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Paper No. 01

FINAL TERM EXAMINATION

Spring 2010

MGT602- Entrepreneurship

VU ASKARI TEAM (www.vuaskari.com)

Solved By Honey G <abdulhaiee2004@gmail.com>

Question No: 1 (Marks: 1) - Please choose one

Which one of the following is important for international business to avoid trade barriers?

- ▶ Protectionist attitude
- ▶ **Entrepreneurial partnering**
- ▶ Free trade areas
- ▶ None of the given options

Ref: Instructor Reply: There are different sort of barriers to international trade such as General Agreement on Tariffs and Trade, increasing protectionist attitude, trade blocks and free trade areas. In response to avoid these barriers entrepreneurs adopt a strategy known as entrepreneurial partnering. According to this strategy an entrepreneur who wants to enter in international market makes partnership with another entrepreneur of a foreign country

Question No: 2 (Marks: 1) - Please choose one

The concept of World Wide Web pages was developed in:

- ▶ 1960s
- ▶ 1970s
- ▶ 1980s
- ▶ **1990s**

Ref: In the early 1990s the concept of World Wide Web pages was developed.

(Handouts Page No. 44)

Question No: 3 (Marks: 1) - Please choose one

Which one the following is the best protection against product liability?

- ▶ Avoid negligence
- ▶ **Warn consumers of any potential hazards**
- ▶ Give warranty
- ▶ Avoid misrepresentation

Ref: The best protection against product liability is to produce safe products and to warn consumers of any potential hazards. **(Handouts Page No. 52)**

Question No: 4 (Marks: 1) - Please choose one

Which of the following is a powerful marketing tool for expansion of business in new market?

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► **Licensing**

- Product safety
- Insurance
- Copy rights

Ref: Licensing, when used effectively, can be as powerful a marketing tool as advertising or public relations <http://www.marathonmarketing.net/Licensing.html>

Question No: 5 (Marks: 1) - Please choose one

Bankers say that most businesses fail because of the _____ inability to plan properly.

- Investor's
- Marketer's
- **Entrepreneur's**
- Consultant's

Ref: Bankers say that most businesses fail because of the entrepreneur's inability to plan effectively (**Handouts Page No. 60**)

Question No: 6 (Marks: 1) - Please choose one

Which of the following plan has names, addresses, and resumes of the directors and officers of the corporation?

- Operations
- Marketing
- Production
- **Organizational**

Ref: The organizational plan section should describe the venture's form of ownership. If the venture is a corporation, this should include the number of shares authorized, share options, and names and addresses of the directors and officers. (**Handouts Page No. 58**)

Question No: 7 (Marks: 1) - Please choose one

Which of the following is necessary to initiate the market research?

- Data
- Budget
- Problem
- **Objectives**

Ref: Market research begins with definition of objectives. Many entrepreneurs don't know what they want to accomplish from a research study. (**Handouts Page No. 62**)

Question No: 8 (Marks: 1) - Please choose one

Which of the following should be considered when the market for new venture is highly concentrated?

- Indirect Sale
- **Direct Sale**
- Market Research
- None of the given options

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Ref:

http://books.google.com.pk/books?id=s01P0agnLPUC&pg=PA236&dq=the+market+for+new+venture+is+highly+concentrated+market+research&hl=en&ei=D3oxTbK1F5aQ4gb9nO3SCg&sa=X&oi=book_result&ct=result&resnum=2&ved=0CCwQ6AEwAQ#v=onepage&q=the%20market%20for%20new%20venture%20is%20highly%20concentrated%20market%20research&f=false

Question No: 9 (Marks: 1) - Please choose one

Which of the following is a process of dividing the market into smaller homogeneous groups?

- ▶ Situation analysis
- ▶ Marketing
- ▶ **Market segmentation**
- ▶ Target marketing

Ref: Market segmentation is the process of dividing the market into smaller homogeneous groups. (Handouts Page No. 65)

Question No: 10 (Marks: 1) - Please choose one

Which statement of the following relates with the ultimate goal of Business?

- ▶ Vision Statement
- ▶ **Mission Statement**
- ▶ Goal Statement
- ▶ Profit Statement

Ref: A mission is a statement of direction, the ultimate goal of a company. A target is an achievable, measurable and realistic decision of where an individual wants to be in a specific period of time.

http://wiki.answers.com/Q/What_is_the_different_between_mission_and_target#ixzz1B5hi1Pui

Question No: 11 (Marks: 1) - Please choose one

Which of the following is the most sensitive plan in the business plan?

- ▶ Financial Plan
- ▶ **Marketing Plan**
- ▶ Production Plan
- ▶ Operational Plan

Question No: 12 (Marks: 1) - Please choose one

Which of the following shows the standard acceptable term of a Limited Liability Company?

- ▶ Three
- ▶ Ten
- ▶ Twenty
- ▶ **Thirty**

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Ref: The standard acceptable term of an LLC is 30 years (Handouts Page No. 73)

Question No: 13 (Marks: 1) - Please choose one

Which of the following shows the characteristic of the corporation with reference to taxation system?

- ▶ Single taxation system
- ▶ **Double taxation system**
- ▶ Triple taxation system
- ▶ No taxation system

Ref: This double taxation can be avoided if the income is distributed as salary. The corporation tax may also be lower than the individual rate. (Handouts Page No. 72)

Question No: 14 (Marks: 1) - Please choose one

Which of the following statement provides projections of all operating expenses for each month of the first year?

- ▶ The pro forma balance sheet
- ▶ **The pro forma income statement**
- ▶ The pro forma cash flow statement
- ▶ The actual balance sheet

Ref: The pro forma income statements also provide projections of all operating expenses for each month of the first year. (Handouts Page No. 78)

Question No: 15 (Marks: 1) - Please choose one

Which of the following is **NOT** the determinant of entrepreneur's ownership?

- ▶ Cash
- ▶ Debt
- ▶ **None of the given options**
- ▶ Equity

Ref: (Handouts page No. 81)

Question No: 16 (Marks: 1) - Please choose one

When the business does not have assets to support a loan, the entrepreneur may go for which one of the following options?

- ▶ **Character loan**
- ▶ Straight commercial loan
- ▶ Instalment loan
- ▶ Long term loan

Ref: When the business does not have assets to support a loan, the entrepreneur may need a character loan. (Handouts Page No. 84)

Question No: 17 (Marks: 1) - Please choose one

Which of the following number of years a mortgage loan may possibly cover?

- ▶ 10

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▶ 20

▶ 30

▶ 40

Ref: As with other types of loans, mortgages have an interest rate and are scheduled to amortize over a set period of time, typically 30 years.

http://en.wikipedia.org/wiki/Mortgage_loan

Question No: 18 (Marks: 1) - Please choose one

Which of the following is the oldest development financing institution?

- ▶ Regional Development Finance Corporation
- ▶ Industrial Development Bank of Pakistan
- ▶ Small Business Finance Corporation
- ▶ Khushhali Bank

Ref: IDBP is Pakistan's one of the oldest development financing institution created with the primary objective of extending term finance for investment in the manufacturing sectors in the economy (**Handouts Page No. 94**)

Question No: 19 (Marks: 1) - Please choose one

Which of the following is a free method to create awareness of the venture?

- ▶ Publicity
- ▶ Internet Advertising
- ▶ Trade Shows
- ▶ Sales promotion

Ref: Publicity is free advertising provided by a media outlet. Many local media encourage entrepreneurs to participate in their programs. (**Handouts Page No. 102**)

Question No: 20 (Marks: 1) - Please choose one

In the U.S. joint ventures were first formed for large-scale projects in which of the following options?

- ▶ 1700s
- ▶ 1800s
- ▶ 1900s
- ▶ 1600s

Ref: In the U.S. joint ventures were first used for large-scale projects in mining and railroads in the 1800s. (**Handouts Page No. 103**)

Question No: 21 (Marks: 1) - Please choose one

When the implementation of SBA financial plan took place?

- ▶ 1971
- ▶ 1972
- ▶ 1973
- ▶ 1974

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Question No: 22 (Marks: 1) - Please choose one

Most informal investors:

- ▶ Invest in firms that is geographically close
- ▶ Make many deals a year
- ▶ Are poorly educated
- ▶ Prefer to invest in multinational

Ref: http://highered.mcgraw-hill.com/sites/0073530328/student_view0/chapter12/web_quizzes.html (Question No.9)

Question No: 23 (Marks: 1) - Please choose one

Which one of the following is the process of entrepreneurs developing new products that over time make current products obsolete?

- ▶ New business model
- ▶ Anatomization
- ▶ Creative destruction
- ▶ None of the given options

Ref 1: When entrepreneurs take bold leaps and break contact with the familiar, they often leave behind a clutter of obsolete products and processes. This force is called creative destruction <http://www.dallasfed.org/educate/everyday/ev3.html>

Ref 2: These "new combinations" constitute better ways to meet existing demand or create new products, often making current technologies and products obsolete (in a "process of creative destruction"). [http://docs.google.com/viewer?a=v&q=cache:1OKeCHSXjVUJ:www.unctad.org/en/docs/webiteteb20043_en.pdf+process+of+entrepreneurs+developing+new+products+that+over+time+make+current+products+obsolete&hl=en&gl=pk&pid=bl&srcid=ADGEESgTUa6jJUz1-](http://docs.google.com/viewer?a=v&q=cache:1OKeCHSXjVUJ:www.unctad.org/en/docs/webiteteb20043_en.pdf+process+of+entrepreneurs+developing+new+products+that+over+time+make+current+products+obsolete&hl=en&gl=pk&pid=bl&srcid=ADGEESgTUa6jJUz1-NJ6y3pxxopRTUZwWTJyoLHMuZfTBNqvadLUv9gWy_8tlfsQvOiBjAHlvoyE2c66mlaW1JWF19Q8OfuuVFBLOzqEyeLjDcLNhAezE4-Xo1708lnfjdyJO6AqSOZ8&sig=AHIEtbTrO-HqxZi8Y_XzqDAU60Yx-7Cb5A)

[NJ6y3pxxopRTUZwWTJyoLHMuZfTBNqvadLUv9gWy_8tlfsQvOiBjAHlvoyE2c66mlaW1JWF19Q8OfuuVFBLOzqEyeLjDcLNhAezE4-Xo1708lnfjdyJO6AqSOZ8&sig=AHIEtbTrO-HqxZi8Y_XzqDAU60Yx-7Cb5A](http://docs.google.com/viewer?a=v&q=cache:1OKeCHSXjVUJ:www.unctad.org/en/docs/webiteteb20043_en.pdf+process+of+entrepreneurs+developing+new+products+that+over+time+make+current+products+obsolete&hl=en&gl=pk&pid=bl&srcid=ADGEESgTUa6jJUz1-NJ6y3pxxopRTUZwWTJyoLHMuZfTBNqvadLUv9gWy_8tlfsQvOiBjAHlvoyE2c66mlaW1JWF19Q8OfuuVFBLOzqEyeLjDcLNhAezE4-Xo1708lnfjdyJO6AqSOZ8&sig=AHIEtbTrO-HqxZi8Y_XzqDAU60Yx-7Cb5A)

Question No: 24 (Marks: 1) - Please choose one

The resistance of employees in an organization against flexibility, growth, and diversification can be overcome by developing which of the following?

- ▶ Entrepreneurship
- ▶ Intrapreneurship
- ▶ Managerial domain
- ▶ Administrative domain

Ref: The resistance against flexibility, growth and diversification can, in part, be overcome by

Developing a spirit of entrepreneurship within the existing ORG, called Intrapreneurship http://docs.google.com/viewer?a=v&q=cache:4VcL_LDBDL0J:www.imsciences.net/upl

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oads/second-semester/ENT2-

Entrepreneur_and_Intrapreneur_Mind.ppt+an+organization+against+flexibility,+growth,+and+diversification+can+be+overcome+by+developing+which+of+the+following&hl=en&gl=pk&pid=bl&srcid=ADGEEShdH9L0EnO49OugE1i7JiHEtK6pNgoX6LGNBaZ-JbGdUGI1uk7MU-

D8yx7B3ovn0aiLGzrwOIYrW6SOkmvRI1QgURh6DCqffeWhUtR84fq0RCp_IG2gDTB8ijPqn6Qqc2JOXjYV&sig=AHIEtbRUj66hiuDtX0vw339PG8N0cjrZ2Q

Question No: 25 (Marks: 1) - Please choose one

Which of the following is **NOT** true about corporate entrepreneurs?

- ▶ They prefer direct involvement to delegation
- ▶ They tend to be moderate risk takers
- ▶ They usually attempt to hide risky projects from view until ready
- ▶ They follow their dreams with decisions

Ref: http://highered.mcgraw-hill.com/sites/0073210560/student_view0/chapters3/mixed_quiz.html (See Question No. 10)

Question No: 26 (Marks: 1) - Please choose one

Which one of the following factor does not differ in motivating male and female entrepreneurs?

- ▶ Independence
- ▶ Money
- ▶ Job satisfaction
- ▶ Opportunity

Ref: While motivations may vary, the reason cited most often for becoming an entrepreneur independence-not wants to work for anyone else. Other motivating factors differ between male and female entrepreneurs. Money is the second reason for men's starting a venture. Job satisfaction, achievement, opportunity, and money are the second order reasons for women. (Handouts Page No. 24)

Question No: 27 (Marks: 1) - Please choose one

The more complex the organization, the more _____ it is to start.

- ▶ Hard
- ▶ Possible
- ▶ Expensive
- ▶ Easy

Ref: The more complex the organization, the more expensive it is to start. (Handouts Page No. 69)

Question No: 28 (Marks: 1) - Please choose one

The partner sell their interests at any time without consent of the full partner, is known as:

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- ▶ Nominal Partner
- ▶ Sleeping Partner
- ▶ Limited Partner
- ▶ General Partner

Ref: In the limited partnership, the limited partners can sell their interests at any time without consent of the general partners (**Handouts Page No. 70**)

Question No: 29 (Marks: 1) - Please choose one

Which of the following shows the name of fund that is used in sudden condition in business apart from borrowing?

- ▶ Contingency fund
- ▶ Dumping fund
- ▶ Raising fund
- ▶ Equity fund

Ref: A contingency fund is simply a reserve fund set aside to handle unexpected debts that are outside the range of the usual operating budget. This model of maintaining reserve money as protection against possible loss in the event of an emergency situation can be utilized in a number of situations <http://www.wisegeek.com/what-is-a-contingency-fund.htm>

Question No: 30 (Marks: 1) - Please choose one

Which one of the following private investors is **NOT** a final source of funds for the entrepreneurs?

- ▶ Friends
- ▶ Barbers
- ▶ Financial planners
- ▶ Technical experts

Question No: 31 (Marks: 1) - Please choose one

In which project the funding is **NOT** provided by the SBFC.

- ▶ Agriculture
- ▶ Gem stones
- ▶ Textile apparel
- ▶ Marble processing

Ref: SBFC is financing various types of projects such as Gem Stones, cotton ginning, textile apparel, and marble processing etc (**Handouts Page No. 93**)

Question No: 32 (Marks: 1) - Please choose one

Which of the following initial step is normally taken by the management for hiring employees?

- ▶ Interviews
- ▶ Short listing
- ▶ Advertisement

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- ▶ Group discussion

Ref: Advertising in local newspapers and referrals from friends and associates is most effective for entry-level positions. **(Handouts Page No. 96)**

Question No: 33 (Marks: 1) - Please choose one

_____ may also be considered if there are no other effective options for hiring new talents.

- ▶ Retired personnel
- ▶ **Personnel agencies**
- ▶ References
- ▶ Networking

Ref: Personnel agencies may also be considered if there are no other effective options **(Handouts Page No. 96)**

Question No: 34 (Marks: 1) - Please choose one

_____ is very influencing and inspiring others in the organization to strive to meet the mission of the venture.

- ▶ Quality
- ▶ Planning
- ▶ **Leadership**
- ▶ Benchmark

Ref: Leadership is also influencing and inspiring others in the organization to strive to meet the mission of the venture **(Handouts Page No. 97)**

Question No: 35 (Marks: 1) - Please choose one

Which leadership style involves the leader giving followers something they want in exchange for something the leader wants?

- ▶ Charismatic
- ▶ Laissez-faire
- ▶ Transformational
- ▶ **None of the given options**

Ref: <http://www.blackwellpublishing.com/socialpsych/MCQ/chapter13.asp> **(See the Question No. 13)**

Question No: 36 (Marks: 1) - Please choose one

Which of the following item is **NOT** deducted to the salaries?

- ▶ Income Tax
- ▶ Insurance
- ▶ **Sales Tax**
- ▶ Provident fund

Ref:

<http://docs.google.com/viewer?a=v&q=cache:rZxef44Pon8J:www.incometaxindia.gov.in/forms/2a.pdf+Which+of+the+following+item+is+NOT+deducted+to+the+salaries%3F+>

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%E2%96%BA+Income+Tex+%E2%96%BA+Insurance+%E2%96%BA+Sales+Tex+%E2%96%BA+Provident+fund&hl=en&gl=pk&pid=bl&srcid=ADGEESgs7_n8oki4nj78Qv1IbknIrRigPOUHZR0nRfVbT-3aBSXsu6CmQkwMHlmYpHVP9M1pW1NU5tsBbEWglwBw8U9JvhglpoWqtc0kljfh sDS9b-II9yZqOcJEBJwgknBrya3khdJ&sig=AHIEtbQDS3eK5IjBAMJUGHvYOZAQgeT9iQ

Question No: 37 (Marks: 1) - Please choose one

Which of the following can only be helpful to introduce the company?

- ▶ Web trading
- ▶ Price reduction
- ▶ **Free publicity**
- ▶ Personal selling

Ref: Free publicity can only introduce the company. (Handouts Page No. 102)

Question No: 38 (Marks: 1) - Please choose one

Which of the following refers to new products with some?

- ▶ Ordinary innovation
- ▶ Technological innovation
- ▶ **Breakthrough innovation**
- ▶ Technical innovation

Ref: Breakthrough innovations

A new product with some technological change (Handouts Page No.5)

Question No: 39 (Marks: 1) - Please choose one

Which of the following statements describes “Domestic entrepreneurship”?

▶ It is the process of an entrepreneur conducting business activities across national boundaries

▶ **It is the process of an entrepreneur conducting business activities within the national boundaries**

▶ It is an innovative corporate management style that encourages employees within an organization to create new product ideas

▶ It is a business structure in which an individual and his company are considered a single entity for tax and liability purposes

Question No: 40 (Marks: 1) - Please choose one

Which of the following statements best defines “creative problem solving”?

- ▶ It refers to groups of individuals providing in a structured format
- ▶ It refers to a group method for obtaining new ideas and solutions
- ▶ It refers to a method for obtaining new ideas and solutions by focusing on problems

▶ **It refers to a method for obtaining new ideas focusing on the parameters**

Ref: Creative problem solving is a method for obtaining new ideas focusing on the

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parameters. (Handouts Page No. 40)

Question No: 41 (Marks: 1) - Please choose one

Which of the following best describes “plant patents”?

▶ It grants the owner protection from anyone else making, using, and/or selling the invention

▶ It covers the original and ornamental aspects of a product

▶ **It covers certain types of plants**

▶ None of the given options

Ref: A patent covering certain types of plants.

<http://www.freepatentsonline.com/help/item/Plant-Patent.html>

Question No: 42 (Marks: 1) - Please choose one

Which of the following denote no relationship between the mark and the goods or services?

▶ **Coined marks**

▶ Arbitrary marks

▶ Suggestive marks

▶ Descriptive marks

Ref: Coined marks denote no relationship between the mark and the goods and afford the possibility of expansion (Handouts Page No. 49)

Question No: 43 (Marks: 1) - Please choose one

Which of the following best describes “contract”?

▶ **It refers to a legally binding agreement between two parties**

▶ It grants holder protection from others making, using or selling similar idea

▶ It may be a word, symbol, design or some combination that identifies the source of certain goods

▶ It refers to a legal document giving official permission to do something

Ref: A contract is a legally binding agreement or relationship that exists between two or more parties to do or abstain from performing certain acts.

http://wiki.answers.com/Q/All_contracts_are_agreements_but_all_agreements_are_not_contracts.Explain_this_statement_and_also_give_essential_elements_of_a_valid_contract

Question No: 44 (Marks: 1) - Please choose one

Which of the following is the former name of SME Bank?

▶ FMBC

▶ **SBFC**

▶ SMEDA

▶ SPCC

Ref: SME Bank Limited was established pursuant to the Regional Development Finance Corporation (RDFC) and Small Business Finance Corporation (SBFC) Amalgamation and Conversion Ordinance 2001.

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<http://www.privatisation.gov.pk/finance/SME%20Bank%20Profile.htm>

Question No: 45 (Marks: 1) - Please choose one

Usually which of the following activity is **NOT** recorded by the manufacturers?

- ▶ Cash flows
- ▶ Raw material
- ▶ **Consumers data**
- ▶ Plant & machinery

Question No: 46 (Marks: 1) - Please choose one

When a company purchased another company or a part of it in such a way that the acquired company is completely or partially absorbed and no longer exists, it would be an example of:

- ▶ Merger
- ▶ **Acquisition**
- ▶ Joint venture
- ▶ Hostile takeover

Ref: An acquisition is the purchase of a company or a part of it in such a way that the acquired company is completely absorbed and no longer exists (**Handouts Page No. 104**)

Question No: 47 (Marks: 1) - Please choose one

In which of the following stated book value is used to reflect the actual market value.

- ▶ Book value
- ▶ Liquidation value
- ▶ Replacement value
- ▶ **Adjusted book value**

Ref: In adjusted book value the stated book value is adjusted to reflect the actual market value (**Handouts page no. 105**)

Question No: 48 (Marks: 1) - Please choose one

Which of the following industry comparatively required highly skilled & educated human resource to the others?

- ▶ Automobile industry
- ▶ **IT based industry**
- ▶ Gems & Jewelry
- ▶ Textile industry

Question No: 49 (Marks: 3)

Loan application is also called a “mini business plan”. Comment on this statement.

The loan application format is generally a "mini" business plan.

- a. This provides the loan officer with information on the creditworthiness of the individual and the ability of the venture to repay the loan.
- b. Presenting a positive business image and following procedure are important in

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obtaining the funds.

Question No: 50 (Marks: 3)

A joint venture is a good option in making alliance. What factors contribute in the success of a joint venture?

With the increase in business risks, hyper-competition, and failures, joint ventures have increased. A joint venture is a separate entity involving two or more participants as partners.

They involve a wide range of partners, including universities, businesses, and the public sector.

Factors in Joint Venture Success

One critical factor for success is the accurate assessment of the parties involved and how best to manage the new entity. A second factor involves the symmetry between the partners. Another factor is that the expectations about the results of the joint venture must be reasonable. The final factor is the timing. A joint venture should be considered as one of many options for supplementing the resources of the firm.

Question No: 51 (Marks: 5)

Discuss Small Business Innovation Research Grant Program along with its various phases.

The Small Business Innovation Research (SBIR) grant program helps entrepreneurs obtain federal grant money to develop an innovative idea. The act requires all federal agencies to share a portion of the R&D funds with small businesses. This provides a uniform method of soliciting, evaluating, and selecting research proposals. Eleven agencies are involved in the program. Small businesses submit proposals directly to each agency. The agencies evaluate each proposal on a competitive basis and make awards. The SBIR grant program has three phases. **Phase I** awards are up to \$50,000 for six months of feasibility-related experimental or theoretical research. **Phase II** is the principal R&D effort. Phase II awards are up to \$500,000 for 24 months of further research and development. The money is to be used to develop prototype products. In **Phase III** funds from other sources, such as the private sector or regular government contracts, are needed to commercialize the developed technologies.

Question No: 52 (Marks: 5)

Why small and medium enterprises suits in Pakistani environment? Discuss reasons.

Financial Problem (lack of Finance) stood out as the major problem of SME's in Pakistan. The findings show that very few small businesses have ever received a bank loan. They generally start the business with personal savings and loan from family and friends. Their working capital and investment needs are met from their profit or from purchases or credit and advance from customers. Only 4% of the small businesses interviewed during this survey had ever contacted the Small Business Finance Corporation. The small businesses interviewed in the survey considered taxes, corruption and high price of utilities especially electricity as three of their major grievances against

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the government. The Gallup study has identified and summarized sixty different Government laws which affect small businesses. Many of these laws, says the study, need to be reformed or repealed. The Gallup survey shows that 40% of small businesses employ apprentices or shagirds and train them. Many of these shagirds acquire their know how from their employers and subsequently start their own small businesses. The findings of the Gallup survey were discussed in three roundtable discussions at IBA, Karachi University, LUMS Lahore and Allama Iqbal Open University in Islamabad in the month of February 2001. Gallup invited policymakers, practitioners and academics in these roundtable discussions to seek their views on what may be the solutions to the problems of small business in Pakistan.

Question No: 53 (Marks: 5)

What is asset based financing? How can it help the entrepreneur to start his business?

Asset-based loans are usually from commercial finance companies (as opposed to banks) that are offered on a revolving basis and collateralized by a company's assets, specifically accounts receivable and inventory.

Appropriate for: Companies that may be rapidly growing, highly leveraged, in the midst of a turnaround or undercapitalized. In addition, asset-based financing works only for companies with proven accounts receivable, and a demonstrated track record of turning over their inventory several times each year.

Supply: Overall, the supply of asset-based financing is vast. A large number of commercial finance companies, as well as many banks, have massive pools of capital to lend to businesses. However, for asst-based loans of \$500,000 or less, the market is considerably smaller. Most asset-based lenders would prefer to make larger loans because the cost to monitor an asset-based loan is generally the same whether it's large or small.

Best Use: Financing rapid growth in the absence of sufficient equity capital to fund receivables and inventory. Well suited to manufacturers, distributors and service companies with a leveraged balance sheet whose seasonal needs and industry cycles often hamper their cash flow. Asset-based loans can also be used to finance acquisitions.

Cost: More expensive than bank financing, since asset-based lenders generally have higher expenses than bankers. Still, pricing is competitive among asset-based lenders. Small asset-based loans can be pricey, though, running 12 percent to 28 percent. Funds typically available are \$100,000 and greater.

Ease of Acquisition: Comparatively easy if your company has good financial statements, good reporting systems, and inventory that is not exotic and, finally, customers who have a track record of paying their bills. If you don't have any of these, your path to an asset-based loan will be challenging.

Paper No. 02

FINAL TERM EXAMINATION

Spring 2010

MGT602- Entrepreneurship

VU ASKARI TEAM (www.vuaskari.com)

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Question No: 1 (Marks: 1) - Please choose one

Automated stock replenishment, electronic selling and processing of customers orders and payments are examples of:

- ▶ **E-business**
- ▶ E-commerce
- ▶ E-trading
- ▶ E-transaction

Ref: Examples of electronic business processes are: Production- focused processes include procurement, ordering, automated stock replenishment, payment processing and other electronic links with suppliers, as well as production control and processes more directly related to the production process.

<http://www.census.gov/epcd/www/ebusines.htm>

Question No: 2 (Marks: 1) - Please choose one

A utility patent has a term of:

- ▶ 10 years
- ▶ 40 years
- ▶ **20 years**
- ▶ 80 years

Ref: A utility patent has a term of 17 years, beginning on the date the Patent and Trademark Office (PTO) issues it. NAFTA (North American Free Trade Agreement) establishes a minimum period of 20 years from the date of filing or 17 years from the date of the grant. Patents on any invention requiring FDA (**Handouts Page No. 46**)

Question No: 3 (Marks: 1) - Please choose one

The business plan is an integration of functional plans such as:

- ▶ **Marketing, finance, manufacturing, and human resources**
- ▶ Marketing, Management, human resources, and operations management
- ▶ Advertisement, Management, Marketing, and Finance
- ▶ Manufacturing, Human resources, Management, and Human Resource

Ref:

http://books.google.com.pk/books?id=s01P0agnLPUC&pg=PA187&lpg=PA187&dq=The+business+plan+is+an+integration+of+functional+plans+such+as&source=bl&ots=rCPAAAt10x-&sig=k4z4yuCgKGDvrPJDir9CsDZu8lQ&hl=en&ei=_5k1TfmgFJWTjAfxqv3uAg&sa=X&oi=book_result&ct=result&resnum=3&ved=0CCYQ6AEwAg#v=onepage&q=The%20business%20plan%20is%20an%20integration%20of%20functional%20plans%20such%20as&f=false

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Question No: 4 (Marks: 1) - Please choose one

The marketing plan usually focuses on strategies and, for the first year goals and strategies should be projected to which of the following period?

- ▶ Daily
- ▶ Weekly
- ▶ **Monthly**
- ▶ Quarterly

Ref: The marketing plan section should focus on strategies for the first three years of the venture. For the first year, goals and strategies should be projected monthly. (**Handouts Page No. 62**)

Question No: 5 (Marks: 1) - Please choose one

For the success of business plan the goals should be:

- ▶ Imaginary
- ▶ **Specific**
- ▶ Generalized
- ▶ Limitless

Ref: To be successful

- Goals should be specific.
- They should also be measurable and should be monitored over time. (**Handouts Page No. 60**)

Question No: 6 (Marks: 1) - Please choose one

The discussion among the people in focus group carries in which of the following ways?

- ▶ Formal Way
- ▶ **Informal Way**
- ▶ Convenient Way
- ▶ Problematic Way

Ref: Focus groups: A focus group is a sample of 10 or 12 potential customers who participate in a discussion. Groups discuss issues in an informal, open format (**Handouts Page No. 63**)

Question No: 7 (Marks: 1) - Please choose one

What are the number of questions a marketing plan usually answers?

- ▶ 5
- ▶ 2
- ▶ **3**
- ▶ 4

Ref: The marketing plan should answer three basic questions (**Handouts Page No. 61**)

Question No: 8 (Marks: 1) - Please choose one

Which of the following shows the characteristic of the venture that has experience in

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related business?

- ▶ **Strength**
- ▶ Weakness
- ▶ Opportunity
- ▶ Threat

Ref: Strengths: In business since 19xx.MD have xx years of experience in the industry and as head of the company. <http://rapidbi.com/created/SWOTanalysis.html>

Question No: 9 (Marks: 1) - Please choose one

Which of the following is becoming the most important media for information and distribution?

- ▶ Distribution channel
- ▶ **Internet**
- ▶ Radio
- ▶ Salesperson

Ref: The Internet will become an increasingly important medium for information and distribution. **(Handouts Page No. 66)**

Question No: 10 (Marks: 1) - Please choose one

Which of the following represents the environment in which entrepreneurship can't grow?

- ▶ Boom
- ▶ **Vacuum**
- ▶ Maturity
- ▶ Introductory Phase

Ref: Further, entrepreneurship cannot grow in vacuum. It requires creation of an atmosphere in which an entrepreneur can discharge his functions

http://books.google.com.pk/books?id=d5QH-hBXyFcC&pg=PA26&lpg=PA26&dq=%22entrepreneurship+cannot+grow%22&source=bl&ots=6A8ZiX_ubY&sig=TURvJtHVSJYTFoMEtD0GBwp9lVQ&hl=en&ei=0sc1TaOvCZGYhQfF4ISfCw&sa=X&oi=book_result&ct=result&resnum=2&ved=0CBkQ6AEwAQ#v=onepage&q=%22entrepreneurship%20cannot%20grow%22&f=false

Question No: 11 (Marks: 1) - Please choose one

"What the entrepreneur hopes to accomplish" includes in which section of business plan?

- ▶ Vision statement
- ▶ **Mission Statement**
- ▶ Goal Statement
- ▶ All of the above

Ref: This should begin with the mission statement or company mission, which describes the nature of the business and what the entrepreneur hopes to accomplish **(Handouts Page No. 57)**

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Question No: 12 (Marks: 1) - Please choose one

Which type of Job analysis enlists the qualification of individual?

- ▶ Job Description
- ▶ **Job Specification**
- ▶ Job identification
- ▶ All of the above options

Ref: Job specification is defined as “the necessary qualifications to function successfully as the safety officer”. <http://www.usfa.dhs.gov/pdf/efop/efo36390.pdf>

Question No: 13 (Marks: 1) - Please choose one

Before developing the pro forma income statement, the entrepreneur should prepare:

- ▶ Operating budget
- ▶ Capital budget
- ▶ Sales budget
- ▶ **Both operating and capital budgets**

Ref: Before developing the pro forma income statement, the entrepreneur should prepare operating and capital budgets. (Handouts Page No. 75)

Question No: 14 (Marks: 1) - Please choose one

Which of the following shows the results from the difference between actual cash receipts and cash payments?

- ▶ Revenue
- ▶ Profit
- ▶ **Cash flow**
- ▶ Income statement

Ref: Cash flow results from the difference between actual cash receipts and cash payments (Handouts Page No. 78)

Question No: 15 (Marks: 1) - Please choose one

Which one of the following is a good option for the entrepreneur at the time of initial planning phase with reference to the expenses?

- ▶ Moderate
- ▶ Lavish
- ▶ **Conservative**
- ▶ Inert

Ref: When calculating the projected operating expense, it is important to be conservative for initial planning purposes (Handouts Page No. 78)

Question No: 16 (Marks: 1) - Please choose one

Which of the following method shows the term that is related to starting from scratch to a bigger picture?

- ▶ Upward movement method
- ▶ **Incremental method**

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- ▶ Downward movement method
- ▶ None of the above options

Question No: 17 (Marks: 1) - Please choose one

What is the primary concern of entrepreneurs, who trade equity for their growing venture?

- ▶ **Control**
- ▶ Valuation
- ▶ Investor capabilities
- ▶ Capitalization

Question No: 18 (Marks: 1) - Please choose one

Which of the following shows the characteristic of line of credit?

- ▶ Less commonly used
- ▶ **Involvement of commitment fee**
- ▶ Can be replaced with Long term loan
- ▶ Better option for perishable inventory

Ref: a. Lines of credit are the most frequently used.

b. The company pays a "commitment fee" at the start then pays interest on outstanding bor-rowed funds (**Handouts page no. 83**)

Question No: 19 (Marks: 1) - Please choose one

In which of the following techniques, money is given to a firm for developing a technology and involves a tax shelter?

- ▶ Small business administration loans
- ▶ Cash flow financing
- ▶ Small business innovation research grant
- ▶ **Research and development limited partnership**

Ref: This method of financing provides funds from inventors looking for tax shelters. A typical R&D partnership arrangement is established with a sponsoring company developing the technology with funds being provided by a limited partnership of individual investors (**Handouts Page No. 87**)

Question No: 20 (Marks: 1) - Please choose one

Which of the following is a formalized method for obtaining funds from private investors?

- ▶ Private placement
- ▶ **Private offering**
- ▶ Regulation D
- ▶ Bootstrap financing

Ref:

[http://books.google.com.pk/books?id=s01P0agnLPUC&pg=PA336&lpg=PA336&dq="fo](http://books.google.com.pk/books?id=s01P0agnLPUC&pg=PA336&lpg=PA336&dq=)
[rmalized+method+for+obtaining+funds+from+private+investors"&source=bl&ots=rCO](http://books.google.com.pk/books?id=s01P0agnLPUC&pg=PA336&lpg=PA336&dq=)

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Question No: 21 (Marks: 1) - Please choose one

Who is usually the best role model for the employees?

- ▶ Line managers
- ▶ Competitors
- ▶ Trainer
- ▶ Entrepreneur

Ref: The entrepreneur will usually be a role model for any other employees.

(Handouts Page no. 96)

Question No: 22 (Marks: 1) - Please choose one

The actual amounts of costs and profits are compared with budgeted amounts for a specific period through:

- ▶ Interim income statement
- ▶ Interim balance sheet
- ▶ Pro forma income statement
- ▶ Pro forma cash flows

Ref: An interim income statement helps to compare the actual with the budgeted amount for that period. **(Handouts page no. 99)**

Question No: 23 (Marks: 1) - Please choose one

Which of the following is the most important factor in internet advertising?

- ▶ Appearing banner ads
- ▶ Launching pop-ups
- ▶ Creating website
- ▶ Online customer service

Ref: The Internet is an excellent medium to create awareness and to effectively support early launch strategies. Creating a website is the most important first stage. **(Handouts page no. 102)**

Question No: 24 (Marks: 1) - Please choose one

Which of the following provides a good opportunity to demonstrate products to potential customers?

- ▶ Publicity
- ▶ Internet
- ▶ Trade show
- ▶ Personal selling

Ref: In some cases, sales personnel invite existing customers and prospects to attend trade shows so they can have an opportunity to demonstrate their newest products.

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Or

DEMONSTRATION One of the most important advantages of personal selling is the opportunity to demonstrate a product

Question No: 25 (Marks: 1) - Please choose one

Which of the following is a separate entity that involves a partnership of two or more participants?

- ▶ Merger
- ▶ Joint venture
- ▶ Corporation
- ▶ Acquisition

Ref: A joint venture is a separate entity involving two or more participants as partners. They involve a wide range of partners, including universities, businesses, and the public sector. (Handouts Page No. 103)

Question No: 26 (Marks: 1) - Please choose one

A source of cash resulting from an entrepreneur selling the business is called:

- ▶ Earnings valuation
- ▶ Positive cash flow
- ▶ Negative cash flow
- ▶ Terminal value

Ref: Final cash flow value, the terminal value, is a source of cash when the entrepreneur sells the business. (Handouts page no. 106)

Question No: 27 (Marks: 1) - Please choose one

Short-term funds can be obtained by reducing all of following, **EXCEPT:**

- ▶ Short-term assets
- ▶ Cash
- ▶ Fixed Assets
- ▶ Inventory

Ref: One short-term internal source of funds is reducing short-term assets, or through extended payments from suppliers. (Handouts page no. 81)

Question No: 28 (Marks: 1) - Please choose one

Most informal investors:

- ▶ Invest in firms that are geographically close
- ▶ Make many deals a year
- ▶ Are poorly educated
- ▶ Prefer to invest in multinational

Ref: http://www.radford.edu/~nhashemz/econ695/quiz12_with%20Answers.RTF

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(See the Question no. 39)

Question No: 29 (Marks: 1) - Please choose one

The purpose of decision support systems is to:

- ▶ Replace a manager's judgment during the decision-making process
- ▶ Provide a predefined sequence of analysis during the process of problem solving
- ▶ Provide interactive assistance during the process of problem solving
- ▶ Automate a manager's decision-making process

Ref: <http://www.indiastudychannel.com/exams/ExamPaper37452.aspx> (See the question no. 14)

Question No: 30 (Marks: 1) - Please choose one

Which one of the following is used to identify opportunity?

- ▶ Input from customers
- ▶ Input from channel members
- ▶ Input from business associates
- ▶ All of the given options

Ref: Most good business opportunities result from an entrepreneur being alert to possibilities. Some sources are often fruitful, including consumers and business associates. Channel members of the distribution system-retailers, wholesalers or manufacturer's reps-are also helpful. (Handouts page no. 13)

Question No: 31 (Marks: 1) - Please choose one

Which one of the following is not the intrapreneurial leadership characteristic?

- ▶ Understands environment
- ▶ Encourage the team work
- ▶ Not flexible
- ▶ Persistent

Ref: There are certain individual characteristics needed for a person to be successful Entrepreneurs, including:

1. Understanding the environment
2. Being visionary and flexible
3. Creating management options
4. Encourage teamwork while employing a multi-disciplined approach
5. Encouraging open discussion
6. Building a coalition of supporters, and persisting (Handouts page No. 20)

Question No: 32 (Marks: 1) - Please choose one

Which of the following is required for a company that wants to be more flexible in adopting changes?

- ▶ Management commitment
- ▶ Contact with customers
- ▶ Technology

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- ▶ More productivity

Ref: A company needs to use technology to make itself faster and more flexible. Technology has allowed small companies to act like they are big ones. Large companies can use technology to make them responsive and flexible. (Handouts Page No.21)

Question No: 33 (Marks: 1) - Please choose one

Which of the following makes the formation of new venture difficult within a corporate culture?

- ▶ Lack of intrapreneurial talent
- ▶ Lack of freedom to make autonomous decisions
- ▶ Lack of market opportunity
- ▶ All of the given options

Ref:

http://webcache.googleusercontent.com/search?q=cache:Q1Sia02viSEJ:www.radford.edu/~nhashemz/econ695/Quiz%25202_with%2520Answers.RTF+Which+of+the+following+makes+the+formation+of+new+venture+difficult+within+a+corporate+culture%3F+E2%96%BA+Lack+of+intrapreneurial+talent+E2%96%BA+Lack+of+freedom+to+make+autonomous+decisions+E2%96%BA+Lack+of+market+opportunity+E2%96%BA+All+of+the+given+options&cd=12&hl=en&ct=clnk&gl=pk (See the Question No. 46)

Question No: 34 (Marks: 1) - Please choose one

NFC stands for:

- ▶ National Food Committee
- ▶ National Food Commission
- ▶ National Finance Corporation
- ▶ National Finance Commission

Ref: National Finance Commission (NFC) <http://www.pro-pakistan.com/2009/08/25/nfc-national-finance-commission-award-in-pakistan-facts-analysis/>

Question No: 35 (Marks: 1) - Please choose one

Which of the following source of payments cannot be tracked for information on the type and amount of merchandise purchased?

- ▶ Debit card
- ▶ Master card
- ▶ Cross cheque
- ▶ Foreign currency

Question No: 36 (Marks: 1) - Please choose one

Which of the following factor is primarily based on pricing of the products?

- ▶ Cost
- ▶ Quality
- ▶ Economy

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- ▶ Competition

Question No: 37 (Marks: 1) - Please choose one

_____ is very influencing and inspiring others in the organization to strive to meet the mission of the venture.

- ▶ Quality
- ▶ Planning
- ▶ Leadership
- ▶ Benchmark

Ref: Leadership is also influencing and inspiring others in the organization to strive to meet the mission of the venture. (Handouts page No. 97)

Question No: 38 (Marks: 1) - Please choose one

The business deal between 'Walls' and 'Polka' is one of the examples of which of the following?

- ▶ Merger
- ▶ Synergy
- ▶ Acquisition
- ▶ Joint venture

Question No: 39 (Marks: 1) - Please choose one

_____ is a highly important consideration in the acquisition decision process.

- ▶ Price
- ▶ Synergy
- ▶ Goodwill
- ▶ Structuring the deal

Ref:

http://books.google.com.pk/books?id=jX7RXTi8MTEC&pg=PA142&lpg=PA142&dq=acquisition+decision+process+and+synergy&source=bl&ots=kBE8q8AGoG&sig=VUU0ZhevdzU12QIRjUsLftWBCkg&hl=en&ei=yB07TYiDMsO24QaZkPyvCg&sa=X&oi=book_result&ct=result&resnum=5&ved=0CCsQ6AEwBA#v=onepage&q=acquisition%20decision%20process%20and%20synergy&f=false

Question No: 40 (Marks: 1) - Please choose one

An individual's desirability to form a new venture depends upon all of the following Except:

- ▶ Culture
- ▶ Family
- ▶ Teachers
- ▶ Personal savings

Ref: The perception that starting a new company is desirable results from an individual's culture, subculture, family, teachers and peers (Handouts Page no. 6)

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Question No: 41 (Marks: 1) - Please choose one

There are many factors that make it possible to create a new venture. Identify the factor which must be there to put together the best total package of product, price, distribution and promotion needed for successful product launching.

