

Entrepreneurship: Successfully Launching New Ventures, 6e (Barringer/Ireland)
Chapter 6 Writing a Business Plan

1) Athletic Propulsion Labs, the company profiled in the opening feature of Chapter 6, makes athletic shoes that give the wearer extra bounce. One of factors that made the founders' initial business plan seemingly unrealistic was the price point. The price point in the original business plan was \$_____.

- A) 300
- B) 200
- C) 100
- D) 25
- E) 40

Answer: A

Diff: 1

LO: 6.1: Explain the purpose of a business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

2) Peter Watson is thinking about launching a small business consulting company. To get advice on how to proceed, he stopped by his local Small Business Administration (SBA) office. The SBA advisor told Peter that one of the first things he needs to do is to sit down and write a 25 to 35 page narrative that describes what his new business plans to accomplish and how it plans to accomplish it. The SBA advisor is telling Peter to write a(n) _____.

- A) tactical plan
- B) marketing plan
- C) operations plan
- D) business plan
- E) feasibility analysis

Answer: D

Diff: 1

LO: 6.1: Explain the purpose of a business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

3) Which of the following is the main purpose for writing a business plan?

- A) The plan helps the company develop a "road map" to follow.
- B) The plan introduces potential investors and other stakeholders to the business opportunity.
- C) Both A and B are equally important.
- D) Neither A nor B captures the true purpose of a business plan.
- E) Reason A is the most important for experienced entrepreneurs and reason B is the most important for inexperienced entrepreneurs.

Answer: C

Diff: 2

LO: 6.1: Explain the purpose of a business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

4) According to the textbook, a business plan is best described as a(n) _____.

- A) narrative description of a new business
- B) contract
- C) budget
- D) agreement
- E) marketing initiative

Answer: A

Diff: 2

LO: 6.1: Explain the purpose of a business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

5) A 2015 Wells Fargo/Gallup Small Business Index Survey found that only _____ percent of business owners have a formal business plan.

- A) 10
- B) 15
- C) 27
- D) 33
- E) 42

Answer: D

Diff: 3

LO: 6.1: Explain the purpose of a business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

6) A business plan is important as it forces the founding team to systematically think through every aspect of their new venture, and it _____.

- A) is a budget
- B) is a public relations document that can be used to promote the firm
- C) is a contract that is signed by the founders of the firm
- D) is a financial analysis
- E) communicates the merits of a new venture to outsiders, such as investors and bankers

Answer: E

Diff: 2

LO: 6.1: Explain the purpose of a business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

7) A commercialization plan is a written narrative that describes what a new business plans to accomplish and how it plans to accomplish it.

Answer: FALSE

Diff: 1

LO: 6.1: Explain the purpose of a business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

8) According to studies cited in the book, a large percentage of entrepreneurs write business plans for their ventures.

Answer: FALSE

Diff: 2

LO: 6.1: Explain the purpose of a business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

9) For most new ventures, the business plan is a dual-purpose document used both inside and outside the firm.

Answer: TRUE

Diff: 2

LO: 6.1: Explain the purpose of a business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

10) A business plan can usually be completed in one to three days.

Answer: FALSE

Diff: 2

LO: 6.1: Explain the purpose of a business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

11) Which of the following statements is incorrect about business plans?

A) Writing a business plan forces a firm's founders to systematically think through each aspect of their new venture.

B) For most new ventures, the business plan is a dual-purpose document used both inside and outside the firm.

C) A business plan is typically 25 to 35 pages long.

D) A large percentage of entrepreneurs do not write business plans for their new ventures.

E) The business plan should be written while the feasibility analysis is being completed.

Answer: E

Diff: 2

LO: 6.2: Describe who reads a business plan and what they are looking for.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

12) The document that does the best job of introducing potential investors and other stakeholders with the business opportunity the firm is pursuing and how it plans to pursue it is the _____.

- A) business plan
- B) feasibility analysis
- C) opportunity analysis
- D) industry analysis
- E) marketing plan

Answer: A

Diff: 1

LO: 6.2: Describe who reads a business plan and what they are looking for.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

13) The two primary audiences for a business plan are _____ and _____.

- A) a firm's employees; officials with the SEC
- B) a firm's customers; its competitors
- C) investors; other external stakeholders and public relations firms
- D) officials with the SEC; public relations firms
- E) a firm's employees and investors; other external stakeholders

Answer: E

Diff: 2

LO: 6.2: Describe who reads a business plan and what they are looking for.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

14) The two primary audiences for a business plan are investors and other external stakeholders and _____.

