
   D) market segmentation

16. Once a firm has segmented the market, the next step is to:
   A) decide on a position within the segment
   B) select a critical market
   C) select a target market
   D) select a focal market

17. A product attribute map is used to help a firm determine if its:
   A) if it is emphasizing benefits rather than features
   B) branding strategy is appropriate
   C) market segmentation is correct
   D) positioning strategy is appropriate

18. Which of the following is an example of an internal growth strategy?
   A) licensing
   B) merger
   C) new product development
   D) strategic alliance

19. Which of the following is an example of an external growth strategy?
   A) strategic alliances and joint ventures
   B) improving an existing product or service
   C) increasing the market penetration of an existing product or service
   D) extending product lines
20. Entrepreneurial businesses that grow by expanding from their original location to additional geographic sites are pursuing a:
A) common expansion strategy  
B) market penetration strategy  
C) universal networking strategy  
D) geographic expansion strategy

Part B- 6 essay questions (Total 60 marks). Please answer all six questions.

**Question 1:**
What is an “executive summary?” Why is the executive summary often called the most important part of a business plan? (10 marks)

**Question 2:**
Describe the purpose of the income statement, the balance sheet, and the statement of cash flows. (10 marks)

**Question 3:**
Are more firms started by individuals or founding teams? What are the advantages to founding a firm as a team rather than as an individual? (10 marks)

**Question 4:**
Why do most firms need funding? Provide a brief explanation of each reason. (10 marks)

**Question 5:**
Why is it better to sell benefits rather than features? Provide an example that illustrated this point. (10 marks)

**Question 6:**
Explain the difference between internal and external growth strategies? Provide examples of each. (10 marks)