- ▶ Marketing
- ▶ Finance
- ▶ Research and Development
- ▶ Advertising

Ref: Presence of market of sufficient size- must also be a level of marketing know-how to put together the best total package of product, price, distribution & promotion needed for successful product launching. (See the slide no. 27)

http://docs.google.com/viewer?a=v&q=cache:aUta3Stb4m4J:www.imsocieties.net/upload/s/second-semester/1-Entrepreneurship-chapter-1-The-Nature-%26-Importance-Of-Entrepreneurs.ppt+Presence+of+market+of+sufficient+size-+must+also+be+a+level+of+marketing+know-how+to+put+together+the+best+total+package+of+product,+price,+distribution+%26+promotion+needed+for+successful+product+launching&hl=en&gl=pk&pid=bl&srcid=ADGEESgl1jjZZFl7CyjokaqBo-J7-H5kuZFs0ZGuF6TVBxYvK11LImveIPugnw35n3vydrfWGs4iGVKjm_4AgAc_hOhfQ7Bqa4QKMU9L2gOeODy_YVD70hWhlfNz9_22c6iZWrbEjDC&sig=AHIEtbQZ-06mE1w-P3KN8IvaIKrGbKeWiA

Question No: 42 (Marks: 1) - Please choose one

Which of the following options can be very helpful to start-up new ventures?

- ▶ Seed Capital
- ▶ Infrastructure
- ▶ Technology
- ▶ Experience

Ref: Formal education and previous business experience give a potential entrepreneur the skills needed to form and manage a new enterprise. (Handouts Page no. 6)

Question No: 43 (Marks: 1) - Please choose one

Which of the following is/are known as barriers to new product creation and development?

- ▶ Trial and error
- ▶ Opportunity parameters
- ▶ Opportunity cost
- ▶ Intrapreneurial culture

Ref: Opportunity parameters: Barriers to new product creation and development (handouts page No. 14)

Question No: 44 (Marks: 1) - Please choose one

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Which of the following refers to an organization that wants to become more entrepreneurial?

- ▶ It must learn to be more productive with fewer resources
- ▶ It must learn to be more innovative with maximum resources
- ▶ It must learn to be more productive with maximum resources
- ▶ It must learn to be more centralized with fewer resources

Ref: Step 6: An organization must learn to be more productive with fewer resources. With middle management cutbacks, more control has been given to lower levels of the organization. The span of control should be increased. **(Handouts Page No. 21)**

Question No: 45 (Marks: 1) - Please choose one

Identify the term which best describes the term “management contracts”?

- ▶ It refers to selling goods made in one country to another country
- ▶ It refers to buying and selling of commodities
- ▶ It is a commercial activity of buying and bringing in goods from a foreign country
- ▶ It is method of doing specific international task

Ref: Management contracts: A method for doing a specific international task **(Handouts Page No. 36)**

Question No: 46 (Marks: 1) - Please choose one

Which of the following statements best defines “forced relationship”?

- ▶ It refers to developing a new idea through a chain of word associations
- ▶ It refers to developing a new idea by looking at product combinations
- ▶ It refers to developing a new idea through inquiry and testing
- ▶ It refers to developing a new idea by evaluating the worth of aspects of ideas

Ref: Forced relationship is the process of forcing relationship among some product combination. It is technique that asks questions about objects or ideas in an effort to develop a new idea. **(Handouts Page No. 41)**

Question No: 47 (Marks: 1) - Please choose one

Which of the following sections of business plan should be prepared after the total plan is written?

- ▶ Introductory page
- ▶ Executive summary
- ▶ Environmental and industry analysis
- ▶ Description of venture

Ref: Executive Summary: This is prepared after the total plan is written. **(Handouts Page No. 57)**

Question No: 48 (Marks: 1) - Please choose one

Usually which of the following activity is **NOT** recorded by the manufacturers?

- ▶ Cash flows
- ▶ Raw material

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► Consumers data

► Plant & machinery

Question No: 49 (Marks: 3)

Loan application is also called a “mini business plan”. Comment on this statement.

The loan application format is generally a "mini" business plan.

- a. This provides the loan officer with information on the creditworthiness of the individual and the ability of the venture to repay the loan.
- b. Presenting a positive business image and following procedure are important in obtaining the funds.

Question No: 50 (Marks: 3)

What is the educational and skill level of entrepreneurs in Pakistan?

Educational Level:

“Differing from industry to industry 60% have school education and 30% have college or better education only 10% have professional or graduation level”.

Skills Level:

Majority is skilled in family business Most of training is as a family member. Technically they are very skilled in hereditry business. New generation has professional education

Question No: 51 (Marks: 5)

What are the flexibilities that the law provides to S corporations?

The S Corporation combines the tax advantages of the partnership and the corporation.

1. It is designed so that the venture income is declared as personal income on a pro rata basis.
2. Shareholders benefit from all of the income and the deductions of the business. Prior to passage of the 1996 Small Business Protection Act, rules governing the S corporation were considered too rigid.

The new law provides more flexibility with regard to:

- a. Number of shareholders.
- b. Who can be allowed to own shares?
- c. The role of trusts as stockholders.
- d. The ability of S corporations to own more than 90 percent of stock of another corporation.
- e. Distribution of profits.
- f. Issuance of different classes of stock.
- g. Rules affecting the tax basis of incurred loses.

Limited liability corporations are still more flexible than the S corporation, but conversion entails a significant cost. More than half of all S corporations have only one shareholder, which would not be possible as an LLC.

Question No: 52 (Marks: 5)

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Why it is recommended that entrepreneurs should write cheques weekly? Why should the cancelled cheques be kept and maintained by the entrepreneurs?

Writing checks is one of those activities which, like driving, becomes so ordinary that we can't see the potential hazards we face every time we do it.

But every time we use a check to make a payment there is a real potential that it can fall into the wrong hands exposing us to a one time loss of money or worse, the outright theft of our identity.

One example of what a thief could do with your check is a process called "check washing". The check is soaked in a solution using bleach or other household chemicals causing the ink to wash off the check. The thief can remove all handwritten ink from the check and rewrite it as he pleases, or he could wash certain entries, like the amount, while preserving your signature for presentation.

Once a check is approved and all appropriate accounts involved have been credited, the check is stamped with some kind of cancellation mark, such as a "paid" stamp. The check is now a *cancelled* check. Cancelled check is placed in the account holder's file. The account holder can request a copy of a cancelled check as proof of a payment. This is known as the check clearing cycle.

Check can be lost or go astray within the cycle, or be delayed if further verification is needed in the case of suspected fraud. A check may thus bounce some time after it has been deposited.

Question No: 53 (Marks: 5)

How the costs and profits may be managed by the entrepreneurs, keeping in view the importance of interim income statement?

MANAGING COSTS AND PROFITS

An interim income statement helps to compare the actual with the budgeted amount for that period. The most effective use of the interim income statement is to establish cost standards and compare the actual with the budgeted amount for that time period. Costs are budgeted based on percentages of net sales. These percentages can be compared with actual percentages to see where tighter cost controls may be necessary. This lets the entrepreneur manage and control costs before it is too late. In later years, it is also helpful to look back on the first year of operation and make comparisons month-to-month. When expenses or costs are much higher than budgeted, the entrepreneur may need to determine the exact cause. Comparison of actual and budgeted expenses can be misleading for ventures with multiple products or services. For financial reporting purposes, the income statement summarizes expenses across all products and services. This does not indicate the marketing cost for each product nor should the most profitable product. Allocating expenses over product lines be done as effectively as possible to avoid arbitrary allocation of costs.

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Paper No. 03

FINAL TERM EXAMINATION

Spring 2010

MGT602- Entrepreneurship (Session - 1)

VU ASKARI TEAM (www.vuaskari.com)

Solved By Honey G <abdulhaiee2004@gmail.com>

www.vuaskari.com

Time: 90 min

Marks: 69

Question No: 1 (Marks: 1) - Please choose one

A/an _____ is an online connection between the company and its customers.

- ▶ Internet advertising
- ▶ **Website**
- ▶ E-Commerce
- ▶ World Wide Web

Ref: Website A website is an online connection between the company and its customers and can be developed (**Handouts Page no. 44**)

Question No: 2 (Marks: 1) - Please choose one

Which one of the following is the next stage to the Concept Stage of Product Planning and Development Process?

- ▶ Idea Stage
- ▶ Product Planning Stage
- ▶ **Product Development Stage**
- ▶ Test Marketing Stage

Ref: This refining process- the product planning and development process – is divided in to five major stages. Idea stage, concept stage, product development stage, test marketing stage and commercializing; it result in the product life cycle. (**Handouts Page No. 43**)

Question No: 3 (Marks: 1) - Please choose one

which one of the following is the main problem for the entrepreneur in the beginning stages of creating a new venture?

- ▶ Lack of experience
- ▶ **Limited resources**
- ▶ Lack of education
- ▶ None of the given options

Question No: 4 (Marks: 1) - Please choose one

Health insurance premium is less expensive if there is:

- ▶ One insured participants

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- ▶ Ten participants
- ▶ Large group of participants
- ▶ Very small group of participants

Ref: Group insurance is less expensive than individual insurance due to streamlined marketing costs, employer responsibilities, and lack of medical examinations

<http://www.flatworldknowledge.com/pub/1.0/risk-management-enterprises-an/29900#web-29900>

Question No: 5 (Marks: 1) - Please choose one

which of the following is included in the description of the business?

- ▶ Location
- ▶ Products offered
- ▶ History
- ▶ All of the given options

Ref: The new venture should be described in detail, including the product, location, personnel, background of entrepreneur, and history of the venture (**Handouts Page No. 58**)

Question No: 6 (Marks: 1) - Please choose one

which of the following is a method of selling goods to another country through a person in the entrepreneur's home country?

- ▶ Trading
- ▶ Direct export
- ▶ Indirect export
- ▶ Domestic sales

Ref: Indirect exporting: Selling goods to another country through a system in the entrepreneur's home country (**Handouts Page No. 34**)

Question No: 7 (Marks: 1) - Please choose one

which of the following factors along with organization's internal factors may change the direction of plan?

- ▶ Personal
- ▶ Environmental
- ▶ Business
- ▶ Market

Ref: Environmental factors and internal factors can change the direction of the plan. It is important to be sensitive to changes in the company, industry, and market. (**Handouts page no. 60**)

Question No: 8 (Marks: 1) - Please choose one

The goals of venture should have all of the following characteristics to be successful, EXCEPT:

- ▶ Measurable

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- ▶ Specific
- ▶ Properly monitored
- ▶ Independent of time

Ref: To be successful

Goals should be specific.

They should also be measurable and should be monitored over time. (**Handouts Page no. 60**)

Question No: 9 (Marks: 1) - Please choose one

which of the following plan has names, addresses, and resumes of the directors and officers of the corporation?

- ▶ Operations
- ▶ Marketing
- ▶ Production
- ▶ Organizational

Ref: The organizational plan section should describe the venture's form of ownership. If the venture is a corporation, this should include the number of shares authorized, share options, and names and addresses of the directors and officers. (**Handouts Page No. 58**)

Question No: 10 (Marks: 1) - Please choose one

which of the following shows the characteristic of the venture that has experience in related business?

- ▶ Strength
- ▶ Weakness
- ▶ Opportunity
- ▶ Threat

Ref: Strengths: In business since 19xx.MD have xx years of experience in the industry and as head of the company. <http://rapidbi.com/created/SWOTanalysis.html>

Question No: 11 (Marks: 1) - Please choose one

Advertising and promotion for the business-to-business market involve all of the following **EXCEPT:**

- ▶ Indirect sales
- ▶ Trade magazine advertising
- ▶ Direct sales
- ▶ Trade shows

Ref: http://highered.mcgraw-hill.com/sites/0073530328/student_view0/chapter8/web_quizzes.html (**See the question no. 7**)

Question No: 12 (Marks: 1) - Please choose one

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Which of the following shows the standard acceptable term of a Limited Liability Company?

- ▶ Three
- ▶ Ten
- ▶ Twenty
- ▶ **Thirty**

Ref: The standard acceptable term of an LLC is 30 years (**Handouts Page No. 73**)

Question No: 13 (Marks: 1) - Please choose one

which of the following represents the characteristics of the board of advisors?

- ▶ Is subject to regulations stipulated in the Sarbanes-Oxley Act
- ▶ **Has no legal status**
- ▶ Is not advisable in a family-owned business
- ▶ Is likely to meet more frequently

Ref:

http://books.google.com.pk/books?id=s01P0agnLPUC&pg=PA267&lpg=PA267&dq=more+loosely+tied+to+the+organization.+%EE%80%80+Serve+the+venture+only+in+an+advisory+capacity.+%EE%80%80+Has+no+legal+status,+unlike+the+board+of+directors.+%EE%80%80+Likely+to+meet+less+frequently+or+depending+on+the+need+to+discuss+important+venture+decisions.+%EE%80%80+Useful+in+a+family+business.+%EE%80%80+Selection+process+for+advisors+can+be+similar+to+the+process+for+selecting+a+board+of+directors.+%EE%80%80+Compensated+on+a+per+meeting+basis+or+with+stock&source=bl&ots=rCPAerV3sY&sig=roFvD6ioMzm1obvGYkr-11ViCro&hl=en&ei=Fkg7Ta2GK4-C4Aa1n4SPCg&sa=X&oi=book_result&ct=result&resnum=1&ved=0CBQQ6AEwAA#v=onepage&q&f=false

Question No: 14 (Marks: 1) - Please choose one

in which of the following Common stock is permitted?

- ▶ C Corporation
- ▶ **S Corporation**
- ▶ Limited Partnership
- ▶ Sole Proprietor

Ref: DISADVANTAGES OF AN S CORPORATION

1. Even with the new regulations, there are still some restrictions.
2. If the corporation earns less than \$100,000, then the C Corporation would have a lower tax liability.
3. The S Corporation may not deduct most fringe benefits for shareholders.
4. The S Corporation must adopt a calendar year for tax purposes.
5. Only one class of stock, **common stock is permitted.** (**Handouts page No. 73**)

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Question No: 15 (Marks: 1) - Please choose one

Which one of the following an entrepreneur must develop while preparing a pro forma of sales budget?

- ▶ Cash flow statement
- ▶ Balance sheet
- ▶ **Income statement**
- ▶ Statement of retained earnings

Ref: In the preparation of the pro forma income statement, the entrepreneur must first develop a sales budget, an estimate of the expected volume of sales by month. (**Handouts page no. 75**)

Question No: 16 (Marks: 1) - Please choose one

which of the following is the base of Job Advertisement?

- ▶ Job Description
- ▶ Job Specification
- ▶ Job identification
- ▶ **All of the above options**

Ref: How to write a job ad:

Job seekers want to know what is in it for them

Describe the position

Outline the skills you require

Lastly, include methods for reply.

<http://www.waikatochamber.co.nz/imagelibrary/794.pdf>

Question No: 17 (Marks: 1) - Please choose one

In the preparation of the pro forma income statement, the entrepreneur must have to develop first:

- ▶ A production budget
- ▶ **A sales budget**
- ▶ An operating budget
- ▶ A capital budget

Ref: In the preparation of the pro forma income statement, the entrepreneur must first develop a sales budget, an estimate of the expected volume of sales by month. (**Handouts page no. 75**)

Question No: 18 (Marks: 1) - Please choose one

In which of the following sources the large positive cash flow may need to be invested?

- ▶ Long term
- ▶ **Short term**
- ▶ Average term
- ▶ None of the above options

Ref: Large positive cash flows may need to be invested in short term sources (**Handouts**)

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Page no. 78)

Question No: 19 (Marks: 1) - Please choose one

Which of the following is a formalized method for obtaining funds from private investors?

- ▶ Private placement
- ▶ **Private offering**
- ▶ Regulation D
- ▶ Bootstrap financing

Ref:

[http://books.google.com.pk/books?id=s01P0agnLPUC&pg=PA336&lpg=PA336&dq="formalized+method+for+obtaining+funds+from+private+investors"&source=bl&ots=rCOwDq2_yY&sig=7xKrUtEizKE_bs3A69ORw6gjxzg&hl=en&ei=VRxkTKXKN4mevQO5mLieCg&sa=X&oi=book_result&ct=result&resnum=2&ved=0CAsQ6AEwAQ#v=onepage&q=%22formalized%20method%20for%20obtaining%20funds%20from%20private%20investors%22&f=false](http://books.google.com.pk/books?id=s01P0agnLPUC&pg=PA336&lpg=PA336&dq=)

Question No: 20 (Marks: 1) - Please choose one

which of the following is the oldest development financing institution?

- ▶ Regional Development Finance Corporation
- ▶ **Industrial Development Bank of Pakistan**
- ▶ Small Business Finance Corporation
- ▶ Khushhali Bank.

Ref: IDBP is Pakistan's one of the oldest development financing institution created with the primary objective of extending term finance for investment in the manufacturing sectors in the economy (**Handouts Page No. 94**)

Question No: 21 (Marks: 1) - Please choose one

Recruiting and hiring of new employees may occur at which level?

- ▶ Entry level
- ▶ Middle management level
- ▶ senior management level
- ▶ **At all three levels**

Ref: Advertising in local newspapers and referrals from friends and associates is most effective for entry-level positions. For senior management the most effective strategy is networking with friends and business associates. Personnel agencies may also be considered if there are no other effective options. (**Handouts page no. 96**)

Question No: 22 (Marks: 1) - Please choose one

In the U.S. joint ventures were first formed for large-scale projects in which of the following options?

- ▶ 1700s

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▶ 1800s

▶ 1900s

▶ 1600s

Ref: In the U.S. joint ventures were first used for large-scale projects in mining and railroads in the 1800s. (Handouts page No. 103)

Question No: 23 (Marks: 1) - Please choose one

Using which of the following, the entrepreneur values the underlying worth of the business based on its assets?

▶ Liquidity ratio

▶ Asset turnover

▶ Asset valuation

▶ Owners' equity

Ref: Using the asset valuation method, the entrepreneur values the underlying worth of the business based on its assets. (Handouts Page No. 105)

Question No: 24 (Marks: 1) - Please choose one

All of the following are used to finance the venture in bootstrap financing, EXCEPT:

▶ Informal financing transaction

▶ Formal financing transaction

▶ Inexpensive cash method

▶ To cut down the cost related to outside capital

Ref 1: To finance your company's startup and growth with the assistance of or input from others. Bootstrapping is one of most effective and inexpensive ways to ensure a business' positive cash flow. Bootstrapping means less money has to be borrowed and interest costs are reduced. This becomes important when capital from debt & equity financing is more expensive. <http://www.scribd.com/doc/20630760/Financing-the-New-Venture> (See the Slide no. 24)

Ref 2: We could say that bootstrap financing is a kind of informal bottom-up approach to financing; and while it has the disadvantage that firms following this approach sometimes struggle with the problem of being under-capitalized (according to the received logic of contemporary financial orthodoxy), and hence being forced to run on a "shoe string" (i.e., on a bootstrap). http://docs.google.com/viewer?a=v&q=cache:a27Wqc-2o_YJ:web.me.com/drwilloughby/Professor_Kelvin_W._Willoughby/Selected_Publications_files/SSRN-2010.pdf+bootstrap+financing+is+formal+or+informal+method+of+financing&hl=en&gl=pk&pid=bl&srcid=ADGEESjyL3b8OSLX27JGNdVeQO_JLSqpdeM7e71MG6ofvUMgxuoU0pkpWdgjN1ieymrtdobrDpYSHBClvfUY179_gyMR0PEvxOPMTIM4gd-XhsnSatDqvotGtNvBT2CW9JvyWQjSYaI2&sig=AHIEtbRpoy4imTaJrquLbNd1stOfQ647rw

Question No: 25 (Marks: 1) - Please choose one

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The penetration growth strategy is all of the following, **EXCEPT**:

- ▶ Focuses on developing comparable products for the existing market
- ▶ Relies on creating a new target market share
- ▶ Expands the firm's product offering with comparable products
- ▶ Encourages more frequent repeat purchases

Ref: http://highered.mcgraw-hill.com/sites/0073530328/student_view0/chapter13/web_quizzes.html (See the Question No.10)

Question No: 26 (Marks: 1) - Please choose one

Which one of the following is **NOT** a phase of entrepreneurial process?

- ▶ Identification and evaluation of opportunity
- ▶ Development of business plan
- ▶ Deciding to become an entrepreneur
- ▶ Determination of required resources

Ref: Handouts Page No. 13 and 14

Question No: 27 (Marks: 1) - Please choose one

Female entrepreneurs differ from male entrepreneurs in terms of all of the following **EXCEPT**:

- ▶ Motivation
- ▶ Business skills
- ▶ Departure point
- ▶ Goal orientation

Ref: Departure points and reasons for starting the business are similar for both men and women (Handouts Page No. 27)

Question No: 28 (Marks: 1) - Please choose one

Following are the types of foreign direct investment **EXCEPT**:

- ▶ Joint venture
- ▶ Management contracts
- ▶ Minority interest
- ▶ Merger

Ref: There are two types of FDI:

Greenfield investment: It is the direct investment in new facilities or the expansion of existing facilities. It is the principal mode of investing in developing countries. **Mergers and Acquisition:** It occurs when a transfer of existing assets from local firms takes place. <http://www.indianindustry.com/indian-economy/foreign-direct-investment.html> (Also See the Handouts Page No. 31)

Question No: 29 (Marks: 1) - Please choose one

Competition among the suppliers of different types of products that satisfy the same needs is known as _____.

- ▶ Stiff competition

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- ▶ Direct competition
- ▶ Indirect competition
- ▶ Monopolistic competition

Ref: Competition among the suppliers of different types of products that satisfy the same needs. <http://www.businessdictionary.com/definition/indirect-competition.html>

Question No: 30 (Marks: 1) - Please choose one

The more complex the organization, the more _____ it is to start.

- ▶ Hard
- ▶ Possible
- ▶ Expensive
- ▶ Easy

Ref: The more complex the organization, the more expensive it is to start (**Handouts page no. 69**)

Question No: 31 (Marks: 1) - Please choose one

The least expensive form of business startup is _____.

- ▶ Proprietorship
- ▶ Joint venture
- ▶ Corporation
- ▶ Partnership

Ref: The least expensive is the proprietorship, where the only costs may be for filing for a business name (**Handouts page no. 69**)

Question No: 32 (Marks: 1) - Please choose one

NFC stands for:

- ▶ National Food Committee
- ▶ National Food Commission
- ▶ National Finance Corporation
- ▶ National Finance Commission

Ref: National Finance Commission (NFC) <http://www.pro-pakistan.com/2009/08/25/nfc-national-finance-commission-award-in-pakistan-facts-analysis/>

Question No: 33 (Marks: 1) - Please choose one

It may be desirable to make all payments on time to establish credibility with _____.

- ▶ Consumers
- ▶ Retailers
- ▶ Suppliers
- ▶ Entrepreneurs

Ref: In the early stage, it may be desirable to make all payments on time to establish credibility with suppliers. (**Handouts page no. 95**)

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Question No: 34 (Marks: 1) - Please choose one

Which of the following initial step is normally taken by the management for hiring employees?

- ▶ Interviews
- ▶ Short listing
- ▶ **Advertisement**
- ▶ Group discussion

Ref: Advertising in local newspapers and referrals from friends and associates is most effective for entry-level positions. (Handouts Page No. 96)

Question No: 35 (Marks: 1) - Please choose one

which of the following person is normally a role model for any other employee in the organization?

- ▶ Office boy
- ▶ Sales officer
- ▶ **Entrepreneur**
- ▶ Finance manager

Ref: The entrepreneur will usually be a role model for any other employees. (Handouts Page No. 96)

Question No: 36 (Marks: 1) - Please choose one

which of the following factor is **NOT** an important issue in managing cash flows by the entrepreneurs?

- ▶ Inventory stocks
- ▶ **Depreciation**
- ▶ Receivables
- ▶ Payables

Ref:

http://books.google.com.pk/books?id=39PhqYDpFT0C&pg=PA584&lpg=PA584&q=which+of+the+following+factor+is+NOT+an+important+issue+in+managing+cash+flows+by+the+entrepreneurs?++%09%E2%96%BA+Inventory+stocks++%09%E2%96%BA+Depreciation++%09%E2%96%BA+Receivables++%09%E2%96%BA+Payables&source=bl&ots=G-X3s5_pXL&sig=yBcoOoxQTvhGbJ6nZ6iDxhfAi4A&hl=en&ei=ryA8TdJNFJuK4gbdI_i-Cg&sa=X&oi=book_result&ct=result&resnum=1&ved=0CBQQ6AEwAA#v=onepage&q&f=false

Question No: 37 (Marks: 1) - Please choose one

Which of the following form of business can raise funds through selling shares in the

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market for the new venture?

- ▶ Partnership
- ▶ **Corporation**
- ▶ Proprietorship
- ▶ All of the given options

Ref: Like a person, corporations may own property and assets, take on debt to finance operations, and sell shares to raise money

<http://www.brighthub.com/office/finance/articles/15807.aspx>

Question No: 38 (Marks: 1) - Please choose one

which one of the following ratios is a more rigorous test of the short-term liquidity of the venture?

- ▶ Debt ratio
- ▶ Activity ratio
- ▶ **Acid test ratio**
- ▶ Profitability ratio

Ref: Acid test ratio is a more rigorous test of the short-term liquidity of the venture.

(Handouts Page No. 99)

Question No: 39 (Marks: 1) - Please choose one

The success of any advertising agency is normally based on their _____.

- ▶ Programs
- ▶ Unique Ideas
- ▶ Business studies
- ▶ **All of the given options**

Question No: 40 (Marks: 1) - Please choose one

All of the following are key factors in the evaluation process to measure profitability and activity for the acquisition, **EXCEPT**:

- ▶ Poorly managed inventory
- ▶ Insufficient financial controls
- ▶ **Trading volume in stock markets**
- ▶ Poor corporate communications

Ref: There are three-valuation process – asset, cash flow and earnings. The entrepreneur can use to determine the fair price of an acquisition. Key factors in evaluating firms are;

1. One person management.
2. Poor corporate communication.
3. Few mgmt tools being used
4. Insufficient financial controls
5. Highly leveraged – thinly capitalized
6. Variations & poorly prepared financial statements.
7. Sales growth with no increase in bottom line
8. Out dated & poorly managed inventory
9. Aging accounting receivable

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10. No change in products & customers.

<http://www.indiastudychannel.com/exams/ExamPaper27362.aspx>

Question No: 41 (Marks: 1) - Please choose one

All of the following are goals of entrepreneurial culture EXCEPT:

- ▶ To take responsibility and ownership
- ▶ To be rewarded for actions taken
- ▶ To stay within your turf and protect your backside
- ▶ To develop visions, goals, and action plans

Ref: Aspects of an Entrepreneurial culture are quite different:

1. Develop visions, goals, and action plans
2. Be rewarded for actions taken
3. Suggest, try, and experiment
4. Create and develop
5. Take responsibility and ownership (Handouts page No. 18)

Question No: 42 (Marks: 1) - Please choose one

When an entrepreneur makes his first move into the international business, which of the following decision making style he follows?

- ▶ Centralized
- ▶ Democratic
- ▶ Decentralized
- ▶ Participative

Ref: With experience in international operations, entrepreneurs tend to change their approach to responsibility. **Stage 1:** In the first stages the entrepreneur typically follows a highly centralized decision-making process. (Handouts Page no. 30)

Question No: 43 (Marks: 1) - Please choose one

which one of the following is the most important characteristic of a successful business website?

- ▶ Speed
- ▶ Innovation
- ▶ Graphics
- ▶ Products

Ref: A successful website has three characteristics: speed, speed, and speed (Handouts page No. 44)

Question No: 44 (Marks: 1) - Please choose one

Business plan should be prepared by an entrepreneur. All of the following should be consulted while preparing this plan EXCEPT:

- ▶ Lawyers

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- ▶ Accountants
- ▶ Marketing consultants
- ▶ General public

Ref: The business plan should be prepared by the entrepreneur; however, he or she may consult many sources. Lawyers, accountants, marketing consultants, and engineers are useful supplemental sources. (Handouts page No. 54)

Question No: 45 (Marks: 1) - Please choose one

which of the following is NOT studied in environmental analysis?

- ▶ Economic conditions
- ▶ Technology advancements
- ▶ Organizational culture
- ▶ Legal concerns

Ref:

http://books.google.com.pk/books?id=clW5hLXq43YC&pg=PA16&lpg=PA16&dq=environmental+analysis+for+an+entrepreneurship&source=bl&ots=L4gXHYdCal&sig=KfRHgc5DkLHjv_ub995_mN0f9rY&hl=en&ei=tXA8TbCLKcrKrAeMrOjOCA&sa=X&oi=book_result&ct=result&resnum=7&ved=0CDwQ6AEwBg#v=onepage&q=environmental%20analysis%20for%20an%20entrepreneurship&f=false

Question No: 46 (Marks: 1) - Please choose one

Which budget is intended to provide base for evaluating expenditures that will impact the business for more than one year?

- ▶ Sales budget
- ▶ Capital budget
- ▶ Production budget
- ▶ Operating budget

Ref: Capital budgets are intended to provide a basis for evaluating expenditures that will impact the business for more than one year (Handouts page No. 76)

Question No: 47 (Marks: 1) - Please choose one

which of the following is the former name of SME Bank?

- ▶ FMBC
- ▶ SBFC
- ▶ SMEDA
- ▶ SPCC

Ref: SME Bank Limited was established pursuant to the Regional Development Finance Corporation (RDFC) and Small Business Finance Corporation (SBFC) Amalgamation and Conversion Ordinance 2001.

<http://www.privatisation.gov.pk/finance/SME%20Bank%20Profile.htm>

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Question No: 48 (Marks: 1) - Please choose one

In which of the following stated book value is used to reflect the actual market value.

- ▶ Book value
- ▶ Liquidation value
- ▶ Replacement value
- ▶ Adjusted book value

Ref: In adjusted book value the stated book value is adjusted to reflect the actual market value (**Handouts page no. 105**)

Question No: 49 (Marks: 3)

Briefly explain the procedure to avail Small Business Innovation Research (SBIR) grant.

The agencies publish solicitations describing the areas of research they will fund. The second step is submission of the proposal by a company or individual. Each agency screens the proposals it receives, and those passing are evaluated by experts. Awards are granted to those projects that have the best potential for commercialization. Any patent rights, research data, and software generated are owned by the company, not the government. The SBIR grant program is one alternative for a technically based entrepreneurial company that is independently owned and operated and employs 500 or fewer individuals.

Question No: 50 (Marks: 3)

What does inventory turnover mean? How is it measured?

Inventory turnover measures the efficiency of the venture in managing and selling its inventory. A high turnover is a favorable sign indicating the venture is able to sell its inventory quickly.

Inventory turnover = cost of goods sold / inventory

Question No: 51 (Marks: 5)

What are the flexibilities that the law provides to S corporations?

The S Corporation combines the tax advantages of the partnership and the corporation.

1. It is designed so that the venture income is declared as personal income on a pro rata basis.

2. Shareholders benefit from all of the income and the deductions of the business.

Prior to passage of the 1996 Small Business Protection Act, rules governing the S corporation were considered too rigid.

The new law provides more flexibility with regard to:

- a. Number of shareholders.
- b. Who can be allowed to own shares?
- c. The role of trusts as stockholders.
- d. The ability of S corporations to own more than 90 percent of stock of another corporation.
- e. Distribution of profits.
- f. Issuance of different classes of stock.

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g. Rules affecting the tax basis of incurred losses.

Limited liability corporations are still more flexible than the S corporation, but conversion entails a significant cost. More than half of all S corporations have only one shareholder, which would not be possible as an LLC.

Question No: 52 (Marks: 5)

Discuss the functions of Small Industries Development Board (SIDB) NWFP.

The SIDB was established in 1972. It is playing a promotional role to support and assist the development of small and cottage industry in the province. The SIDB is an autonomous body, focusing on manpower training, model projects and industrial infrastructure. It has 14 regional offices in the different cities of NWFP.

A. Training Centers

SIDB has established carpet centers in five cities of NWFP and has trained 1327 number of trainees. The SIDB has established “Patti” training centers, textile training and “gabba” training centers which has trained 151 trainees.

B. Development Programs and Model Projects

SIDB has also launched various women development programs, which has trained 2062 women trainees in a number of fields of work. The SIDB is also involved in establishing other various kinds of model projects for wood working, leather goods, wool spinning, ceramic device etc. The total number of trainees trained is about 8000.

C. Industrial Estates

SIDB has established 9 industrial estates. There are a total of 1620 plots and the total jobs created are 4405.

D. Financial Assistance

SIDB is also managing different credit schemes for small industries. To date, a total number of 198 million rupees have been disbursed to 452 enterprises. SIDB is also disbursing credit under the self-employment scheme.

Question No: 53 (Marks: 5)

How can an entrepreneur enhance the motivation in the employees, list down any five motivational factors?

Following are five of some factors:

1. sincere empathy

Be genuine and understanding toward the people who were let go and for the added responsibilities for those who remain. Ask individuals how they feel about the events that occurred. The key here is to allow them to vent their thoughts and emotions. This is the appropriate forum in which to do it, not behind your back, spreading rumors and ill will.

2. be genial:

Sincerely thank everyone for trying to understand the difficult steps you have taken and for their attention, concern and willingness to put forth additional effort to get through these difficult times.

3. Leadership available:

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Explain that you and other management-level people will be available to discuss job questions, uncertainties and performance, gearing your comments to how to overcome obstacles in the way of success

4. Positive action:

Discuss how the difficult short-term steps will positively affect the future. With the changes you have made, you look forward to brighter, more secure prospects. When business improves, hopefully you will be able to rehire some of the terminated employees. Again, encourage them to share their feelings and try to empathize with them

5. Recognition:

Look for ways to increase employee motivation by recognizing excellence in the workplace. Ring a bell every time an individual or team hits the production target. Put up posters with the photographs of team members who have had the most days without accidents. Give out awards for attendance records. Just do something. It is so inexpensive, yet highly effective in your efforts of employee motivation.

Paper No. 04

FINAL TERM EXAMINATION

Fall 2009

MGT602- Entrepreneurship (Session - 1)

VU ASKARI TEAM (www.vuaskari.com)

Solved By Honey G <abdulhaiee2004@gmail.com>

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Question No: 1 (Marks: 1) - Please choose one

The combining of two or more independent bodies into a single body is known as:

- ▶ Joint venture
- ▶ **Merger**
- ▶ Rivalry
- ▶ Protectionist attitudes

Ref: MERGER: The combining of two or more independent bodies into a single body.

<http://www.online-real-estate.net/glossary/M.htm>

Question No: 2 (Marks: 1) - Please choose one

Which one of the following is a longest lasting trade agreement with the objective of liberalizing trade by eliminating or reducing tariffs, subsidies and quotas?

- ▶ Free trade area – FTA
- ▶ European community – EC

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▶ General agreement on tariffs and trade – GATT

▶ The North American free trade agreement – NAFTA

Ref: GATT is a multilateral agreement with the objective of liberalizing trade by eliminating tariffs and import quotas. (Handouts Page No. 35)

Question No: 3 (Marks: 1) - Please choose one

Which one of the following is NOT an environmental factor?

▶ Economy

▶ Culture

▶ Technology

▶ Competition

Ref: Examples of environmental factors are: Economy Culture Technology Legal concerns (Handouts Page No. 57)

Question No: 4 (Marks: 1) - Please choose one

Which of the following techniques is an excellent method for initially screening ideas and concepts in addition to generating new ideas?

▶ Focus group

▶ Problem inventory analysis

▶ Brain storming

▶ Reverse brainstorming

Ref: In addition to generating new ideas, the focus group is an excellent source for initially screening ideas and concept.

http://www.ebizstartups.com/Methods_of_Generating_New_Ideas_for_Entrepreneurs.html

Question No: 5 (Marks: 1) - Please choose one

Developing a new idea through inquiry and testing is called:

▶ Heuristics

▶ Forced relationship

▶ Scientific method

▶ Value analysis

Question No: 6 (Marks: 1) - Please choose one

Which of the following geographical area is of least interest to U.S entrepreneurs?

▶ Europe

▶ The Far East

▶ Central Asia

▶ Transition economies

Ref: Three areas of particular interest to U.S. entrepreneurs are Europe, the Far East and transition economies. (Handouts Page No. 37)

Question No: 7 (Marks: 1) - Please choose one

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Having less than 50 percent of equity share in an international venture is called:

- ▶ **Minority interest**
- ▶ Joint venture
- ▶ Majority interest
- ▶ Exporting

Ref: Minority interest

Having less than 50 percent ownership position (**Handouts Page No. 36**)

Question No: 8 (Marks: 1) - Please choose one

Which of the following is usually included in production plan?

- ▶ Pricing
- ▶ Evaluation of the weaknesses of the business
- ▶ **Names of suppliers of raw materials**
- ▶ Flow of orders for goods and/or services

Ref: Production Plan

- A. Manufacturing process (amount subcontracted)
- B. Physical plant
- C. Machinery and equipment
- D. Names of suppliers of raw materials

[http://docs.google.com/viewer?a=v&q=cache:6XGQG47hT_IJ:www.imsciences.net/uploads/second-semester/ENT7-The%2520Business%2520Plan%2520-%2520Creating%2520and%2520Starting%2520the%2520Venture.ppt+Which+of+the+following+is+usually+included+in+production+plan%3F+%E2%96%BA+Pricing+%E2%96%BA+Evaluation+of+the+weaknesses+of+the+business+%E2%96%BA+Names+of+suppliers+of+raw+materials+%E2%96%BA+Flow+of+orders+for+goods+and/or+service](http://docs.google.com/viewer?a=v&q=cache:6XGQG47hT_IJ:www.imsciences.net/uploads/second-semester/ENT7-The%2520Business%2520Plan%2520-%2520Creating%2520and%2520Starting%2520the%2520Venture.ppt+Which+of+the+following+is+usually+included+in+production+plan%3F+%E2%96%BA+Pricing+%E2%96%BA+Evaluation+of+the+weaknesses+of+the+business+%E2%96%BA+Names+of+suppliers+of+raw+materials+%E2%96%BA+Flow+of+orders+for+goods+and/or+services&hl=en&gl=pk&pid=bl&srcid=ADGEEsGlAM3eWrUm3qi_ZRy0x4GFxcdE_RTDwywsWdLv7jAdJoJTDSV9Ue0tKUQOnBrrMSsLop6_nOqMNVcuTQZJYPpeG1jGlgjIGON-txxZmtfsYZ4lBhObEZrriEkQLaSBW9wXymSd&sig=AHIEtbT6zpM7wnpvCXgK5hJMyjwkyPq1qw)

Question No: 9 (Marks: 1) - Please choose one

For the success of business plan the goals should be:

- ▶ Imaginary
- ▶ **Specific**
- ▶ Generalized
- ▶ Limitless

Ref: To be successful

- Goals should be specific.
- They should also be measurable and should be monitored over time. (**Handouts Page No. 60**)

Question No: 10 (Marks: 1) - Please choose one

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Secondary data can be obtained from all of the following sources, **EXCEPT:**

- ▶ Magazine
- ▶ Bureau of statistics
- ▶ **Focus group**
- ▶ Internet

Ref: An obvious source is data that already exists, or secondary data, found in trade magazines, libraries, government agencies, and the Internet. The U.S. Bureau of Census and the Department of Commerce (**Handouts Page no. 63**)

Question No: 11 (Marks: 1) - Please choose one

The marketing plan section should focus for the strategies for how many years?

- ▶ First Year
- ▶ **First Three Years**
- ▶ First four years
- ▶ First two years

Ref: The marketing plan section should focus on strategies for the first three years of the venture (**Handouts Page No. 61**)

Question No: 12 (Marks: 1) - Please choose one

The discussion among the people in focus group carries in which of the following ways?

- ▶ Formal Way
- ▶ **Informal Way**
- ▶ Convenient Way
- ▶ Problematic Way

Ref: Groups discuss issues in an informal, open format. (**Handouts Page no. 63**)

Question No: 13 (Marks: 1) - Please choose one

Which of the following is becoming the most important media for information and distribution?

- ▶ Distribution channel
- ▶ **Internet**
- ▶ Radio
- ▶ Salesperson

Ref: The Internet will become an increasingly important medium for information and distribution. (**Handouts Page No. 66**)

Question No: 14 (Marks: 1) - Please choose one

In which of the following, banks are usually reluctant to give loan?

- ▶ **Sole Proprietor**
- ▶ Public Limited Companies
- ▶ Partnership firm
- ▶ Private Limited Companies

Ref: Banks and other financing sources are often reluctant to make business loans to

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sole proprietors http://www.isp-planet.com/business/2001/sole_proprietorship.html

Question No: 15 (Marks: 1) - Please choose one

In USA Public Limited Companies may have _____ Director/s

- ▶ 1
- ▶ 2
- ▶ 3
- ▶ 4

Ref: It is quite a surprising revelation that in most U.S. States corporations are formed with only a single director and in that situation of acting alone in a way that is synonymous to the sole trader acts in the corporation as the board of directors <http://hubpages.com/hub/Starting-a-Corporation-What-are-the-Directors-Responsibilities>

Question No: 16 (Marks: 1) - Please choose one

In which of the following majority holds the management control?

- ▶ Partnership
- ▶ Corporation
- ▶ Limited liability Company
- ▶ All of the given options

Ref: In a partnership the majority usually rules unless the partnership agreement states otherwise. **(Handouts Page No. 70)**

Question No: 17 (Marks: 1) - Please choose one

Which of the following shows the characteristic of the partnership with reference to **Single taxation** system?

- ▶ Single taxation system
- ▶ Double taxation system
- ▶ Triple taxation system
- ▶ No taxation system

Ref: The profits of a partnership pass through to its owners, who report their share on their individual tax returns. Therefore, the profits are only taxed once (at the personal level of its owners) rather than twice, <http://www.referenceforbusiness.com/small/Op-Qu/Partnership.html#ixzz1CAdo8pWH>

Question No: 18 (Marks: 1) - Please choose one

Which of the following is the systematic assembly of all the facts about a job?

- ▶ Job Analysis
- ▶ Job Identification
- ▶ Job Description
- ▶ Job Specification

Ref: Job analysis is the systematic assembly of all the facts about a job. The purpose is to study the individual elements and duties. All information related to the salary and

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benefits, working hours and conditions, typical tasks and responsibilities are required for the job analysis.