- A) officials with the SEC
- B) a firm's employees
- C) a firm's competitors
- D) a firm's customers
- E) public relations firms

Answer: B

Diff: 2

LO: 6.2: Describe who reads a business plan and what they are looking for.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

15) Which of the following is **NOT** an individual, group or institution that normally reads a company's business plan?

- A) Board of directors
- B) Potential alliance partners and major customers
- C) State and local government officials
- D) Key recruits for jobs with the new firm
- E) Rank-and-file employees

Answer: C

Diff: 2

LO: 6.2: Describe who reads a business plan and what they are looking for.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

16) Which of the following is **NOT** a recommended guideline for writing a business plan?

- A) To make the best impression, a business plan should follow an unconventional structure and stand out in some dramatic way.
- B) A business plan needs to project a sense of anticipation and excitement about the possibilities that surround a new venture.
- C) For most plans, 25 to 35 pages is sufficient.
- D) A business plan should look sharp, but not a lot of money should be spent on the physical appearance of the plan.
- E) Shy away from using a lot of boldfaced type, italics, clip art, and different font sizes and colors when preparing a business plan.

Answer: A

Diff: 2

LO: 6.2: Describe who reads a business plan and what they are looking for.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

17) The two primary audiences for a firm's business plan are a firm's employees and investors and other external stakeholders.

Answer: TRUE

Diff: 2

LO: 6.2: Describe who reads a business plan and what they are looking for.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

18) What are the two main reasons for writing a business plan?

Answer: First, writing a business plan forces a firm's founders to systematically think through each aspect of their new venture. Second, writing a business plan creates a selling document for a company. It provides a mechanism for a young company to present itself to potential investors, suppliers, business partners, key job candidates, and others.

Diff: 2

LO: 6.2: Describe who reads a business plan and what they are looking for.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

19) Which of the following is **NOT** one of the "red flags" listed in the textbook that raises questions about one or more aspects of a company's business plan?

- A) Founders with none of their own money at risk
- B) Defining the market size too narrowly
- C) A poorly cited plan
- D) Sloppiness in any area
- E) Overly aggressive financials

Answer: B

Diff: 2

LO: 6.3: Discuss the guidelines to follow to write an effective business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

20) Which of the following is one of the "red flags" listed in the textbook that raises questions about one or more aspects of a company's business plan?

- A) Takes several days or weeks to complete
- B) Founders that have their own money at risk
- C) Defining the market size too broadly
- D) Less than 50 pages long
- E) Directed towards both an external and an internal audience

Answer: C

Diff: 2

LO: 6.3: Discuss the guidelines to follow to write an effective business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

21) To make the best impression, a business plan should follow a _____.

- A) conventional structure for companies with standard business models and a nonconventional structure for firms with disruptive business models
- B) conventional structure for manufacturing firms and a nonconventional structure for service firms
- C) conventional structure
- D) nonconventional structure
- E) nonconventional structure for manufacturing firms and a conventional structure for service firms

Answer: B

Diff: 2

LO: 6.3: Discuss the guidelines to follow to write an effective business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

22) For most business plans, _____ pages are sufficient.

- A) 40 to 50
- B) 30 to 40
- C) 15 to 20
- D) 25 to 35
- E) 5 to 10

Answer: D

Diff: 2

LO: 6.3: Discuss the guidelines to follow to write an effective business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

23) The three types of business plans are _____.

- A) functional business plan, full business plan, feasibility plan
- B) summary business plan, contingency plan, full business plan
- C) functional business plan, contingency plan, full business plan
- D) opportunity plan, feasibility plan, full business plan
- E) summary business plan, full business plan, operational business plan

Answer: E

Diff: 2

LO: 6.3: Discuss the guidelines to follow to write an effective business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

24) Sarah Parks is in the very early stages of putting together a business startup, and is thinking about writing a business plan to request funds to conduct a feasibility analysis and write a more complete business plan. What type of business plan should Sarah write at this point?

- A) Full business plan
- B) Tactical business plan
- C) Summary business plan
- D) Operational business plan
- E) Strategic business plan

Answer: C

Diff: 2

LO: 6.3: Discuss the guidelines to follow to write an effective business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

25) A(n) _____ business plan, which is typically 25 to 35 pages long, works best for new ventures who are at the point where they need funding or financing.

- A) tactical
- B) strategic
- C) summary
- D) full
- E) operational

Answer: D

Diff: 2

LO: 6.3: Discuss the guidelines to follow to write an effective business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

26) A(n) _____ business plan, which is intended to be a blueprint for a company's operations, is 40-100 pages long and is meant primarily for an internal audience.

- A) operational
- B) full
- C) deliberate
- D) summary
- E) tactical

Answer: A

Diff: 2

LO: 6.3: Discuss the guidelines to follow to write an effective business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

27) Kevin Andrews has decided to write a business plan that is intended to be read primarily by his staff, which will present a blueprint for his company's entire operation and will provide guidance to operational managers. Kevin should write a(n) _____ business plan.

- A) operational
- B) tactical
- C) strategic
- D) summary
- E) functional

Answer: A

Diff: 2

LO: 6.3: Discuss the guidelines to follow to write an effective business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

28) Which of the following business plans matches with its appropriate length?

- A) Operational business plan — 10-15 pages
- B) Full business plan — 25-35 pages
- C) Summary business plan — 25-35 pages
- D) Full business plan — 40-100 pages
- E) Operational business plan — 25-35 pages

Answer: B

Diff: 3

LO: 6.3: Discuss the guidelines to follow to write an effective business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

29) Which of the following business plans matches with its appropriate emphasis?

- A) *Summary business plan* works best for companies who are at the point where they need funding or financing; serves as a "blueprint" for the company's operations.
- B) *Operational business plan* works best for companies in the early stages of development that want to "test the waters" to see if investors are interested in their idea.
- C) *Full business plan* works best for companies in the early stages of development that want to "test the waters" to see if investors are interested in the idea.
- D) *Summary business plan* is meant primarily for an internal audience and works best as a tool for creating a blueprint for a company's operations and providing guidance to operational managers.
- E) *Summary business plan* works best for companies in the early stages of development that want to "test the waters" to see if investors are interested in their idea.

Answer: E

Diff: 2

LO: 6.3: Discuss the guidelines to follow to write an effective business plan.

AACSB: Analytical Thinking

Quest. Category: Analytical

30) To make the best impression, a business plan should follow a conventional structure.

Answer: TRUE

Diff: 2

LO: 6.3: Discuss the guidelines to follow to write an effective business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

31) For most business plans, 25 to 35 pages are sufficient.

Answer: TRUE

Diff: 2

LO: 6.3: Discuss the guidelines to follow to write an effective business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

32) According to the textbook, the executive summary is arguably the most important section of the business plan.

Answer: TRUE

Diff: 2

LO: 6.3: Discuss the guidelines to follow to write an effective business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

33) The executive summary is a lengthy overview of the entire business plan.

Answer: FALSE

Diff: 2

LO: 6.3: Discuss the guidelines to follow to write an effective business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

34) A company's industry analysis and target market analysis are usually included in the same section of its business plan.

Answer: FALSE

Diff: 2

LO: 6.3: Discuss the guidelines to follow to write an effective business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

35) Fragmented industries are more receptive to new entrants than industries that are dominated by a handful of large firms.

Answer: TRUE

Diff: 2

LO: 6.3: Discuss the guidelines to follow to write an effective business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

36) A tagline is a phrase that a business uses to reinforce its position in the marketplace.

Answer: TRUE

Diff: 2

LO: 6.3: Discuss the guidelines to follow to write an effective business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

37) A competitor analysis, which is a detailed analysis of a firm's competitors, should be included in the market analysis section of its business plan.

Answer: TRUE

Diff: 2

LO: 6.3: Discuss the guidelines to follow to write an effective business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

38) The major revenue drivers, which are the ways a business earns money, should be first identified in "The Economics of the Business" section of the business plan.

Answer: TRUE

Diff: 2

LO: 6.3: Discuss the guidelines to follow to write an effective business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

39) A firm's operating leverage is an analysis of its debt versus its equity.

Answer: FALSE

Diff: 2

LO: 6.3: Discuss the guidelines to follow to write an effective business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

40) The management team and company structure section of a business plan is one of the lesser-read sections.

Answer: FALSE

Diff: 2

LO: 6.3: Discuss the guidelines to follow to write an effective business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

41) An organizational chart is a graphic representation of how authority and responsibility are distributed within a company.