<http://www.askmehelpdesk.com/human-resources/what-differences-between-job-description-job-specification-169677.html>

Question No: 19 (Marks: 1) - Please choose one

A party in an agreement that usually supplies money and has a few responsibilities is known as:

- ▶ Limited partner
- ▶ Major partner
- ▶ Minor partner
- ▶ General partner

Ref: In a limited partnership the limited partners have no control over business decision. (Handouts page No. 70) R&D limited partnerships provide the needed funds with a minimum of equity dilution while reducing the risks (Handouts Page No. 87)

Question No: 20 (Marks: 1) - Please choose one

Which of the following is a formalized method for obtaining funds from private investors?

- ▶ Private placement
- ▶ Private offering
- ▶ Regulation D
- ▶ Bootstrap financing

Ref:

[http://books.google.com.pk/books?id=s01P0agnLPUC&pg=PA336&lpg=PA336&dq="formalized+method+for+obtaining+funds+from+private+investors"&source=bl&ots=rCOwDq2_yY&sig=7xKrUtEizKE_bs3A69ORw6gjxzg&hl=en&ei=VRxkTKXKN4mevQO5mLieCg&sa=X&oi=book_result&ct=result&resnum=2&ved=0CAsQ6AEwAO#v=onepage&q=%22formalized%20method%20for%20obtaining%20funds%20from%20private%20investors%22&f=false](http://books.google.com.pk/books?id=s01P0agnLPUC&pg=PA336&lpg=PA336&dq=)

Question No: 21 (Marks: 1) - Please choose one

LIFO method can be beneficial in following conditions, **EXCEPT:**

- ▶ If rising production costs are anticipated
- ▶ If the business and inventory are growing
- ▶ If the business has not computerized inventory control capability
- ▶ If the business is profitable

Ref: Conversion to LIFO can typically be beneficial if the following conditions exist: Rising labor, materials, and other production costs are anticipated. The business and inventory are growing. The business has some computer-assisted inventory control method capability. The business is profitable. (Handouts Page No. 98)

Question No: 22 (Marks: 1) - Please choose one

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Using which of the following, the entrepreneur values the underlying worth of the business based on its assets?

- ▶ Liquidity ratio
- ▶ Asset turnover
- ▶ **Asset valuation**
- ▶ Owners' equity

Ref: Using the asset valuation method, the entrepreneur values the underlying worth of the business based on its assets. (Handouts page no. 105)

Question No: 23 (Marks: 1) - Please choose one

The mean age of entrepreneurial enterprises in Pakistan is:

- ▶ **12 years**
- ▶ 15 years
- ▶ 20 years
- ▶ 22 years

Ref: The mean age of entrepreneur was found to be 42 years and of their enterprises 12 years. (Handouts Page No. 108)

Question No: 24 (Marks: 1) - Please choose one

What is the percentage of Pakistani entrepreneurs that have college education?

- ▶ **30%**
- ▶ 10%
- ▶ 60%
- ▶ 45%

Ref: Differing from industry to industry 60% have school education and 30% have college or better education only 10% has professional or graduation level (Handouts page No. 108)

Question No: 25 (Marks: 1) - Please choose one

Record keeping usually starts in which of the following stage?

- ▶ Idea Generation
- ▶ Idea Development
- ▶ **Post Project**
- ▶ None of the given options

Ref: Implementation of a recordkeeping system

A project to develop new systems will impact greatly on the day-to-day work of staff members. Its success also relies greatly on staff acceptance of the system.

<http://www.records.nsw.gov.au/recordkeeping/dirks-manual/doing-a-dirks-project/develop-new-systems-with-adequate>

Question No: 26 (Marks: 1) - Please choose one

In order to make organization more flexible and responsive it should tend towards which of the following?

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- ▶ Centralization
- ▶ Decentralization
- ▶ Employee Motivation
- ▶ Less vulnerable to change

Ref: Many organizations want to be more flexible and increasingly responsive to complex environments. By becoming flatter, many organizations also become less centralized. Flat organizations that make use of decentralization are often more able to efficiently respond to customer needs and the changing competitive environment.
<http://www.referenceforbusiness.com/management/Log-Mar/Management-Levels.html#ixzz1CAIPyk6f>

Question No: 27 (Marks: 1) - Please choose one

The entrepreneur was distinguished from capital provider in:

- ▶ Middle ages
- ▶ 18th century
- ▶ 17th century
- ▶ 19th and 20th century

Ref: In the 18th century the person with capital was differentiated from the one who needed capital (**Handouts page No. 03**)

Question No: 28 (Marks: 1) - Please choose one

An entrepreneur is a person who is a:

- ▶ Risk taker
- ▶ Initiator
- ▶ Actor
- ▶ All of the given options

Ref: In almost all definitions of entrepreneurship, there is agreement that we are talking about a kind of behavior that includes:

1. Initiative taking
2. The organizing and reorganizing or social/economic mechanisms to turn resources and situations to practical account.
3. The acceptance of risk or failure. (**Handouts Page No. 4**)

Question No: 29 (Marks: 1) - Please choose one

Which of the following is alternatively called corporate venturing?

- ▶ Entrepreneurship
- ▶ Intrapreneurship
- ▶ Act of stating a new venture
- ▶ Offering new products by an existing company

Ref: Intrapreneurship, also called corporate venturing, is not without problems.
(**Handouts Page No. 21**)

Question No: 30 (Marks: 1) - Please choose one

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Which one of the following is not the intrapreneurial leadership characteristic?

- ▶ Understands environment
- ▶ Encourage the team work
- ▶ **Not flexible**
- ▶ Persistent

Ref: There are certain individual characteristics needed for a person to be successful Entrepreneurs including:

1. Understanding the environment
2. Being visionary and flexible
3. Creating management options
4. Encourage teamwork while employing a multi-disciplined approach
5. Encouraging open discussion
6. Building a coalition of supporters, and persisting (**Handouts page 20**)

Question No: 31 (Marks: 1) - Please choose one

Degree of influence and control on other people is called:

- ▶ **Locus of control**
- ▶ Locomotion of control
- ▶ Locust of control
- ▶ Loss of control

Ref:

http://books.google.com.pk/books?id=wGbZ2ynQOokC&pg=PA49&dq=Degree+of+infl+uence+and+control+on+other+people+is+called&hl=en&ei=q6ryTJGxEYymvQPgvYG RDg&sa=X&oi=book_result&ct=result&resnum=3&ved=0CDAQ6AEwAg#v=onepage&q=Degree%20of%20influence%20and%20control%20on%20other%20people%20is%20called&f=false

Question No: 32 (Marks: 1) - Please choose one

_____ is usually represents one or more segments of the entire market.

- ▶ Local market
- ▶ **Target market**
- ▶ Market orientation
- ▶ Market segmentation

Ref: The defined target market will usually represent one or more segments of the entire market. (**Handouts page No. 65**)

Question No: 33 (Marks: 1) - Please choose one

The most often used type of funds in the companies is/are known as:

- ▶ Personal funds
- ▶ **Internal funds**
- ▶ External funds
- ▶ All of the given options

Ref: The most often used type of funds is internally generated funds. (**Handouts page No. 81**)

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Question No: 34 (Marks: 1) - Please choose one

Which one of the following private investors is **NOT** a final source of funds for the entrepreneurs?

- ▶ Friends
- ▶ **Barbers**
- ▶ Financial planners
- ▶ Technical experts

Question No: 35 (Marks: 1) - Please choose one

Which of the following factor is primarily based on pricing of the products?

- ▶ **Cost**
- ▶ Quality
- ▶ Economy
- ▶ Competition

Ref: Setting the price for your product should take into account three factors. Start with the cost of producing and marketing your product. It is important to Be sure that your price will cover your costs. The cost of production provides you with a minimum or floor price for your product. If you cannot cover your costs, you should not produce the product. <http://www.extension.iastate.edu/agdm/wholefarm/html/c5-17.html>

Question No: 36 (Marks: 1) - Please choose one

It may be desirable to make all payments on time to establish credibility with _____.

- ▶ Consumers
- ▶ Retailers
- ▶ **Suppliers**
- ▶ Entrepreneurs

Ref: In the early stage, it may be desirable to make all payments on time to establish credibility with suppliers. **(Handouts page no. 95)**

Question No: 37 (Marks: 1) - Please choose one

The ratio helps to measure the liquidity of accounts receivable or the ability of the venture to collect from its customers is known as:

- ▶ Inventory turnover
- ▶ Return on investment
- ▶ **Average collection period**
- ▶ None of the given options

Ref: Average collection period indicates the average number of days it takes to convert accounts receivable into cash. This ratio helps gauge the liquidity of accounts receivable or the ability of the venture to collect from its customers. **(Handouts Page No. 100)**

Question No: 38 (Marks: 1) - Please choose one

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When two or more separate companies forming a new company, it is known as:

- ▶ Merger
- ▶ Acquisition
- ▶ Corporation
- ▶ Joint venture

Ref: A merger is a transaction involving two or more companies in which only one company survives. (Handouts page No. 107)

Question No: 39 (Marks: 1) - Please choose one

Which of the following combination can helpful for achieving targets to greater than that predicted?

- ▶ Merger
- ▶ Synergy
- ▶ Acquisition
- ▶ Joint venture

Ref: Synergy is "the whole is greater than the sum of the parts." With reference to the venture synergy refers to the phenomenon in which two or more discrete influences or organizations acting together create an effect greater than that predicted by knowing only the separate effects of the individual organizations (Handouts Page No. 106)

Question No: 40 (Marks: 1) - Please choose one

Which of the following type of business is very easy to form in the Pakistan?

- ▶ SME
- ▶ Synergy
- ▶ Consortium
- ▶ Corporation

Ref: Moreover, easy entry and exit of SME's make economies more flexible and more competitive. Ministry of Industry report, SME's constitute nearly 90% of all the enterprises in Pakistan, <http://ezinearticles.com/?Understanding-SMEs-%28Small-and-Medium-Entrepreneurs%29&id=5049761>

Question No: 41 (Marks: 5)

What are the different reasons that lead to the failure of some business plans?

A poorly prepared business plan can be blamed on:

- Goals set by the entrepreneurs that are unreasonable.
- Goals those are not measurable.

To be successful:

- Goals should be specific.
- They should also be measurable and should be monitored over time.

The entrepreneur who has not made a total commitment to the business will not be able to meet the venture's demands of the venture. Investors will not be positive about a venture that does not have full-time commitment. Investors will typically expect the entrepreneur to make significant financial commitment to the business. Lack of experience will result

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in failure unless the entrepreneur can gain knowledge or team up with someone. The entrepreneur should also document customer needs before preparing the plan

Question No: 42 (Marks: 5)

What is Small Business Administration Loans? In what circumstances they are used by entrepreneurs?

SMALL BUSINESS ADMINISTRATION LOANS:

A. When an entrepreneur is unable to secure a regular commercial bank loan, an alternative is a Small Business Administration (SBA) Guaranty Loan.

1. The SBA guarantees that 80% of the loan will be repaid to the bank by the SBA if the company can't pay.
2. This allows the bank to make loans that have higher risks.
3. This procedure is the same as for securing a bank loan, except that government forms and documentation are required.

B. Both long and short-term loans can be guaranteed by the SBA.

1. A maximum loan period of 15 years on existing buildings and 20 years on new construction can be obtained.
2. For inventory, equipment, or working capital, a maximum of 10 years is available, although five years is the usual.
3. Once the application has been filled out, it usually is processed within 15 days.
4. There are additional reporting requirements beyond those for a conventional bank loan.
5. Since there is no difference in interest rates charged between conventional bank loans and SBA-guaranteed loans, a commercial bank loan is usually better.
6. A good banking relationship is very valuable as the venture grows.

C. For most SBA loans, there is no limit to the amount of loan money requested, but there is practical limit of \$1 million.

- 1 The vast majority of small businesses are eligible for financial assistance from the SBA.
1. As defined by the Small Business Act, a small business is independently owned and operated and not dominant in its field of operation.
2. The size limits of a small business vary from industry to industry.
3. The proceeds of the loans can be used for almost any business purpose.
4. The interest rates are negotiated between the entrepreneur and the bank, but there are subject to SBA maximums.

Question No: 43 (Marks: 10)

Suppose you are working in ABC Company as Marketing Manager. Your company wants to launch a new venture in the Service based business. What steps your marketing plan will include?

STEPS IN PREPARING THE MARKETING PLAN

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Step 1: Defining the Business Situation

The situation analysis is a review of where the company has been and considers many of the environmental factors. The entrepreneur should provide a review of past performance of the product and the company. Industry analysis should include information on market size, growth rate, suppliers, new entries, and economic conditions.

Step 2: Defining Target Market/Opportunities and Threats

The entrepreneur should have a good idea of who the customer or target market will be. The defined target market will usually represent one or more segments of the entire market. Market segmentation is the process of dividing the market into smaller homogeneous groups. The process of segmenting is:

- a. Decide what general market or industry you wish to pursue.
- b. Divide the market into smaller groups based on characteristics of the customer.
- c. Select segment or segments to target.
- d. Develop marketing plan integrating the parts of the marketing mix.

Step 3: Considering Strengths and Weaknesses

It is important for the entrepreneur to consider its strengths and weaknesses.

Step 4: Establishing Goals and Objectives

Before strategy decisions can be outlined, the entrepreneur must establish realistic marketing goals and objectives. These answer the question "Where do we want to go?" These goals should specify such things as market share, profit, sales, market penetration, pricing policy, and advertising support. Not all goals and objectives must be quantified. It is a good idea to limit the number of goals to between six and eight.

Step 5: Defining Marketing Strategy and Action Programs

Strategy and action decisions respond to the question "How do we get there?" It incorporates:

1. Product or Service

This includes a description of the product and may include more than the physical characteristics. It involves packaging, brand name, price, warranty, image, service, features, and style.

2. Customer Service

- Meeting customer needs and creating loyalty involves a number of low-cost steps:
- In writing develop a statement of customer service principles. Train those employees who have direct contact with customers.
- Establish a process for evaluating customer service.
- Reward employees who are most effective in providing quality customer service.
- Make regular contact with customers.
- Invest in quality telephone equipment.
- Meet customer expectations.
- Customer service is especially important for e-businesses.

3. Pricing.

One of the difficult decisions is determining the appropriate price for the product. Factors such as costs, discounts, freight, and markups must be considered. Marketing research can help determine a reasonable price that consumers are willing to pay.

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4. Distribution.

This factor provides utility or makes the product convenient to purchase when it is needed. This variable must be consistent with other marketing mix variables. Type of channel, number of intermediaries and location of members should be described. Regardless of the type of business, it is usually necessary for the new venture to have a website. The Internet will become an increasingly important medium for information and distribution. Direct mail or telemarketing may be considered. Direct mail marketing is one of the simplest and lowest in entry costs. But the direct-marketing or Internet strategies are not a guarantee for success. The entrepreneur should evaluate all possible options for distribution.

5. Promotion.

The entrepreneur needs to inform customers as to the product's availability using advertising media such as print, radio, or television. Usually television is too expensive unless cable television is a viable option. Larger markets can be reached using direct mail, trade magazines, or newspapers. A website may also create awareness and promote the product and services of the venture. It is possible to make use of publicity as a means of introduction. It is important that the marketing strategy and action programs be specific and detailed enough to guide the entrepreneur through the first year.

Step 6: Coordination of the Planning Process

The management team must coordinate the planning process. The entrepreneur may be the only person involved but may lack experience in preparing the plan. Assistance is available from many sources, such as the SBA.

Step 7: Designing Responsibility for Implementation

The plan must be implemented effectively to meet all of the desired goals and objectives. Someone must take the responsibility for implementing each decision made in the marketing plan.

Step 8: Budgeting the Marketing Strategy

Planning decisions must also consider the costs involved in the implementation of these decisions. This budgeting will be useful in preparing the financial plan.

Step 9: Implementation of the Marketing Plan

The marketing plan is meant to be a commitment to a specific strategy. A commitment to make adjustments as needed by market conditions is also valuable.

Step 10: Monitoring Progress of Marketing Actions

Monitoring of the plan involves tracking specific results of the marketing effort. What is monitored is dependent on the specific goals and objectives outlined.

Question No: 44 (Marks: 10)

Suppose you are hired by an entrepreneur who is not capable of assessing the need of financial plan. How would you suggest him the basic characteristics of good financial plan?

THE FINANCIAL PLAN

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A. The financial plan provides a complete picture of:

1. How much and when the funds are coming into the organization.
2. Where the funds are going.
3. How much cash is available?
4. The projected financial position of the firm.

B. The financial plan provides the short-term basis for budgeting and helps prevent a common problem-lack of cash.

C. The financial plan must explain how the entrepreneur will meet all financial obligations and maintain its liquidity.

D. In general, the financial plan will need three years of projected financial data for outside investors.

OPERATING AND CAPITAL BUDGETS

A. before developing the pro forma income statement, the entrepreneur should prepare operating and capital budgets.

1. If the entrepreneur is a sole proprietor, he or she will be responsible for the budgeting decisions.
2. In a partnership, or where employees exist, the initial budgeting process may begin with one of these individuals.
3. Final determination of budgets will ultimately rest with the owners or entrepreneurs.

B. in the preparation of the pro forma income statement, the entrepreneur must first develop a sales budget, an estimate of the expected volume of sales by month.

1. From sales forecasts, the entrepreneur will determine the cost of these sales.
2. Estimated ending inventory will also be included.

C. Production or Manufacturing Budget.

1. This budget provides a basis for projecting cash flows for the cost of goods produced.
2. The important information in this budget is the actual production required each month and the needed inventory to allow for changes in demand.
3. This budget reflects seasonal demand or marketing programs, which can increase demand and inventory.
4. The operating budget is an important document, as the pro forma income statement will only reflect the actual costs of goods.

D. Operating Budget.

1. Next the entrepreneur can focus on operating costs.
2. Fixed expenses (incurred regardless of sales volume) include rent, utilities, salaries, interest, depreciation, and insurance.
3. The entrepreneur will need to calculate variable expenses, which may change from month to month depending on sales volume, such as advertising and selling expenses.

E. Capital budgets are intended to provide a basis for evaluating expenditures that will impact the business for more than one year.

1. A capital budget may project expenditures for new equipment, vehicles, or new facilities.
2. These decisions can include the computation of the cost of capital and the anticipated return on investment using present value methods.

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3. The entrepreneur should enlist the assistance of an accountant.

Question No: 45 (Marks: 10)

When and why the Punjab Small Industries Corporation (PSIC) was established? How it is helpful in promoting small industries?

Punjab Small Industries Corporation (PSIC)

In the province of Punjab PSIC was established in 1972 as an autonomous body for the promotion and development of the small-scale industries in the province. The PSIC covers the critical areas of investment promotion and provision of credits for setting up new industries and modernization of the existing ones. It also promotes the common facility center, technology transfer, guidance, handicrafts development and design facilities.

(a) Financing and Loans

PSIC is providing two types of loans to its clients, working capital and capital investment loans. The maximum limit of loan is RS. 7.5 Lac. There are district officers appointed for monitoring the loan recovery and in the case of unrecoverable loans, they are transferred to the revenue authorities. PSIC has managed to recover 81.6% of all loans given out. Disbursing Rs. 1768.537 million to 6339 units through its 8 regional offices (till 31-02-2001) the debt equity ratio for loan up to Rs. 7.5 Lac is 70:30.

(b) Industrial Estates

PSIC has developed 14 industrial estates in various areas of the Punjab. The costs of land within these industrial states have been subsidized to allow the development of the small-scale sector.

(c) Services and Programs

PSIC has also launched "Rural Industrialization Program" to control unemployment and strengthen the marginal household income through stimulation of industrial growth in the urban and rural areas of the Punjab. PSIC has established various types of service centers e.g. metal industries development center, Sialkot, Engineering service centers. Gujranwala, institute of pottery development, Shahdara etc

Paper No. 05

FINAL TERM EXAMINATION

MGT602- Entrepreneurship Fall 2010

VU ASKARI TEAM (www.vuaskari.com)

Solved By Honey G <abdulhaice2004@gmail.com>

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Question No: 1 (Marks: 1) - Please choose one

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Which of the following has not yet been empirically established as a distinguishing characteristic of entrepreneurs?

- ▶ Locus of control
- ▶ Feeling about independence
- ▶ Need for achievement
- ▶ Risk taking

Ref: However, it has not yet been empirically established whether risk-taking is a distinguishing characteristics of entrepreneurs. (See Handouts Page No. 22)

Question No: 2 (Marks: 1) - Please choose one

A/an _____ is an online connection between the company and its customers.

- ▶ Internet advertising
- ▶ Website
- ▶ E-Commerce
- ▶ World Wide Web

Ref: Website A website is an online connection between the company and its customers and can be developed (Handouts Page no. 44)

Question No: 3 (Marks: 1) - Please choose one

Which of the following is an example of coined mark?

- ▶ Kodak films
- ▶ Apple computers
- ▶ Pantene Shampoo
- ▶ Mobil oil

Ref: A Coined Mark is the strongest. It is a made-up word, and the most likely to be accepted for registration with the USPTO. Examples: Kodak, Yahoo, <http://www.jinlex.com/articles-alerts/fashion-and-garment-law-intellectual-property-protection>

Question No: 4 (Marks: 1) - Please choose one

Which one of the following can NOT be covered under the copyright protection?

- ▶ Computer software
- ▶ Computer hardware
- ▶ Poems and songs
- ▶ Models and sculpture

Ref: What does copyright protect?

Copyright, a form of intellectual property law, protects original works of authorship including literary, dramatic, musical, and artistic works, such as poetry, novels, movies, songs, computer software, and architecture. Copyright does not protect facts, ideas, systems, or methods of operation, although it may protect the way these things are expressed. See Circular 1, *Copyright Basics*, section "What Works Are Protected."

<http://www.copyright.gov/help/faq/faq-protect.html>

Question No: 5 (Marks: 1) - Please choose one

SBA stands for:

- ▶ Small business accountants

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► **Small business administration**

- Small business adequacy
- Small business advisors

Ref: SBA stands for the Small Business Administration of the United States, which was founded in July, 1953. <http://www.wisegeek.com/what-is-the-sba.htm>

Question No: 6 (Marks: 1) - Please choose one

Which of the following is a more structured method of problem solving, including principles and rules for concept formation, making observations and experiments, and finally validating the hypothesis?

► **Scientific method**

- Heuristics
- Attribute listing
- Value analysis

Ref: Scientific method

This is a more structured method of problem solving, including principles and rules for concept formation, making observations and experiments, and finally validating the hypothesis. (Handouts page No. 41)

Question No: 7 (Marks: 1) - Please choose one

Which of the following techniques is an excellent method for initially screening ideas and concepts in addition to generating new ideas?

► **Focus group**

- Problem inventory analysis
- Brain storming
- Reverse brainstorming

Ref: In addition to generating new ideas, the focus group is an excellent source for initially screening ideas and concept.

http://www.ebizstartups.com/Methods_of_Generating_New_Ideas_for_Entrepreneurs.html

Question No: 8 (Marks: 1) - Please choose one

Which of the following factors along with organization's internal factors may change the direction of plan?

► **Personal**

► **Environmental**

- Business
- Market

Ref: Environmental factors and internal factors can change the direction of the plan. It is important to be sensitive to changes in the company, industry, and market. (Handouts page no. 60)

Question No: 9 (Marks: 1) - Please choose one

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The marketing plan usually focuses on strategies and, for the first year goals and strategies should be projected to which of the following period?

- ▶ Daily
- ▶ Weekly
- ▶ **Monthly**
- ▶ Quarterly

Ref: The marketing plan section should focus on strategies for the first three years of the venture. For the first year, goals and strategies should be projected monthly. (Handouts Page No. 62)

Question No: 10 (Marks: 1) - Please choose one

Which of the following is necessary to initiate the market research?

- ▶ Data
- ▶ Budget
- ▶ Problem
- ▶ **Objectives**

Ref: Market research begins with definition of objectives. Many entrepreneurs don't know what they want to accomplish from a research study. (Handouts Page No. 62)

Question No: 11 (Marks: 1) - Please choose one

Which of the following is **NOT** an example of collecting primary data?

- ▶ **Internet**
- ▶ Focus Group
- ▶ Interview
- ▶ Observation

Ref: Observation is the simplest approach. A recent study found that the most successful ventures were focused on information about competitors, the customer, and the industry. Interviewing or surveying is the most common approach, but is more expensive. (Handouts Page No. 63)

Question No: 12 (Marks: 1) - Please choose one

In which of the following, the ownership of venture is reflected by the ownership of shares of stock?

- ▶ Partnership
- ▶ Limited partnership
- ▶ **Corporation**
- ▶ Proprietorship

Ref: In the corporation, ownership is reflected by ownership of shares of stock. (Handouts page No. 68)

Question No: 13 (Marks: 1) - Please choose one

In which of the following entity capital rising entirely depends on the entrepreneur?

- ▶ Corporation

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► Sole Proprietorship

► Partnership

► All of the above

Ref: In the proprietorship, the owner has full responsibility for operations. In operations all factors will include like capital raising, organizing, and planning.
(Handouts Page No. 68)

Question No: 14 (Marks: 1) - Please choose one

Who elect the directors in corporation?

► Low level Managers

► Entrepreneur

► Shareholders

► Middle Level Managers

Ref: Stockholders can indirectly affect the operation by electing someone to the board of director **(Handouts Page No. 71)**

Question No: 15 (Marks: 1) - Please choose one

Which of the following represents the environment in which entrepreneurship can't grow?

► Boom

► Vacuum

► Maturity

► Introductory Phase

Ref: Further, entrepreneurship cannot grow in vacuum. It requires creation of an atmosphere in which an entrepreneur can discharge his functions

http://books.google.com.pk/books?id=d5QH-hBXYFcC&pg=PA26&lpg=PA26&dq=%22entrepreneurship+cannot+grow%22&source=bl&ots=6A8ZiX_ubY&sig=TURvJtHVSJYTFoMEtD0GBwp9lVQ&hl=en&ei=0sc1TaOvCZGYhQfF4ISfCw&sa=X&oi=book_result&ct=result&resnum=2&ved=0CBkQ6AEwAQ#v=onepage&q=%22entrepreneurship%20cannot%20grow%22&f=false

Question No: 16 (Marks: 1) - Please choose one

Which of the following helps to prevent lack of cash?

► Financial plan

► Cash flow

► Business plan

► Personal plan

Ref: The financial plan provides the short-term basis for budgeting and helps prevent a common problem-lack of cash **(Handouts Page No. 75)**

Question No: 17 (Marks: 1) - Please choose one

Which of the following is a written statement that defines the duties, relationships and results expected of anyone in the job?

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► **Job Description**

- Job Specification
- Job identification
- All of the above options

Ref: Job descriptions are written statements that describe the duties, responsibilities, most important contributions and outcomes needed from a position, required qualifications of candidates, and the reporting relationship of a particular job

http://humanresources.about.com/od/jobdescriptions/Job_Descriptions_Free_Samples_Examples.htm

Question No: 18 (Marks: 1) - Please choose one

Which of the following is the base of Job Advertisement?

- Job Description
- Job Specification
- Job identification
- All of the above options

Ref: How to write a job ad:

Job seekers want to know what is in it for them

Describe the position

Outline the skills you require

Lastly, include methods for reply.

<http://www.waikatochamber.co.nz/imagelibrary/794.pdf>

Question No: 19 (Marks: 1) - Please choose one

Which of the following includes grants from the U.S. government to small technology based businesses?

- Small business administration loans
- Small business innovation research grant
- Research and development limited partnership
- Installment loans

Ref:

http://books.google.com.pk/books?id=s01P0agnLPUC&pg=PA138&dq=Which+one+of+the+following+is+a+method+for+obtaining+new+ideas+and+solutions+by+focusing+on+problems?&hl=en&ei=uAzwTLCMAYemcIHtqasK&sa=X&oi=book_result&ct=result&resnum=1&ved=0CCQQ6AEwAA#v=snippet&q=GOVERNMENT%20GRANTS&f=false

Question No: 20 (Marks: 1) - Please choose one

Under Rule 504 of Regulation D, a company can sell up to _____ of securities in any 12-month period.

- \$50,000
- \$100,000
- \$500,000

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► \$1,000,000

Ref: Under Rule 504 a company can sell up to \$500,000 of securities to any number of investors in any 12-month period. (**Handouts Page No. 89**)

Question No: 21 (Marks: 1) - Please choose one

The entrepreneur will find it easier to maintain control over cash, disbursements and inventory through:

- **Record keeping**
- Hiring new employees
- Having more partners
- Financial controls

Ref: With a good record keeping system it is easy to maintain controls over cash disbursements, inventory, and assets. (**Handouts Page No. 95**)

Question No: 22 (Marks: 1) - Please choose one

Recruiting and hiring of new employees may occur at which level?

- Entry level
- Middle management level
- Senior management level
- **At all three levels**

Ref: Advertising in local newspapers and referrals from friends and associates is most effective for entry-level positions. For senior management the most effective strategy is networking with friends and business associates. Personnel agencies may also be considered if there are no other effective options. (**Handouts page no. 96**)

Question No: 23 (Marks: 1) - Please choose one

Advertising and publicity are used to:

- Create awareness of the new venture
- Communicate with customers
- Promote the products
- **All of the given options**

Question No: 24 (Marks: 1) - Please choose one

What is the percentage of Pakistani entrepreneurs that have college education?

- **30%**
- 10%
- 60%
- 45%

Ref: Differing from industry to industry 60% have school education and 30% have college or better education only 10% has professional or graduation level (**Handouts page No. 108**)

Question No: 25 (Marks: 1) - Please choose one

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In Pakistan, about _____ of the firms start with less than 50,000 investments

- ▶ 33 – 50 %
- ▶ 50 – 66 %
- ▶ 60 – 80 %
- ▶ 80 – 95 %

Ref: Majority started in a small way with less than 10 workers and 1/2 to 2/3 of the firms started with less than 50,000 investments (**Handouts page No. 108**)

Question No: 26 (Marks: 1) - Please choose one

The _____ venture capital firm invests in technology created by the school

- ▶ Corporate
- ▶ University-sponsored
- ▶ SBA
- ▶ State-sponsored

Ref:

http://books.google.com.pk/books?id=s01P0agnLPUC&pg=PA138&dq=Which+one+of+the+following+is+a+method+for+obtaining+new+ideas+and+solutions+by+focusing+on+problems?&hl=en&ei=uAzwTLCMAYemcIHtqasK&sa=X&oi=book_result&ct=result&resnum=1&ved=0CCQ6AEwAA#v=onepage&q=University-sponsored&f=false

Question No: 27 (Marks: 1) - Please choose one

Which of the following is the most important while factoring the value of your company?

- ▶ Future earnings capacity
- ▶ Book value
- ▶ Outlook of the economy
- ▶ Market price of similar companies' stocks

Ref: See the Factors in Valuation 4th paragraph.

http://books.google.com.pk/books?id=s01P0agnLPUC&pg=PA365&lpg=PA365&dq=Which+of+the+following+is+the+most+important+while+factoring+the+value+of+your+company?++++++%E2%96%BA+Future+earnings+capacity%09++++++%E2%96%BA+Book+value++++++%E2%96%BA+Outlook+of+the+economy++++++%E2%96%BA+Market+price+of+similar+companies%27+stocks&source=bl&ots=rCPByr-0v-&sig=UwoJ2jhxT6tf7Vure79hQnSdmDQ&hl=en&ei=-nhBTaKoI9K5hAfbS_HLAQ&sa=X&oi=book_result&ct=result&resnum=3&ved=0CCMQ6AEwAg#v=onepage&q&f=false

Question No: 28 (Marks: 1) - Please choose one

Decision on, who should be involved in marketing decisions, is part of which of the following?

- ▶ Structure
- ▶ Operational planning

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► Strategic planning

► Environmental analysis

Question No: 29 (Marks: 1) - Please choose one

Which of the following two work environments should be good for spawning the new enterprises?

► Finance and marketing

► Finance and R&D

► Marketing and R&D

► Marketing and IT

Ref:

http://books.google.com.pk/books?id=s01P0agnLPUC&pg=PA10&lpg=PA10&dq=Which+of+the+following+two+work+environments+should+be+good+for+spawning+the+new+enterprises?&source=bl&ots=rCPvFoW_AZ&sig=LBbir_GokALAFLODCkLWUq5lW5o&hl=en&ei=ixDwTOysLJHKvQOZir3XDQ&sa=X&oi=book_result&ct=result&resnum=9&ved=0CEwQ6AEwCA#v=onepage&q&f=false

Question No: 30 (Marks: 1) - Please choose one

A foundation company is formed through which of the following?

► Fashion

► Most popular business

► A winding up company

► Research and development

Ref: A type of company formed from research and development that usually does not go public. (Handouts Page No. 7)

Question No: 31 (Marks: 1) - Please choose one

Which one of the following is the first step in the entrepreneurial process?

► Deciding to become an entrepreneur

► Growing the entrepreneurial firm

► Moving from an idea to an entrepreneurial firm

► Developing successful business ideas

Ref:

http://wps.prenhall.com/bp_barringer_entrep_1/29/7475/1913810.cw/index.html

(See the Question No. 8)

Question No: 32 (Marks: 1) - Please choose one

Which of the following is **NOT** included in the opportunity evaluation process?

► Length of the opportunity

► Real and perceived value of opportunity

► Goals and objectives of customers

► Risks and rewards of opportunity

Ref: a. The evaluation process involves looking at; b. The creation and length of the opportunity; c. Its real and perceived value; d. Its risks and return; e. It's fit with the skills

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and goals of the entrepreneur; f. Its differential advantage in its competitive environment
(Handouts Page No. 13)

Question No: 33 (Marks: 1) - Please choose one

Which of the following factor has allowed small companies to act like they are big ones?

- ▶ Technology
- ▶ Customers
- ▶ Economic development
- ▶ Competition

Ref: Technology has allowed small companies to act like they are big ones (Handouts page no. 21)

Question No: 34 (Marks: 1) - Please choose one

Which one of the following is the matter of high consideration in the financial plan?

- ▶ Plant location
- ▶ Performa Balance sheet
- ▶ Accumulative depreciation
- ▶ Performa Income statement

Question No: 35 (Marks: 1) - Please choose one

Which one of the following options cannot be used as basis of loan by the company?

- ▶ Goodwill
- ▶ Inventory
- ▶ Fixed asset
- ▶ Worth of the business

Ref: Handouts Page No. 83)

Question No: 36 (Marks: 1) - Please choose one

Which of the following approach is mainly important at start-up and in the early years of the venture when capital from equity or debt financing is more expensive.

- ▶ Shares issuance
- ▶ Debentures issuance
- ▶ Bootstrap financing
- ▶ Long-term financing

Ref: Bootstrap financing is particularly important at start-up and early years of the venture when capital is more expensive (Handouts Page No. 90)

Question No: 37 (Marks: 1) - Please choose one

_____ are budgeted based on percentages of the net sales.

- ▶ Costs
- ▶ Loans
- ▶ Profits
- ▶ Drawings

Ref: Costs are budgeted based on percentages of net sales. (Handouts Page No. 99)

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Question No: 38 (Marks: 1) - Please choose one

When a company has concerned in order to penetrate an international market, the most reliable form of business is _____.

- ▶ Joint venture
- ▶ Consortium
- ▶ Synergy
- ▶ Merger

Ref: International joint ventures are increasing rapidly due to their relative advantages. Both companies can share in the earnings and growth. The joint venture can have a low cash requirement. Also, the joint venture provides ready access to new international markets. **(Handouts Page No. 103)**

Question No: 39 (Marks: 1) - Please choose one

All of the following options are advantages of the acquisition, **EXCEPT:**

- ▶ Goodwill
- ▶ Expansion potential
- ▶ Skilled human resource
- ▶ Marginal success record

Ref: Advantages of an Acquisition:

- An important factor that affects the value of a firm is its existing marketing channel and sales structure. With this structure already in place, the entrepreneur can concentrate on expanding to new target markets.
- The employees of an existing business can be important assets. They know the business and can help the business continue. Employees already have established relationships with customers, suppliers, and channel members.
- The acquired firm has an established image and track record. **(Handouts Page No. 104)**

Image goodwill hi hoti hai.

Question No: 40 (Marks: 1) - Please choose one

Which of the following type of business is very easy to form in the Pakistan?

- ▶ SME
- ▶ Synergy
- ▶ Consortium
- ▶ Corporation

Ref: Moreover, easy entry and exit of SME's make economies more flexible and more competitive. Ministry of Industry report, SME's constitute nearly 90% of all the enterprises in Pakistan, <http://ezinearticles.com/?Understanding-SMEs-%28Small-and-Medium-Entrepreneurs%29&id=5049761>

Question No: 41 (Marks: 5)

Which type of loan a bank gives to entrepreneur if the entrepreneur has creditworthy

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clients?

Types of Bank Loans

1. Accounts receivable loans.

- a. Accounts receivable provide a good basis for a loan, especially if the customer base is creditworthy.
- b. A bank may finance up to 80% of the value of the accounts receivable.
- c. A factoring arrangement can be developed whereby the factor (bank) actually buys the accounts and collects the money.
- d. If any of the receivables are not collectible, the factor sustains the loss, not the business.
- e. The cost of factoring is higher than the cost of securing a loan against the accounts receivable.

2. Inventory loans.

- a. Inventory is often a basis for a loan, particularly when inventory is liquid and can be sold easily.
- b. Finished goods inventory can be financed up to 50% of value.
- c. Trust receipts are a type of inventory loan used to finance floor plans of retailers such as auto dealers.
- d. The bank advances a large percentage of the invoice price of the goods and is paid a pro rate basis as the inventory is sold.

3. Equipment loans.

- a. Equipment can be used to secure longer term financing up to 3 to 10 years.
- b. When new equipment is bought, 50 to 80% of value can be financed.
- c. In sale-leaseback financing the entrepreneur "sells" the equipment to a lender and then leases it back.

4. Real estate loans are easily obtained to finance land, plant, or building, usually up to 75% of value.

Question No: 42 (Marks: 5)

List down the most effective sources for recruiting employees at entry level and senior management level in a venture?

Most Effective Source to hire Entry Level Employee

- 1- Local Newspaper
- 2- Reference from Friends
- 3- Internet advertisement
- 4- Recruiter Agencies

Most Effective Source to hire Senior Management Level Employee

- 1- Reference from Friends
- 2- Business Associates
- 3- Agencies
- 4- Networking with different employees
- 5- Networking with different companies

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Question No: 43 (Marks: 10)

Why the firms use bootstrap financing? What are the benefits of having this approach? Whether this approach minimizes the cost of outside capital?

BOOTSTRAP FINANCING

Bootstrap financing is particularly important at start-up and early years of the venture when capital is more expensive. This type of financing is normally used and important at the start up of the years. Bootstrap financing is using at early years of the project when capital is more costly.

Benefits

- 1- By this project can start smoothly.
- 2- In every project a company needs a finance to start the project therefore this type of financing help to start the project smoothly.
- 3- To handle the project initiation expenses this financing helps a lot.
- 4- In those projects in which advance payment is not involved this financing is required.
- 5- In those projects in which time is a constraint and important factor, this type of financing is used.
- 6- When capital is available then project speed will be faster at start and it helps for smooth completion of project.

Cost of Outside Capital:

By using this approach cost of the outside capital is reduced and it is easy for a firm to make more profit. Normally cost of outside capital decreases a company capacity to make more money. If outside capital is present then it can decrease the company's flexibility and hinder the creativity of the entrepreneur. Therefore outside capital may cause more trouble and problems in the project. Therefore outside capital only taken after exploring the all internal sources of funds

Outside capital has many costs:

1. It takes time to rise outside capital when the company can least afford the time.
2. Outside capital often decreases a firm's drive to make money.
3. The availability of capital increases the impulse to spend.
4. Outside capital can decrease the company's flexibility and hamper the creativity of the entrepreneur.
5. Outside capital may cause more disruption and problems in the venture than without it.

In spite of these potential problems, an entrepreneur at times needs equity funding.

1. Outside capital should only be sought after all possible internal sources of funds have been explored.
2. When outside funds are obtained, the entrepreneur should not forget the basics of the business

Question No: 44 (Marks: 10)

"Industrialization is a key to success in the prosperity of a country". Support this statement.

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This statement is true. Because we see China is the most powerful economy in the world just because of Industrialization. In china many small industry are present due to which china capture the whole world market. Therefore China has trillion of reserve in their banks.

From last 5-10 years, India has gone very much ahead of Pakistan, just because of this. India change his progressive plan and strong and build new industry by giving support to their people. Therefore if Pakistan needs to grow more, we should realize it and build more and more industry.

Question No: 45 (Marks: 10)

Do you believe that in our society women are not encouraged to take part in the process of entrepreneurship? Discuss in detail with reference to current prevailing situation in Pakistan.

It is right that in our society women are not encouraged to take part in the process of entrepreneurship. Because of cultural and male oriented society, women are not encouraged. In fact both genders in any society constitutes of about half of population, and in Pakistan too. Both genders are taking part in labor force and in education, in fact women are ahead in education than man.

Women entrepreneurship is called as new concept in our market. And many male business men are tending to remain women in labor force rather than a businesswoman. The business environment for women in Pakistan is complex because of social, cultural, traditional elements. And women entrepreneur have to face more problems and hindrance as financially, economically, culturally and legally.

But now the situation is changing and Pakistani women are more entering in entrepreneurship now days. Now women are in more than 70 percent of all business and now own more than 8.5 million small businesses. There is an increase of about 45% from 1990s. Concepts of starting the business in both genders are same like strong interest, passion, experience etc.

Pakistan government is also interested to give experience to women in different fields which give them confidence for their own business.

Pakistani women is now engaged I different business areas like, textile, fashion designing, handicrafts, clothes boutiques etc. Women are involved in many small businesses.

The Government of Pakistan is doing well for women in our society and the contribution they can make towards economic development. As we know that woman as entrepreneur opened their own chamber of commerce. The woman bank is now present and many women are entering into this field.

Paper No. 06

FINAL TERM EXAMINATION

MGT602- Entrepreneurship Fall 2009

VU ASKARI TEAM (www.vuaskari.com)

Solved By Honey G <abdulhaiee2004@gmail.com>

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Time: 120
min
Marks: 80

Question No: 1 (Marks: 1) - Please choose one

An ice cream producing company merges with a cotton spinning company this merger is an example of:

- ▶ **Diversified activity merger**
- ▶ Product extension merger
- ▶ Market extension merger
- ▶ Vertical merger

Ref: Diversified activity merger

Combination of at least two totally unrelated firms (**Handouts Page No. 32**)

So ice-cream and cotton spinning both are different industries. Diversification is done so that if one particular industry is not performing well you can earn from other industry.

Question No: 2 (Marks: 1) - Please choose one

How many perspectives should be considered while preparing business plan?

- ▶ One
- ▶ **Three**
- ▶ Four
- ▶ Not specific

Ref: Three perspectives need to be considered (Handouts Page No. 54)

Question No: 3 (Marks: 1) - Please choose one

Which one of the following reviews the trends and competitive strategies?

- ▶ Environmental analysis
- ▶ Product forecast
- ▶ Contingency plan
- ▶ **Industry analysis**

Ref:

http://books.google.com.pk/books?id=s01P0agnLPUC&pg=PA138&dq=Which+one+of+the+following+is+a+method+for+obtaining+new+ideas+and+solutions+by+focusing+on+problems?&hl=en&ei=uAzwTLCMA YemcIHtqasK&sa=X&oi=book_result&ct=result&resnum=1&ved=0CCQQ6AEwAA#v=snippet&q=Environmental%20analysis&f=false
(Page No. 200)

Question No: 4 (Marks: 1) - Please choose one

Which one of the following assesses the impact of external factors on business?

- ▶ **Environmental analysis**
- ▶ Product forecast

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- ▶ Industry analysis
- ▶ Organizational culture

Ref: The entrepreneur should first conduct an environmental analysis to identify trends and changes occurring on a national and international level that may impact the new venture. Examples of environmental factors are: Economy Culture Technology Legal concerns all of the above external factors are generally uncontrollable (**Handouts Page No. 57**)

Question No: 5 (Marks: 1) - Please choose one

Which of the following is included in the description of the business?

- ▶ Location
- ▶ Products offered
- ▶ History
- ▶ **All of the given options**

Ref: The new venture should be described in detail, including the product, location, personnel, background of entrepreneur, and history of the venture (**Handouts Page No. 58**)

Question No: 6 (Marks: 1) - Please choose one

Which one of the following contracts should be in written form?

- ▶ Real estates
- ▶ Lease
- ▶ Rentals
- ▶ **All of the given options**

Question No: 7 (Marks: 1) - Please choose one

Having less than 50 percent of equity share in an international venture is called:

- ▶ **Minority interest**
- ▶ Joint venture
- ▶ Majority interest
- ▶ Exporting

Ref: Minority interest

Having less than 50 percent ownership position (**Handouts Page No. 36**)

Question No: 8 (Marks: 1) - Please choose one

Which of the following is a method of selling goods to another country through a person in the entrepreneur's home country?

- ▶ Trading
- ▶ Direct export
- ▶ **Indirect export**
- ▶ Domestic sales

Ref: Indirect exporting: Selling goods to another country through a system in the entrepreneur's home country (**Handouts Page No. 34**)

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Question No: 9 (Marks: 1) - Please choose one

The business plan is an integration of functional plans such as:

▶ **Marketing, finance, manufacturing, and human resources**

▶ Marketing, Management, human resources, and operations management

▶ Advertisement, Management, Marketing, and Finance

▶ Manufacturing, Human resources, Management, and Human Resource

Ref:

http://books.google.com.pk/books?id=s01P0agnLPUC&pg=PA187&lpg=PA187&dq=The+business+plan+is+an+integration+of+functional+plans+such+as&source=bl&ots=rCPAAAt10x-&sig=k4z4yuCgKGDvrPJDir9CsDZu8lQ&hl=en&ei=_5k1TfmgFJWTjAfxqv3uAg&sa=X&oi=book_result&ct=result&resnum=3&ved=0CCYQ6AEwAg#v=onepage&q=The%20business%20plan%20is%20an%20integration%20of%20functional%20plans%20such%20as&f=false

Question No: 10 (Marks: 1) - Please choose one

The marketing plan section of the business plan should focus on strategies for how many years of the venture?

▶ 2

▶ **3**

▶ 4

▶ 5

Ref: The marketing plan section should focus on strategies for the first three years of the venture. (Handouts Page No. 61)

Question No: 11 (Marks: 1) - Please choose one

Typically business plan projections are made on a _____.

▶ Bi-monthly schedule

▶ Quarterly schedule

▶ Six-month schedule

▶ **12-month schedule**

Ref: Plan projections will typically be made on a 12-month schedule (Handouts Page No. 60)

Question No: 12 (Marks: 1) - Please choose one

Which of the following is necessary to initiate the market research?

▶ Data

▶ Budget

▶ Problem

▶ **Objectives**

Ref: Market research begins with definition of objectives. Many entrepreneurs don't know what they want to accomplish from a research study. (Handouts Page No. 62)

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Question No: 13 (Marks: 1) - Please choose one

In USA Public Limited Companies may have _____ Director/s

- ▶ 1
- ▶ 2
- ▶ 3
- ▶ 4

Ref: It is quite a surprising revelation that in most U.S. States corporations are formed with only a single director and in that situation of acting alone in a way that is synonymous to the sole trader acts in the corporation as the board of directors

<http://hubpages.com/hub/Starting-a-Corporation-What-are-the-Directors-Responsibilities>

Question No: 14 (Marks: 1) - Please choose one

Which of the following is the best option for starting the business with equity financing?

- ▶ Sole Proprietor
- ▶ **Corporation**
- ▶ Partnership firm
- ▶ None of the above

Question No: 15 (Marks: 1) - Please choose one

Who elect the directors in corporation?

- ▶ Low level Managers
- ▶ Entrepreneur
- ▶ **Shareholders**
- ▶ Middle Level Managers

Ref: Stockholders can indirectly affect the operation by electing someone to the board of director (**Handouts Page No. 71**)

Question No: 16 (Marks: 1) - Please choose one

In which of the following shareholders enjoy more fringe benefits?

- ▶ **C Corporation**
- ▶ S Corporation
- ▶ Limited Partnership
- ▶ Sole Proprietor

Ref: One advantage C corporations have over unincorporated businesses and S corporations is that they may deduct fringe benefits (such as group term life insurance, health and disability insurance, death benefits payments to \$5,000, and employee medical expenses not paid by insurance) from their taxes as a business expense.

<http://www.referenceforbusiness.com/small/Bo-Co/C-Corporation.html#ixzz1CMBkHBmY>

Question No: 17 (Marks: 1) - Please choose one

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Which one of the following budget is used to provide a basis for evaluating expenditures that will affect the business for more than a year?

- ▶ Financial
- ▶ **Capital**
- ▶ Operating
- ▶ Production

Ref: Capital budgets are intended to provide a basis for evaluating expenditures that will impact the business for more than one year. **(Handouts Page No. 76)**

Question No: 18 (Marks: 1) - Please choose one

In business usually the account receivables have which of the following nature?

- ▶ Single
- ▶ **Dual**
- ▶ Triple
- ▶ Inert

Ref: Account receivables are our assets which are debited in balance sheet, however every accounting entry has dual aspect (double entry accounting system i.e. if one item is debited then other is credited) in the above case if account receivable is getting debit then sales will be credited.

Question No: 19 (Marks: 1) - Please choose one

Which of the following is the most important aspect of locating viable sources of funding?

- ▶ Patent and trademark office
- ▶ NGOs
- ▶ Rate of return
- ▶ **Funding source profile**

Ref: http://highered.mcgraw-hill.com/sites/0073381551/student_view0/chapter13/multiple_choice_quiz.html **(See the Question No. 5)**

Question No: 20 (Marks: 1) - Please choose one

Which of the following is **NOT** a form of cash flow financing?

- ▶ Instalment loan
- ▶ Character loan
- ▶ **Inventory loan**
- ▶ Line of credit

Ref: Cash Flow Financing Cash flow financing -- or conventional bank loans --includes lines of credit, instalment loans, straight commercial loans, long-term loans, and character loans. Lines of credit are the most frequently used. **(Handouts Page No. 110)**

Question No: 21 (Marks: 1) - Please choose one

What should be the borrowed amount by the entrepreneur for the start up and running for

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his business?

- ▶ As much as possible
- ▶ **As much as needed**
- ▶ As much that can be repaid
- ▶ As minimum as possible

Ref: Friends, family, business associates when self-financing is not enough to provide the needed capital for a start up, business owners usually turn to their families, relatives, friends, and business partners for further financial support. These people tend to provide much needed support to the entrepreneur and enjoy the excitement and success of the new venture.

<http://www.go4funding.com/Articles/Small-Business/The-ABCs-of-Small-Business-Funding.aspx>

Question No: 22 (Marks: 1) - Please choose one

How many industrial estates does Punjab Small Industries Corporation have developed in various areas of the Punjab?

- ▶ 8
- ▶ **14**
- ▶ 18
- ▶ 24

Ref: PSIC has developed 14 industrial estates in various areas of the Punjab. (**Handouts Page No. 91**)

Question No: 23 (Marks: 1) - Please choose one

The actual amounts of costs and profits are compared with budgeted amounts for a specific period through:

- ▶ **Interim income statement**
- ▶ Interim balance sheet
- ▶ Pro forma income statement
- ▶ Pro forma cash flows

Ref: An interim income statement helps to compare the actual with the budgeted amount for that period. (**Handouts page no. 99**)

Question No: 24 (Marks: 1) - Please choose one

Which of the following is not considered to be a type of mergers?

- ▶ Vertical
- ▶ **Acquisition**
- ▶ Horizontal
- ▶ Conglomerate

Ref: The Department of Justice frequently issues guidelines for horizontal, vertical, and conglomerate mergers (**Handouts Page No. 107**)

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Question No: 25 (Marks: 1) - Please choose one

Ayub Khan's model of economic development was characterized by all of the following, **EXCEPT:**

- ▶ Promotion of large-scale units
- ▶ Expansion of large-scale enterprises
- ▶ Banking sector turned to cater to large loans
- ▶ **Lesser pressure on the banking system**

Ref: The reaction to that policy mix in the early 1980's was reverting back to the Ayubian model of economic development. The model was characterized by:

1. Promotion of large-scale units
2. Expansion of large-scale enterprises
- 3 Banking sector turned to cater to large loans **(Handouts Page No. 109)**

Question No: 26 (Marks: 1) - Please choose one

Short-term funds can be obtained by reducing all of following, **EXCEPT:**

- ▶ Short-term assets
- ▶ Cash
- ▶ **Fixed Assets**
- ▶ Inventory

Ref: One short-term internal source of funds is reducing short-term assets, or through extended payments from suppliers. **(Handouts page no. 81)**

Question No: 27 (Marks: 1) - Please choose one

How many agencies control the Small Business Innovation Research (SBIR) grant program?

- ▶ 10 Agencies
- ▶ **11 Agencies**
- ▶ 12 Agencies
- ▶ 13 Agencies

Ref: Eleven agencies are involved in the program. Small businesses submit proposals directly to each agency. **(Handouts Page No. 88)**

Question No: 28 (Marks: 1) - Please choose one

The decision to start a new business is taken when one perceives that forming a new business is:

- ▶ **Possible**
- ▶ Undecisive
- ▶ Inaccurate
- ▶ Dependable

Ref: The decision to start a new company occurs when an individual perceives that forming a new enterprise is both desirable and possible. **(Handouts Page No. 5)**

Question No: 29 (Marks: 1) - Please choose one

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Which is the most common cause of business failure?

- ▶ Insufficient capital
- ▶ Unstable market
- ▶ **Insufficient experience**
- ▶ Poor entrepreneurship

Ref: http://highered.mcgraw-hill.com/sites/0073210560/student_view0/chapters2/mixed_quiz.html (See the Question No. 08)

Question No: 30 (Marks: 1) - Please choose one

In terms of chronological age, most entrepreneurs initiate their entrepreneurial career between ages of:

- ▶ 15 and 22
- ▶ **22 and 45**
- ▶ 45 and 57
- ▶ 57 and 63

Ref: In chronological age, most entrepreneurs start their careers between ages 22 and 55 (Handouts page No. 24)

Question No: 31 (Marks: 1) - Please choose one

It has been observed that usually the entire country is organized under single:

- ▶ **Economic system**
- ▶ Culture
- ▶ Living standard
- ▶ Legal environment

Ref: A domestic business strategy is designed under a single economic system (Handouts Page No. 29)

Question No: 32 (Marks: 1) - Please choose one

Which one of the following options is **NOT** part of the marketing mix?

- ▶ **Production**
- ▶ Promotion
- ▶ Place
- ▶ Price

Ref: The actual short-term marketing decisions in the marketing plan will consist of four important marketing variables, called the marketing mix:

1. Product or service.
2. Pricing.
3. Distribution.
4. Promotion. Each variable should be described in detail in the strategy section of the marketing plan. (Handouts Page No. 65)

Question No: 33 (Marks: 1) - Please choose one

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Which of the following shows the name of fund that is used in sudden condition in business apart from borrowing?

▶ **Contingency fund**

▶ Dumping fund

▶ Raising fund

▶ Equity fund

Ref: A contingency fund is simply a reserve fund set aside to handle unexpected debts that are outside the range of the usual operating budget. This model of maintaining reserve money as protection against possible loss in the event of an emergency situation can be utilized in a number of situations <http://www.wisegeek.com/what-is-a-contingency-fund.htm>

Question No: 34 (Marks: 1) - Please choose one

Which of the following is another exit to the equity partnership arrangement?

▶ Minor partnership

▶ General partnership

▶ **Royalty partnership**

▶ Impartial partnership

Ref: Another possible exit to the equity partnership arrangement is a royal partnership. http://books.google.com.pk/books?id=s01P0agnLPUC&pg=PA138&dq=Which+one+of+the+following+is+a+method+for+obtaining+new+ideas+and+solutions+by+focusing+on+problems?&hl=en&ei=uAzwTLCMAYemcIHtqasK&sa=X&oi=book_result&ct=result&resnum=1&ved=0CCQQ6AEwAA#v=snippet&q=Royalty%20partnership&f=false

Question No: 35 (Marks: 1) - Please choose one

Which of the following factor is primarily based on pricing of the products?

▶ **Cost**

▶ Quality

▶ Economy

▶ Competition

Question No: 36 (Marks: 1) - Please choose one

It may be desirable to make all payments on time to establish credibility with

_____.

▶ Consumers

▶ Retailers

▶ **Suppliers**

▶ Entrepreneurs

Ref: In the early stage, it may be desirable to make all payments on time to establish credibility with suppliers. (Handouts Page No. 95)

Question No: 37 (Marks: 1) - Please choose one

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Which of the following is **NOT** a source for recruiting new employees?

- ▶ Interviews
- ▶ Newspaper ads
- ▶ Network of friends
- ▶ Universities

Ref: Get recommendations from your friends, business acquaintances, family members, and former coworkers.

- Start an internship program with local high schools and colleges. Most schools have placement services, too.
- Advertise in professional journals, magazines, and web sites.

Question No: 38 (Marks: 1) - Please choose one

The ratio helps to measure the liquidity of accounts receivable or the ability of the venture to collect from its customers is known as:

- ▶ Inventory turnover
- ▶ Return on investment
- ▶ Average collection period
- ▶ None of the given options

Ref: Average collection period indicates the average number of days it takes to convert accounts receivable into cash. This ratio helps gauge the liquidity of accounts receivable or the ability of the venture to collect from its customers. **(Handouts Page No. 100)**

Question No: 39 (Marks: 1) - Please choose one

The success of any advertising agency is normally based on their _____.

- ▶ Programs
- ▶ Unique Ideas
- ▶ Business studies
- ▶ All of the given options

Question No: 40 (Marks: 1) - Please choose one

When two or more separate companies forming a new company, it is known as:

- ▶ Merger
- ▶ Acquisition
- ▶ Corporation
- ▶ Joint venture

Ref: A merger is a transaction involving two or more companies in which only one company survives. **(Handouts page No. 107)**

Question No: 41 (Marks: 5)

It is said that advertising agencies are meant for the promotional tools. Why do you

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think that it is a correct statement?

Advertising agencies can provide many promotional services. The advertising agency is an independent business organization composed of creative and business people who develop, prepare, and place advertising in media for its customers. The agency can provide assistance in marketing research. It is important to determine whether the agency can fulfil all of the needs of the new venture. A checklist of items that the entrepreneur may consider in evaluating an agency is useful. The agency should support the marketing program and assist the entrepreneur in getting the product effectively launched.

Question No: 42 (Marks: 5)

Why a business plan is valuable to the entrepreneur, potential investor or even new personnel?

The business plan must be comprehensive enough to address the concerns of employees, investors, bankers, venture capitalists, suppliers, and customers. Three perspectives need to be considered: The entrepreneur understands the new venture better than anyone. The marketing perspective considers the venture through the eyes of the customer. The investor looks for sound financial projections. The depth of the business plan depends on the size and scope of the proposed venture.

The business plan is valuable to the entrepreneur and investors because:

1. It helps determine the viability of the venture in a designated market.
2. It gives guidance in organizing planning activities.
3. It serves as an important tool in obtaining financing. Potential investors are very particular about what should be included in the plan. The process of developing a business plan also provides a self-assessment of the entrepreneur. This self-evaluation requires the entrepreneur to think through obstacles that might prevent the venture's success. It also allows the entrepreneur to plan ways to avoid such obstacles.

HOW DO POTENTIAL LENDERS AND INVESTORS EVALUATE THE PLAN

Because the business plan should address the needs of all the potential evaluators, software packages and Internet samples should be used only to assist in preparation. As the entrepreneur becomes aware of who will read the plan, changes will be necessary. Suppliers may want to see a business plan before signing a contract to supply products or services. Customers may also want to review the plan before buying the product. The business plan should consider the needs of these constituencies. Potential suppliers of capital will vary in their needs and requirements in the business plan. Lenders are primarily interested in the ability of the new venture to pay back the debt and focus on the four C's of credit:

1. The entrepreneur's credit history or character.
2. Their ability to meet debt and interest payments (cash flow.)
3. The collateral or tangible assets being secured.
4. Equity contribution or the amount of personal equity that has been invested by the entrepreneur.

Investors provide large sums of capital for ownership (equity) and expect to cash

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out within 5 to 7 years. They will often place more emphasis on the entrepreneur's character than lenders. The venture capitalist will play an important role in management of the business and wants the entrepreneurs to be pliable and willing to accept this involvement. These investors will also demand high rates of return and will thus focus on the market and financial projections. If the entrepreneur does not consider the needs of these sources, the plan may be an internalized document without consideration of the feasibility of meeting market goals. Most external advisors and potential investors are bound by a professional code of ethics regarding disclosure.

Question No: 43 (Marks: 10)

Suppose you are working on your Automobile business. After a year you want to know the financial position of your business. In this context what ratios you will use to find out the actual running of your business?

To know the financial position and actual running of the business i will measure financial ratios of this company. Some financial ratios i will measure are as follows.

Liquidity Ratios:

Current ratio is commonly used to measure the short-term solvency of the venture or its ability to meet its short-term debts. The current liabilities must be covered from cash or its equivalent. The formula is:

$$\text{Current ratio} = \frac{\text{current assets}}{\text{current liabilities}}$$

While a ratio of 2:1 is generally considered favourable the entrepreneur should also compare this ratio with industry standards.

Acid test ratio:

Acid test ratio is a more rigorous test of the short-term liquidity of the venture. It eliminates inventory, which is the least liquid current asset. The formula is:

$$\text{Acid test} = \frac{\text{current assets} - \text{inventory}}{\text{current liabilities}}$$

Usually a 1:1 ratio would be considered favourable.

Activity Ratios:

Average collection period indicates the average number of days it takes to convert accounts receivable into cash. This ratio helps gauge the liquidity of accounts receivable or the ability of the venture to collect from its customers. The formula:

$$\text{Average collection period} = \frac{\text{Accounts Receivable}}{\text{Average daily sales}}$$

This result needs to be compared to industry standards.

Inventory turnover:

Inventory turnover measures the efficiency of the venture in managing and selling its inventory. A high turnover is a favourable sign indicating the venture is able to sell its inventory quickly.

$$\text{Inventory turnover} = \frac{\text{cost of goods sold}}{\text{Inventory}}$$

Debt ratio:

Debt ratio helps the entrepreneur assess the firm's ability to meet all its

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obligations. It is also a measure of risk because debt also consists of a fixed commitment. The calculation:

$$\text{Debt ratio} = \frac{\text{Total liabilities}}{\text{Total assets}}$$

Debt to equity ratio:

It assesses the firm's capital structure. It provides a measure of risk by considering the funds invested by creditors and investors. The higher the percentage of debt, the greater the degree of risk to any of the creditors the calculation:

$$\text{Debt to equity ratio} = \frac{\text{Total liabilities}}{\text{Stockholder's equity}}$$

Profitability Ratios:

Net profit margin represents the venture's ability to translate sales into profits. You can also use gross profit as another measure of profitability. It is important to know what is reasonable in the particular industry as well as to measure these ratios over time. The calculation:

$$\text{Net profit margin} = \frac{\text{net profit}}{\text{Net sales}}$$

Return on investment:

It measures the ability of the venture to manage its total investment in assets. By substituting stockholders' equity for assets, you can also calculate a return on equity. The calculation:

$$\text{Return on investment} = \frac{\text{net profit}}{\text{Total assets}}$$

The result of this calculation will also need to be compared to industry data. As the firm grows it will be important to use these ratios in conjunction with all other financial statements to provide an understanding of how the firm is performing

Question No: 44 (Marks: 10)

Suppose you have started a new venture of non profit organization. While organizing the structure of your "Emergency Team", which will participate in disaster relief activities, what factors you will consider?

Question No: 45 (Marks: 10)

It is said that a marketing plan always carries with itself the advantages for your business plan. It is true but, being the student of MBA will you perceive that the marketing plan carries some disadvantages with itself too? Also discuss some advantages of marketing plan.

No. Marketing plan has no disadvantages carries on itself. It has following strategic advantages.

Sales force automation system will create competitive edge. Some examples are given below.

Increased Productivity:

Productivity will be increased due to efficiently and effectively used time by staff

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members as well as sales manager. This increased productivity can create competitive advantage in following three ways;

1-It can reduce cost

2-It can increase sales revenue

3-It can increase market share

Quick Information Transfer:

Sales staff working in fields can send information more frequently to the management rather after one week. This will provide management with current information which they will be able to use efficiently. Response time between management and staff will greatly reduced .In this way company will become more alert and vigilance.

Increased Customer satisfaction:

This system will increase customer satisfaction provided there are used wisely. If the information which is obtained from this system is used in such a way that it exceeds the match the customer expectations and the staff uses this system to serve their customers more expertly and diligently then customer satisfaction can be increased. This will also provide a competitive advantage as high customer satisfaction leads to high customer loyalty and reduce customer acquisition costs and also reduce price elasticity of demand which is consequently increase profit margin.

Paper No. 07

FINAL TERM EXAMINATION

Fall 2009

MGT602- Entrepreneurship (session – 3)

VU ASKARI TEAM (www.vuaskari.com)

Solved By Honey G <abdulhaiee2004@gmail.com>

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Marks: 80

Question No: 1 (Marks: 1) - Please choose one

An ice cream producing company merges with a cotton spinning company this merger is an example of:

► **Diversified activity merger**

► Product extension merger

► Market extension merger

► Vertical merger

Ref: Diversified activity merger

Combination of at least two totally unrelated firms (**Handouts Page No. 32**)

So ice-cream and cotton spinning both are different industries. Diversification is done so that if one particular industry is not performing well you can earn from other industry.

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Question No: 2 (Marks: 1) - Please choose one

A company dealing in beer has a merger with cigarettes manufacturing firm. This merger is called:

- ▶ Horizontal merger
- ▶ **Product extension merger**
- ▶ Market extension merger
- ▶ Vertical merger

Ref: A product extension merger occurs when acquiring and acquired companies have related production but do not have directly competing products. (Handouts Page No. 35)

Question No: 3 (Marks: 1) - Please choose one

Combination of at least two firms at different market levels is called:

- ▶ Joint venture
- ▶ Synergy
- ▶ Horizontal merger
- ▶ **Vertical merger**

Ref: Vertical merger

Combination of at least two firms at different market levels (Handouts page no. 36)

Question No: 4 (Marks: 1) - Please choose one

A patent is granted for a specified amount of time because of the assumption:

- ▶ **That during this time firm will cover its development costs**
- ▶ That firm will earn a sufficient profit during this period
- ▶ To limit the monopoly of the firm
- ▶ That it will stimulate idea and development of a better product

Ref: By Mail teacher Reply.

Question No: 5 (Marks: 1) - Please choose one

Which of the following is TRUE for Disclosure Document?

- ▶ It gives recognition that he was the inventor of the idea in past
- ▶ **It gives recognition that he is the first the inventor of the idea**
- ▶ It gives recognition that he will be the invent an idea in future
- ▶ It gives recognition that he wants to copy the idea

Ref: This office also administers the Disclosure Document Program, in which the inventor files disclosure of the invention, giving recognition that he or she was the first to develop the idea. (Handouts Page No. 47)

Question No: 6 (Marks: 1) - Please choose one

Which of the following is the most important factor for the entrepreneur, while starting a new venture, to make an assessment of business?

- ▶ Profit
- ▶ **Risk**

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- ▶ Market
- ▶ Competitors

Ref: Assessment of Risk

It is important that the entrepreneur make an assessment of risk in the following manner: The entrepreneur should indicate the potential risks to the new venture. Next should be a discussion of what might happen if these risks become reality. Finally the entrepreneur should discuss the strategy to prevent, minimize, or respond to these risks. The entrepreneur should also provide alternative strategies should these risk factors occur. (Handouts Page No. 58)

Question No: 7 (Marks: 1) - Please choose one

Which of the following plan helps an organization to provide the lines of authority?

- ▶ Financial
- ▶ Business
- ▶ **Organizational**
- ▶ Marketing

Ref: It is helpful to provide an organization chart indicating the line of authority. (Handouts Page No. 58)

Question No: 8 (Marks: 1) - Please choose one

The business plan is an integration of functional plans such as:

- ▶ **Marketing, finance, manufacturing, and human resources**
- ▶ Marketing, Management, human resources, and operations management
- ▶ Advertisement, Management, Marketing, and Finance
- ▶ Manufacturing, Human resources, Management, and Human Resource

Ref:

http://books.google.com.pk/books?id=s01P0agnLPUC&pg=PA187&lpg=PA187&dq=The+business+plan+is+an+integration+of+functional+plans+such+as&source=bl&ots=rCPAAAt10x-&sig=k4z4yuCgKGDvrPJDir9CsDZu8lQ&hl=en&ei=_5k1TfmgFJWTjAfxqv3uAg&sa=X&oi=book_result&ct=result&resnum=3&ved=0CCYQ6AEwAg#v=onepage&q=The%20business%20plan%20is%20an%20integration%20of%20functional%20plans%20such%20as&f=false

Question No: 9 (Marks: 1) - Please choose one

Which of the following type of commitment is necessary from the for the satisfaction of Investors?

- ▶ Seasonal
- ▶ **Full time**
- ▶ Conditional
- ▶ Satisfactory

Ref: The entrepreneur who has not made a total commitment to the business will not be able to meet the venture's demands of the venture. Investors will not be positive about a

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venture that does not have full-time commitment. (Handouts Page No. 60)

Question No: 10 (Marks: 1) - Please choose one

On the part of entrepreneur which of the following has/ have a great concern to the Investors?

- ▶ Commitment
- ▶ Experience
- ▶ Knowledge
- ▶ **All of the given options**

Question No: 11 (Marks: 1) - Please choose one

Which of the following is **NOT** a characteristic of marketing plan?

- ▶ It should provide a strategy to accomplish the company's mission
- ▶ It should provide for the use of existing resources
- ▶ It should be simple and short
- ▶ **It should be rigid**

Ref: An effective marketing plan should:

1. Provide a strategy to accomplish the company mission.
2. Be based on facts and valid assumptions.
3. Provide for the use of existing resources.
4. Describe an organization to implement the plan.
5. Provide for continuity.
6. Be simple and short.
7. Be flexible.
8. Specify performance criteria that can be monitored and controlled. (Handouts Page No. 64)

Question No: 12 (Marks: 1) - Please choose one

Which of the following allows the entrepreneur to establish controls on the process during the implementation of the marketing plan?

- ▶ **Sales data**
- ▶ Research data
- ▶ Consumer data
- ▶ Technical data

Ref: http://highered.mcgraw-hill.com/sites/0073530328/student_view0/chapter8/web_quizzes.html (See the Question No. 8)

Question No: 13 (Marks: 1) - Please choose one

Advertising and promotion for the business-to-business market involve all of the following **EXCEPT**:

- ▶ **Indirect sales**
- ▶ Trade magazine advertising

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▶ Direct sales

▶ Trade shows

Ref: http://highered.mcgraw-hill.com/sites/0073530328/student_view0/chapter8/web_quizzes.html (See the question no. 7)

Question No: 14 (Marks: 1) - Please choose one

In which of the following the death of entrepreneur results in the termination of venture?

▶ **Proprietorship**

▶ Limited company

▶ Limited partnership

▶ Corporation

Ref: In a sole proprietorship, the death of the owner results in the termination of the business. (Handouts Page No. 69)

Question No: 15 (Marks: 1) - Please choose one

Which of the following shows the characteristic of the venture that has experience in related business?

▶ **Strength**

▶ Weakness

▶ Opportunity

▶ Threat

Ref: Strengths: In business since 19xx.MD have xx years of experience in the industry and as head of the company. <http://rapidbi.com/created/SWOTanalysis.html>

Question No: 16 (Marks: 1) - Please choose one

In which of the following, banks are usually reluctant to give loan?

▶ **Sole Proprietor**

▶ Public Limited Companies

▶ Partnership firm

▶ Private Limited Companies

Ref: Banks and other financing sources are often reluctant to make business loans to sole proprietors http://www.isp-planet.com/business/2001/sole_proprietorship.html

Question No: 17 (Marks: 1) - Please choose one

In USA Public Limited Companies may have _____ Director/s

▶ **1**

▶ 2

▶ 3

▶ 4

Ref: It is quite a surprising revelation that in most U.S. States corporations are formed with only a single director and in that situation of acting alone in a way that is synonymous to the sole trader acts in the corporation as the board of directors

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<http://hubpages.com/hub/Starting-a-Corporation-What-are-the-Directors-Responsibilities>

Question No: 18 (Marks: 1) - Please choose one

Which of the following represents the shares in borrowing of Large Enterprises in Pakistan?

- ▶ 68%
- ▶ 65%
- ▶ 66%
- ▶ 67%

Ref: 67% of borrowings in LSE,S

(Listen Video Lecture No. 45 at Time 10:64)

Question No: 19 (Marks: 1) - Please choose one

Which of the following is the most sensitive plan in the business plan?

- ▶ Financial Plan
- ▶ Marketing Plan
- ▶ Production Plan
- ▶ Operational Plan

Question No: 20 (Marks: 1) - Please choose one

Which one of the following provides a guideline in determining hiring procedures?

- ▶ Job description
- ▶ Job specification
- ▶ Job analysis
- ▶ Job evaluation

Ref: The job analysis serves as a guide in determining hiring procedures **(Handouts Page No. 74)**

Question No: 21 (Marks: 1) - Please choose one

Which of the following distributes profits to owners through dividends?

- ▶ Limited Partnership
- ▶ General Partnership
- ▶ Corporation
- ▶ Sole Proprietor

Ref: Corporations distribute profits through dividends to stockholders. **(Handouts Page No. 71)**

Question No: 22 (Marks: 1) - Please choose one

Which of the following helps to prevent lack of cash?

- ▶ Financial plan
- ▶ Cash flow
- ▶ Business plan

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- ▶ Personal plan

Ref: The financial plan provides the short-term basis for budgeting and helps prevent a common problem-lack of cash (**Handouts Page No. 75**)

Question No: 23 (Marks: 1) - Please choose one

Which one of the following an entrepreneur must develop while preparing a pro forma of sales budget?

- ▶ Cash flow statement
- ▶ Balance sheet
- ▶ **Income statement**
- ▶ Statement of retained earnings

Ref: In the preparation of the pro forma income statement, the entrepreneur must first develop a sales budget, an estimate of the expected volume of sales by month. (**Handouts page no. 75**)

Question No: 24 (Marks: 1) - Please choose one

Which of the following statement provides projections of all operating expenses for each month of the first year?

- ▶ The pro forma balance sheet
- ▶ **The pro forma income statement**
- ▶ The pro forma cash flow statement
- ▶ The actual balance sheet

Ref: The pro forma income statements also provide projections of all operating expenses for each month of the first year. (**Handouts Page No. 78**)

Question No: 25 (Marks: 1) - Please choose one

What is the primary concern of entrepreneurs, who trade equity for their growing venture?

- ▶ **Control**
- ▶ Valuation
- ▶ Investor capabilities
- ▶ Capitalization

Question No: 26 (Marks: 1) - Please choose one

The overall coordinating party in an agreement is:

- ▶ Limited partner
- ▶ Major partner
- ▶ Minor partner
- ▶ **General partner**

Ref: general partners are liable for all aspects of the business (**Handouts Page No. 68**)

Question No: 27 (Marks: 1) - Please choose one

Which of the following is a formalized method for obtaining funds from private

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investors?

- ▶ Private placement
- ▶ **Private offering**
- ▶ Regulation D
- ▶ Bootstrap financing

Ref:

[http://books.google.com.pk/books?id=s01P0agnLPUC&pg=PA336&lpg=PA336&dq="formalized+method+for+obtaining+funds+from+private+investors"&source=bl&ots=rCOwDq2_yY&sig=7xKrUtEizKE_bs3A69ORw6gjxzg&hl=en&ei=VRxkTKXKN4mevQO5mLieCg&sa=X&oi=book_result&ct=result&resnum=2&ved=0CAsQ6AEwAQ#v=onepage&q=%22formalized%20method%20for%20obtaining%20funds%20from%20private%20investors%22&f=false](http://books.google.com.pk/books?id=s01P0agnLPUC&pg=PA336&lpg=PA336&dq=)

Question No: 28 (Marks: 1) - Please choose one

When did the Sindh Small Industries Corporation launch its credit scheme?

- ▶ 1972-73
- ▶ 1978-79
- ▶ **1988-89**
- ▶ 1992-93

Ref: The SSIC also launched a credit scheme in 88./89. (**Handouts Page No. 91**)

Question No: 29 (Marks: 1) - Please choose one

Who is usually the best role model for the employees?

- ▶ Line managers
- ▶ Competitors
- ▶ Trainer
- ▶ **Entrepreneur**

Ref: The entrepreneur will usually be a role model for any other employees. (**Handouts Page no. 96**)

Question No: 30 (Marks: 1) - Please choose one

What is the percentage of Pakistani entrepreneurs that have college education?

- ▶ **30%**
- ▶ 10%
- ▶ 60%
- ▶ 45%

Ref: Differing from industry to industry 60% have school education and 30% have college or better education only 10% has professional or graduation level (**Handouts page No. 108**)

Question No: 31 (Marks: 1) - Please choose one

Major contribution of export for Pakistan comes from:

- ▶ Leather goods

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▶ Surgical instruments

▶ Sports goods

▶ **All of the given options**

Ref: www.sesric.org/files/article/78.pdf (See Page No. 5)

Question No: 32 (Marks: 1) - Please choose one

In most cases, the venture capitalist:

▶ Seeks control of the company

▶ Never expects a seat on the board of directors

▶ **Expects the management team to run the daily operations**

▶ Prefers not to interfere in planning and expertise areas

Ref: [http://highered.mcgraw-](http://highered.mcgraw-hill.com/sites/0073530328/student_view0/chapter12/web_quizzes.html)

[hill.com/sites/0073530328/student_view0/chapter12/web_quizzes.html](http://highered.mcgraw-hill.com/sites/0073530328/student_view0/chapter12/web_quizzes.html) (See the

Question No. 7)

Question No: 33 (Marks: 1) - Please choose one

Which of the following institute started the LMM financing scheme?

▶ PSIC

▶ **SSIC**

▶ SIDB

▶ IDBP

Ref: The scheme was discontinued in 1993 due to shortage of funds although SSIC has created already 526 jobs and disbursed 20.6 million rupees. In October 1992, a self-employment scheme was started for locally manufactured machinery (LMM). (Handouts Page No. 91 & 92)

Question No: 34 (Marks: 1) - Please choose one

The decision to start a new business is taken when one perceives that forming a new business is:

▶ **Possible**

▶ Undecisive

▶ Inaccurate

▶ Dependable

Ref: The decision to start a new company occurs when an individual perceives that forming a new enterprise is both desirable and possible. (Handouts Page No. 5)

Question No: 35 (Marks: 1) - Please choose one

Which one of the following is the first step in the entrepreneurial process?

▶ **Deciding to become an entrepreneur**

▶ Growing the entrepreneurial firm

▶ Moving from an idea to an entrepreneurial firm

▶ Developing successful business ideas

Ref:

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http://wps.prenhall.com/bp_barringer_entrep_1/29/7475/1913810.cw/index.html

(See the Question No. 8)

Question No: 36 (Marks: 1) - Please choose one

Which of the following is a second step in the entrepreneurial process?

▶ **Developing successful business ideas**

- ▶ Deciding to become an entrepreneur
- ▶ Growing the entrepreneurial firm
- ▶ Moving from an idea to an entrepreneurial firm

Ref: (Handouts page No. 13)



Question No: 37 (Marks: 1) - Please choose one

In the administrative domain, the commitment of resources is for which of the following?

▶ Periodic intervals

▶ **Total amount needed**

- ▶ For certain tasks
- ▶ For long time

Ref: In the administrative domain, the commitment of resources is for the total amount needed. (Handouts Page No. 15)



Question No: 38 (Marks: 1) - Please choose one

Entrepreneurial endeavors consist of all of the following key elements **Except:**

▶ New business venturing

▶ **Increasing productivity**

- ▶ Innovativeness
- ▶ Proactiveness

Ref: Entrepreneurial endeavors consist of four key elements.

1. New business venturing refers to the creation of new business within an existing organization.

2. Organizational innovativeness refers to product and service innovation with an emphasis on development and innovation in technology.

3. Self-renewal reflects the transformation of organizations through the renewal of the key ideas on which they are built.

4. Proactiveness includes initiative and risk taking, as well as competitive aggressiveness

(Handouts Page No. 16)

Question No: 39 (Marks: 1) - Please choose one

In terms of chronological age, most entrepreneurs initiate their entrepreneurial career between ages of:

▶ 15 and 22

▶ **22 and 45**

- ▶ 45 and 57
- ▶ 57 and 63

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Ref: In chronological age, most entrepreneurs start their careers between ages 22 and 55
(Handouts page No. 24)

Question No: 40 (Marks: 1) - Please choose one

An entrepreneur is also successful in international business as well if he understands:

► Difference of domestic and international business

- Domestic business
- International business
- None of the given options

Ref: The successful entrepreneur will be someone who understands how international business differs from domestic business and is able to act accordingly. **(Handouts Page No. 29)**

Question No: 41 (Marks: 5)

Suppose you are working in a manufacturing organization. What constitutes your budget plan?

Production or Manufacturing Budget:

1. This budget provides a basis for projecting cash flows for the cost of goods produced.
2. The important information in this budget is the actual production required each month and the needed inventory to allow for changes in demand.
3. This budget reflects seasonal demand or marketing programs, which can increase demand and inventory.
4. The operating budget is an important document, as the pro forma income statement will only reflect the actual costs of goods.

Question No: 42 (Marks: 5)

Enlist few disadvantages of acquisitions.

DISADVANTAGES OF AN ACQUISITION

- Marginal success record

Most ventures for sale have an erratic, or even unprofitable, record. It is important to review the records and meet important constituents to assess the future potential.

- Overconfidence in ability

Even though the entrepreneur brings new ideas, the venture may never be successful for reasons not possible to resolve

- Key employee loss

Often when a business changes hands key employees also leave. In a service business, it is difficult to separate the actual service from the person who performs it. Incentives can sometimes be used to assure that key employees will remain with the business.

Overvalued if the entrepreneur has to pay too much for a business, the return on investment will not be acceptable. The entrepreneur will need to establish a reasonable payback to justify the investment.

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Question No: 43 (Marks: 10)

Suppose you are working in ABC Company as Marketing Manager. Your company wants to launch a new venture in the Service based business. What steps your marketing plan will include?

STEPS IN PREPARING THE MARKETING PLAN

Step 1: Defining the Business Situation

The situation analysis is a review of where the company has been and considers many of the environmental factors. The entrepreneur should provide a review of past performance of the product and the company. Industry analysis should include information on market size, growth rate, suppliers, new entries, and economic conditions.

Step 2: Defining Target Market/Opportunities and Threats

The entrepreneur should have a good idea of who the customer or target market will be. The defined target market will usually represent one or more segments of the entire market. Market segmentation is the process of dividing the market into smaller homogeneous groups. The process of segmenting is:

- a. Decide what general market or industry you wish to pursue.
- b. Divide the market into smaller groups based on characteristics of the customer.
- c. Select segment or segments to target.
- d. Develop marketing plan integrating the parts of the marketing mix.

Step 3: Considering Strengths and Weaknesses

It is important for the entrepreneur to consider its strengths and weaknesses.

Step 4: Establishing Goals and Objectives

Before strategy decisions can be outlined, the entrepreneur must establish realistic marketing goals and objectives. These answer the question "Where do we want to go?" These goals should specify such things as market share, profit, sales, market penetration, pricing policy, and advertising support. Not all goals and objectives must be quantified. It is a good idea to limit the number of goals to between six and eight.

Step 5: Defining Marketing Strategy and Action Programs

Strategy and action decisions respond to the question "How do we get there?" It incorporates:

1. Product or Service

This includes a description of the product and may include more than the physical characteristics. It involves packaging, brand name, price, warranty, image, service, features, and style.

2. Customer Service

- Meeting customer needs and creating loyalty involves a number of low-cost steps:
- In writing develop a statement of customer service principles. Train those employees who have direct contact with customers.
- Establish a process for evaluating customer service.
- Reward employees who are most effective in providing quality customer service.
- Make regular contact with customers.
- Invest in quality telephone equipment.
- Meet customer expectations.

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- Customer service is especially important for e-businesses.

3. Pricing.

One of the difficult decisions is determining the appropriate price for the product. Factors such as costs, discounts, freight, and markups must be considered. Marketing research can help determine a reasonable price that consumers are willing to pay.

4. Distribution.

This factor provides utility or makes the product convenient to purchase when it is needed. This variable must be consistent with other marketing mix variables. Type of channel, number of intermediaries and location of members should be described. Regardless of the type of business, it is usually necessary for the new venture to have a website. The Internet will become an increasingly important medium for information and distribution. Direct mail or telemarketing may be considered. Direct mail marketing is one of the simplest and lowest in entry costs. But the direct-marketing or Internet strategies are not a guarantee for success. The entrepreneur should evaluate all possible options for distribution.

5. Promotion.

The entrepreneur needs to inform customers as to the product's availability using advertising media such as print, radio, or television. Usually television is too expensive unless cable television is a viable option. Larger markets can be reached using direct mail, trade magazines, or newspapers. A website may also create awareness and promote the product and services of the venture. It is possible to make use of publicity as a means of introduction. It is important that the marketing strategy and action programs be specific and detailed enough to guide the entrepreneur through the first year.