Answer: TRUE

Diff: 2

LO: 6.3: Discuss the guidelines to follow to write an effective business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

42) A sources and uses of funds statement is a document that lays out specifically how much money a firm needs, where the money will come from, and what the money will be used for.

Answer: TRUE

Diff: 2

LO: 6.3: Discuss the guidelines to follow to write an effective business plan.

AACSB: Analytical Thinking

Quest. Category: Critical Thinking

43) The *pro forma* financial statements are the heart of the operations section of a business plan.

Answer: FALSE

Diff: 2

LO: 6.3: Discuss the guidelines to follow to write an effective business plan.

AACSB: Analytical Thinking

Quest. Category: Critical Thinking

44) There is an emerging school of thought that opposes the idea of writing a business plan and advocates experimentation and trial-and-error learning gleaned through customer feedback and formal planning. How does the approach to writing a business plan described in this book differ from this philosophy? How does trial-and-error learning figure into the approach to writing a business plan advocated in this book?

Answer: This book takes the opposite approach, arguing that a business plan, preceded by a feasibility analysis, represents an important starting point for a new venture and serves many useful purposes. In this sense, those developing a business plan should understand that it is not intended to be a static document written in isolation at a desk. Instead, it is anticipated that the research conducted to complete the plan, and the preceding feasibility analysis, will place the founders in touch with potential customers, suppliers, business partners, and others, and that the feedback obtained from these key players will cause the plan to change as it's being written.

Diff: 3

LO: 6.3: Discuss the guidelines to follow to write an effective business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

45) The _____ is a short overview of the entire business plan.

- A) summary statement
- B) executive summary
- C) managerial review
- D) founder's introduction
- E) abstract

Answer: B

Diff: 2

LO: 6.4: Identify and describe a suggested outline of a business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

46) Which of the following statements is incorrect regarding the executive summary of a business plan?

- A) It is a short overview of the entire business plan.
- B) In many instances an investor will first ask for a copy of a firm's executive summary and will request a copy of the full business plan only if the executive summary is sufficiently convincing.
- C) It is arguably the most important section of the business plan.
- D) It should not exceed two single-spaced pages.
- E) The executive summary is the first thing that should be written in preparing a business plan.

Answer: E

Diff: 3

LO: 6.4: Identify and describe a suggested outline of a business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

47) Melanie Summer spoke to an investor who is interested in her business idea. Melanie offered to send the investor a copy of her full business plan, but the investor asked for a short overview of the business plan instead. What portion of her business plan should Melanie send the investor?

- A) Marketing plan
- B) Executive summary
- C) Elevator pitch
- D) Company description
- E) Operations plan

Answer: B

Diff: 2

LO: 6.4: Identify and describe a suggested outline of a business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

48) According to the textbook, in many instances an investor will first ask for a copy of a firm's _____ and will request a copy of the full business plan only if that portion of the plan is sufficiently convincing.

- A) appendix
- B) industry analysis
- C) operations plan
- D) financial plan
- E) executive summary

Answer: E

Diff: 2

LO: 6.4: Identify and describe a suggested outline of a business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

49) The Savvy Entrepreneurial Firm feature in Chapter 6 focuses on three companies: Songkick, GrubHub, and Instagram. The overarching point of the feature is _____.

- A) most business plans require major changes after the business is launched and the founders start getting customer feedback
- B) the degree to which business plans pan out as their founders envisioned varies
- C) most business plans require only minor changes after the business is launched and the founders start getting customer feedback
- D) the most effective business plans take four to eight weeks to complete
- E) most business plans are quickly discarded after the business is launched

Answer: B

Diff: 2

LO: 6.4: Identify and describe a suggested outline of a business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

50) Which of the following statements is incorrect regarding the industry analysis portion of a firm's business plan?

- A) It is important to focus simultaneously on a business's industry and its target market.
- B) Industry structure refers to how concentrated or fragmented an industry is.
- C) Most industries have 6 to 10 key success factors that should be reported in the industry analysis.
- D) Industry trends, which include both environmental and business trends, should be discussed.
- E) The industry analysis should conclude with a brief statement of your beliefs regarding the long-term prospects for the industry.

Answer: A

Diff: 2

LO: 6.4: Identify and describe a suggested outline of a business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

51) A company's mission statement should be placed in the _____ section of its business plan.

- A) marketing plan
- B) management team and company structure
- C) company description
- D) market analysis
- E) industry analysis

Answer: C

Diff: 2

LO: 6.4: Identify and describe a suggested outline of a business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

52) Industry structure refers to how _____ an industry is.

- A) concentrated or fragmented
- B) traditional or progressive
- C) innovative or conservative
- D) hierarchical or flat
- E) large or small

Answer: A

Diff: 2

LO: 6.4: Identify and describe a suggested outline of a business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

53) A(n) _____ statement describes why a company exists and what it aspires to become.

- A) tactical
- B) values
- C) mission
- D) operations
- E) strategic

Answer: C

Diff: 2

LO: 6.4: Identify and describe a suggested outline of a business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

54) A(n) _____, in a business plan context, is a noteworthy event in the past or future development of a business.

- A) aspiration
- B) intention
- C) signpost
- D) milestone
- E) target

Answer: D

Diff: 2

LO: 6.4: Identify and describe a suggested outline of a business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

55) The _____ section of a business plan breaks the industry into segments and zeroes in on the specific segment (or target market) to which the firm will try to appeal.

- A) competitive analysis
- B) current status
- C) market analysis
- D) marketing plan
- E) operations plan

Answer: C

Diff: 2

LO: 6.4: Identify and describe a suggested outline of a business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

56) A competitor analysis should be included in the _____ section of a business plan.

- A) market analysis
- B) industry analysis
- C) company description
- D) management team and company structure
- E) operations plan

Answer: A

Diff: 2

LO: 6.4: Identify and describe a suggested outline of a business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

57) The Partnering for Success feature in Chapter 6 focuses on the need to involve others in what the entrepreneurs are doing. This community of supporters is called _____.

- A) the entrepreneurial team
- B) the industry
- C) stakeholders
- D) shareholders
- E) early evangelists

Answer: E

Diff: 2

LO: 6.4: Identify and describe a suggested outline of a business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

58) The _____ section of the business plan addresses the basic logic of how profits are earned in the business.

- A) economics of the business
- B) operations plan
- C) executive summary
- D) design and development plan
- E) market analysis

Answer: A

Diff: 2

LO: 6.4: Identify and describe a suggested outline of a business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

59) Operating leverage is highest in companies that have _____.

- A) a service rather than a manufacturing emphasis
- B) virtually no fixed costs
- C) equal variable and fixed costs
- D) a high proportion of variable costs relative to their fixed costs
- E) a high proportion of fixed costs relative to their variable costs

Answer: E

Diff: 2

LO: 6.4: Identify and describe a suggested outline of a business plan.

AACSB: Analytical Thinking

Quest. Category: Critical Thinking

60) Which of the following statements is incorrect regarding the marketing plan section of a business plan?

- A) The marketing plan focuses on how the business will market and sell its product or service.
- B) The two most important items to include in a marketing plan are (1) overall marketing strategy and (2) the nuts and bolts of marketing a firm's product in terms of product, price, promotion, and place.
- C) The best way to describe a company's marketing plan is to begin by talking about its competitors.
- D) A firm's marketing strategy refers to its overall approach for marketing its products and services.
- E) A firm's overall approach to marketing typically boils down to how it positions itself in its market and how it differentiates itself from its competitors.

Answer: C

Diff: 2

LO: 6.4: Identify and describe a suggested outline of a business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

61) A computer-generated image of an invention that displays the invention as a 3D model that can be viewed from all sides and rotated 360 degrees is called a(n) _____.

- A) virtual prototype
- B) concept visualization
- C) abstract prototype
- D) virtual design
- E) usability test

Answer: A

Diff: 2

LO: 6.4: Identify and describe a suggested outline of a business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

62) A prototype is _____.

- A) a form of opportunity recognition
- B) a tool for evaluating the industry a new firm plans to enter
- C) a financial model
- D) the first physical depiction of a new product
- E) a tool for evaluating the organizational prowess of a new firm

Answer: D

Diff: 2

LO: 6.4: Identify and describe a suggested outline of a business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

63) What section of the business plan deals with the day-to-day operations of a company?

- A) Financial plan
- B) Marketing plan
- C) Operations plan
- D) Industry analysis
- E) Executive summary

Answer: C

Diff: 2

LO: 6.4: Identify and describe a suggested outline of a business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

64) The facilities and equipment that a business needs should be described in the _____ section of its business plan.