Step 6: Coordination of the Planning Process

The management team must coordinate the planning process. The entrepreneur may be the only person involved but may lack experience in preparing the plan. Assistance is available from many sources, such as the SBA.

Step 7: Designing Responsibility for Implementation

The plan must be implemented effectively to meet all of the desired goals and objectives. Someone must take the responsibility for implementing each decision made in the marketing plan.

Step 8: Budgeting the Marketing Strategy

Planning decisions must also consider the costs involved in the implementation of these decisions. This budgeting will be useful in preparing the financial plan.

Step 9: Implementation of the Marketing Plan

The marketing plan is meant to be a commitment to a specific strategy. A commitment to make adjustments as needed by market conditions is also valuable.

Step 10: Monitoring Progress of Marketing Actions

Monitoring of the plan involves tracking specific results of the marketing effort. What is monitored is dependent on the specific goals and objectives outlined.

Question No: 44 (Marks: 10)

Suppose you want to calculate the net worth of your business. What kind of

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statement will you use in order to calculate the net profit? Also discuss its key feature.

A. The entrepreneur should also prepare a projected balance sheet depicting the condition of the business at the end of the first year.

1. The pro forma balance sheet summarizes the assets, liabilities, and net worth of the entrepreneurs.
2. Every business transaction affects the balance sheet.
3. The balance sheet is a picture of the business at one moment in time and does not cover a period of time.

B. Assets.

- Assets represent everything of value that is owned by the business.
- The assets are categorized as current or fixed.
- Value is not necessary replacement cost-it is the actual cost expended for the asset.
- Current assets include cash and anything that will be converted into cash within a year.
- Fixed assets are those that will be used over a long period of time.
- Management of receivables, or money owed by customers, is important to the business' cash flow of the business.

C. Liabilities.

1. Liabilities accounts represent everything owed to creditors.
2. Current liabilities are due within a year.
3. Others are long-term debts.
4. It is often necessary to delay payments of bills in order to more effectively manage cash flow.

D. Owners Equity.

1. This amount represents the excess of all assets over all liabilities.
2. Owners equity represents the net worth of the business.
3. Any profit from the business will also be included in the net worth as retained earnings.

Question No: 45 (Marks: 10)

Few years ago Walls Acquired Polka. Being an entrepreneur if you are in the state of acquiring other firm then what should you consider?

An acquisition is the purchase of a company or a part of it in such a way that the acquired company is completely absorbed and no longer exists. Acquisitions can provide an excellent way to grow a business and enter new markets. A key issue is agreeing on a price. Often the structure of the deal can be more important to the parties than the actual price. A prime concern is to ensure that the acquisition fits into the overall direction of the strategic plan.

DETERMINING THE PRICE FOR AN ACQUISITION

Some of the key factors used in determining price for an acquisition are assets, owner's equity, earnings, stock value, customer base, personnel and image. The price paid should provide the opportunity to get a reasonable payback and good return on the investment.

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Valuation Approaches

Ratios measuring profitability, activity, and liquidity can also be helpful in evaluation. Using the asset valuation method, the entrepreneur values the underlying worth of the business based on its assets.

- The figure obtained using book value should be only a starting point, as it reflects the accounting practices of the company.
- In adjusted book value the stated book value is adjusted to reflect the actual market value.
- Another method is to determine the amount that could be realized if the assets were sold or liquidated.
- The final method is the replacement value-the current cost of replacing the tangible assets.

Another way of evaluating a firm is to calculate the prospective cash flow from the business.

- Positive cash flow is cash received from the operation of the business.
- A negative cash flow, signifying the company is losing money, can have tax advantages.
- Final cash flow value, the terminal value, is a source of cash when the entrepreneur sells the business.

Earnings valuation capitalizes earnings of a company by multiplying earnings by the appropriate factor (the price earnings multiple.)

- The question of earnings involves determining the appropriate earnings period as well as the type of earnings.
- The earnings period can be either historical earnings or future earnings.
- Earnings before interest and taxes (EBIT) are the most frequently used.
- It is appropriate to select a price earnings multiple of a publicly traded stock similar to the company being evaluated. The valuation of a business is important in determining the feasibility of the acquisition.

Paper No. 08

FINAL TERM EXAMINATION

Fall 2010

MGT602- Entrepreneurship (session – 4)

VU ASKARI TEAM (www.vuaskari.com)

Solved By Honey G <abdulhaiee2004@gmail.com>

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Question No: 1 (Marks: 1) - Please choose one

There is an evidence that an entrepreneur usually has _____ parents.

► **Self employed**

► Discouraged

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▶ Non supportive

▶ Strict

Ref: There is strong evidence that entrepreneurs, both male and female, tend to have self-employed or entrepreneurial fathers (**Handouts Page No. 22**)

Question No: 2 (Marks: 1) - Please choose one

Following are the problems in developing the economies EXCEPT:

▶ Gap of knowledge

▶ Variable rate of return

▶ **Same communication style**

▶ Different accounting system

Ref: There are still many Difficulties in doing business in developing and transition economies due to:

a. Gaps in the knowledge of the Western system regarding business plans, marketing and profits

b. Widely variable rates of return.

c. Non-convertibility of the ruble.

d. Differences in the accounting system.

e. Nightmarish communications. (**Handouts Page No. 29**)

Question No: 3 (Marks: 1) - Please choose one

which of the following techniques is an excellent method for initial screening of ideas and concepts?

▶ **Focus group**

▶ Problem inventory analysis

▶ Brain storming

▶ Reverse brainstorming

Ref: In addition to generating new ideas, the focus group is an excellent source for initially screening ideas and concept.

http://www.ebizstartups.com/Methods_of_Generating_New_Ideas_for_Entrepreneurs.html

Question No: 4 (Marks: 1) - Please choose one

which one of the following is the next stage to the Concept Stage of Product Planning and Development Process?

▶ Idea Stage

▶ Product Planning Stage

▶ **Product Development Stage**

▶ Test Marketing Stage

Ref: This refining process- the product planning and development process – is divided in to five major stages. Idea stage, concept stage, product development stage, test marketing stage and commercializing; it result in the product life cycle. (**Handouts Page No. 43**)

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Question No: 5 (Marks: 1) - Please choose one

Which of the following is a more structured method of problem solving, including principles and rules for concept formation, making observations and experiments, and finally validating the hypothesis?

► **Scientific method**

- Heuristics
- Attribute listing
- Value analysis

Ref: Scientific method

This is a more structured method of problem solving, including principles and rules for concept formation, making observations and experiments, and finally validating the hypothesis. (Handouts page No. 41)

Question No: 6 (Marks: 1) - Please choose one

which of the following is used by entrepreneurs to acquire experience in an international market before making a major commitment?

- Merger
- Joint venture
- **Minority interest**
- Majority interest

Ref:

http://books.google.com.pk/books?id=s01P0agnLPUC&pg=PA94&lpg=PA94&dq=Which+of+the+following+is+used+by+entrepreneurs+to+acquire+experience+in+an+international+market+before+making+a+major+commitment&source=bl&ots=rCNwzr1ZA_&sig=jOefpOz349LldzTxKVQZ_kLb1fg&hl=en&ei=L47FS6i5OaXCmgP_r_XLDg&sa=X&oi=book_result&ct=result&resnum=4&ved=0CBMQ6AEwAw#v=onepage&q&f=false

Question No: 7 (Marks: 1) - Please choose one

which of the following plan shows the economically feasibility of business?

- Business
- **Financial**
- Economic
- Marketing

Ref: The financial plan determines the investment needed for the new venture and indicates whether the business plan is economically feasible (Handouts Page No. 58)

Question No: 8 (Marks: 1) - Please choose one

what are the number of questions a marketing plan usually answers?

- 5
- 2
- **3**
- 4

Ref: Understanding the marketing plan

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The marketing plan should answer three basic questions:

- 1) Where have we been? -The history of the marketplace, marketing strengths and weaknesses, and market opportunities.
- 2) Where do we want to go (short term)? - Marketing objectives and goals in the next twelve months.
- 3) How do we get there? -Specific marketing strategy that will be implemented. The marketing plan should be a guide for implementing marketing decision-making and not a superficial document. The mere organization of the thinking process involved in preparing a marketing plan can be helpful in understanding and recognizing critical issues. **(Handouts Page No. 61)**

Question No: 9 (Marks: 1) - Please choose one

which of the following allows the entrepreneur to establish controls on the process during the implementation of the marketing plan?

► **Sales data**

- Research data
- Consumer data
- Technical data

Ref: [http://highered.mcgraw-](http://highered.mcgraw-hill.com/sites/0073530328/student_view0/chapter8/web_quizzes.html)

[hill.com/sites/0073530328/student_view0/chapter8/web_quizzes.html](http://highered.mcgraw-hill.com/sites/0073530328/student_view0/chapter8/web_quizzes.html) **(See the Question No. 6)**

Question No: 10 (Marks: 1) - Please choose one

which of the following shows the characteristic of the venture that has experience in related business?

► **Strength**

- Weakness
- Opportunity
- Threat

Ref: Strengths: In business since 19xx.MD have xx years of experience in the industry and as head of the company. <http://rapidbi.com/created/SWOTanalysis.html>

Question No: 11 (Marks: 1) - Please choose one

Advertising and promotion for the business-to-business market involve all of the following EXCEPT:

► **Indirect sales**

- Trade magazine advertising
- Direct sales
- Trade shows

Ref: [http://highered.mcgraw-](http://highered.mcgraw-hill.com/sites/0073530328/student_view0/chapter8/web_quizzes.html)

[hill.com/sites/0073530328/student_view0/chapter8/web_quizzes.html](http://highered.mcgraw-hill.com/sites/0073530328/student_view0/chapter8/web_quizzes.html) **(See the question no. 7)**

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Question No: 12 (Marks: 1) - Please choose one

Which of the following shows the characteristic of the venture that has experience in related business?

▶ **Strength**

- ▶ Weakness
- ▶ Opportunity
- ▶ Threat

Ref: Strengths: In business since 19xx.MD have xx years of experience in the industry and as head of the company. <http://rapidbi.com/created/SWOTanalysis.html>

Question No: 13 (Marks: 1) - Please choose one

In which of the following, banks are usually reluctant to give loan?

▶ **Sole Proprietor**

- ▶ Public Limited Companies
- ▶ Partnership firm
- ▶ Private Limited Companies

Ref: Banks and other financing sources are often reluctant to make business loans to sole proprietors http://www.isp-planet.com/business/2001/sole_proprietorship.html

Question No: 14 (Marks: 1) - Please choose one

In which of the following majority holds the management control?

▶ **Partnership**

- ▶ Corporation
- ▶ Limited liability Company
- ▶ All of the given options

Ref: In a partnership the majority usually rules unless the partnership agreement states otherwise. **(Handouts Page No. 70)**

Question No: 15 (Marks: 1) - Please choose one

Which of the following represents the shares in borrowing of Large Enterprises in Pakistan?

- ▶ 68%
- ▶ 65%
- ▶ 66%
- ▶ **67%**

Ref: 67% of borrowings in LSE,S

(Listen Video Lecture No. 45 at Time 10:64)

Question No: 16 (Marks: 1) - Please choose one

Which of the following represents the environment in which entrepreneurship can't grow?

- ▶ Boom
- ▶ **Vacuum**

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- ▶ Maturity
- ▶ Introductory Phase

Ref: Further, entrepreneurship cannot grow in vacuum. It requires creation of an atmosphere in which an entrepreneur can discharge his functions

http://books.google.com.pk/books?id=d5QH-hBXYFcC&pg=PA26&lpg=PA26&dq=%22entrepreneurship+cannot+grow%22&source=bl&ots=6A8ZiX_ubY&sig=TURvJtHVSJYTFoMEtD0GBwp9lVQ&hl=en&ei=0sc1TaOvCZGYhQfF4ISfCw&sa=X&oi=book_result&ct=result&resnum=2&ved=0CBkQ6AEwAQ#v=onepage&q=%22entrepreneurship%20cannot%20grow%22&f=false

Question No: 17 (Marks: 1) - Please choose one

"What the entrepreneur hopes to accomplish" includes in which section of business plan?

- ▶ Vision statement
- ▶ **Mission Statement**
- ▶ Goal Statement
- ▶ All of the above

Ref: This should begin with the mission statement or company mission, which describes the nature of the business and what the entrepreneur hopes to accomplish (**Handouts Page No. 57**)

Question No: 18 (Marks: 1) - Please choose one

which of the following shows the standard acceptable term of a Limited Liability Company?

- ▶ Three
- ▶ Ten
- ▶ Twenty
- ▶ **Thirty**

Ref: The standard acceptable term of an LLC is 30 years (**Handouts Page No. 73**)

Question No: 19 (Marks: 1) - Please choose one

which one of the following provides a guideline in determining hiring procedures?

- ▶ Job description
- ▶ Job specification
- ▶ **Job analysis**
- ▶ Job evaluation

Ref: The job analysis serves as a guide in determining hiring procedures (**Handouts Page No. 74**)

Question No: 20 (Marks: 1) - Please choose one

The S corporation combines the tax advantages of which one of the following?

- ▶ Proprietorship and limited liability company
- ▶ **Partnership and corporation**
- ▶ Corporation and limited liability company

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- ▶ Partnership and proprietorship

Ref: The S Corporation combines the tax advantages of the partnership and the corporation. (**Handouts Page No. 72**)

Question No: 21 (Marks: 1) - Please choose one

Which of the following is the base of Job Advertisement?

- ▶ Job Description
- ▶ Job Specification
- ▶ Job identification
- ▶ **All of the above options**

Ref: How to write a job ad:

Job seekers want to know what is in it for them

Describe the position

Outline the skills you require

Lastly, include methods for reply.

<http://www.waikatochamber.co.nz/imagelibrary/794.pdf>

Question No: 22 (Marks: 1) - Please choose one

Which of the following shows the results from the difference between actual cash receipts and cash payments?

- ▶ Revenue
- ▶ Profit
- ▶ **Cash flow**
- ▶ Income statement

Ref: Cash flow results from the difference between actual cash receipts and cash payments (**Handouts Page No. 78**)

Question No: 23 (Marks: 1) - Please choose one

What is the primary concern of entrepreneurs, who trade equity for their growing venture?

- ▶ **Control**
- ▶ Valuation
- ▶ Investor capabilities
- ▶ Capitalization

Question No: 24 (Marks: 1) - Please choose one

When the business does not have assets to support a loan, the entrepreneur may go for which one of the following options?

- ▶ **Character loan**
- ▶ Straight commercial loan
- ▶ Instalment loan
- ▶ Long term loan

Ref: When the business does not have assets to support a loan, the entrepreneur may need

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a character loan. (Handouts Page No. 84)

Question No: 25 (Marks: 1) - Please choose one
which of the following number of years a mortgage loan may possibly cover?

- ▶ 10
- ▶ 20
- ▶ **30**
- ▶ 40

Ref: As with other types of loans, mortgages have an interest rate and are scheduled to amortize over a set period of time, typically 30 years.

http://en.wikipedia.org/wiki/Mortgage_loan

Question No: 26 (Marks: 1) - Please choose one

In which of the following techniques, money is given to a firm for developing a technology and involves a tax shelter?

- ▶ Small business administration loans
- ▶ Cash flow financing
- ▶ Small business innovation research grant
- ▶ **Research and development limited partnership**

Ref: This method of financing provides funds from inventors looking for tax shelters. A typical R&D partnership arrangement is established with a sponsoring company developing the technology with funds being provided by a limited partnership of individual investors (Handouts Page No. 87)

Question No: 27 (Marks: 1) - Please choose one

The overall coordinating party in an agreement is:

- ▶ Limited partner
- ▶ Major partner
- ▶ Minor partner
- ▶ **General partner**

Ref: general partners are liable for all aspects of the business (Handouts Page No. 68)

Question No: 28 (Marks: 1) - Please choose one

which of the following includes grants from the U.S. government to small technology based businesses?

- ▶ Small business administration loans
- ▶ **Small business innovation research grant**
- ▶ Research and development limited partnership
- ▶ Instalment loans

Ref:

http://books.google.com.pk/books?id=s01P0agnLPUC&pg=PA138&dq=Which+one+of+the+following+is+a+method+for+obtaining+new+ideas+and+solutions+by+focusing+on+problems?&hl=en&ei=uAzwTLCMAYemcIHtqasK&sa=X&oi=book_resu

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It&ct=result&resnum=1&ved=0CCQQ6AEwAA#v=snippet&q=GOVERNMENT%20GRANTS&f=false

Question No: 29 (Marks: 1) - Please choose one which of the following is a formalized method for obtaining funds from private investors?

- ▶ Private placement
- ▶ **Private offering**
- ▶ Regulation D
- ▶ Bootstrap financing

Ref:

[http://books.google.com.pk/books?id=s01P0agnLPUC&pg=PA336&lpg=PA336&dq="formalized+method+for+obtaining+funds+from+private+investors"&source=bl&ots=rCOwDq2_yY&sig=7xKrUtEizKE_bs3A69ORw6gjxzg&hl=en&ei=VRxkTKXKN4mevQO5mLieCg&sa=X&oi=book_result&ct=result&resnum=2&ved=0CAsQ6AEwAQ#v=onepage&q=%22formalized%20method%20for%20obtaining%20funds%20from%20private%20investors%22&f=false](http://books.google.com.pk/books?id=s01P0agnLPUC&pg=PA336&lpg=PA336&dq=)

Question No: 30 (Marks: 1) - Please choose one When did the Sindh Small Industries Corporation launch its credit scheme?

- ▶ 1972-73
- ▶ 1978-79
- ▶ **1988-89**
- ▶ 1992-93

Ref: The SSIC also launched a credit scheme in 88,/89. (Handouts Page No. 91)

Question No: 31 (Marks: 1) - Please choose one Which of the following is a type of leverage ratio?

- ▶ **Debt ratio**
- ▶ Net profit margin
- ▶ Return on investment
- ▶ Current ratio

Ref: The three most widely used leverage ratios are the debt ratio, debt to equity ratio, and interest coverage ratio. <http://www.mysmp.com/fundamental-analysis/leverage-ratios.html>

Question No: 32 (Marks: 1) - Please choose one The mean age of entrepreneurial enterprises in Pakistan is:

- ▶ **12 years**
- ▶ 15 years
- ▶ 20 years
- ▶ 22 years

Ref: The mean age of entrepreneur was found to be 42 years and of their enterprises 12

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years. (Handouts Page No. 108)

Question No: 33 (Marks: 1) - Please choose one

In most cases, the venture capitalist:

- ▶ Seeks control of the company
- ▶ Never expects a seat on the board of directors
- ▶ **Expects the management team to run the daily operations**
- ▶ Prefers not to interfere in planning and expertise areas

Ref: [http://highered.mcgraw-](http://highered.mcgraw-hill.com/sites/0073530328/student_view0/chapter12/web_quizzes.html)

[hill.com/sites/0073530328/student_view0/chapter12/web_quizzes.html](http://highered.mcgraw-hill.com/sites/0073530328/student_view0/chapter12/web_quizzes.html) (See the Question No. 7)

Question No: 34 (Marks: 1) - Please choose one

Conflicts in Management thoughts and Entrepreneur thoughts are resolved by which of the following company?

▶ **Xerox**

- ▶ Unilever
- ▶ Walls
- ▶ Volta

Ref: Intrapreneurship is one method for stimulating and capitalizing on those who think that something can be done differently and better, such as Xerox Corporation's commitment to Xerox Technology Ventures. (Handouts Page No. 16)

Question No: 35 (Marks: 1) - Please choose one

The entrepreneur must possess the abilities:

- ▶ Creative
- ▶ Conceptualization
- ▶ Understanding environment
- ▶ **All of the given options**

Question No: 36 (Marks: 1) - Please choose one

in which of the following era entrepreneur enters into a contract with government to perform a service?

- ▶ 20th century
- ▶ Earliest period
- ▶ Middle ages
- ▶ **17th century**

Ref: In the 17th century the entrepreneur was a person who entered into a contract with the government to perform a service (Handouts Page No. 03)

Question No: 37 (Marks: 1) - Please choose one

which one of the following is a firm that achieves modest growth?

- ▶ High potential growth firm

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- ▶ Foundation firm
- ▶ Life style
- ▶ Public company

Reference:

Lifestyle **firms** — usually **achieves** only **modest growth** due to the nature of the business, the objectives of the entrepreneur, and the limited money allocated for research and development

Question No: 38 (Marks: 1) - Please choose one

In entrepreneurial domain the commitment to opportunity has short time span but in managerial domain it is:

- ▶ For 1 month
- ▶ For 6 months
- ▶ **For long time span**
- ▶ For 1 year

Ref: The entrepreneurial domain's pressured by the need for action and has a short time span in terms of opportunity commitment. The administrative domain (the ways managers make decisions) is not only slow to act on an opportunity, but the commitment is usually for a longer time span. (**Handouts Page No. 15**)

Question No: 39 (Marks: 1) - Please choose one

Moral support network includes all of the following EXCEPT:

- ▶ Spouses
- ▶ Friends
- ▶ **Business associates**
- ▶ Relatives

Ref: Moral-Support Network it is important for the entrepreneur to establish a moral support network of family and friends. Most entrepreneurs indicate that their spouses are their biggest supporters. (**Handouts Page No. 26**)

Question No: 40 (Marks: 1) - Please choose one

Professional support network includes all of the following EXCEPT:

- ▶ Personal affiliations
- ▶ Mentor
- ▶ Trade associations
- ▶ **Friends**

Ref: (**Handouts Page No. 26**)

Question No: 41 (Marks: 5)

Differentiate the operating budget from capital budget?

OPERATING AND CAPITAL BUDGETS

A. before developing the pro forma income statement, the entrepreneur should prepare operating and capital budgets.

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1. If the entrepreneur is a sole proprietor, he or she will be responsible for the budgeting decisions.
2. In a partnership, or where employees exist, the initial budgeting process may begin with one of these individuals.
3. Final determination of budgets will ultimately rest with the owners or entrepreneurs.

B. in the preparation of the pro forma income statement, the entrepreneur must first develop a sales budget, an estimate of the expected volume of sales by month.

1. From sales forecasts, the entrepreneur will determine the cost of these sales.
2. Estimated ending inventory will also be included.

C. Production or Manufacturing Budget.

1. This budget provides a basis for projecting cash flows for the cost of goods produced.
2. The important information in this budget is the actual production required each month and the needed inventory to allow for changes in demand.
3. This budget reflects seasonal demand or marketing programs, which can increase demand and inventory.
4. The operating budget is an important document, as the pro forma income statement will only reflect the actual costs of goods.

D. Operating Budget.

1. Next the entrepreneur can focus on operating costs.
2. Fixed expenses (incurred regardless of sales volume) include rent, utilities, salaries, interest, depreciation, and insurance.
3. The entrepreneur will need to calculate variable expenses, which may change from month to month depending on sales volume, such as advertising and selling expenses.

E. Capital budgets are intended to provide a basis for evaluating expenditures that will impact the business for more than one year.

1. A capital budget may project expenditures for new equipment, vehicles, or new facilities.
2. These decisions can include the computation of the cost of capital and the anticipated return on investment using present value methods.
3. The entrepreneur should enlist the assistance of an accountant.

Question No: 42 (Marks: 5)

It is said that advertising agencies are meant for the promotional tools. Why do you think that it is a correct statement?

Advertising agencies can provide many promotional services. The advertising agency is an independent business organization composed of creative and business people who develop, prepare, and place advertising in media for its customers. The agency can provide assistance in marketing research. It is important to determine whether the agency can fulfil all of the needs of the new venture. A checklist of items that the entrepreneur may consider in evaluating an agency is useful. The agency should support the marketing program and assist the entrepreneur in getting the product effectively launched.

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Question No: 43 (Marks: 10)

An "S Corporation" is a corporation which has elected to have its profits pass through to its shareholders, in the same manner as a partnership or sole proprietorship. Write down the pros and cons of "S Corporation".

Answer:

S CORPORATIONS

The S Corporation combines the tax advantages of the partnership and the corporation.

1. It is designed so that the venture income is declared as personal income on a pro rata basis.

2. Shareholders benefit from all of the income and the deductions of the business.

Prior to passage of the 1996 Small Business Protection Act, rules governing the S corporation were considered too rigid.

ADVANTAGES OF AN S CORPORATION

1. Capital gains or losses are treated as personal income.

2. Shareholders retain limited liability protection.

3. It is not subject to a minimum tax, as C corporations are.

4. Stock may be transferred to low-income-bracket family members.

5. Stock may be voting or nonvoting.

6. This form may use the cash method of accounting.

7. Corporate long-term capital gains and losses are deductible by the shareholders.

DISADVANTAGES OF AN S CORPORATION

1. Even with the new regulations, there are still some restrictions.

2. If the corporation earns less than \$100,000, then the C Corporation would have a lower tax liability.

3. The S Corporation may not deduct most fringe benefits for shareholders.

4. The S Corporation must adopt a calendar year for tax purposes.

5. Only one class of stock, common stock is permitted.

6. The net loss of the S Corporation is limited.

Question No: 44 (Marks: 10)

suppose you want to calculate the net worth of your business. What kind of statement will you use in order to calculate the net profit? Also discuss its key feature.

A. The entrepreneur should also prepare a projected balance sheet depicting the condition of the business at the end of the first year.

1. The pro forma balance sheet summarizes the assets, liabilities, and net worth of the entrepreneurs.

2. Every business transaction affects the balance sheet.

3. The balance sheet is a picture of the business at one moment in time and does not cover a period of time.

B. Assets.

- Assets represent everything of value that is owned by the business.

- The assets are categorized as current or fixed.

- Value is not necessary replacement cost-it is the actual cost expended for the asset.

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- Current assets include cash and anything that will be converted into cash within a year.
- Fixed assets are those that will be used over a long period of time.
- Management of receivables, or money owed by customers, is important to the business' cash flow of the business.

C. Liabilities.

1. Liabilities accounts represent everything owed to creditors.
2. Current liabilities are due within a year.
3. Others are long-term debts.
4. It is often necessary to delay payments of bills in order to more effectively manage cash flow.

D. Owners Equity.

1. This amount represents the excess of all assets over all liabilities.
2. Owners equity represents the net worth of the business.
3. Any profit from the business will also be included in the net worth as retained earnings.

Question No: 45 (Marks: 10)

Product or service is the basis of building the marketing plan. What are the major factors which should be included while writing the marketing plan of a product or service?

STEPS IN PREPARING THE MARKETING PLAN

Step 1: Defining the Business Situation

The situation analysis is a review of where the company has been and considers many of the environmental factors. The entrepreneur should provide a review of past performance of the product and the company. Industry analysis should include information on market size, growth rate, suppliers, new entries, and economic conditions.

Step 2: Defining Target Market/Opportunities and Threats

The entrepreneur should have a good idea of who the customer or target market will be. The defined target market will usually represent one or more segments of the entire market. Market segmentation is the process of dividing the market into smaller homogeneous groups. The process of segmenting is:

- a. Decide what general market or industry you wish to pursue.
- b. Divide the market into smaller groups based on characteristics of the customer.
- c. Select segment or segments to target.
- d. Develop marketing plan integrating the parts of the marketing mix.

Step 3: Considering Strengths and Weaknesses

It is important for the entrepreneur to consider its strengths and weaknesses.

Step 4: Establishing Goals and Objectives

Before strategy decisions can be outlined, the entrepreneur must establish realistic marketing goals and objectives. These answer the question "Where do we want to go?" These goals should specify such things as market share, profit, sales, market penetration, pricing policy, and advertising support. Not all goals and objectives must be quantified. It is a good idea to limit the number of goals to between six and eight.

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Step 5: Defining Marketing Strategy and Action Programs

Strategy and action decisions respond to the question "How do we get there?" It incorporates:

1. Product or Service

This includes a description of the product and may include more than the physical characteristics. It involves packaging, brand name, price, warranty, image, service, features, and style.

2. Customer Service

- Meeting customer needs and creating loyalty involves a number of low-cost steps:
- In writing develop a statement of customer service principles. Train those employees who have direct contact with customers.
- Establish a process for evaluating customer service.
- Reward employees who are most effective in providing quality customer service.
- Make regular contact with customers.
- Invest in quality telephone equipment.
- Meet customer expectations.
- Customer service is especially important for e-businesses.

3. Pricing.

One of the difficult decisions is determining the appropriate price for the product. Factors such as costs, discounts, freight, and markups must be considered. Marketing research can help determine a reasonable price that consumers are willing to pay.

4. Distribution.

This factor provides utility or makes the product convenient to purchase when it is needed. This variable must be consistent with other marketing mix variables. Type of channel, number of intermediaries and location of members should be described. Regardless of the type of business, it is usually necessary for the new venture to have a website. The Internet will become an increasingly important medium for information and distribution. Direct mail or telemarketing may be considered. Direct mail marketing is one of the simplest and lowest in entry costs. But the direct-marketing or Internet strategies are not a guarantee for success. The entrepreneur should evaluate all possible options for distribution.

5. Promotion.

The entrepreneur needs to inform customers as to the product's availability using advertising media such as print, radio, or television. Usually television is too expensive unless cable television is a viable option. Larger markets can be reached using direct mail, trade magazines, or newspapers. A website may also create awareness and promote the product and services of the venture. It is possible to make use of publicity as a means of introduction. It is important that the marketing strategy and action programs be specific and detailed enough to guide the entrepreneur through the first year.

Step 6: Coordination of the Planning Process

The management team must coordinate the planning process. The entrepreneur may be the only person involved but may lack experience in preparing the plan. Assistance is available from many sources, such as the SBA.

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Step 7: Designing Responsibility for Implementation

The plan must be implemented effectively to meet all of the desired goals and objectives. Someone must take the responsibility for implementing each decision made in the marketing plan.

Step 8: Budgeting the Marketing Strategy

Planning decisions must also consider the costs involved in the implementation of these decisions. This budgeting will be useful in preparing the financial plan.

Step 9: Implementation of the Marketing Plan

The marketing plan is meant to be a commitment to a specific strategy. A commitment to make adjustments as needed by market conditions is also valuable.

Step 10: Monitoring Progress of Marketing Actions

Monitoring of the plan involves tracking specific results of the marketing effort. What is monitored is dependent on the specific goals and objectives outlined.

Paper No. 09

FINAL TERM EXAMINATION

Fall 2008

MGT602- Entrepreneurship (Session - 2)

VU ASKARI TEAM (www.vuaskari.com)

Solved By Honey G <abdulhaice2004@gmail.com>

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Marks: 80

Question No: 1 (Marks: 1) - Please choose one

_____ Process of creating incremental wealth is called Entrepreneurship.

▶ **Dynamic**

▶ Static

▶ Continuous

▶ Systematic

Ref: Entrepreneurship is the dynamic process of creating incremental wealth. Our definition of entrepreneurship involves four aspects. (**Handouts Page No. 4**)

Question No: 2 (Marks: 1) - Please choose one

Which of the following makes the formation of new venture difficult within a corporate culture?

▶ Lack of intrapreneurial talent

▶ **Lack of freedom to make autonomous decisions**

▶ Lack of market opportunity

▶ All of the given options

Ref:

http://webcache.googleusercontent.com/search?q=cache:Q1Sia02viSEJ:www.radford.edu/~nhashemz/econ695/Quiz%25202_with%2520Answers.RTF+Which+of+the+following

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+makes+the+formation+of+new+venture+difficult+within+a+corporate+culture%3F+%E2%96%BA+Lack+of+intrapreneurial+talent+%E2%96%BA+Lack+of+freedom+to+make+autonomous+decisions+%E2%96%BA+Lack+of+market+opportunity+%E2%96%BA+All+of+the+given+options&cd=12&hl=en&ct=clnk&gl=pk (See the Question No. 46)

Question No: 3 (Marks: 1) - Please choose one

Barriers to new product creation and development are known as:

- ▶ Trial and error
- ▶ **Opportunity parameters**
- ▶ Opportunity cost
- ▶ Intrapreneurship culture

Ref: Opportunity parameters

Barriers to new product creation and development (**Handouts Page No. 14**)

Question No: 4 (Marks: 1) - Please choose one

A/an _____ is an online connection between the company and its customers.

- ▶ E-Commerce
- ▶ World Wide Web
- ▶ Internet advertising
- ▶ **Website**

Ref: Website A website is an online connection between the company and its customers and can be developed (**Handouts Page no. 44**)

Question No: 5 (Marks: 1) - Please choose one

Which one of the following is the next stage to the Concept Stage of Product Planning and Development Process?

- ▶ Idea Stage
- ▶ Product Planning Stage
- ▶ **Product Development Stage**
- ▶ Test Marketing Stage

Ref: This refining process- the product planning and development process – is divided in to five major stages. Idea stage, concept stage, product development stage, test marketing stage and commercializing; it result in the product life cycle. (**Handouts Page No. 43**)

Question No: 6 (Marks: 1) - Please choose one

Which one the following is the best protection against product liability?

- ▶ Avoid negligence
- ▶ **Warn consumers of any potential hazards**
- ▶ Give warranty
- ▶ Avoid misrepresentation

Ref: The best protection against product liability is to produce safe products and to warn consumers of any potential hazards. (**Handouts Page No. 52**)

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Question No: 7 (Marks: 1) - Please choose one

Who should prepare the business plan?

- ▶ **Entrepreneurs**
- ▶ Consultants
- ▶ Engineers
- ▶ Small business administration services

Ref: A business plan is a written document prepared by the entrepreneur that describes all the relevant external and internal elements involved in starting a new venture. (Handouts Page No. 54)

Question No: 8 (Marks: 1) - Please choose one

Information regarding all of the following is related to operations, EXCEPT:

- ▶ Location
- ▶ **Promotion**
- ▶ Raw materials
- ▶ Labour skills

Ref: Operations Information Needs

The entrepreneur may need information on:

1. Location
2. Manufacturing operations
3. Raw materials
4. Equipment
5. Labor skills
6. Space
7. Overhead

(Handouts Page No. 57)

Question No: 9 (Marks: 1) - Please choose one

A foundation company is formed from:

- ▶ Fashion
- ▶ Most popular business
- ▶ A winding up company
- ▶ **Research and development**

Ref: A type of company formed from research and development that usually does not go public. (Handouts Page No. 7)

Question No: 10 (Marks: 1) - Please choose one

Which one of the following is NOT a condition of a contract?

- ▶ An offer is made
- ▶ An acceptance of offer
- ▶ **Counter offer**
- ▶ Consideration is given

Ref: http://books.google.com.pk/books?id=s01P0agnLPUC&pg=PA93&dq=Which+of+the+following+method+entrepreneur+can+use+to+do+international+business+with+least+risk%3F&hl=en&ei=0BusTOzGDoSavgOx3uTtBg&sa=X&oi=book_result&ct=book-

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thumbnail&resnum=1&ved=0CCoQ6wEwAA#v=snippet&q=a%20contract&f=false

Question No: 11 (Marks: 1) - Please choose one

Which one of the following is a section of patent application?

▶ **All of the given options**

- ▶ Introduction
- ▶ Description of business
- ▶ Claims

Ref: (Handouts Page No. 47)

Question No: 12 (Marks: 1) - Please choose one

More ventures start when _____ is readily available.

▶ **Seed Capital**

- ▶ Infrastructure
- ▶ Technology
- ▶ Experience

Ref: Seed Capital is short-term financing to cover start-up costs. It is money used for the initial investment in a project or startup company, for proof-of-concept, market research, or initial product development, also called seed financing or seed money. Seed capital is money used as the initial investment for a new product or service launch.

<http://www.blurtit.com/q9409359.html>

Question No: 13 (Marks: 1) - Please choose one

Which of the following is NOT among the three perspectives that should be considered in preparing a business plan?

- ▶ Marketing perspective
- ▶ Perspective of the entrepreneur
- ▶ Investor perspective

▶ **Technical perspective**

Ref: Three perspectives need to be considered:

The **entrepreneur** understands the new venture better than anyone. The **marketing perspective** considers the venture through the eyes of the customer. The **investor** looks for sound financial projections. The depth of the business plan depends on the size and scope of the proposed venture. **(Handouts Page No. 54)**

Question No: 14 (Marks: 1) - Please choose one

The marketing plan section of the business plan should focus on strategies for how many years of the venture?

- ▶ 2
- ▶ **3**
- ▶ 4
- ▶ 5

Ref: The marketing plan section should focus on strategies for the first three years of the venture. **(Handouts Page No. 61)**

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Question No: 15 (Marks: 1) - Please choose one

Which of the following is usually included in production plan?

- ▶ Pricing
- ▶ Evaluation of the weaknesses of the business
- ▶ **Names of suppliers of raw materials**
- ▶ Flow of orders for goods and/or services

Ref: Production Plan

- A. Manufacturing process (amount subcontracted)
- B. Physical plant
- C. Machinery and equipment
- D. Names of suppliers of raw materials

http://docs.google.com/viewer?a=v&q=cache:6XGQG47hT_IJ:www.imsciences.net/uploads/second-semester/ENT7-The%2520Business%2520Plan%2520-%2520Creating%2520and%2520Starting%2520the%2520Venture.ppt+Which+of+the+following+is+usually+included+in+production+plan%3F+%E2%96%BA+Pricing+%E2%96%BA+Evaluation+of+the+weaknesses+of+the+business+%E2%96%BA+Names+of+suppliers+of+raw+materials+%E2%96%BA+Flow+of+orders+for+goods+and/or+services&hl=en&gl=pk&pid=bl&srcid=ADGEEsGlAM3eWrUm3qi_ZRy0x4GFxcdE_RTDwYwsWdLv7jAdJoJTDSV9Ue0tKUQOnBrrMSsLop6_nOqMNVcuTQZJYPpeG1jGlgjIGON-txxZmtfsYZ4lBhObEZrriEkQLaSBW9wXymSd&sig=AHIEtbT6zpM7wnpvCXgK5hJMyjwkyPq1qw

Question No: 16 (Marks: 1) - Please choose one

Which one of the following effectively controls the objectives of Marketing Plan?

- ▶ Product Promotion Strategy
- ▶ Distribution Strategy
- ▶ **Monitoring**
- ▶ Pricing Strategy

Ref: There is no planning without control. Marketing control is the process of monitoring the proposed plans as they proceed and adjusting where necessary. If an objective states where you want to be and the plan sets out a road map to your destination, then control tells you if you are on the right route or if you have arrived at your destination. Control involves measurement, evaluation, and monitoring.

<http://marketingteacher.com/lesson-store/lesson-control.html>

Question No: 17 (Marks: 1) - Please choose one

Which of the following represents the environment in which entrepreneurship can't grow?

- ▶ Boom
- ▶ **Vacuum**
- ▶ Maturity
- ▶ Introductory Phase

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Ref: Further, entrepreneurship cannot grow in vacuum. It requires creation of an atmosphere in which an entrepreneur can discharge his functions

http://books.google.com.pk/books?id=d5QH-hBXYFcC&pg=PA26&lpg=PA26&dq=%22entrepreneurship+cannot+grow%22&source=bl&ots=6A8ZiX_ubY&sig=TURvJtHVSJYTFoMEtD0GBwp9lVQ&hl=en&ei=0sc1TaOvCZGYhQfF4ISfCw&sa=X&oi=book_result&ct=result&resnum=2&ved=0CBkQ6AEwAQ#v=onepage&q=%22entrepreneurship%20cannot%20grow%22&f=false

Question No: 18 (Marks: 1) - Please choose one

Which of the following shows the standard acceptable term of a Limited Liability Company?

- ▶ Three
- ▶ Ten
- ▶ Twenty
- ▶ **Thirty**

Ref: The standard acceptable term of an LLC is 30 years (**Handouts Page No. 73**)

Question No: 19 (Marks: 1) - Please choose one

In which of the following only one class of stock is permitted?

- ▶ C Corporation
- ▶ **S Corporation**
- ▶ Limited Partnership
- ▶ The board of advisors:

Ref: http://books.google.com/books?id=jgI1gAxnFXAC&pg=SA1-PA118&lpg=SA1-PA118&dq=%22one+class+of+stock+is+permitted%22&source=bl&ots=fIXiKIVXiv&sig=pAIIAGf4xDHVEJ7R5WaOdo2PSvo&hl=en&ei=fDITTOPCK6aHOL7YiZ8O&sa=X&oi=book_result&ct=result&resnum=6&ved=0CCsO6AEwBO#v=onepage&q=%22one%20class%20of%20stock%20is%20permitted%22&f=false

Question No: 20 (Marks: 1) - Please choose one

Which of the following shows the characteristic of the partnership with reference to taxation system?

- ▶ **Single taxation system**
- ▶ Double taxation system
- ▶ Triple taxation system
- ▶ No taxation system

Ref: The profits of a partnership pass through to its owners, who report their share on their individual tax returns. Therefore, the profits are only taxed once (at the personal level of its owners) rather than twice, <http://www.referenceforbusiness.com/small/Op-Qu/Partnership.html#ixzz1CAdo8pWH>

Question No: 21 (Marks: 1) - Please choose one

Which of the following is true about equity financing?

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- ▶ It requires some asset be used as collateral
- ▶ The entrepreneur has to pay back the amount of funds plus a fee
- ▶ **The investor shares in the profits of the venture**
- ▶ It is, generally, used to provide working capital

Ref:

http://books.google.com.pk/books?id=s01P0agnLPUC&pg=PA324&lpg=PA324&dq=equity+financing+The+investor+shares+in+the+profits+of+the+venture&source=bl&ots=rCPBEoW_r4&sig=dTep7BY0uTXAkh1txnLOATvVR4Q&hl=en&ei=GBdKTcKEJtK5hAf-_-TADg&sa=X&oi=book_result&ct=result&resnum=2&ved=0CBsQ6AEwAQ#v=onepage&q=equity%20financing%20The%20investor%20shares%20in%20the%20profits%20of%20the%20venture&f=false

Question No: 22 (Marks: 1) - Please choose one
Which of the following cannot be used as basis of loan?

- ▶ Worth of the business
- ▶ **Perishable item**
- ▶ Fixed asset
- ▶ All of the given options

Question No: 23 (Marks: 1) - Please choose one
Which of the following is the key factor for choosing the type of financing?

- ▶ Availability of funds
- ▶ Assets of the venture
- ▶ Prevailing interest rates
- ▶ **All of the above options**

Ref: Key factors in choosing the type of financing are availability of funds, assets of the venture, and prevailing interest rates. (Handouts Page No. 81)

Question No: 24 (Marks: 1) - Please choose one
Which of the following is the most important aspect of locating viable sources of funding?

- ▶ Patent and trademark office
- ▶ NGOs
- ▶ Rate of return
- ▶ **Funding source profile**

Ref: http://highered.mcgraw-hill.com/sites/0073381551/student_view0/chapter13/multiple_choice_quiz.html (See the Question No. 5)

Question No: 25 (Marks: 1) - Please choose one
Which of the following loan is for a maximum duration of 40 days?

- ▶ Long term loan

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► Straight commercial loan

► **Instalment loan**

► Character loan

Ref: Instalment loans.

a. Instalment loans can be obtained by a going venture with a track record of sales and profits.

b. These funds are used to cover working capital needs, usually for 30 to 40 days.

(Handouts Page No. 83)

Question No: 26 (Marks: 1) - Please choose one

Which of the following is NOT a form of cash flow financing?

► Instalment loan

► Character loan

► **Inventory loan**

► Line of credit

Ref: Cash Flow Financing Cash flow financing -- or conventional bank loans --includes lines of credit, instalment loans, straight commercial loans, long-term loans, and character loans. Lines of credit are the most frequently used. **(Handouts Page No. 110)**

Question No: 27 (Marks: 1) - Please choose one

All of the followings are the criteria for bank lending decisions, EXCEPT:

► Review of past financial statements

► Evaluation of future projections on market size, sales, and profitability

► Taking into account intuitive factors

► **A casual review of the borrower by the loan officer**

Ref: Bank lending decisions can be summarized by the five C's-Character, Capacity, Capital, Collateral, and Conditions.

a. Past financial statements are reviewed in terms of key ratios and the entrepreneur's capital invested.

b. Future projections on market size, sales, and profitability are evaluated.

c. Intuitive factors-Character and Capacity-are also taken into account and become more important when there is little or no track record. **(Handouts Page No. 85)**

Question No: 28 (Marks: 1) - Please choose one

In which of the following techniques, money is given to a firm for developing a technology and involves a tax shelter?

► Small business administration loans

► Cash flow financing

► Small business innovation research grant

► **Research and development limited partnership**

Ref: This method of financing provides funds from inventors looking for tax shelters. A typical R&D partnership arrangement is established with a sponsoring company developing the technology with funds being provided by a limited partnership of

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individual investors (**Handouts Page No. 87**)

Question No: 29 (Marks: 1) - Please choose one

A party in an agreement that usually supplies money and has a few responsibilities is known as:

▶ **Limited partner**

▶ Major partner

▶ Minor partner

▶ General partner

Ref: In a limited partnership the limited partners have no control over business decision. (**Handouts page No. 70**) R&D limited partnerships provide the needed funds with a minimum of equity dilution while reducing the risks (**Handouts Page No. 87**)

Question No: 30 (Marks: 1) - Please choose one

The overall coordinating party in an agreement is:

▶ Limited partner

▶ Major partner

▶ Minor partner

▶ **General partner**

Ref: general partners are liable for all aspects of the business (**Handouts Page No. 68**)

Question No: 31 (Marks: 1) - Please choose one

How many industrial estates does Punjab Small Industries Corporation have developed in various areas of the Punjab?

▶ 8

▶ **14**

▶ 18

▶ 24

Ref: PSIC has developed 14 industrial estates in various areas of the Punjab. (**Handouts Page No. 91**)

Question No: 32 (Marks: 1) - Please choose one

The actual amounts of costs and profits are compared with budgeted amounts for a specific period through:

▶ **Interim income statement**

▶ Interim balance sheet

▶ Pro forma income statement

▶ Pro forma cash flows

Ref: An interim income statement helps to compare the actual with the budgeted amount for that period. (**Handouts page no. 99**)

Question No: 33 (Marks: 1) - Please choose one

Which of the following is a liquidity ratio?

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► **Acid test ratio**

- Average collection period
- Inventory turnover
- Debt to equity ratio

Ref: Acid test ratio is a more rigorous test of the short-term liquidity of the venture.
(Handouts Page No. 99)

Question No: 34 (Marks: 1) - Please choose one

In the U.S. joint ventures were first formed for large-scale projects in which of the following options?

- 1600s
- 1700s
- **1800s**
- 1900s

Ref: In the U.S. joint ventures were first used for large-scale projects in mining and railroads in the 1800s. The largest joint venture in the 1900s was the formation of ARAMCO by four oil companies to develop crude oil reserves in the Middle East.
(Handouts Page No. 103)

Question No: 35 (Marks: 1) - Please choose one

What is the percentage of Pakistani entrepreneurs that have college education?

- 60%
- 45%
- **30%**
- 10%

Ref: Differing from industry to industry 60% have school education and 30% have college or better education only 10% has professional or graduation level **(Handouts page No. 108)**

Question No: 36 (Marks: 1) - Please choose one

First small industrial state was built in which of the following city of Pakistan?

- Lahore
- Gujranwala
- **Sialkot**
- Faisal Abad

Ref: Listen Video Lecture No. 37

Question No: 37 (Marks: 1) - Please choose one

Which of the following statement best describes the early stage financing?

- Is easier to obtain than expansion financing
- Involves acquisition financing
- **Where venture capitalists are not likely to be involved**
- Involves between \$500, 000 to \$750, 000

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Ref: http://highered.mcgraw-hill.com/sites/0073530328/student_view0/chapter12/web_quizzes.html (Handouts Page No. 10)

Question No: 38 (Marks: 1) - Please choose one

Which of the following statement is NOT correct?

- ▶ SBFC is financing various types of projects such as Gem Stones and cotton ginning
- ▶ SBFC can disburse up to rupees 1.5 million for a project having total cost of five million
- ▶ SBFC lend up-to 50% of the total project cost having cost less than 50 million
- ▶ **It can also share up to 30% of total projected cost for a medium sized having cost more than 100 million Rupees**

Ref: SBFC is financing various types of **projects such as Gem Stones, cotton ginning, textile apparel, and marble processing etc.** currently SBFC can disburse **up to rupees 1.5 million** for a project having total cost of five million and **lend up-to 50% of the total project** cost of small businesses but for that total project cost should not exceed 50 million. It can also share up to 30% of total projected cost for a medium sized industry where the total project cost does not exceed rupees 100 (Handouts Page No. 93)

Question No: 39 (Marks: 1) - Please choose one

Record keeping usually starts in which of the following stage?

- ▶ Idea Generation
- ▶ Idea Development
- ▶ **Post Project**
- ▶ None of the given options

Ref: Implementation of a recordkeeping system

A project to develop new systems will impact greatly on the day-to-day work of staff members. Its success also relies greatly on staff acceptance of the system.

<http://www.records.nsw.gov.au/recordkeeping/dirks-manual/doing-a-dirks-project/develop-new-systems-with-adequate>

Question No: 40 (Marks: 1) - Please choose one

In order to make organization more flexible and responsive it should tend towards which of the following?

- ▶ Centralization
- ▶ **Decentralization**
- ▶ Employee Motivation
- ▶ Less vulnerable to change

Ref: Many organizations want to be more flexible and increasingly responsive to complex environments. By becoming flatter, many organizations also become less centralized. Flat organizations that make use of decentralization are often more able to efficiently respond to customer needs and the changing competitive environment.

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<http://www.referenceforbusiness.com/management/Log-Mar/Management-Levels.html#ixzz1CAIPyk6f>

Question No: 41 (Marks: 5)

What is the purpose of a marketing plan? What should be the perspective of time in a marketing plan?

MARKETING PLAN Purpose and Timing of the Marketing Plan

The marketing plan establishes how the entrepreneur will effectively compete and operate in the marketplace. Marketing planning should be an annual activity focusing on decisions related to the marketing mix variables. The marketing plan section should focus on strategies for the first three years of the venture. For the first year, goals and strategies should be projected monthly.

For years two and three, market results should be projected based on longer-term goals.

Preparing an annual marketing plan becomes the basis for planning other aspects of the business.

Question No: 42 (Marks: 5)

Differentiate between current ratio and acid test ratio.

Current ratio

It is commonly used to measure the short-term solvency of the venture or its ability to meet its short-term debts. The current liabilities must be covered from cash or its equivalent. The formula is:

Current ratio = current assets / current liabilities

While a ratio of 2:1 is generally considered favourable the entrepreneur should also compare this ratio with industry standards.

Acid test ratio

It is a more rigorous test of the short-term liquidity of the venture. It eliminates inventory, which is the least liquid current asset.

The formula is:

Acid test = current assets – inventory / ratio current liabilities

Usually a 1:1 ratio would be considered favourable.

Question No: 43 (Marks: 10)

Suppose you have started your own venture of audit and taxation firm. An entrepreneur comes in your firm to know about the different tax issues in different entities of business. How will you deliver different suggestions?

TAX ATTRIBUTES OF FORMS OF BUSINESS

A. Tax Issues for Proprietorship:

For the proprietorship the IRS treats the business as the individual owner. All income is personal income and the business is not taxed as a separate entity. The proprietorship has some tax advantages compared to the corporation.

a. There is no double tax on profits.

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b. There is no capital stock tax or penalty for retained earnings.

B. Tax Issues for Partnership:

The partnership's tax advantages and disadvantages are similar to the proprietorship. Limited partnerships can provide unique tax advantages. Both the partnership and proprietorship have a legal identity distinct from the partners, but this identity is only for accounting purposes. The income is distributed based on the partnership agreement, and the owners then report their share as personal income.

C. Tax Issues for Corporation:

The corporation has the advantage of being able to take many deductions not otherwise available. The disadvantage is that dividends are taxed twice. This double taxation can be avoided if the income is distributed as salary. The corporation tax may also be lower than the individual rate.

Question No: 44 (Marks: 10)

An "S Corporation" is a corporation which has elected to have its profits pass through to its shareholders, in the same manner as a partnership or sole proprietorship. Write down the pros and cons of "S Corporation".

ADVANTAGES OF AN S CORPORATION

1. Capital gains or losses are treated as personal income.
2. Shareholders retain limited liability protection.
3. It is not subject to a minimum tax, as C corporations are.
4. Stock may be transferred to low-income-bracket family members.
5. Stock may be voting or nonvoting.
6. This form may use the cash method of accounting.
7. Corporate long-term capital gains and losses are deductible by the shareholders.

DISADVANTAGES OF AN S CORPORATION

1. Even with the new regulations, there are still some restrictions
2. If the corporation earns less than \$100,000, then the C Corporation would have a lower tax liability.
3. The S Corporation may not deduct most fringe benefits for shareholders.
4. The S Corporation must adopt a calendar year for tax purposes.
5. Only one class of stock, common stock is permitted.
6. The net loss of the S Corporation is limited.

Question No: 45 (Marks: 10)

When and why the Punjab Small Industries Corporation (PSIC) was established? How it is helpful in promoting small industries?

Punjab Small Industries Corporation (PSIC)

In the province of Punjab PSIC was established in 1972 as an autonomous body for the promotion and development of the small-scale industries in the province. The PSIC covers the critical areas of investment promotion and provision of credits for setting up new industries and modernization of the existing ones. It also promotes the common facility center, technology transfer, guidance, handicrafts development and design

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facilities.

(a) Financing and Loans

PSIC is providing two types of loans to its clients, working capital and capital investment loans. The maximum limit of loan is RS. 7.5 Lac. There are district officers appointed for monitoring the loan recovery and in the case of unrecoverable loans, they are transferred to the revenue authorities. PSIC has managed to recover 81.6% of all loans given out. Disbursing Rs. 1768.537 million to 6339 units through its 8 regional offices (till 31-02-2001) the debt equity ration for loan up to Rs. 7.5 Lac is 70:30.

(b) Industrial Estates

PSIC has developed 14 industrial estates in various areas of the Punjab. The costs of land within these industrial states have been subsidized to allow the development of the small-scale sector.

(c) Services and Programs

PSIC has also launched "Rural Industrialization Program" to control unemployment and strengthen the marginal household income through stimulation of industrial growth in the urban and rural areas of the Punjab. PSIC has established various types of service centers e.g. metal industries development center, Sialkot, Engineering service centers. Gujranwala, institute of pottery development, Shahdara etc.

Paper No. 10

**FINAL TERM EXAMINATION
Fall 2008**

MGT602- Entrepreneurship (Session - 3)

VU ASKARI TEAM (www.vuaskari.com)

Solved By Honey G <abdulhaiee2004@gmail.com>

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Marks: 80

Question No: 1 (Marks: 1) - Please choose one

Which two work environments should be good for spawning the new enterprises?

▶ **Marketing and R&D**

▶ Marketing and IT

▶ Finance and marketing

▶ Finance and R&D

Ref:

http://books.google.com.pk/books?id=s01P0agnLPUC&pg=PA10&lpg=PA10&dq=Which+of+the+following+two+work+environments+should+be+good+for+spawning+the+new+enterprises?&source=bl&ots=rCPvFoW_AZ&sig=LBbir_GokALAFLODCkLWUq5lW5o&hl=en&ei=ixDwTOysLJHKvQOZir3XDQ&sa=X&oi=book_result&ct=result&resnum=9&ved=0CEwQ6AEwCA#v=onepage&q&f=false

Question No: 2 (Marks: 1) - Please choose one

Most important factor in forming a new business is:

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► **Finance**

- Marketing
- Government support
- Family support

Ref: Certainly, finance is the most important factor that needs to be focused on while starting a business <http://www.buzzle.com/articles/most-lucrative-small-businesses.html>

Question No: 3 (Marks: 1) - Please choose one

Which one of the following is the process of entrepreneurs developing new products that over time make current products obsolete?

- None of the given options
- Anatomization
- **Creative destruction**
- New business model

Ref 1: When entrepreneurs take bold leaps and break contact with the familiar, they often leave behind a clutter of obsolete products and processes. This force is called creative destruction <http://www.dallasfed.org/educate/everyday/ev3.html>

Ref 2: These "new combinations" constitute better ways to meet existing demand or create new products, often making current technologies and products obsolete (in a "process of creative destruction"). [http://docs.google.com/viewer?a=v&q=cache:1OKeCHSXjVUJ:www.unctad.org/en/docs/webiteteb20043_en.pdf+process+of+entrepreneurs+developing+new+products+that+over+time+make+current+products+obsolete&hl=en&gl=pk&pid=bl&srcid=ADGEESgTUa6jJUz1-](http://docs.google.com/viewer?a=v&q=cache:1OKeCHSXjVUJ:www.unctad.org/en/docs/webiteteb20043_en.pdf+process+of+entrepreneurs+developing+new+products+that+over+time+make+current+products+obsolete&hl=en&gl=pk&pid=bl&srcid=ADGEESgTUa6jJUz1-NJ6y3pxxopRTUZwWTJyoLHMuZfTBNqvadLUv9gWy_8tlfsQvOiBjAHlvoyE2c66mlaW1JWF19Q8OfuuVFBLOzqEyeLjDcLNhAezE4-Xo1708lnfjdyJO6AqSOZ8&sig=AHIEtbTrO-HqxZi8Y_XzqDAU60Yx-7Cb5A)

[NJ6y3pxxopRTUZwWTJyoLHMuZfTBNqvadLUv9gWy_8tlfsQvOiBjAHlvoyE2c66mlaW1JWF19Q8OfuuVFBLOzqEyeLjDcLNhAezE4-Xo1708lnfjdyJO6AqSOZ8&sig=AHIEtbTrO-HqxZi8Y_XzqDAU60Yx-7Cb5A](http://docs.google.com/viewer?a=v&q=cache:1OKeCHSXjVUJ:www.unctad.org/en/docs/webiteteb20043_en.pdf+process+of+entrepreneurs+developing+new+products+that+over+time+make+current+products+obsolete&hl=en&gl=pk&pid=bl&srcid=ADGEESgTUa6jJUz1-NJ6y3pxxopRTUZwWTJyoLHMuZfTBNqvadLUv9gWy_8tlfsQvOiBjAHlvoyE2c66mlaW1JWF19Q8OfuuVFBLOzqEyeLjDcLNhAezE4-Xo1708lnfjdyJO6AqSOZ8&sig=AHIEtbTrO-HqxZi8Y_XzqDAU60Yx-7Cb5A)

Question No: 4 (Marks: 1) - Please choose one

The resources acquired from outsiders (creditors, banks etc) are usually:

- Easily available
- **Difficult to obtain**
- Very useful
- Very cheap

Ref: Acquiring needed resources, while giving up as little control as possible, is difficult. The entrepreneur should try to maintain as large an ownership position as possible, particularly in the start-up stage. (Handouts Page No. 14)

Question No: 5 (Marks: 1) - Please choose one

A set of reasons for engaging in a particular behaviour, especially human behaviour is

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known as

- ▶ Values
- ▶ Vision
- ▶ Entrepreneurship
- ▶ **Motivation**

Ref: Motivation is a word used to refer to the reason or reasons for engaging in a particular behavior - especially human behavior http://www.internet-of-the-mind.com/define_motivation.html

Question No: 6 (Marks: 1) - Please choose one

The level at which an individual is viewed by society is called:

- ▶ Financial status
- ▶ Qualification
- ▶ **Social status**
- ▶ Achievement

Ref: Social status: The level at which an individual is viewed by society (**Handouts Page No. 25**)

Question No: 7 (Marks: 1) - Please choose one

Which one of the following can serve entrepreneur as a consultant of the business plan?

- ▶ Lawyers
- ▶ Accountants
- ▶ Marketers
- ▶ **All of the given options**

Ref: The business plan should be prepared by the entrepreneur; however, he or she may consult many sources. Lawyers, accountants, marketing consultants, and engineers are useful supplemental sources. (**Handouts Page No. 54**)

Question No: 8 (Marks: 1) - Please choose one

Which of the following is NOT studied in industry analysis?

- ▶ Economic conditions
- ▶ Technology advancements
- ▶ **Organizational culture**
- ▶ Legal concerns

Ref: Examples of environmental factors are:
Economy Culture Technology Legal concerns (**Handouts Page No. 57**)

Question No: 9 (Marks: 1) - Please choose one

Which one of the factors should be considered while assessing the location for business?

- ▶ Parking
- ▶ Access from roadways to facility
- ▶ Delivery rates

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► **All of the given options**

Question No: 10 (Marks: 1) - Please choose one

Which of the following geographical area is of least interest to U.S entrepreneurs?

- Europe
- The Far East
- **Central Asia**
- Transition economies

Ref: Three areas of particular interest to U.S. entrepreneurs are Europe, the Far East and transition economies. **(Handouts Page No. 37)**

Question No: 11 (Marks: 1) - Please choose one

Having more than 50% ownership position that provides the entrepreneur with managerial control is called:

- Joint venture
- **Majority interest**
- Horizontal merger
- Diversified activity merger

Ref: In technical sense anything over 50% of the equity of the firm is majority interest. **(Handouts page No. 33)**

Question No: 12 (Marks: 1) - Please choose one

Female entrepreneurs differ from male entrepreneurs in terms of all of the following

EXCEPT:

- Motivation
- Business skills
- **Departure point**
- Goal orientation

Ref: Departure points and reasons for starting the business are similar for both men and women **(Handouts Page No. 27)**

Question No: 13 (Marks: 1) - Please choose one

On the part of entrepreneur which of the following has/ have a great concern to the Investors?

- Commitment
- Experience
- Knowledge
- **All of the given options**

Question No: 14 (Marks: 1) - Please choose one

Typically business plan projections are made on a _____.

- Bi-monthly schedule

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- ▶ Quarterly schedule
- ▶ Six-month schedule
- ▶ **12-month schedule**

Ref: Plan projections will typically be made on a 12-month schedule (**Handouts Page No. 60**)

Question No: 15 (Marks: 1) - Please choose one
For the success of business plan the goals should be:

- ▶ Imaginary
- ▶ **Specific**
- ▶ Generalized
- ▶ Limitless

Ref: To be successful

- Goals should be specific.
- They should also be measurable and should be monitored over time. (**Handouts Page No. 60**)

Question No: 16 (Marks: 1) - Please choose one

Which of the following shows the characteristic of the venture that has experience in related business?

- ▶ Opportunity
- ▶ Threat
- ▶ **Strength**
- ▶ Weakness

Ref: Strengths: In business since 19xx.MD have xx years of experience in the industry and as head of the company. <http://rapidbi.com/created/SWOTanalysis.html>

Question No: 17 (Marks: 1) - Please choose one

Which of the following statement best define the target market?

- ▶ A group of customers a venture reaches by accident
- ▶ All consumers who purchase the venture's product
- ▶ **A specific group of potential customers toward which a venture aims its marketing plan**
- ▶ A chain of discount stores

Ref: Target market: specific group of potential customers toward which venture aims its marketing plan

http://docs.google.com/viewer?a=v&q=cache:tby_5XrgFj4J:www.imsciences.net/uploads/second-semester/ENT8-

[The%2520Marketing%2520Plan.ppt+A+specific+group+of+potential+customers+toward+which+a+venture+aims+its+marketing+plan&hl=en&gl=pk&pid=bl&srcid=ADGEESgWslCplex-VeqQ3lHeli4N5363J2O181vhMwjIyNKGcZhh9OfZY_xHysXvj5dtwlj1E5Ne0dTX1](http://docs.google.com/viewer?a=v&q=cache:tby_5XrgFj4J:www.imsciences.net/uploads/second-semester/ENT8-)

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Pcjr2Capsd6dxFTe-GfHIQ6NVekKARB-H2u8FHY2lj4FbD9TFbIqXvJLgN&sig=AHIEtbT_KajVLWSoKhGKUq4n2qWcL OimPA (See the Slide No. 16)

Question No: 18 (Marks: 1) - Please choose one

Which of the following is one of the new forms of business?

- ▶ Corporation
- ▶ Proprietorship
- ▶ **Limited liability Company**
- ▶ Partnership

Ref: A new form is the limited liability company, which is now possible in most states. (Handouts Page No. 68)

Question No: 19 (Marks: 1) - Please choose one

In which of the following, the ownership of venture is reflected by the ownership of shares of stock?

- ▶ Partnership
- ▶ Limited partnership
- ▶ **Corporation**
- ▶ Proprietorship

Ref: In the corporation, ownership is reflected by ownership of shares of stock. (Handouts page No. 68)

Question No: 20 (Marks: 1) - Please choose one

Which of the following shows the characteristic of the venture that has experience in related business?

- ▶ **Strength**
- ▶ Weakness
- ▶ Opportunity
- ▶ Threat

Ref: Strengths: In business since 19xx.MD have xx years of experience in the industry and as head of the company. <http://rapidbi.com/created/SWOTanalysis.html>

Question No: 21 (Marks: 1) - Please choose one

In which of the following majority holds the management control?

- ▶ **Partnership**
- ▶ Corporation
- ▶ Limited liability Company
- ▶ All of the given options

Ref: In a partnership the majority usually rules unless the partnership agreement states otherwise. (Handouts Page No. 70)

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Question No: 22 (Marks: 1) - Please choose one

Which of the following shows the standard acceptable term of a Limited Liability Company?

- ▶ Three
- ▶ Ten
- ▶ Twenty
- ▶ **Thirty**

Ref: The standard acceptable term of an LLC is 30 years (**Handouts Page No. 73**)

Question No: 23 (Marks: 1) - Please choose one

In entrepreneurship the starting capital is also called:

- ▶ Equity Capital
- ▶ **Seed Capital**
- ▶ Financial Capital
- ▶ Short term Capital

Ref: Venture capital is also known as "seed capital." Venture capital funds are used primarily for companies who may not have sufficient operating history to qualify for traditional loans through a bank.

<http://www.brighthub.com/office/entrepreneurs/articles/77501.aspx#ixzz1D4z8QPXr>

Question No: 24 (Marks: 1) - Please choose one

Which of the following is a written statement that defines the duties, relationships and results expected of anyone in the job?

- ▶ **Job Description**
- ▶ Job Specification
- ▶ Job identification
- ▶ All of the above options

Ref: Job descriptions are written statements that describe the duties, responsibilities, most important contributions and outcomes needed from a position, required qualifications of candidates, and the reporting relationship of a particular job

http://humanresources.about.com/od/jobdescriptions/Job_Descriptions_Free_Samples_Examples.htm

Question No: 25 (Marks: 1) - Please choose one

Which of the following is the base of Job Advertisement?

- ▶ Job Description
- ▶ Job Specification
- ▶ Job identification
- ▶ **All of the above options**

Ref: How to write a job ad:

Job seekers want to know what is in it for them

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Describe the position

Outline the skills you require

Lastly, include methods for reply.

<http://www.waikatochamber.co.nz/imagelibrary/794.pdf>

Question No: 26 (Marks: 1) - Please choose one

In business usually the account receivables have which of the following nature?

- ▶ Single
- ▶ **Dual**
- ▶ Triple
- ▶ Inert

Ref: Account receivables are our assets which are debited in balance sheet, however every accounting entry has dual aspect (double entry accounting system i.e. if one item is debited then other is credited) in the above case if account receivable is getting debit then sales will be credited.

Question No: 27 (Marks: 1) - Please choose one

In inventory loans, finished goods inventory can be financed up to what percent of inventory value?

- ▶ **50%**
- ▶ 70%
- ▶ 80%
- ▶ 100%

Ref: Finished goods inventory can be financed up to 50% of value. **(Handouts Page No. 83)**

Question No: 28 (Marks: 1) - Please choose one

Which of the following is NOT a form of cash flow financing?

- ▶ Instalment loan
- ▶ Character loan
- ▶ **Inventory loan**
- ▶ Line of credit

Ref: Cash Flow Financing Cash flow financing -- or conventional bank loans --includes lines of credit, instalment loans, straight commercial loans, long-term loans, and character loans. Lines of credit are the most frequently used. **(Handouts Page No. 110)**

Question No: 29 (Marks: 1) - Please choose one

What should be the borrowed amount by the entrepreneur for the start up and running for his business?

- ▶ As much as possible
- ▶ **As much as needed**
- ▶ As much that can be repaid
- ▶ As minimum as possible

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Ref: Friends, family, business associates when self-financing is not enough to provide the needed capital for a start up, business owners usually turn to their families, relatives, friends, and business partners for further financial support. These people tend to provide much needed support to the entrepreneur and enjoy the excitement and success of the new venture.

<http://www.go4funding.com/Articles/Small-Business/The-ABCs-of-Small-Business-Funding.aspx>

Question No: 30 (Marks: 1) - Please choose one

In the U.S. joint ventures were first formed for large-scale projects in which of the following options?

- ▶ 1600s
- ▶ 1700s
- ▶ **1800s**
- ▶ 1900s

Ref: In the U.S. joint ventures were first used for large-scale projects in mining and railroads in the 1800s. The largest joint venture in the **1900s was the formation** of ARAMCO by four oil companies to develop crude oil reserves in the Middle East. **(Handouts Page No. 103)**

Question No: 31 (Marks: 1) - Please choose one

A source of cash resulting from an entrepreneur selling the business is called:

- ▶ Earnings valuation
- ▶ Positive cash flow
- ▶ Negative cash flow
- ▶ **Terminal value**

Ref: Final cash flow value, the terminal value, is a source of cash when the entrepreneur sells the business. **(Handouts page no. 106)**

Question No: 32 (Marks: 1) - Please choose one

Ayub Khan's model of economic development was characterized by all of the following, EXCEPT:

- ▶ Promotion of large-scale units
- ▶ Expansion of large-scale enterprises
- ▶ Banking sector turned to cater to large loans
- ▶ **Lesser pressure on the banking system**

Ref: The reaction to that policy mix in the early 1980's was reverting back to the Ayubian model of economic development. The model was characterized by:

1. Promotion of large-scale units
2. Expansion of large-scale enterprises
- 3 Banking sector turned to cater to large loans **(Handouts Page No. 109)**

Question No: 33 (Marks: 1) - Please choose one

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Which of the following is independently owned, operated and not dominant in its field of operation?

- ▶ Entrepreneurship
- ▶ **Small Business**
- ▶ International Business
- ▶ Diversified Organization

Ref: As defined by the Small Business Act, a small business is independently owned and operated and not dominant in its field of operation (**Handouts Page No. 86**)

Question No: 34 (Marks: 1) - Please choose one

SBA provides:

- ▶ Finance without interest
- ▶ Finance with interest
- ▶ **Guarantees for getting loans**
- ▶ Financing up to 90 % of principal amount

Ref: The Small Business Administration (SBA) provides loan guarantees, and makes indirect loans to help small businesses. These loan guarantees give lenders a certain measure of security so they feel more comfortable making a business loan, which they might not have made without the loan guarantee, thus allowing many businesses to get loans that they might not have been able to obtain under normal circumstances.
<http://www.articlesbase.com/fundraising-articles/get-a-sba-loan-guarantee-to-grow-your-business-3650868.html>

Question No: 35 (Marks: 1) - Please choose one

First small industrial state was built in which of the following city of Pakistan?

- ▶ Lahore
- ▶ Gujranwala
- ▶ **Sialkot**
- ▶ Fiasal Abad

Ref: Listen Video Lecture No. 37

Question No: 36 (Marks: 1) - Please choose one

Major contribution of export for Pakistan comes from:

- ▶ Leather goods
- ▶ Surgical instruments
- ▶ Sports goods
- ▶ **All of the given options**

Ref: Pakistan exports rice, kinnows, mangoes, furniture, cotton fiber, cement, tiles, marble, textiles, clothing, **leather goods**, **sports goods** (renowned for footballs/soccer balls), **surgical instruments**, electrical appliances, software, carpets, rugs, ice cream, livestock meat, chicken, powdered milk, wheat, seafood (especially shrimp/prawns), vegetables, processed food items, Pakistani-assembled Suzuki's (to Afghanistan and other countries), defense equipment (submarines, tanks, radars), salt, onyx, engineering

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goods, and many other items. http://en.wikipedia.org/wiki/Economy_of_Pakistan

Question No: 37 (Marks: 1) - Please choose one

Which of the following institute started the LMM financing scheme?

- ▶ PSIC
- ▶ **SSIC**
- ▶ SIDB
- ▶ IDBP

Ref: The scheme was discontinued in 1993 due to shortage of funds although SSIC has created already 526 jobs and disbursed 20.6 million rupees. In October 1992, a self-employment scheme was started for locally manufactured machinery (LMM). **(Handouts Page No. 91 & 92)**

Question No: 38 (Marks: 1) - Please choose one

Which of the following statement is TRUE with reference to entrepreneurship thought?

- ▶ Knowledge is a valuable entrepreneurial resource that is typically learned in a Classroom
- ▶ **Experience is idiosyncratic, unique to the life of the individual.**
- ▶ Knowledge based on experience is likely to be learned in a classroom
- ▶ Financial potential is the basis for a new entry

Ref: http://highered.mcgraw-hill.com/sites/0070620172/student_view0/chapter13/mixed_quiz.html **(See the Question No. 7)**

Question No: 39 (Marks: 1) - Please choose one

Conflicts in Management thoughts and Entrepreneur thoughts are resolved by which of the following company?

- ▶ **Xerox**
- ▶ Unilever
- ▶ Walls
- ▶ Volta

Ref: Intrapreneurship is one method for stimulating and capitalizing on those who think that something can be done differently and better, such as Xerox Corporation's commitment to Xerox Technology Ventures. **(Handouts Page No. 16)**

Question No: 40 (Marks: 1) - Please choose one

Early signs of bankruptcy are most often:

- ▶ Unavoidable
- ▶ Apparent to the entrepreneur
- ▶ Occur in isolated instances
- ▶ **Interrelated**

Ref: http://highered.mcgraw-hill.com/sites/0070620172/student_view0/chapter13/mixed_quiz.html

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hill.com/sites/0073210560/student_view0/chapters17/mixed_quiz.html (See the Question No. 10)

Question No: 41 (Marks: 5)

What is the purpose of a marketing plan? What should be the perspective of time in a marketing plan?

MARKETING PLAN Purpose and Timing of the Marketing Plan

The marketing plan establishes how the entrepreneur will effectively compete and operate in the marketplace. Marketing planning should be an annual activity focusing on decisions related to the marketing mix variables. The marketing plan section should focus on strategies for the first three years of the venture. For the first year, goals and strategies should be projected monthly.

For years two and three, market results should be projected based on longer-term goals.

Preparing an annual marketing plan becomes the basis for planning other aspects of the business.

Question No: 42 (Marks: 5)

What kinds of parties are considered as "accredited investors"?

"Accredited investors" include:

- (i) Institutional investors
- (ii) Investors who purchase over \$150,000 of the issuer's securities.
- (iii) Investors whose net worth is \$1 million.
- (iv) Investors with incomes in excess of \$200,000 in the last two years.
- (v) Directors, officers, and general partners of the issuing company.

Question No: 43 (Marks: 10)

Suppose you are hired by an entrepreneur who is not capable of assessing the need of financial plan. How would you suggest him the basic characteristics of good financial plan?

THE FINANCIAL PLAN

A. The financial plan provides a complete picture of:

- 1. How much and when the funds are coming into the organization.
- 2. Where the funds are going.
- 3. How much cash is available?
- 4. The projected financial position of the firm.

B. The financial plan provides the short-term basis for budgeting and helps prevent a common problem-lack of cash.

C. The financial plan must explain how the entrepreneur will meet all financial obligations and maintain its liquidity.

D. In general, the financial plan will need three years of projected financial data for outside investors.

OPERATING AND CAPITAL BUDGETS

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A. before developing the pro forma income statement, the entrepreneur should prepare operating and capital budgets.

1. If the entrepreneur is a sole proprietor, he or she will be responsible for the budgeting decisions.
2. In a partnership, or where employees exist, the initial budgeting process may begin with one of these individuals.
3. Final determination of budgets will ultimately rest with the owners or entrepreneurs.

B. in the preparation of the pro forma income statement, the entrepreneur must first develop a sales budget, an estimate of the expected volume of sales by month.

1. From sales forecasts, the entrepreneur will determine the cost of these sales.
2. Estimated ending inventory will also be included.

C. Production or Manufacturing Budget.

1. This budget provides a basis for projecting cash flows for the cost of goods produced.
2. The important information in this budget is the actual production required each month and the needed inventory to allow for changes in demand.
3. This budget reflects seasonal demand or marketing programs, which can increase demand and inventory.
4. The operating budget is an important document, as the pro forma income statement will only reflect the actual costs of goods.

D. Operating Budget.

1. Next the entrepreneur can focus on operating costs.
2. Fixed expenses (incurred regardless of sales volume) include rent, utilities, salaries, interest, depreciation, and insurance.
3. The entrepreneur will need to calculate variable expenses, which may change from month to month depending on sales volume, such as advertising and selling expenses.

E. Capital budgets are intended to provide a basis for evaluating expenditures that will impact the business for more than one year.

1. A capital budget may project expenditures for new equipment, vehicles, or new facilities.
2. These decisions can include the computation of the cost of capital and the anticipated return on investment using present value methods.
3. The entrepreneur should enlist the assistance of an accountant.

Question No: 44 (Marks: 10)

Suppose you are working on the project of installing an automobile plant that will complete in three phases. First phase will be completed in 8 years second in 1 year and last in less than year. You have not sufficient fund to accommodate your project. What type of loans as an entrepreneur you will go for each phase of the project?

Real estate loans are easily obtained to finance land, plant, or building, usually up to 75% of value. Cash Flow Financing Cash flow financing -- or conventional bank loans include lines of credit, instalment loans, straight commercial loans, long-term loans, and character loans.

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- a. Lines of credit are the most frequently used.
- b. The company pays a "commitment fee" at the start then pays interest on outstanding borrowed funds.

1. Instalment loans.

- a. Instalment loans can be obtained by a going venture with a track record of sales and profits.
- b. These funds are used to cover working capital needs, usually for 30 to 40 days.

2. Straight commercial loans.

- a. In this hybrid of the instalment loan, funds are advanced to the company for 30 to 90 days.
- b. These self-liquidating loans are used for seasonal financing.

3. Long term loans.

- a. These loans are usually only available to more mature companies.
- b. Funds are available for up to 10 years with the debt repaid according to a fixed interest and principle schedule.

4. Character loans.

- a. When the business does not have assets to support a loan, the entrepreneur may need a character loan.
- b. These loans must have assets of an individual pledged as collateral, or have the loan consigned by another

Question No: 45 (Marks: 10)

When and why the Punjab Small Industries Corporation (PSIC) was established? How it is helpful in promoting small industries?

Punjab Small Industries Corporation (PSIC)

In the province of Punjab PSIC was established in 1972 as an autonomous body for the promotion and development of the small-scale industries in the province. The PSIC covers the critical areas of investment promotion and provision of credits for setting up new industries and modernization of the existing ones. It also promotes the common facility center, technology transfer, guidance, handicrafts development and design facilities.

(a) Financing and Loans

PSIC is providing two types of loans to its clients, working capital and capital investment loans. The maximum limit of loan is RS. 7.5 Lac. There are district officers appointed for monitoring the loan recovery and in the case of unrecoverable loans, they are transferred to the revenue authorities. PSIC has managed to recover 81.6% of all loans given out. Disbursing Rs. 1768.537 million to 6339 units through its 8 regional offices (till 31-02-2001) the debt equity ration for loan up to Rs. 7.5 Lac is 70:30.

(b) Industrial Estates

PSIC has developed 14 industrial estates in various areas of the Punjab. The costs of land within these industrial states have been subsidized to allow the development of the small-scale sector.

(c) Services and Programs

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PSIC has also launched "Rural Industrialization Program" to control unemployment and strengthen the marginal household income through stimulation of industrial growth in the urban and rural areas of the Punjab. PSIC has established various types of service centers e.g. metal industries development center, Sialkot, Engineering service centers. Gujranwala, institute of pottery development, Shahdara etc

Paper No. 11

FINAL TERM EXAMINATION

Fall 2008

MGT602- Entrepreneurship

VU ASKARI TEAM (www.vuaskari.com)

Solved By Honey G <abdulhaiee2004@gmail.com>

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Marks: 80

Question No: 1 (Marks: 1) - Please choose one

Gazelles are the firms with:

▶ **High growth rate**

▶ Moderate growth rate

▶ Zero% growth rate

▶ Low growth rate

Ref: Gazelles: Very high growth ventures (Handouts Page No. 07)

Question No: 2 (Marks: 1) - Please choose one

Barriers to new product creation and development are known as:

▶ Trial and error

▶ **Opportunity parameters**

▶ Opportunity cost

▶ Intrapreneurship culture

Ref: Opportunity parameters: Barriers to new product creation and development (handouts page No. 14)

Question No: 3 (Marks: 1) - Please choose one

Individuals influencing an entrepreneur's career choice and style are known as:

▶ **Role model**

▶ Moral-support network

▶ Professional support network

▶ Support system

Ref: Role models

Individuals influencing an entrepreneur's career choice and style (Handouts Page 25)

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Question No: 4 (Marks: 1) - Please choose one

Following are the problems in developing the economies EXCEPT:

- ▶ Gap of knowledge
- ▶ Variable rate of return
- ▶ **Same communication style**
- ▶ Different accounting system

Ref: There are still many Difficulties in doing business in developing and transition economies due to:

- a. Gaps in the knowledge of the Western system regarding business plans, marketing and profits
- b. Widely variable rates of return.
- c. Non-convertibility of the ruble.
- d. Differences in the accounting system.
- e. Nightmarish communications. **(Handouts Page No. 29)**

Question No: 5 (Marks: 1) - Please choose one

Which one of the following is NOT an environmental factor?

- ▶ Economy
- ▶ Culture
- ▶ Technology
- ▶ **Competition**

Ref: Examples of environmental factors are: Economy Culture Technology Legal concerns **(Handouts Page No. 57)**

Question No: 6 (Marks: 1) - Please choose one

Which one of the following guide the firm through the long term decision making?

- ▶ **Mission statement**
- ▶ Product forecast
- ▶ Industry analysis
- ▶ None of the given options

Ref: Description of the Venture

The description of the venture should be detailed in this section. This should begin with the **mission statement** or company mission, which describes the nature of the business and what the entrepreneur hopes to accomplish. **(Handouts Page No. 56)**

Question No: 7 (Marks: 1) - Please choose one

Which one of the following is NOT included in four C s evaluation by lender?

- ▶ Character
- ▶ Cost
- ▶ **Continuity**
- ▶ Contribution

Ref: 1.The entrepreneur's credit history or character.

2. Their ability to meet debt and interest payments (cash flow.)

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3. The collateral or tangible assets being secured.
4. Equity contribution or the amount of personal equity that has been invested by the entrepreneur. **(Handouts Page No. 55)**

Question No: 8 (Marks: 1) - Please choose one

Which one of the following can be registered under design patent?

- ▶ New product
- ▶ Original product
- ▶ Ornamental
- ▶ **All of the given options**

Ref: Covering new, original, ornamental, and unobvious designs for articles, a design patent reflects the appearance of an object. **(Handouts Page No. 47)**

Question No: 9 (Marks: 1) - Please choose one

Which of the following is an idea generation method that focuses on parameters?

- ▶ Brainstorming
- ▶ Reverse brainstorming
- ▶ **Creative problem solving**
- ▶ Synectics

Ref: Creative problem solving is a method for obtaining new ideas focusing on the parameters. **(Handouts Page No. 40)**

Question No: 10 (Marks: 1) - Please choose one

The transitional disturbance and lack of reform has led to a booming black market in:

- ▶ China
- ▶ Hungary
- ▶ Singapore
- ▶ **Poland**

Ref: In Poland, the transitional upheaval and lack of reform has led to a thriving black market. **(Handouts Page No.38)**

Question No: 11 (Marks: 1) - Please choose one

Which of the following is NOT an important aspect of international success?

- ▶ Planning
- ▶ **Diversification**
- ▶ Reporting
- ▶ Control

Ref: To understand what is required for effective planning, reporting, and control, the entrepreneur should consider **(Handouts Page 30)**

Question No: 12 (Marks: 1) - Please choose one

Which of the following areas are preferred by women entrepreneurs?

- ▶ **Administration**

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- ▶ Utilities
- ▶ Manufacturing
- ▶ None of the above

Ref: Most women usually have administrative experience, often in service-related fields. (Handouts page 27)

Question No: 13 (Marks: 1) - Please choose one
For the success of business plan the goals should be:

- ▶ Imaginary
- ▶ **Specific**
- ▶ Generalized
- ▶ Limitless

Ref: To be successful

- Goals should be specific.
- They should also be measurable and should be monitored over time. (Handouts Page No. 60)

Question No: 14 (Marks: 1) - Please choose one
Which of the following is necessary to initiate the market research?

- ▶ Problem
- ▶ Data
- ▶ Budget
- ▶ **Objectives**

Ref: Market research begins with definition of objectives. Many entrepreneurs don't know what they want to accomplish from a research study. (Handouts Page No. 62)

Question No: 15 (Marks: 1) - Please choose one
What are the numbers of questions a marketing plan usually answers?

- ▶ 5
- ▶ 2
- ▶ **3**
- ▶ 4

Ref: The marketing plan should answer three basic questions (Handouts Page No. 61)

Question No: 16 (Marks: 1) - Please choose one
Which of the following analysis represent the review of "where the company has been"?

- ▶ **Situation analysis**
- ▶ Competitor Analysis
- ▶ Goal analysis
- ▶ Program Analysis

Ref: The situation analysis is a review of where the company has been and considers many of the environmental factors. (Handouts Page No. 65)

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Question No: 17 (Marks: 1) - Please choose one
Targeting the market consists of _____ Procedures

▶ **4**

▶ 1

▶ 2

▶ 3

Ref: Defining Target Market/Opportunities and Threats

The entrepreneur should have a good idea of who the customer or target market will be. The defined target market will usually represent one or more segments of the entire market. Market segmentation is the process of dividing the market into smaller homogeneous groups. The process of segmenting is:

- Decide what general market or industry you wish to pursue.
- Divide the market into smaller groups based on characteristics of the customer.
- Select segment or segments to target.
- Develop marketing plan integrating the parts of the marketing mix. (Handouts page No. 65)

Question No: 18 (Marks: 1) - Please choose one

Advertising and promotion for the business-to-business market involve all of the following EXCEPT:

▶ **Indirect sales**

▶ Trade magazine advertising

▶ Direct sales

▶ Trade shows

Ref: http://highered.mcgraw-hill.com/sites/0073530328/student_view0/chapter8/web_quizzes.html (See the question no. 7)

Question No: 19 (Marks: 1) - Please choose one

Which of the following is one of the new forms of business?

▶ Corporation

▶ Proprietorship

▶ **Limited liability Company**

▶ Partnership

Ref: A new form is the limited liability company, which is now possible in most states. (Handouts Page No. 68)

Question No: 20 (Marks: 1) - Please choose one

Which form of the business distributes profits to owners through dividends?

▶ **Corporation**

▶ Proprietorship

▶ Partnership

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- ▶ None of the above

Ref: Corporations distribute profits through dividends to stockholders. (Handouts Page No. 71)

Question No: 21 (Marks: 1) - Please choose one

In which of the following shareholders enjoy more fringe benefits?

- ▶ C Corporation
- ▶ S Corporation
- ▶ Limited Partnership
- ▶ Sole Proprietor

Ref: One advantage C corporations have over unincorporated businesses and S corporations is that they may deduct fringe benefits (such as group term life insurance, health and disability insurance, death benefits payments to \$5,000, and employee medical expenses not paid by insurance) from their taxes as a business expense.)

<http://www.referenceforbusiness.com/small/Bo-Co/C-Corporation.html#ixzz1CMBkHBmY>

Question No: 22 (Marks: 1) - Please choose one

Which one of the following has NO liability on the part of entrepreneur business?

- ▶ Board of directors
- ▶ Board of advisors
- ▶ Shareholders
- ▶ Partners

Ref: Board of Advisors

- More loosely tied to the organization.
- Serve the venture only in an advisory capacity.
- Has no legal status, unlike the board of directors.

http://docs.google.com/viewer?a=v&q=cache:BM9A_5IRqYsJ:www.imsciences.net/uploads/second-semester/ENT9-

[The%2520Organizational%2520Plan.ppt+Which+one+of+the+following+has+NO+liability+on+the+part+of+entrepreneur+business%3F+%E2%96%BA+Board+of+directors+%E2%96%BA+Board+of+advisors+%E2%96%BA+Shareholders+%E2%96%BA+Partners&hl=en&gl=pk&pid=bl&srcid=ADGEESjwoFyS1Dzi9WGjTHkzjZv0JOLsWXMif-](http://docs.google.com/viewer?a=v&q=cache:BM9A_5IRqYsJ:www.imsciences.net/uploads/second-semester/ENT9-The%2520Organizational%2520Plan.ppt+Which+one+of+the+following+has+NO+liability+on+the+part+of+entrepreneur+business%3F+%E2%96%BA+Board+of+directors+%E2%96%BA+Board+of+advisors+%E2%96%BA+Shareholders+%E2%96%BA+Partners&hl=en&gl=pk&pid=bl&srcid=ADGEESjwoFyS1Dzi9WGjTHkzjZv0JOLsWXMif-GtzL2vwGHHVBLA_JLKzo0XSEbR7eJZGJ3CDaTgXS_96Tw0clUixjder0WMRD6GfzA7K-fW5CyrMegfMMubxKCPvS8s9EOtotR2jMd2&sig=AHIEtbQzD1VCVm-QCELWtxeWNEpXwXopZw)

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[fW5CyrMegfMMubxKCPvS8s9EOtotR2jMd2&sig=AHIEtbQzD1VCVm-QCELWtxeWNEpXwXopZw](http://docs.google.com/viewer?a=v&q=cache:BM9A_5IRqYsJ:www.imsciences.net/uploads/second-semester/ENT9-The%2520Organizational%2520Plan.ppt+Which+one+of+the+following+has+NO+liability+on+the+part+of+entrepreneur+business%3F+%E2%96%BA+Board+of+directors+%E2%96%BA+Board+of+advisors+%E2%96%BA+Shareholders+%E2%96%BA+Partners&hl=en&gl=pk&pid=bl&srcid=ADGEESjwoFyS1Dzi9WGjTHkzjZv0JOLsWXMif-GtzL2vwGHHVBLA_JLKzo0XSEbR7eJZGJ3CDaTgXS_96Tw0clUixjder0WMRD6GfzA7K-fW5CyrMegfMMubxKCPvS8s9EOtotR2jMd2&sig=AHIEtbQzD1VCVm-QCELWtxeWNEpXwXopZw) (See the Slide No. 28)

Question No: 23 (Marks: 1) - Please choose one

Which type of Job analysis enlists the qualification of individual?

- ▶ Job Description
- ▶ Job Specification

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- ▶ Job identification
- ▶ All of the above options

Ref: Job specification is defined as “the necessary qualifications to function successfully as the safety officer”. <http://www.usfa.dhs.gov/pdf/efop/efo36390.pdf>

Question No: 24 (Marks: 1) - Please choose one

Which of the following is a written statement that defines the duties, relationships and results expected of anyone in the job?

- ▶ **Job Description**
- ▶ Job Specification
- ▶ Job identification
- ▶ All of the above options

Ref: Job descriptions are written statements that describe the duties, responsibilities, most important contributions and outcomes needed from a position, required qualifications of candidates, and the reporting relationship of a particular job
http://humanresources.about.com/od/jobdescriptions/Job_Descriptions_Free_Samples_Examples.htm

Question No: 25 (Marks: 1) - Please choose one

Before developing the pro forma income statement, the entrepreneur should prepare:

- ▶ Operating budget
- ▶ Capital budget
- ▶ Sales budget
- ▶ **Both operating and capital budgets**

Ref: Before developing the pro forma income statement, the entrepreneur should prepare operating and capital budgets (**Handouts Page No. 75**)

Question No: 26 (Marks: 1) - Please choose one

Which of the following statement provides projections of all operating expenses for each month of the first year?

- ▶ The pro forma balance sheet
- ▶ **The pro forma income statement**
- ▶ The pro forma cash flow statement
- ▶ The actual balance sheet

Ref: The pro forma income statements also provide projections of all operating expenses for each month of the first year. (**Handouts Page No. 78**)

Question No: 27 (Marks: 1) - Please choose one

My money manager software is the example of which of the following?

- ▶ **Accounting software**
- ▶ Marketing software
- ▶ General use software
- ▶ Gaming software

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Ref: Exclusively designed by Jim Coleman Company, the Money Manager Car Wash Accounting System.

Question No: 28 (Marks: 1) - Please choose one

Which of the following is NOT the determinant of entrepreneur's ownership?

- ▶ Equity
- ▶ Cash
- ▶ Debt
- ▶ **None of the given options**

Ref: (Handouts page No. 81)

Question No: 29 (Marks: 1) - Please choose one

Which of the following loan is for a maximum duration of 40 days?

- ▶ Long term loan
- ▶ Straight commercial loan
- ▶ **Instalment loan**
- ▶ Character loan

Ref: Instalment loans.

a. Instalment loans can be obtained by a going venture with a track record of sales and profits.

b. These funds are used to cover working capital needs, usually for 30 to 40 days.

(Handouts Page No. 83)

Question No: 30 (Marks: 1) - Please choose one

Which of the following shows the characteristic of line of credit?

- ▶ Less commonly used
- ▶ **Involvement of commitment fee**
- ▶ Can be replaced with Long term loan
- ▶ Better option for perishable inventory

Ref: a. Lines of credit are the most frequently used.

b. The company pays a "commitment fee" at the start then pays interest on outstanding borrowed funds **(Handouts page no. 83)**

Question No: 31 (Marks: 1) - Please choose one

To what extent does Small Business Administration guarantee if entrepreneur can not pay the loan?

- ▶ 50%
- ▶ 75%
- ▶ **80%**
- ▶ 100%

Ref: SBA guarantees that 80% of the loan will be repaid to the bank by the SBA if the company can't pay. **(Handouts Page No. 85)**

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Question No: 32 (Marks: 1) - Please choose one

Which of the following is a separate entity that involves a partnership of two or more participants?

- ▶ Merger
- ▶ **Joint venture**
- ▶ Corporation
- ▶ Acquisition

Ref: A **joint venture** is a separate entity involving two or more participants as partners. They involve a wide range of partners, including universities, businesses, and the public sector. **(Handouts Page No. 103)**

Question No: 33 (Marks: 1) - Please choose one

In the U.S. joint ventures were first formed for large-scale projects in which of the following options?

- ▶ 1600s
- ▶ 1700s
- ▶ **1800s**
- ▶ 1900s

Ref: In the U.S. joint ventures were first used for large-scale projects in mining and railroads in the 1800s. The largest joint venture in the 1900s was the formation of ARAMCO by four oil companies to develop crude oil reserves in the Middle East. **(Handouts Page No. 103)**

Question No: 34 (Marks: 1) - Please choose one

The purchase of an entire company or part of a company such that it is completely absorbed in purchasing firm is known as:

- ▶ **Acquisition**
- ▶ Integration
- ▶ Joint venture
- ▶ Conglomerate

Ref: **ACQUISITIONS** An acquisition is the purchase of a company or a part of it in such a way that the acquired company is completely absorbed and no longer exists. **(Handouts Page No. 104)**

Question No: 35 (Marks: 1) - Please choose one

Using which of the following, the entrepreneur values the underlying worth of the business based on its assets?

- ▶ **Asset valuation**
- ▶ Owners equity
- ▶ Liquidity ratio
- ▶ Asset turnover

Ref: Using the asset valuation method, the entrepreneur values the underlying worth of the business based on its assets. **(Handouts Page No. 105)**

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Question No: 36 (Marks: 1) - Please choose one

First small industrial state was built in which of the following city of Pakistan?

- ▶ Lahore
- ▶ Gujranwala
- ▶ **Sialkot**
- ▶ Fiasal Abad

Ref: Listen Video Lecture No. 37

Question No: 37 (Marks: 1) - Please choose one

Determining first-mover advantage depends on all of the following, EXCEPT:

- ▶ The stability of the environment surrounding the entry
- ▶ The ability of the entrepreneur to erect barriers to entry and imitation in order to extend the firm's lead time
- ▶ The ability of the entrepreneur to educate customers
- ▶ **The ability of the company to maintain a legal monopoly in the market**

Ref: http://highered.mcgraw-hill.com/sites/0073530328/student_view0/chapter3/web_quizzes.html (See the Question No. 7)

Question No: 38 (Marks: 1) - Please choose one

The penetration growth strategy is all of the following, EXCEPT:

- ▶ Focuses on developing comparable products for the existing market
- ▶ **Relies on creating a new target market share**
- ▶ Expands the firm's product offering with comparable products
- ▶ Encourages more frequent repeat purchases

Ref: http://highered.mcgraw-hill.com/sites/0073530328/student_view0/chapter13/web_quizzes.html (See the Question No.10)

Question No: 39 (Marks: 1) - Please choose one

Which of the following provide(s) the opportunity to increase sales of the existing product?

- ▶ Backward integration
- ▶ **Horizontal integration**
- ▶ Forward integration
- ▶ Forward and backward integration

**Ref: Horizontal integration occurs when a firm enters a new business (either related or unrelated) at the same stage of production as its current operations. For example, Avon's move to market jewelry through its door-to-door sales force involved marketing new products through existing channels of distribution
http://en.wikipedia.org/wiki/Diversification_%28marketing_strategy%29**

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Question No: 40 (Marks: 1) - Please choose one

Decision on, who should be involved in marketing decisions, is part of which of the following?

- ▶ Structure
- ▶ Operational planning
- ▶ **Strategic planning**
- ▶ Environmental analysis

Question No: 41 (Marks: 5)

What is the purpose of a marketing plan? What should be the perspective of time in a marketing plan?

MARKETING PLAN Purpose and Timing of the Marketing Plan

The marketing plan establishes how the entrepreneur will effectively compete and operate in the marketplace. Marketing planning should be an annual activity focusing on decisions related to the marketing mix variables. The marketing plan section should focus on strategies for the first three years of the venture. For the first year, goals and strategies should be projected monthly.

For years two and three, market results should be projected based on longer-term goals.

Preparing an annual marketing plan becomes the basis for planning other aspects of the business.

Question No: 42 (Marks: 5)

Joint venture is one of the oldest forms of the alliance. Comment on this statement

Joint ventures:

Two firms get together and form a third company in which they share the equity.

Joint ventures have been used by entrepreneurs in two situations:

1. When the entrepreneur wants to purchase local knowledge and an established facility.
2. When rapid entry into a market is needed. The keys to success of joint ventures have not been well understood. Reasons for forming a joint venture today are different than those in the past. Originally, joint ventures were used for trading purposes and were one of the oldest ways of transacting business. Joint ventures in the U.S. took the form of vertical joint ventures used by mining concerns and railroads. Motives for the significant increase in the use of joint ventures:
 - a. To share the costs and risks of an uncertain project.
 - b. To gain synergy between the two firms.
 - c. To obtain a competitive advantage.
 - d. To enter markets that pose entrance difficulties.

Question No: 43 (Marks: 10)

Suppose you have started your own venture of audit and taxation firm. An entrepreneur comes in your firm to know about the different tax issues in different

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entities of business. How will you deliver different suggestions?

TAX ATTRIBUTES OF FORMS OF BUSINESS

A. Tax Issues for Proprietorship:

For the proprietorship the IRS treats the business as the individual owner. All income is personal income and the business is not taxed as a separate entity. The proprietorship has some tax advantages compared to the corporation.

- a. There is no double tax on profits.
- b. There is no capital stock tax or penalty for retained earnings.

B. Tax Issues for Partnership:

The partnership's tax advantages and disadvantages are similar to the proprietorship. Limited partnerships can provide unique tax advantages. Both the partnership and proprietorship have a legal identity distinct from the partners, but this identity is only for accounting purposes. The income is distributed based on the partnership agreement, and the owners then report their share as personal income.

C. Tax Issues for Corporation:

The corporation has the advantage of being able to take many deductions not otherwise available. The disadvantage is that dividends are taxed twice. This double taxation can be avoided if the income is distributed as salary. The corporation tax may also be lower than the individual rate.

Question No: 44 (Marks: 10)

Why the firms use bootstrap financing? What are the benefits of having this approach?

Whether this approach minimizes the cost of outside capital?

BOOTSTRAP FINANCING

Bootstrap financing is particularly important at start-up and early years of the venture when capital is more expensive. This type of financing is normally used and important at the start up of the years. Bootstrap financing is using at early years of the project when capital is more costly.

Benefits

- 7- By this project can start smoothly.
- 8- In every project a company needs a finance to start the project therefore this type of financing help to start the project smoothly.
- 9- To handle the project initiation expanses this financing helps a lot.
- 10- In those projects in which advance payment is not involved this financing is required.
- 11- In those projects in which time is a constraint and important factor, this type of financing is used.
- 12- When capital is available then project speed will be faster at start and it helps for smooth completion of project.

Cost of Outside Capital:

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By using this approach cost of the outside capital is reduced and it is easy for a firm to make more profit. Normally cost of outside capital decreases a company capacity to make more money. If outside capital is present then it can decrease the company's flexibility and hinder the creativity of the entrepreneur. Therefore outside capital may cause more trouble and problems in the project. Therefore outside capital only taken after exploring the all internal sources of funds

Outside capital has many costs:

1. It takes time to rise outside capital when the company can least afford the time.
2. Outside capital often decreases a firm's drive to make money.
3. The availability of capital increases the impulse to spend.
4. Outside capital can decrease the company's flexibility and hamper the creativity of the entrepreneur.
5. Outside capital may cause more disruption and problems in the venture than without it.

In spite of these potential problems, an entrepreneur at times needs equity funding.

1. Outside capital should only be sought after all possible internal sources of funds have been explored.
2. When outside funds are obtained, the entrepreneur should not forget the basics of the business

Question No: 45 (Marks: 10)

When and why the Punjab Small Industries Corporation (PSIC) was established?

How it is helpful in promoting small industries?

Punjab Small Industries Corporation (PSIC)

In the province of Punjab PSIC was established in 1972 as an autonomous body for the promotion and development of the small-scale industries in the province. The PSIC covers the critical areas of investment promotion and provision of credits for setting up new industries and modernization of the existing ones. It also promotes the common facility center, technology transfer, guidance, handicrafts development and design facilities.

(a) Financing and Loans

PSIC is providing two types of loans to its clients, working capital and capital investment loans. The maximum limit of loan is RS. 7.5 Lac. There are district officers appointed for monitoring the loan recovery and in the case of unrecoverable loans, they are transferred to the revenue authorities. PSIC has managed to recover 81.6% of all loans given out. Disbursing Rs. 1768.537 million to 6339 units through its 8 regional offices (till 31-02-2001) the debt equity ratio for loan up to Rs. 7.5 Lac is 70:30.

(b) Industrial Estates

PSIC has developed 14 industrial estates in various areas of the Punjab. The costs of land within these industrial states have been subsidized to allow the development of the small-scale sector.

(c) Services and Programs

PSIC has also launched "Rural Industrialization Program" to control unemployment

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and strengthen the marginal household income through stimulation of industrial growth in the urban and rural areas of the Punjab. PSIC has established various types of service centers e.g. metal industries development center, Sialkot, Engineering service centers. Gujranwala, institute of pottery development, Shahdara etc

All Online Quiz & MCQ's after sorting.....

Solved By Hafiz Salman Majeed

Question # 10 of 15 (Start time: 06:43:17 PM) Total Marks: 1

Entrepreneur may start his business by considering following number/s of option/s

Select correct option:

1

2

3

4

Question # 14 of 15 (Start time: 02:23:44 AM) Total Marks: 1

Which of the following is not a form of cash flow financing?

Select correct option:

Line of credit

Inventory loan

Character loan

Installment loan

Question # 3 of 15 (Start time: 01:52:06 AM) Total Marks: 1

Which of the following is the best option for starting the business with equity financing?

Select correct option:

Sole Proprietor

Corporation

Partnership firm

None of the above

Question # 1 of 15 (Start time: 01:36:45 AM) Total Marks: 1

SBA provides:

Select correct option:

Finance without interest

Finance with interest

Guarantees for getting loans

Financing up to 90 % of principal amount

Question # 10 of 15 (Start time: 01:26:39 AM) Total Marks: 1

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Banks are usually reluctant to give loan to the

Select correct option:

Private Limited Companies

Partnership firm

Public Limited Companies

Sole Proprietor

Question # 7 of 15 (Start time: 01:18:04 AM) Total Marks: 1

What is the primary concern of founders who trade equity for capital for their growing venture?

Select correct option:

Capitalization

Investor capabilities

Valuation

Control

Question # 9 of 15 (Start time: 01:19:38 AM) Total Marks: 1

_____ distribute profits to owners through dividends

Select correct option:

Sole Proprietor

General Partnership

Limited Partnership

Corporation

Question # 9 of 15 (Start time: 12:08:36 AM) Total Marks: 1

Directors in corporation are elected by the _____

Select correct option:

Middle Level Managers

Entrepreneur

Shareholders

Low level Managers

Question # 6 of 15 (Start time: 11:57:12 PM) Total Marks: 1

Investors usually prefers the income statement which projects the sales volume of _____ years

Select correct option:

1

2

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3

4

Question # 5 of 15 (Start time: 11:55:48 PM) Total Marks: 1

In a _____, bonds can be used to raise capital.

Select correct option:

Sole Proprietor

General Partnership

Corporation

Limited Partnership

Question # 10 of 15 (Start time: 11:30:35 PM) Total Marks: 1

Capital rising entirely depends on the entrepreneur in which of the following entity?

Select correct option:

Corporation

Sole Proprietorship

Partnership

All of the above

Question # 2 of 15 (Start time: 10:56:14 PM) Total Marks: 1

Which one of the following options has NOT a total taxable entity?

Select correct option:

Minor partner

Limited partner

General partner

All of the given options

Question # 10 of 15 (Start time: 10:59:00 PM) Total Marks: 1

Which of the following is another exit to the equity partnership arrangement?

Select correct option:

Impartial partnership

General partnership

Royalty partnership

Minor partnership

Question # 8 of 15 (Start time: 10:35:24 PM) Total Marks: 1

Which type of Job analysis enlists the qualification of individual?

Select correct option:

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Job Description

Job Specification

Job identification

All of the above options

Question # 9 of 15 (Start time: 10:09:45 PM) Total Marks: 1

Which of the following is the backbone of financial plan?

Select correct option:

Budgeting

Capital

Nature of the business

All of the above options

Question # 9 of 15 (Start time: 09:33:20 PM) Total Marks: 1

Which of the following shows the example of collateral?

Select correct option:

Real State

Shares

Tangible property

All of the given options

Question # 14 of 15 (Start time: 09:35:11 PM) Total Marks: 1

Which of the following cannot be used as basis of loan?

Select correct option:

Worth of the business

Inventory

Fixed asset

All of the above

Question # 8 of 15 (Start time: 09:21:44 PM) Total Marks: 1

Which one of the following is the systematic assembly of all the facts about a job?

Select correct option:

Job Specification

Job Description

Job Identification

Job Analysis

Question # 9 of 15 (Start time: 09:23:05 PM) Total Marks: 1

Which of the following is independently owned and operated and not dominant in its

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field of operation?

Select correct option:

Diversified Organization

International Business

Small Business

Entrepreneurship

Question # 5 of 15 (Start time: 06:54:52 PM) Total Marks: 1

Corporation has _____ Taxation system

Select correct option:

No

Triple

Single

Double

Question # 9 of 15 (Start time: 06:20:01 PM) Total Marks: 1

In which of the following sources the large positive cash flow may need to be invested?

Select correct option:

Long term

Short term

Average term

None of the above options

Question # 9 of 15 (Start time: 05:10:31 PM) Total Marks: 1

Major contribution of export comes from:

Select correct option:

Leather goods

Surgical instrument

Sports goods

All of the given options

Question # 15 of 15 (Start time: 05:12:46 PM) Total Marks: 1

LLC is more flexible than

Select correct option:

S Corporation

Limited Partnership

Sole Proprietor

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All of the above

Question # 1 of 15 (Start time: 02:43:45 AM) Total Marks: 1

There is evidence that an entrepreneur usually has _____ parents.

Select correct option:

Self employed

Discouraged

Non supportive

Strict

Question # 2 of 15 (Start time: 02:44:25 AM) Total Marks: 1

In which of the following year implementation of SBA Financial plan took place?

Select correct option:

1971

1972

1973

1974

Question # 3 of 15 (Start time: 02:45:13 AM) Total Marks: 1

In stage of responsibility allocation process the entrepreneur follows:

Select correct option:

Highly centralized decision making process

Highly decentralized decision making process

Somewhat centralized decision making process

No particular standard

Question # 4 of 15 (Start time: 02:45:29 AM) Total Marks: 1

An ice cream producing company merges with a cotton spinning company this merger is an example of:

Select correct option:

Diversified activity merger

Product extension merger

Market extension merger

Vertical merger

Question # 5 of 15 (Start time: 02:45:45 AM) Total Marks: 1

Foundation companies are formed from:

Select correct option:

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Fashion

Most popular business

A winding up company

Research and development

Question # 7 of 15 (Start time: 02:47:06 AM) Total Marks: 1

The _____ plan should contain control points to ascertain progress.

Select correct option:

Business

Marketing

Financial

Operational

Question # 8 of 15 (Start time: 02:48:28 AM) Total Marks: 1

The intersection of knowledge and a recognized social need to start a product development process is called:

Select correct option:

Iterative synthesis

Product-evolution process

Ordinary innovation

Situation analysis

Question # 9 of 15 (Start time: 02:48:44 AM) Total Marks: 1

A marketing Plan answers the _____ types of questions

Select correct option:

1

2

3

4

Question # 10 of 15 (Start time: 02:48:59 AM) Total Marks: 1

An entrepreneur into the hosiery business found out the reason his hosiery was not selling was due to its color. What could be the best source of this information?

Select correct option:

Supplier

Retailer

Competition

Government bureau

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Question # 11 of 15 (Start time: 02:49:16 AM) Total Marks: 1

A short-term, internal source of funds can be obtained by reducing all of following EXCEPT:

Select correct option:

Short-term assets

Cash

Fixed Assets

Inventory

Question # 12 of 15 (Start time: 02:50:43 AM) Total Marks: 1

An individual's need to be recognized is called:

Select correct option:

Need for independence

Need for affiliation

Need of fame

Need for achievement

Question # 13 of 15 (Start time: 02:50:57 AM) Total Marks: 1

External forces directly affect all of the following EXCEPT:

Select correct option:

Market segmentation strategies

Types of products/services offered

Management structure of organization

Choice of businesses to acquire or sell

Question # 14 of 15 (Start time: 02:51:12 AM) Total Marks: 1

The activities which occur when the new venture is started are called:

Select correct option:

Motivation

Goal orientation

Departure point

Business skills

Question # 15 of 15 (Start time: 02:51:26 AM) Total Marks: 1

Which of the following contains large number of new ideas?

Select correct option:

Files of Patent office

Official Gazette

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Government patent Board

All of the given option

Question # 1 of 15 (Start time: 03:04:13 AM) Total Marks: 1

An entrepreneur doing business within the national border is called:

Select correct option:

International entrepreneurship

Intrapreneurship

Domestic entrepreneurship

Imports

Question # 2 of 15 (Start time: 03:04:34 AM) Total Marks: 1

An entrepreneur is a person who is a:

Select correct option:

Risk taker

Initiator

Actor

All of the given options

Question # 3 of 15 (Start time: 03:04:41 AM) Total Marks: 1

Which of the following number of years a mortgage loan may possibly cover?

Select correct option:

20

30

10

40

Question # 4 of 15 (Start time: 03:06:00 AM) Total Marks: 1

Which of the following plans help to provide an organization chart indicating the lines of authority?

Select correct option:

Physical

Business

Organizational

Marketing

Question # 5 of 15 (Start time: 03:06:23 AM) Total Marks: 1

Which of the following has a contradictory relationship with an individual for being an entrepreneur?

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Select correct option:

His birth order

Parents' social status

Parents' occupation

Relationship with parents

Question # 6 of 15 (Start time: 03:06:59 AM) Total Marks: 1

Which one of the following is the fourth step in the entrepreneurial process?

Select correct option:

Developing successful business ideas

Deciding to become an entrepreneur

Growing the entrepreneurial firm

Moving from an idea to an entrepreneurial firm

Question # 7 of 15 (Start time: 03:07:13 AM) Total Marks: 1

The entrepreneur utilizes the resources through:

Select correct option:

Identifying and evaluating the opportunity

Developing a business plan

Implementing the business plan

Manage the enterprise

Question # 8 of 15 (Start time: 03:07:30 AM) Total Marks: 1

The Marketing Plan section should focus for the strategies of

Select correct option:

First Year

First two years

First Three Years

First four years

Question # 10 of 15 (Start time: 03:08:13 AM) Total Marks: 1

Licensing is a significant marketing strategy to:

Select correct option:

Use intellectual property of others

Pirate others' patents

Grow the business in new markets

Control the costs

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Question # 12 of 15 (Start time: 03:08:46 AM) Total Marks: 1

Following are the important aspects of international success EXCEPT:

Select correct option:

Planning

Diversification

Reporting

Control

Question # 13 of 15 (Start time: 03:09:03 AM) Total Marks: 1

Which of the following grants the owner protection from anyone else making, using and selling the identified innovation?

Select correct option:

Utility patent

Design patent

Plant patent

International patent

Question # 14 of 15 (Start time: 03:09:18 AM) Total Marks: 1

Which of the following contains all backup material that is not included in the text of business plan?

Select correct option:

History of entrepreneur

Financial plan

Appendix

Bibliography

Question # 15 of 15 (Start time: 03:09:40 AM) Total Marks: 1

Following are the types of foreign direct investment EXCEPT:

Select correct option:

Joint venture

Management contracts

Minority interest

Merger

Question # 1 of 15 (Start time: 03:26:42 AM) Total Marks: 1

The transitional disturbance and lack of reform has led to boom black market in:

Select correct option:

China

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Hungary

Singapore

Poland

Question # 2 of 15 (Start time: 03:27:11 AM) Total Marks: 1

Degree of influence and control on other people is called:

Select correct option:

Locus of control

Locomotion of control

Locust of control

Loss of control

Question # 4 of 15 (Start time: 03:27:36 AM) Total Marks: 1

The activity which occurs when the new venture is started are called:

Select correct option:

Motivation

Business skills

Departure point

Goal orientation

Question # 5 of 15 (Start time: 03:27:51 AM) Total Marks: 1

The commitment of administrative domain to the resources is for:

Select correct option:

Periodic intervals

Total amount needed

For certain tasks

For long time

Question # 6 of 15 (Start time: 03:28:12 AM) Total Marks: 1

An actor and a person who managed large project were termed as the entrepreneur in the

Select correct option:

Earliest period

Middle ages

17th century

19th and 20th century

Question # 7 of 15 (Start time: 03:28:33 AM) Total Marks: 1

Which of the following is the previous name of SME?

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Select correct option:

SPCC

SMEDA

SBFC

FMBC

Question # 8 of 15 (Start time: 03:29:16 AM) Total Marks: 1

The evaluation criteria for the new product should include all of the following, EXCEPT:

Select correct option:

Determination of market demand

Determination of the suppliers

Pricing and marketing policies of other competing firms

Product should be profitable

Question # 9 of 15 (Start time: 03:29:35 AM) Total Marks: 1

Which of the following is NOT a requirement of Disclosure Document?

Select correct option:

Description of the invention

Claims for invention's usefulness

Photos of invention

Cover letter

Question # 11 of 15 (Start time: 03:30:02 AM) Total Marks: 1

Why should an entrepreneur do a feasibility study?

Select correct option:

To see if there are possible barriers to success

To identify possible sources of funds

To estimate the expected sales

To explore potential customers

Question # 12 of 15 (Start time: 03:30:19 AM) Total Marks: 1

The startups which rarely go public are called:

Select correct option:

Life style

Foundation Company

Small company

High potential venture

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Question # 14 of 15 (Start time: 03:30:47 AM) Total Marks: 1

Which one of the following culture that has a climate and reward system that favor conservative decision making?

Select correct option:

Entrepreneurial

Intrapreneurial

Corporate

None of the given options

Question # 15 of 15 (Start time: 03:31:13 AM) Total Marks: 1

Which one of the following is the main problem for the entrepreneur in the beginning?

Select correct option:

Lack of experience

Limited resources

Lack of education

None of the given options

Question # 1 of 15 (Start time: 03:37:23 AM) Total Marks: 1

A Focus Group mainly consists of a sample of

Select correct option:

8-10 People

10-12 People

12-14 People

14-16 People

Question # 3 of 15 (Start time: 03:37:58 AM) Total Marks: 1

Lenders are primarily interested in the:

Select correct option:

Personal relationship

Ability to pay back loan

Progress of the venture

No concern

Question # 4 of 15 (Start time: 03:38:29 AM) Total Marks: 1

Selling goods to another country through a person in the entrepreneur's home country is known as:

Select correct option:

Trading

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Direct export

Indirect export

Domestic sales

Question # 5 of 15 (Start time: 03:38:44 AM) Total Marks: 1

The person with capital was differentiated from the one who needed the capital in the:
Select correct option:

Middle ages

17th century

18th century

20th century

Question # 6 of 15 (Start time: 03:39:06 AM) Total Marks: 1

The most sensitive plan in the business plan is?

Select correct option:

Operational Plan

Production Plan

Marketing Plan

Financial Plan

Question # 7 of 15 (Start time: 03:39:34 AM) Total Marks: 1

Which one of the following is NOT an intrapreneurial leadership characteristic?

Select correct option:

Understands environment

Encourage the team work

Not flexible

Persistent

Question # 8 of 15 (Start time: 03:39:50 AM) Total Marks: 1

A patent is granted for a specified amount of time because of the assumption:

Select correct option:

That during this time firm will cover its development costs

That firm will earn a sufficient profit during this period

To limit the monopoly of the firm

That it will stimulate idea and development of a better product

Question # 9 of 15 (Start time: 03:40:05 AM) Total Marks: 1

On the part of entrepreneur which of the following has/ have a great concern to the
Investors

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Select correct option:

Experience

Commitment

Knowledge

All of the above

Question # 10 of 15 (Start time: 03:40:33 AM) Total Marks: 1

Which one of the following is NOT an internal factor?

Select correct option:

New technology

Manufacturing

Marketing

Personnel

Question # 11 of 15 (Start time: 03:41:35 AM) Total Marks: 1

Which of the following would be an advantage of starting a new business over acquisition?

Select correct option:

Established customer base

Customer response to location

Existing employees

All of the above

Question # 12 of 15 (Start time: 03:43:06 AM) Total Marks: 1

The entrepreneur must possess the abilities:

Select correct option:

Creative

Conceptualization

Understanding environment

All of the given options

Question # 13 of 15 (Start time: 03:43:22 AM) Total Marks: 1

Good entrepreneurs are usually from families which are:

Select correct option:

Landlords

Capitalists

Can be from any family with supportive parents

Conservative parents

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Question # 14 of 15 (Start time: 03:43:29 AM) Total Marks: 1

Which of the following statements about the intreprenurial climate is (are) true?

Select correct option:

Trial and error are discouraged.

Resources of the firm need to be available and easily accessible

A multidisciplinary approach is discouraged.

Failures are not allowed

Question # 1 of 15 (Start time: 03:51:39 AM) Total Marks: 1

The former USSR received technology and syrup from Pepsi and provided it with Soviet vodka and rights to distribute it in the US. This is an example of:

Select correct option:

Economic development

Barter system

Balance of payment

International trade

Question # 2 of 15 (Start time: 03:51:51 AM) Total Marks: 1

The combining of two or more independent bodies into a single body is known as:

Select correct option:

Joint venture

Merger

Rivalry

Protectionist attitudes

Question # 3 of 15 (Start time: 03:52:08 AM) Total Marks: 1

Which one of the following has NO liability on the part of entrepreneur business?

Select correct option:

Partners

Board of advisors

Shareholders

Board of directors

Question # 4 of 15 (Start time: 03:53:34 AM) Total Marks: 1

Which one of the following is the first step in the entrepreneurial process?

Select correct option:

Developing successful business ideas

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Deciding to become an entrepreneur

Growing the entrepreneurial firm

Moving from an idea to an entrepreneurial firm

Question # 5 of 15 (Start time: 03:53:49 AM) Total Marks: 1

Developing a new idea through inquiry and testing is called:

Select correct option:

Heuristics

Forced relationship

Scientific method

Value analysis

Question # 7 of 15 (Start time: 03:54:16 AM) Total Marks: 1

Selling goods to another country by taking care of transactions is called:

Select correct option:

Indirect exporting

Direct exporting

Importing

Management contract

Question # 9 of 15 (Start time: 03:54:43 AM) Total Marks: 1

For the success of business plan the goals should be

Select correct option:

Limitless

Generalized

Specific

Imaginary

Question # 10 of 15 (Start time: 03:55:05 AM) Total Marks: 1

Generally, male entrepreneurs start their first venture in the age of:

Select correct option:

Late 20s

Early 30s

Late 30s

Early 40s

Question # 11 of 15 (Start time: 03:55:13 AM) Total Marks: 1

Which of the following are the key factors for choosing the type of financing?

Select correct option:

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Availability of funds
Assets of the venture
Prevailing interest rates

All of the above options

Question # 12 of 15 (Start time: 03:55:48 AM) Total Marks: 1

A contract must be signed by:

Select correct option:

At least one party

Both the parties

Not necessary to sign

By third party

Question # 13 of 15 (Start time: 03:55:55 AM) Total Marks: 1

Which of the following can not be covered under the copyright protection?

Select correct option:

Computer software

Computer hardware

Poems and songs

Models and sculpture

Question # 14 of 15 (Start time: 03:56:02 AM) Total Marks: 1

_____ is required if a company wants to be more flexible in adopting changes.

Select correct option:

Management commitment

Contact with customers

Technology

More productivity

Question # 15 of 15 (Start time: 03:56:17 AM) Total Marks: 1

Which of the following factors does not affect a person for being an entrepreneur?

Select correct option:

Work history

Nationality

Education

Personal values

Question # 1 of 15 (Start time: 04:48:59 PM) Total Marks: 1

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Sales revenue of the internet based business can be projected from the:
Select correct option:

Number of customers

Number of Hits

Number of clicks

All of the above options

Question # 2 of 15 (Start time: 04:49:37 PM) Total Marks: 1

The assessment of the needed resources by the entrepreneur starts with:
Select correct option:

An appraisal of the entrepreneur's present resources

An assessment of economic conditions of the country

A scanning of friends and family for funds

A survey of banks and other financial institutions in the area

Question # 4 of 15 (Start time: 04:49:58 PM) Total Marks: 1

Which of the following is NOT followed in brainstorming?
Select correct option:

Criticism is done by the group members

The wilder idea is better

Quantity of ideas is required

The session should be fun, with no one dominating the discussion

Question # 5 of 15 (Start time: 04:50:17 PM) Total Marks: 1

Which of the following firm achieves modest growth:
Select correct option:

High potential growth firm

Foundation firm

Life style

Public company

Question # 7 of 15 (Start time: 04:50:40 PM) Total Marks: 1

In an international perspective, which of the following decisions are NOT covered under strategic planning of an entrepreneur?
Select correct option:

What are unique characteristics of each market?

Who should be involved in marketing decisions?

What customer benefits are provided by the product?

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What are the company's major strengths and weaknesses?

Question # 9 of 15 (Start time: 04:51:08 PM) Total Marks: 1

The _____ plan describes how the product will be distributed and priced.

Select correct option:

Financial

Production

Venture

Marketing

Question # 11 of 15 (Start time: 04:51:47 PM) Total Marks: 1

Members of distribution channels are excellent sources for new ideas because:

Select correct option:

They are familiar with the needs of the market

They earn a handsome profit from new business

They do not bother if entrepreneur bears a loss

They have well-developed sales force

Question # 12 of 15 (Start time: 04:52:06 PM) Total Marks: 1

Gazelles are the firms with:

Select correct option:

High growth rate

Moderate growth rate

Zero% growth rate

Low growth rate

Question # 14 of 15 (Start time: 04:52:30 PM) Total Marks: 1

Which of the following budget is required for the purchase of new equipment?

Select correct option:

Sales Budget

Operational Budget

Capital Budget

Manufacturing Budget

Question # 4 of 15 (Start time: 03:39:48 PM) Total Marks: 1

The longest lasting trade agreement with the objective of liberalizing trade by eliminating or reducing tariffs, subsidies and quotas is:

Select correct option:

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Free trade area – FTA

European community – EC

General agreement on tariffs and trade – GATT

The North American free trade agreement – NAFTA

Question # 5 of 15 (Start time: 03:40:41 PM) Total Marks: 1

Which of the following techniques is an excellent method for initially screening ideas and concepts in addition to generating new ideas?

Select correct option:

Focus group

Problem inventory analysis

Brain storming

Reverse brainstorming

Question # 6 of 15 (Start time: 03:41:45 PM) Total Marks: 1

Individuals influencing an entrepreneur's career choice and style are known as:

Select correct option:

Role model

Moral-support network

Professional support network

Support system

Question # 7 of 15 (Start time: 03:42:57 PM) Total Marks: 1

Which one of the following is not a source of idea generation?

Select correct option:

Consumers

Brain storming

Focus group

None of the given options

Question # 8 of 15 (Start time: 03:44:11 PM) Total Marks: 1

Which of the following gives the owners a negative right, preventing anyone from making, using, or selling the invention?

Select correct option:

Patent

Copyright

Trade mark

Trade secret

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Question # 9 of 15 (Start time: 03:44:55 PM) Total Marks: 1

Targeting the market consists of _____ Procedures

Select correct option:

1

2

3

4

Question # 10 of 15 (Start time: 03:46:11 PM) Total Marks: 1

In Focus group discussion carries in

Select correct option:

Formal Way

Informal Way

Both of the above

Problematic Way

Question # 11 of 15 (Start time: 03:47:29 PM) Total Marks: 1

Which one of the following is a sound strategic option for an entrepreneur when synergy is present?

Select correct option:

Merger

Joint venture

Minority interest

Majority interest

Question # 15 of 15 (Start time: 03:51:15 PM) Total Marks: 1

Which of the following is NOT a characteristic of an entrepreneur?

Select correct option:

Need for independence

Need for affiliation

Need for achievement

Risk taking

Question # 1 of 15 (Start time: 07:11:52 PM) Total Marks: 1

Front level managers have _____ Skill

Select correct option:

Conceptual

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Communicational

Technical

All of the above

Question # 2 of 15 (Start time: 07:13:02 PM) Total Marks: 1

Which one of the following is important for international business to avoid trade barriers?
Select correct option:

Protectionist attitude

Entrepreneurial partnering

Free trade areas

None of the given options

Question # 3 of 15 (Start time: 07:13:46 PM) Total Marks: 1

According to the governing bodies of common laws, the life of trade secret is:
Select correct option:

12 years

17 years

20 years

As long as it remains confidential

Question # 5 of 15 (Start time: 07:14:45 PM) Total Marks: 1

Which one of the Following is the way by which an entrepreneur can enter into international business?
Select correct option:

Export

Non equity arrangements

Direct foreign investment

All of the given options

Question # 6 of 15 (Start time: 07:15:29 PM) Total Marks: 1

Which of the following areas are preferred by women entrepreneurs?
Select correct option:

Administration

Utilities

Manufacturing

None of the above

Question # 7 of 15 (Start time: 07:16:01 PM) Total Marks: 1

Which one of the following gives suggestions for new product but also helps to market

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new product in the market?

Select correct option:

Existing products and services

Distribution channels

Federal government

Consumers

Question # 8 of 15 (Start time: 07:16:30 PM) Total Marks: 1

The most important characteristic of a successful business website is::

Select correct option:

Speed

Innovation

Graphics

Products

Question # 10 of 15 (Start time: 07:17:39 PM) Total Marks: 1

The creative process for problem solving that involves making the strange familiar in first step and then making the familiar strange through personal, direct or symbolic analogy is called:

Select correct option:

Synectics

Gordon method

Checklist method

Scientific method

Question # 11 of 15 (Start time: 07:18:15 PM) Total Marks: 1

GATT is established in 1947, under:

Select correct option:

Japan leadership

China leadership

U.S. leadership

U.K. leadership

Question # 13 of 15 (Start time: 07:19:14 PM) Total Marks: 1

Health insurance premium is less expensive if there is:

Select correct option:

One insured participants

Ten participants

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Large group of participants

Very small group of participants

Question # 14 of 15 (Start time: 07:19:44 PM) Total Marks: 1

Which one of the following best represents the environment of an entrepreneurial oriented organization?

Select correct option:

Corporate culture

Entrepreneurial culture

Intrapreneurial culture

Traditional culture

Question # 2 of 15 (Start time: 11:36:12 AM) Total Marks: 1

Which one of the following should NOT include in the introductory page of business plan?

Select correct option:

Names and addresses of business

The name of entrepreneurs

Executive summary

Amount of financing needed

Question # 4 of 15 (Start time: 11:37:54 AM) Total Marks: 1

Which of the following is alternatively called corporate venturing?

Select correct option:

Entrepreneurship

Intrapreneurship

Act of stating a new venture

Offering new products by an existing company

Question # 5 of 15 (Start time: 11:38:49 AM) Total Marks: 1

Andrew Carnegie is an example of entrepreneur of which century:

Select correct option:

Earliest period

19th and 20th century

Middle ages

17th century

Question # 7 of 15 (Start time: 11:40:26 AM) Total Marks: 1

The business plan should be prepared by:

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Select correct option:

Entrepreneurs

Consultants

Engineers

Small business administration services

Question # 10 of 15 (Start time: 11:42:25 AM) Total Marks: 1

Which of the following factors has allowed small companies to act like they are big ones?

Select correct option:

Competition

Economic development

Technology

Customers

Question # 11 of 15 (Start time: 11:43:19 AM) Total Marks: 1

Which two work environments should be good for spawning the new enterprises?

Select correct option:

Finance and marketing

Finance and R&D

Marketing and R&D

Marketing and IT

Question # 13 of 15 (Start time: 11:44:55 AM) Total Marks: 1

Which of the following is NOT an example of collecting primary data?

Select correct option:

Internet

Focus group

Interview

Observation

Question # 14 of 15 (Start time: 11:46:20 AM) Total Marks: 1

Which one of the following is NOT an external factor?

Select correct option:

New regulations

Competition

Social changes

Manufacturing

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Question # 15 of 15 (Start time: 11:47:30 AM) Total Marks: 1

Which one of the following is a barriers to new product creation and development?

Select correct option:

Trial and error

Opportunity parameter

Opportunity cost

Intrapreneurship culture

Question # 4 of 15 (Start time: 06:32:59 AM) Total Marks: 1

In terms of chronological age, most entrepreneurs initiate their entrepreneurial carrier between ages of:

Select correct option:

15 and 22

22 and 45

45 and 57

57 and 63

Question # 6 of 15 (Start time: 06:33:28 AM) Total Marks: 1

_____ is not complete without describing the venture's form of ownership.

Select correct option:

Marketing plan

Financial plan

Business plan

Organizational plan

Question # 8 of 15 (Start time: 06:34:56 AM) Total Marks: 1

Which one of the following is a method for obtaining new ideas and solutions by focusing on problems?

Select correct option:

Product inventory analysis

Gordon method

Checklist method

Scientific method

Question # 9 of 15 (Start time: 06:35:29 AM) Total Marks: 1

A _____ is also essential if a new venture is a manufacturing concern.

Select correct option:

Market analysis

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Operations plan

Bank loan

Organizational plan

Question # 12 of 15 (Start time: 06:38:06 AM) Total Marks: 1

Which of the following geographical area is having least interest to U.S. entrepreneurs?

Select correct option:

Europe

The Far East

Central Asia

Transition economies

Question # 1 of 15 (Start time: 04:14:11 PM) Total Marks: 1

Which one of the following is NOT a condition of a contract?

Select correct option:

An offer is made

An acceptance of offer

Contract must be illegal

Consideration is given

Question # 2 of 15 (Start time: 04:14:27 PM) Total Marks: 1

Which of the following receives highest investment?

Select correct option:

High potential venture

Foundation firm

Life style

Public company

Question # 4 of 15 (Start time: 04:15:01 PM) Total Marks: 1

Which of the following is/are a source of idea generation?

Select correct option:

Consumers

Federal government

Brain storming

All of the above

Question # 7 of 15 (Start time: 04:15:41 PM) Total Marks: 1

The difference between the value of a country's imports and exports over time is called:

Select correct option:

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Deficit exports

Deficit imports

Balance of payment

Balance of debt

Question # 5 of 15 (Start time: 04:29:43 PM) Total Marks: 1

The product life cycle starts with which stage of product planning and development process?

Select correct option:

Test marketing stage

Product development stage

Commercialization stage

Product planning and development process is a part of product life cycle

Question # 8 of 15 (Start time: 04:30:22 PM) Total Marks: 1

The importance of intellectual property should be understood by entrepreneur even before:

Select correct option:

Hiring a manager

Engaging an attorney

Developing a product

Establishing new venture

Question # 10 of 15 (Start time: 04:30:58 PM) Total Marks: 1

Which one of the following should consider in economy while conducting environmental analysis?

Select correct option:

GNP

Disposable income

Unemployment

Channel of distribution

Question # 11 of 15 (Start time: 04:32:13 PM) Total Marks: 1

“What the entrepreneur hopes to accomplish” includes in the

Select correct option:

Vision statement

Mission Statement

Goal Statement

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All of the above

Question # 3 of 15 (Start time: 05:03:56 PM) Total Marks: 1

The resistance of employees in an organization against flexibility, growth, and diversification can be overcome by developing:

Select correct option:

Entrepreneurship

Intrapreneurship

Managerial domain

Administrative domain

Question # 5 of 15 (Start time: 05:04:41 PM) Total Marks: 1

A typical inventor is usually _____.

Select correct option:

Highly creative & in love with the invention

Does not encourage change

Willing to modify the invention in order to augment commercial benefit

None of the given options

Question # 13 of 15 (Start time: 05:07:18 PM) Total Marks: 1

Which one of the following contracts should be in written?

Select correct option:

Real estates

Lease

Rentals

All of the given options

Question # 15 of 15 (Start time: 05:08:16 PM) Total Marks: 1

Idea of new product is tested in potential consumers to determine consumer acceptance at _____ stage.

Select correct option:

Concept

Product development

Test marketing

Commercialization

Question # 2 of 15 (Start time: 05:39:47 PM) Total Marks: 1

Which one of the factors should be considered while assessing the space for business?

Select correct option:

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Parking

Access from roadways to facility

Delivery rates

All of the given options

Question # 4 of 15 (Start time: 05:41:25 PM) Total Marks: 1

Being one's own boss is a need of:

Select correct option:

Independence

Achievement

Affiliation

Authority

Question # 5 of 15 (Start time: 05:41:46 PM) Total Marks: 1

Female entrepreneurs differ from male entrepreneurs in terms of following EXCEPT:

Select correct option:

Motivation

Business skills

Departure point

Goal orientation

Question # 9 of 15 (Start time: 05:42:55 PM) Total Marks: 1

Which of the following is NOT a characteristic of a marketing plan?

Select correct option:

It should be flexible

It should be long and detailed

It should be based on facts and valid assumptions

It should provide a strategy

Question # 11 of 15 (Start time: 05:44:22 PM) Total Marks: 1

The decision to start a new business is taken when one perceives that forming a new business is:

Select correct option:

Possible

Desirable

Accurate

Both a and b

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Question # 4 of 15 (Start time: 06:44:37 PM) Total Marks: 1

In some countries, point of purchase displays is not allowed in retail stores. Such differences are studied by international entrepreneurs under _____ environment.
Select correct option:

- Economic
- Political
- Cultural**
- Technological

Question # 2 of 15 (Start time: 07:24:22 PM) Total Marks: 1

The difference in the entrepreneurial and managerial domains has contributed towards an increase interest in:
Select correct option:

- Forming new firms
- Partnership
- Intrapreneurship**
- Private firms

Question # 11 of 15 (Start time: 07:28:22 PM) Total Marks: 1

Which of the following is included in the description of the business?
Select correct option:

- Location
- Products offered
- History
- All of the given options**

Question # 4 of 15 (Start time: 07:36:21 PM) Total Marks: 1

Which one of the following is the process of entrepreneurs developing new products that over time make current products obsolete?
Select correct option:

- Creative destruction**
- New business model
- Anatomization
- None of the given options

Question # 13 of 15 (Start time: 07:39:12 PM) Total Marks: 1

Which of the following is used by entrepreneurs to acquire experience in an international market before making a major commitment?
Select correct option:

- Merger

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Joint venture

Minority interest

Majority interest

Question # 15 of 15 (Start time: 07:39:59 PM) Total Marks: 1

Which of the following factors does not affect a person for being an entrepreneur?

Select correct option:

Family background

Education

Personal values

Gender

Question # 2 of 15 (Start time: 07:51:57 PM) Total Marks: 1

Which one of the following is an important source of idea generation due to their familiarity with the needs of market?

Select correct option:

Existing products and services

Distribution channels

Federal government

Consumers

Question # 8 of 15 (Start time: 07:54:00 PM) Total Marks: 1

All of the following are essential to maintain secrecy EXCEPT:

Select correct option:

Train employees to refer sensitive questions to one person

Discuss business in public places

Provide escorts for all office visitors

Use simple security such as locked file cabinets

Question # 3 of 15 (Start time: 08:08:56 PM) Total Marks: 1

Which one of the following is NOT included in four C's evaluation by lender?

Select correct option:

Character

Cost

Continuity

Contribution

Question # 11 of 15 (Start time: 08:13:08 PM) Total Marks: 1

Which one the following is the uncontrollable factor in international trade?

Select correct option:

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Economic

Cultural

Technological

All of the given options

Question # 2 of 15 (Start time: 08:19:31 PM) Total Marks: 1

Which one of the following system is necessary for expansion and elimination of intrapreneurial units?

Select correct option:

Management

Evaluation

Reward

Training

Question # 5 of 15 (Start time: 08:20:28 PM) Total Marks: 1

Government can help in forming new venture by providing:

Select correct option:

Finance

Technology

Infrastructure

Subsidiaries

Question # 6 of 15 (Start time: 08:20:42 PM) Total Marks: 1

The entrepreneur's _____ depends on his perception of the opportunity.

Select correct option:

Commitment to opportunity

Commitment of resources

Control of resources

Strategic orientation

Question # 7 of 15 (Start time: 08:21:23 PM) Total Marks: 1

The marketing perspective of business plan considers the venture through the eyes of:

Select correct option:

Investor

Customer

Entrepreneur

Marketing manager

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Question # 13 of 15 (Start time: 08:32:53 PM) Total Marks: 1

When the multiplicity of environments become too complex to handle, the international entrepreneurs often _____

Select correct option:

Go for mergers

Diversify

Decentralize operations

Sale out the foreign business

Question # 15 of 15 (Start time: 08:33:37 PM) Total Marks: 1

Which of the following is NOT essential part of the contract?

Select correct option:

All the parties involved should be named

Transaction should be described in detail

Obtain signatures of the persons involved

Place where contract takes place

Question # 12 of 15 (Start time: 08:40:47 PM) Total Marks: 1

All of the following are the broad categories of External forces EXCEPT:

Select correct option:

Economic forces

Socioeconomic forces

Technological forces

Competitive forces

Question # 15 of 15 (Start time: 08:41:37 PM) Total Marks: 1

Which one of the following insurance is required by law?

Select correct option:

Life insurance

Property insurance

Disability and vehicle coverage

Health care coverage

Question # 4 of 15 (Start time: 08:49:19 PM) Total Marks: 1

Professional support network includes following EXCEPT:

Select correct option:

Personal affiliations

Mentor

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Trade associations

Friends

Question # 15 of 15 (Start time: 08:52:03 PM) Total Marks: 1

The resources acquired from others (creditors, banks etc) are usually:

Select correct option:

Easily available

Difficult to obtain

Very useful

Very cheap

Question # 4 of 15 (Start time: 09:07:03 PM) Total Marks: 1

The chief motivational factor for _____ entrepreneurs to leave jobs is the frustration of not being allowed to perform at the level of which they are capable.

Select correct option:

Male

Female

Young

All of the given options

Question # 5 of 15 (Start time: 09:07:27 PM) Total Marks: 1

There is an evidence that an entrepreneur usually has _____ parents.

Select correct option:

Self employed

Discouraged

Non supportive

Strict

Question # 6 of 15 (Start time: 09:07:39 PM) Total Marks: 1

Which one of the following is the next stage to the Concept Stage of Product Planning and Development Process?

Select correct option:

Idea Stage

Product Planning Stage

Product Development Stage

Test Marketing Stage

Question # 15 of 15 (Start time: 09:10:01 PM) Total Marks: 1

The _____ plan shows whether the business plan is economically feasible or not.

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Select correct option:

Financial

Business

Economic

Marketing

Question # 4 of 15 (Start time: 09:15:02 PM) Total Marks: 1

Which one of the following is required to develop a good team for creating something new?

Select correct option:

Relationship with team members

Open discussion

Non flexible behavior

Discouragement of team member's ideas

Question # 5 of 15 (Start time: 09:32:40 PM) Total Marks: 1

_____ Process of creating incremental wealth is called Entrepreneurship.

Select correct option:

Dynamic

Static

Continuous

Systematic

Question # 2 of 15 (Start time: 09:39:02 PM) Total Marks: 1

Which of the following is essential if your business deals with the Paper production?.

Select correct option:

Operational Plan

Bank loan

Production plan

Organizational plan

Question # 11 of 15 (Start time: 09:42:34 PM) Total Marks: 1

Which of the following has not yet been empirically established as a distinguishing characteristic of entrepreneurs?

Select correct option:

Locus of control

Feeling about independence

Need for achievement

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Risk taking

Question # 14 of 15 (Start time: 11:12:29 PM) Total Marks: 1

Factors contribute to the creation of new venture EXCEPT:

Select correct option:

Government

Finance

High interest rates

Role models

Question # 1 of 15 (Start time: 11:17:28 PM) Total Marks: 1

What is a target market?

Select correct option:

A group of customers a venture reaches by accident

All consumers who purchase the venture's product

A specific group of potential customers toward which a venture aims its marketing plan

A chain of discount stores

Question # 5 of 15 (Start time: 11:18:44 PM) Total Marks: 1

Which one of the following is NOT the problem in developing the economies of different under developed countries ?

Select correct option:

Gap of knowledge

Variable rate of return

Same communication style

Different accounting system

Question # 8 of 15 (Start time: 11:25:31 PM) Total Marks: 1

Moral support network includes following EXCEPT:

Select correct option:

Spouses

Friends

Business associates

Relatives

Question # 10 of 15 (Start time: 11:35:29 PM) Total Marks: 1

Which of the following is the most important for the entrepreneur, while starting a new venture, to make an assessment of?

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Select correct option:

Risk

Profit

Market

Competitors

Question # 1 of 15 (Start time: 11:58:05 PM) Total Marks: 1

According to McClelland's need theory, entrepreneurs possess which of the following needs?

Select correct option:

Need for achievement

Need for power

Need for affiliation

Need for esteem

Question # 4 of 15 (Start time: 11:58:33 PM) Total Marks: 1

Entrepreneurial success has been significant because of the culture and the political and economic systems in _____.

Select correct option:

European countries

Asian countries

Transition economies

Middle East

Question # 11 of 15 (Start time: 11:59:23 PM) Total Marks: 1

Following are the types of non-equity arrangements EXCEPT:

Select correct option:

Licensing

Management contracts

Direct export

Turnkey projects

Question # 6 of 15 (Start time: 12:03:50 AM) Total Marks: 1

Which of the following is a more structured method of problem solving, including principles and rules for concept formation, making observations and experiments, and finally validating the hypothesis?

Select correct option:

Scientific method

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Heuristics

Attribute listing

Value analysis

Question # 9 of 15 (Start time: 12:15:05 AM) Total Marks: 1

The entrepreneur was distinguished from capital provider in:

Select correct option:

18th century

17th century

19th and 20th century

Middle ages

Question # 7 of 15 (Start time: 12:29:42 AM) Total Marks: 1

Which statement of the following relates with the ultimate goal of Business

Select correct option:

Profit Statement

Goal Statement

Mission Statement

Vision Statement

Question # 10 of 15 (Start time: 03:22:50 AM) Total Marks: 1

Which one of the following makes formation of new ventures within a corporate structure difficult?

Select correct option:

Lack of intrapreneurial talent

Lack of freedom to make autonomous decisions

Lack of market opportunity

Lack of knowledge

FINAL TERM EXAMINATION

fall 2008

MGT602- Entrepreneurship (Session - 2)

Marks: 80

Solved By Kamran Haider

Question No: 1 (Marks: 1) - Please choose one

In some countries, point of purchase displays are not allowed in retail stores. Such differences are studied by international entrepreneurs under _____.

Political Environment

Cultural Environment

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Technological Environment

Economic Environment

Question No: 2 (Marks: 1) - Please choose one

The resources acquired from outsiders(creditors, banks etc) are usually:

Easily available

Difficult to obtain

Very useful

Very cheap

Question No: 3 (Marks: 1) - Please choose one

The difference of the entrepreneurial and managerial domains has contributed towards an increase interest in:

Forming new firms

Partnership

Intrapreneurship

Private firms

Ref: Handouts Page No. 15

Question No: 4 (Marks: 1) - Please choose one

In which of the following business arrangements two companies form a third company?

Merger

Joint ventures

Management contracts

Synergy

Joint ventures (page 31)

Two firms get together and form a third company in which they share the equity.

Question No: 5 (Marks: 1) - Please choose one

Members of distribution channels are excellent sources for new ideas because:

They are familiar with the needs of the market

They earn a handsome profit from new business

They do not bother if entrepreneur bears a loss

They have well-developed sales force

Ref: Distribution Channels: Members of distribution channels are also excellent sources for new ideas because they are familiar with the needs of the market. (See the

Handouts Page No. 39)

Question No: 6 (Marks: 1) - Please choose one

A patent is granted for a specified amount of time because of the assumption:

That during this time firm will cover its development costs

That firm will earn a sufficient profit during this period

To limit the monopoly of the firm

That it will stimulate idea and development of a better product

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Question No: 7 (Marks: 1) - Please choose one

Which of the followings is NOT followed in brainstorming?

Criticism is done by the group members

The wilder idea is better

Quantity of ideas is required

The session should be fun, with no one dominating the discussion

http://books.google.com.pk/books?id=s01P0agnLPUC&pg=PA138&dq=Which+one+of+the+following+is+a+method+for+obtaining+new+ideas+and+solutions+by+focusing+on+problems?&hl=en&ei=uAzwTLCMA YemcIHtqasK&sa=X&oi=book_result&ct=result&resnum=1&ved=0CCQQ6AEwAA#v=onepage&q=brainstorming&f=false

Question No: 8 (Marks: 1) - Please choose one

The importance of intellectual property should be understood by entrepreneur even before:

Hiring a manager

Engaging an attorney

Developing a product

Establishing new venture

Intellectual property which includes patents, trademarks, copyrights, and trade secrets represent important assets of entrepreneur and should be understood even before engaging the services of an attorney. (page 46)

Question No: 9 (Marks: 1) - Please choose one

How many perspectives should be considered while preparing business plan?

One

Three

Four

Not specific

Ref: Three perspectives need to be considered (Handouts Page No. 54)

Question No: 10 (Marks: 1) - Please choose one

Which one of the following is a section of patent application?

All of the given options

Introduction

Description of business

Claims

(Handouts Page No. 47)

Question No: 11 (Marks: 1) - Please choose one

Following are the types of non-equity arrangements EXCEPT:

Licensing

Management contracts

Direct export

Turnkey projects

Ref: Handouts Page No. 31)

Note: Solve these papers by yourself

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Question No: 12 (Marks: 1) - Please choose one

What is the process by which individuals pursue opportunities without regard to resources they currently control?

Startup management

Entrepreneurship

Financial analysis

Feasibility planning

Ref: Those such as Stevenson, Roberts, and Groesbeck (1989) and Stewart (1989, 1991)

have conceptualized entrepreneurship as a process by which individuals - either on their

own or inside organizations - pursue opportunities without regard to the resources which

they currently

control.[http://www.questia.com/googleScholar.qst;jsessionid=FB2563EB3E2032AE9C4](http://www.questia.com/googleScholar.qst;jsessionid=FB2563EB3E2032AE9C4B43F80F6B0F87.inst2_2b?docId=5002256192)

B43F80F6B0F87.inst2_2b?docId=5002256192

Question No: 13 (Marks: 1) - Please choose one

Which of the following is the most important factor for the entrepreneur, while starting a new venture, to make an assessment of business?

Profit

Risk

Market

Competitors

Assessment of Risk (page 58)

It is important that the entrepreneur make an assessment of risk in the following manner: The entrepreneur should indicate the potential risks to the new venture.

Next should be a discussion of what might happen if these risks become reality.

Finally the entrepreneur should discuss the strategy to prevent, minimize, or respond to these risks. The entrepreneur should also provide alternative strategies should these risk factors occur.

Question No: 14 (Marks: 1) - Please choose one

Bankers say that most businesses fail because of the _____ inability to plan properly.

Investor s

Marketer s

Entrepreneur s

Consultant s

Bankers say that most businesses fail because of the entrepreneur's inability to plan effectively(page 60)

Note: Solve these papers by yourself

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Question No: 15 (Marks: 1) - Please choose one

Through which plan an entrepreneur effectively competes and operates in the marketplace?

Marketing plan

Business plan

Operational plan

Promotion plan

The marketing plan establishes how the entrepreneur will effectively compete and operate in the marketplace.(page 61)

Question No: 16 (Marks: 1) - Please choose one

The discussion among the people in focus group carries in which of the following ways?

Formal Way

Informal Way

Convenient Way

Problematic Way

Focus groups

A focus group is a sample of 10 or 12 potential customers who participate in a discussion. Groups discuss issues in an informal, open format. These groups should be led by an experienced monitor. Experimentation involves control over specific variables in the research process (page 63)

Question No: 17 (Marks: 1) - Please choose one

There are _____ basic legal forms of business.

Two

Three

Four

Five

LEGAL FORMS OF BUSINESS There are three basic legal forms and one new form of businesses. The three basic forms are: a. Proprietorship. b. Partnership. c. Corporation (page 18)

Question No: 18 (Marks: 1) - Please choose one

Which of the following is one of the new forms of business?

Corporation

Proprietorship

Limited liability company

Partnership

A new form is the limited liability company, which is now possible in most states (page 68).

Question No: 19 (Marks: 1) - Please choose one

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The S corporation combines the tax advantages of which one of the following?

Proprietorship and limited liability company

Partnership and corporation

Corporation and limited liability company

Partnership and proprietorship

The S Corporation combines the tax advantages of the partnership and the corporation.(page 72)

Question No: 20 (Marks: 1) - Please choose one

Which of the following method shows the term that is related to starting from scratch to a bigger picture?

Upward movement method

Incremental method

Downward movement method

None of the above options

Question No: 21 (Marks: 1) - Please choose one

What is the primary concern of entrepreneurs, who trade equity for their growing venture?

Control

Valuation

Investor capabilities

Capitalization

Question No: 22 (Marks: 1) - Please choose one

My money manager software is the example of which of the following?

Accounting software

Marketing software

General use software

Gaming software

Question No: 23 (Marks: 1) - Please choose one

Which of the following is the key factor for choosing the type of financing?

Availability of funds

Assets of the venture

Prevailing interest rates

All of the above options

Key factors in choosing the type of financing are availability of funds, assets of the venture, and prevailing interest rates. (page 81)

Question No: 24 (Marks: 1) - Please choose one

In order to manage risk properly, a company must:

Note: Solve these papers by yourself

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Take control of debt

Incur debt to stay in the business

Never incur debt

None of these are true

[http://highered.mcgraw-](http://highered.mcgraw-hill.com/sites/0073102792/student_view0/chapter12/multiple_choice_quiz.html)

[hill.com/sites/0073102792/student_view0/chapter12/multiple_choice_quiz.html](http://highered.mcgraw-hill.com/sites/0073102792/student_view0/chapter12/multiple_choice_quiz.html)

Question No: 25 (Marks: 1) - Please choose one

Which of the following number of years a mortgage loan may possibly cover?

10

20

30

40

Question No: 26 (Marks: 1) - Please choose one

What is the maximum period for which a loan on newly constructed buildings can be guaranteed by Small Business Administration?

10 years

15 years

20 years

25 years

(Handout Page 85)

Question No: 27 (Marks: 1) - Please choose one

Which of the following includes grants from the U.S. government to small technology based businesses?

Small business administration loans

Small business innovation research grant

Research and development limited partnership

Installment loans

(HANDOUT PAGE 87)

Question No: 28 (Marks: 1) - Please choose one

Under Rule 504 of Regulation D, a company can sell up to _____ of securities in any 12-month period.

\$50,000

\$100,000

\$500,000

\$1,000,000

Under Rule 504 a company can sell up to \$500,000 of securities to any number of investors in any 12-month period.

Note: Solve these papers by yourself

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Question No: 29 (Marks: 1) - Please choose one

When did the restructuring of Small Business Finance Corporation done?

1972

1980

1990

2000

(PAGE 93 HANDOUT)

Question No: 30 (Marks: 1) - Please choose one

The Regional Development Finance Corporation was established in:

1972

1985

1998

1966

(HANDOUT PAGE 93)

Question No: 31 (Marks: 1) - Please choose one

Which of the following is the oldest development financing institution?

Small Business Finance Corporation

Khushhali Bank

Regional Development Finance Corporation

Industrial Development Bank of Pakistan

(HANDOUT PAGE 94)

Question No: 32 (Marks: 1) - Please choose one

Recruiting and hiring of new employees may occur at which level?

Entry level

Middle management level

Senior management level

At all three levels

Question No: 33 (Marks: 1) - Please choose one

Which of the following can be used to finance fixed assets?

Short-term debt

Long-term debt

Inventory loans

Installment loans

(page 99)

The entrepreneur may need to borrow funds to finance assets and meet cash needs.

Fixed assets are usually financed by long-term debt borrowed from a bank.

Question No: 34 (Marks: 1) - Please choose one

Which of the following is the most important factor in internet advertising?

Appearing banner ads

Note: Solve these papers by yourself

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Launching pop-ups

Creating website

Online customer service

(HANDOUT PAGE 102)

Question No: 35 (Marks: 1) - Please choose one

In the U.S. joint ventures were first used for large-scale projects in the fields of which one of the following?

Highways and oil resources exploration

Engineering and heavy mechanical industries

Automobile and textile

Mining and railroads

(handouts page 103)

Question No: 36 (Marks: 1) - Please choose one

In which of the following, the venture can have tax advantages?

A negative cash flow

A positive cash flow

At breakeven point

None of the given options

A negative cash flow, signifying the company is losing money, can have tax advantages.(page 105)

Question No: 37 (Marks: 1) - Please choose one

GEF stands for:

Global Execution Fund

Grant Entrepreneur Fund

Global Environmental Fund

Global Enterprises Fund

http://www.all-acronyms.com/cat/4/GEF/Global_Environmental_Fund/1509

Question No: 38 (Marks: 1) - Please choose one

Which of the following statement is TRUE with reference to entrepreneurship thought?

Knowledge is a valuable entrepreneurial resource that is typically learned in a classroom

Experience is idiosyncratic, unique to the life of the individual.

Knowledge based on experience is likely to be learned in a classroom

Financial potential is the basis for a new entry

Question No: 39 (Marks: 1) - Please choose one

Which of the following provide(s) the opportunity to increase sales of the existing product

Backward integration

Horizontal integration

Forward integration

Note: Solve these papers by yourself

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Forward and backward integration

Question No: 40 (Marks: 1) - Please choose one

Conflicts in Management thoughts and Entrepreneur thoughts are resolved by which of the following company?

Unilever

Walls

Volta

Xerox

FINAL TERM EXAMINATION

fall 2008

MGT602- Entrepreneurship (Session - 2)

Marks: 80

Solved By Kamran Haider

Question No: 1 (Marks: 1) - Please choose one

Which of the following factors is the most important in forcing U.S companies to focus on new product development and increased productivity?

Entrepreneurship

Organizational culture

Hyper competition

Governmental laws

(pg 16)

Question No: 2 (Marks: 1) - Please choose one

An entrepreneur doing business within the national border is called:

International entrepreneurship

Intrapreneurship

Domestic entrepreneurship

Imports

(pg 29)

Question No: 3 (Marks: 1) - Please choose one

International entrepreneur's decisions are more complex because of:

Business expansion

Analysis of Huge information is difficult

Complex transactions

Uncontrollable factors

(pg 29)

Question No: 4 (Marks: 1) - Please choose one

It has been observed that usually the entire country is organized under single:

Economic system

Culture

Living standard

Note: Solve these papers by yourself

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Legal environment

Question No: 5 (Marks: 1) - Please choose one

Following are the problems in developing the economies **EXCEPT:**

Gap of knowledge

Variable rate of return

Same communication style

Different accounting system

Question No: 6 (Marks: 1) - Please choose one

Which one of the following countries the entrepreneurial success has been significant because of the culture and the political and economic systems?

European countries

Asian countries

Far East countries

Middle East countries

(pg37)

Question No: 7 (Marks: 1) - Please choose one

Health insurance premium is less expensive if there is:

One insured participants

Ten participants

Large group of participants

Very small group of participants

Question No: 8 (Marks: 1) - Please choose one

Which one of the following may read the business plan?

Employees

Investors

Advisors

All of the given options

(Pg 55)

Question No: 9 (Marks: 1) - Please choose one

Which one of the following receives highest investment?

High potential venture

Foundation firm

Life style

Public company

Ref: High-potential ventures: A venture that has high growth potential and therefore receives great investor interest (**Handouts Page No. 07**)

Note: Solve these papers by yourself

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Question No: 10 (Marks: 1) - Please choose one

Which of the following government can provide for technology transformation?

Information

Finance

Facilities

Subsidiaries

Question No: 11 (Marks: 1) - Please choose one

Which of the following is TRUE for Disclosure Document?

It gives recognition that he was the inventor of the idea in past

It gives recognition that he is the first the inventor of the idea

It gives recognition that he will be the invent an idea in future

It gives recognition that he wants to copy the idea

Ref: This office also administers the Disclosure Document Program, in which the inventor files disclosure of the invention, giving recognition that he or she was the first to develop the idea. (Handouts Page No.47)

Question No: 12 (Marks: 1) - Please choose one

Professional support network includes all of the following EXCEPT:

Personal affiliations

Mentor

Trade associations

Friends

Ref: (Handouts Page No. 26)

Question No: 13 (Marks: 1) - Please choose one

Which of the following plan shows the economically feasibility of business?

Business

Financial

Economic

Marketing

(page 58)

The financial plan determines the investment needed for the new venture and indicates whether the business plan is economically feasible

Question No: 14 (Marks: 1) - Please choose one

Which of the following is NOT among the three perspectives that should be considered in preparing a business plan?

Marketing perspective

Note: Solve these papers by yourself

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Perspective of the entrepreneur

Investor perspective

Technical perspective

Question No: 15 (Marks: 1) - Please choose one

Which of the following is usually included in production plan?

Pricing

Evaluation of the weaknesses of the business

Names of suppliers of raw materials

Flow of orders for goods and/or services

Question No: 16 (Marks: 1) - Please choose one

Which of the following types of data is collected for a specific purpose?

Primary data

Secondary data

Qualitative data

Quantitative data

http://books.google.com/books?id=Zlaf9FX-SqYC&pg=PA440&dq=data+is+collected+for+a+specific+purpose&hl=en&ei=FCERTfjSDcql4AbYy8GGAg&sa=X&oi=book_result&ct=result&resnum=5&ved=0CD0Q6AEwBA#v=onepage&q=data%20is%20collected%20for%20a%20specific%20purpose&f=false

Question No: 17 (Marks: 1) - Please choose one

Which of the following is **NOT** a characteristic of marketing plan?

It should provide a strategy to accomplish the company's mission

It should provide for the use of existing resources

It should be simple and short

It should be rigid

(pg64)

Question No: 18 (Marks: 1) - Please choose one

Which of the following is the simplest approach of gathering primary data?

Interviews

Observations

Surveys

Focus Group

Observation is the simplest approach. Networking is an informal method to gather primary data from experts in the field, can be a valuable low-cost research method.

Question No: 19 (Marks: 1) - Please choose one

There are _____ basic legal forms of business.

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Two

Three

Four

Five

(pg68)

Question No: 20 (Marks: 1) - Please choose one

Which of the following is one of the new forms of business?

Corporation

Proprietorship

Limited liability company

Partnership

Question No: 21 (Marks: 1) - Please choose one

In USA Public Limited Companies may have _____ Director/s

1

2

3

4

Question No: 22 (Marks: 1) - Please choose one

Which of the following represents the shares in borrowing of Large Enterprises in Pakistan?

65%

66%

67%

68%

Question No: 23 (Marks: 1) - Please choose one

Which of the following distributes profits to owners through dividends?

Limited Partnership

General Partnership

Corporation

Sole Proprietor

Question No: 24 (Marks: 1) - Please choose one

In which of the following Common stock is permitted?

C Corporation

S Corporation

Limited Partnership

Sole Proprietor

Question No: 25 (Marks: 1) - Please choose one

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Which one of the following an entrepreneur must develop while preparing a pro forma of sales budget?

Cash flow statement

Balance sheet

Income statement

Statement of retained earnings

Question No: 26 (Marks: 1) - Please choose one

Which one of the following budget is used to provide a basis for evaluating expenditures

that will affect the business for more than a year?

Financial

Capital

Operating

Production

Capital budgets are intended to provide a basis for evaluating expenditures that will impact the business for more than one year.

Question No: 27 (Marks: 1) - Please choose one

Which one of the following has **NO** liability on the part of entrepreneur business?

Board of directors

Board of advisors

Shareholders

Partners

Question No: 28 (Marks: 1) - Please choose one

Which of the following budget is required for the purchase of new equipment?

Manufacturing Budget

Capital Budget

Operational Budget

Sales Budget

A capital budget may project expenditures for new equipment, vehicles, or new facilities.

2. These decisions can include the computation of the cost of capital and the anticipated return on investment using present value methods

Question No: 29 (Marks: 1) - Please choose one

In the preparation of the pro forma income statement, the entrepreneur must have to develop first:

A production budget

A sales budget

An operating budget

Note: Solve these papers by yourself

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A capital budget

in the preparation of the pro forma income statement, the entrepreneur must first develop a sales budget, an estimate of the expected volume of sales by month

Question No: 30 (Marks: 1) - Please choose one

Which among the following ranks the highest in funding options for start ups to finance initial expenses?

Short term loans

Bank loans

Private investors

Credit cards

[http://highered.mcgraw-](http://highered.mcgraw-hill.com/sites/0073530328/student_view0/chapter11/web_quizzes.html)

[hill.com/sites/0073530328/student_view0/chapter11/web_quizzes.html](http://highered.mcgraw-hill.com/sites/0073530328/student_view0/chapter11/web_quizzes.html)

Question#9

Question No: 31 (Marks: 1) - Please choose one

What is the practical maximum limit to the amount of loan guaranteed by Small Business Administration for starting of new venture?

\$ ten thousand

\$ hundred thousand

\$ one million

There is no limit

For most SBA loans, there is no limit to the amount of loan money requested, but there is practical limit of \$1 million.

Question No: 32 (Marks: 1) - Please choose one

All of the following should be followed by entrepreneur for being effective leader, **EXCEPT:**

Show respect for employees

Show concern for employees welfare

Try to do everything himself

Encourage and praise others

(page 97)

Leadership is also influencing and inspiring others in the organization to strive to meet the mission of the venture. Below are some behaviors that can exhibit the leadership qualities necessary for the new venture. Set an example with an ethical set of values for other managers and employees. Show respect and concern for the personal well being of employees. Don't try to do everything yourself. Recognize the diversity of employees and how they should be treated. Encourage and praise others in the organization when deserved. Provide incentives and awards for quality work effort and new ideas. Recognize the importance of employees having fun at their jobs. Be aware of the need for future strategic planning.

Question No: 33 (Marks: 1) - Please choose one

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Advertising and publicity are used to:

Create awareness of the new venture

Communicate with customers

Promote the products

All of the given options

(handout page 102)

Question No: 34 (Marks: 1) - Please choose one

What is the percentage of Pakistani entrepreneurs that have college education?

60%

45%

30%

10%

Question No: 35 (Marks: 1) - Please choose one

In Pakistan, about _____ of the firms start with less than 50,000 investments.

33-50 %

50-66 %

60-80 %

80-95 %

Question No: 36 (Marks: 1) - Please choose one

Which of the following can be used for collateral?

Shares

Tangible property

All of the given options

Real State

(pg55)

Question No: 37 (Marks: 1) - Please choose one

First small industrial state was built in which of the following city of Pakistan?

Lahore

Gujranwala

Sialkot

Fiasal Abad

Question No: 38 (Marks: 1) - Please choose one

All of the following are used to finance the venture in bootstrap financing, **EXCEPT:**

Informal financing transaction

Formal financing transaction

Inexpensive cash method

To cut down the cost related to outside capital

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Question No: 39 (Marks: 1) - Please choose one

Which of the following institute started the LMM financing scheme?

PSIC

SSIC

SIDB

IDBP

(pg 91)

Question No: 40 (Marks: 1) - Please choose one

Which of the following is probably the most prevalent reason for mergers?

Economies of scale

Technological expertise

Increased profits

Product extension

Economies of scale are the most common reason for mergers.

Solved By Kamran Haider

2007 final term

1-Writing business plan can ensure that

a) You achieve your expense projections.

b) You figure out how to make your business work.

c) You meet your target revenue goals.

d) You make a profit.

http://www.va-interactive.com/inbusiness/editorial/bizdev/ibt/business_plan.html

2-Your _____ is a concise communication of your strategy including your business definition and your competitive advantage

a) Target market analysis

b) Mission statement

c) Values statement

d) Business plan

http://www.va-interactive.com/inbusiness/editorial/bizdev/ibt/business_plan.html

3-High-potential ventures are

a) Ventures that have high growth potential and therefore receive great investor's interest

b) Very low growth venture

c) Small ventures that support the owners and usually do not grow

d) None of the mentioned options

(REFERENCE PAGE 7)

Note: Solve these papers by yourself

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4-Inner control (discipline), risk taking, innovativeness, change oriented personality are

- a) Business management skills
- b) Technical skills
- c) Personal entrepreneurial skills**
- d) None of the mentioned options

Personal entrepreneurial skills differentiate an entrepreneur from a manager and include inner control (discipline), risk taking, innovativeness, persistence, visionary leadership, and being change oriented. (page 11)

5-Proactiveness includes

- a) initiative taking
- b) risk taking
- c) competitive aggressiveness
- d) All of the mentioned options**

Proactiveness includes initiative and risk taking, as well as competitive aggressiveness (page 16)

6-Some of the world's greatest entrepreneurs have overcome challenges from their childhood and youth, including:

- a) Learning disabilities
- b) **Extreme poverty (not sure)**
- c) Abuse
- d) All of the mentioned options

7-Entrepreneurs view change as

- a) An opportunity**
- b) An inevitable situation
- c) A problem
- d) None of the above options

[http://books.google.com/books?id=SIkoyuvG4nQC&pg=PA35&dq=Entrepreneurs+view+change+as&hl=en&ei=RgZiTY_AEYHsrQed8NTfAg&sa=X&oi=book_result&ct=resu
lt&resnum=2&ved=0CDEQ6AEwAQ#v=onepage&q=Entrepreneurs%20view%20chang
e%20as&f=false](http://books.google.com/books?id=SIkoyuvG4nQC&pg=PA35&dq=Entrepreneurs+view+change+as&hl=en&ei=RgZiTY_AEYHsrQed8NTfAg&sa=X&oi=book_result&ct=resu
lt&resnum=2&ved=0CDEQ6AEwAQ#v=onepage&q=Entrepreneurs%20view%20chang
e%20as&f=false)

8-Profit is a sign that an entrepreneur has added value to the “scarce” _____ that he or she is using.

- a) Resources**

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- b) Employees
- c) Goods
- d) Ideas

<http://www.google.com/search?tbm=bks&tbo=1&q=Profit+is+a+sign+that+an+entrepreneur+has+added+value+to+the+%E2%80%9Cscarce%E2%80%9D+&btnG=Search+Books#sclient=psy&hl=en&tbo=1&tbs=bks:1&source=hp&q=Profit+is+the+sign+that+an+entrepreneur+has+added+value+to+the+scarce+resources+he+or+she+is+using.+Debbi+Fields+added+value+to+scarce+resources+by+creating+something+&aq=f&aqi=&aql=&oq=&bav=on.1,or.&fp=b5fc6a07c812d0bf>

9-Breakthrough innovations are

- a) A new product with just physical change
- b) A new product with some technological change** (page 5)
- c) Same product with some technological change
- d) None of the mentioned options

1-Combination of at least two firms doing similar businesses at the same level is:
Horizontal Merger (page 32)

Vertical Merger

Product Extension Merger

Diversified Activity Merger

2-A _____ is an entity formed between two or more parties to undertake economic activity together.

Indirect Exporting

Joint Venture (not sure)

Licensing

Entrepreneurship

3-Combination of at least two firms at different market levels is:

Horizontal Merger

Vertical Merger (page 36)

Product Extension Merger

Diversified Activity Merger

4-_____ is a method of developing new ideas when the individuals are unaware of the problem.

Checklist Method

Free Association Method

Gordon Method

Scientific Method

(page 41)

5-A spirit of entrepreneurs must be:

Ethically influenced

Note: Solve these papers by yourself

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Managerial

Voluntary

None of the given option

Sixth the spirit of intrapreneurship cannot be forced on individuals; it must be voluntary. Most managers in a corporation are not capable of being successful intrapreneurs. Those who do emerge from this self selection process must be allowed the latitude to carry a project through to completion. An intrapreneur falls in love with the new venture and will do almost anything to ensure its success.

6-Most of the innovations are:

Iterative Synthesis

Ordinary Innovation

Technological innovations

Breakthrough innovations

Most innovations introduced in the market are **ordinary innovations**, with little uniqueness.

7-The _____ refers to the ways managers make decisions.

Administrative domain

Entrepreneurial domain

Intrapreneurial domain

All of the given options

(page 14)

8-Without _____, the organization will never be able to make the necessary Changes.

Lower Management

Top Management

Middle Management

None of the given options

(page 20)

9-The companies use the technology to make itself:

Faster and Flexible

Faster and Stiff

Inflexible and rigid

All of the given options

A company needs to use technology to make itself faster and more flexible. Technology has allowed small companies to act like they are big ones. Large companies can use technology to make them responsive and flexible.

10-The _____ is the term used to describe the complete process of

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