- A) marketing plan
- B) management team and company structure
- C) company description
- D) market analysis
- E) operations plan

Answer: E

Diff: 2

LO: 6.4: Identify and describe a suggested outline of a business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

65) According to the textbook, many investors and others who read business plans look first at the executive summary and then go directly to the _____ section of the business plan to make their preliminary assessment.

- A) management team and company structure
- B) product (or service) design and development plan
- C) industry analysis
- D) marketing plan
- E) operations plan

Answer: A

Diff: 2

LO: 6.4: Identify and describe a suggested outline of a business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

66) A(n) _____ is a graphic representation of how authority and responsibility are distributed within a company.

- A) organizational chart
- B) personnel chart
- C) human resources chart
- D) administrative chart
- E) directional chart

Answer: A

Diff: 2

LO: 6.4: Identify and describe a suggested outline of a business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

67) The document that lays out specifically how much money a firm needs, where the money will come from, and what the money will be used for is referred to as a(n) _____.

- A) sources and uses of funds statement
- B) assumptions sheet
- C) *pro forma* financial statement
- D) credit and debit statement
- E) capital and operational budgeting statement

Answer: A

Diff: 2

LO: 6.4: Identify and describe a suggested outline of a business plan.

AACSB: Analytical Thinking

Quest. Category: Analytical

68) Kate Payne was reading the business plan for New Venture Fitness Drinks, and noticed that prior to its financial statements, New Venture Fitness Drinks placed an explanation of the sources of the numbers for the statements and the assumptions used to generate them. This explanation is called a(n) _____.

- A) estimate sheet
- B) hypothesis sheet
- C) assumptions sheet
- D) forecast sheet
- E) forecast hypothesis

Answer: C

Diff: 2

LO: 6.4: Identify and describe a suggested outline of a business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

69) According to the textbook, the _____ are the heart of the financial section of a business plan.

- A) financial ratios
- B) *pro forma* financial statements
- C) budgets
- D) sources and uses of funds statements
- E) break-even analyses

Answer: B

Diff: 2

LO: 6.4: Identify and describe a suggested outline of a business plan.

AACSB: Analytical Thinking

Quest. Category: Critical Thinking

70) Most business plan writers interpret or make sense of a firm's historical and/or *pro forma* financial statements through _____ analysis.

- A) ratio
- B) assumptions
- C) scenario
- D) proportion
- E) relative

Answer: A

Diff: 2

LO: 6.4: Identify and describe a suggested outline of a business plan.

AACSB: Analytical Thinking

Quest. Category: Analytical

71) What is an "executive summary?" Why is the executive summary often called the most important part of a business plan?

Answer: The executive summary is a short overview of the entire business plan; it provides a business plan reader with everything that needs to be known about a new venture's distinctive aspects. The executive summary is important because it is often the first (or only) part of a business plan that a busy investor or other stakeholders will read. As a result, unless the executive summary is compelling, the business plan may not get any additional attention.

Diff: 2

LO: 6.4: Identify and describe a suggested outline of a business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

72) Why is the "management team and company structure" section of the business plan often given disproportionate weight among investors?

Answer: Investors read more business plans with interesting ideas and exciting markets than they are able to finance. As a result, it's often not the idea or market that wins funding among competing plans, but the perception that one management team is better prepared to execute their idea than the others.

Diff: 2

LO: 6.4: Identify and describe a suggested outline of a business plan.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

73) According to the textbook, the first rule in making an oral presentation is to _____.

A) follow instructions

B) be creative

C) emphasize all the positive aspects of a business venture

D) appear confident

E) do something out of the ordinary

Answer: A

Diff: 2

LO: 6.5: Explain how to effectively present a business plan to potential investors.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

74) The first rule in making oral presentations is to follow instructions.

Answer: TRUE

Diff: 2

LO: 6.5: Explain how to effectively present a business plan to potential investors.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

75) How should the entrepreneur approach the oral presentation of the business plan?

Answer: Most oral presentations come with instructions from the investor. These instructions — such as the length of the presentation — should be followed. The entrepreneur's goal should be to make a smooth and well-rehearsed presentation that makes use of sharp slides that are not cluttered with material.

Diff: 1

LO: 6.5: Explain how to effectively present a business plan to potential investors.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking