INTRODUCTION TO ENTREPRENEURSHIP  MAN-230-TE

This TECEP® tests content covered in a one-semester course on entrepreneurship. The test explores the methods and behaviors that individuals or groups use to identify business opportunities and put them into practice. Topics include: characteristics of entrepreneurs; opportunity assessment analysis; business planning methods; financing; planning for future growth; the four-step entrepreneurial process.  (3 s.h.)

- Test format: 45 multiple choice (1 point each); 5 short answers (5 points each); 3 essays (10 points each)
- Passing score: 65% (65/100 points). Your grade will be reported as CR (credit) or NC (no credit).
- Time limit: 3 hours

Topics on the test and their approximate distribution

Below are the topics covered by this exam. The percentages indicate how much of the test is made up of questions on that topic. Following each line are links to free and openly-licensed review materials that could help augment your prior knowledge on that topic. These materials have been selected by our subject matter experts and should supplement your understanding of the topics covered in this exam. Make sure, though, to compare what is covered in these materials to what will be covered on the exam—what is important is that you are knowledgeable on the exam topics described below.

1. Deciding to become an entrepreneur (10%)
   1.1 Introduction to entrepreneurship
      Entrepreneurship
   1.2 The importance of entrepreneurship
      The Importance of Entrepreneurship
   1.3 The changing demographics of entrepreneurs in the U.S.
      Elements of Entrepreneurship
   1.4 The entrepreneurial process
      Process
   1.5 Approaches that entrepreneurs use to identify opportunities
      Opportunities
   1.6 Techniques for generating ideas
      Facilitating Creativity

2. Opportunity assessment (25%)
   2.1 The importance of a thorough feasibility analysis prior to launch
      Feasibility
   2.2 Industry analysis
      Research
   2.3 Competitor analysis
      Competitive Intelligence
   2.4 The business model of a start-up
      Analysis Example
   2.5 Strategic resources and partnerships
      External Relationships
3. **Business and organizational planning** (25%)

   3.1 Writing and presenting the business plan  
   Business Plan  
   3.2 Forms of business organization  
   Business Organization  
   3.3 Preparing the proper ethical and legal foundation for the business  
   Business Ethics  
   3.4 Creating a new venture team  
   Venture Team  
   3.5 Role of professional advisors  
   Professional Advisors

4. **Financial analysis and financing the new venture** (25%)

   4.1 Financial management of a start-up  
   Financial Market  
   Economic Environment  
   4.2 Preparation of financial statements  
   Overview of Financial Statements  
   4.3 Financial statements forecasting  
   Forecasting Financial Statements  
   4.4 Venture financing options  
   Weighing Options of Venture Capital

5. **Managing an entrepreneurial firm** (15%)

   5.1 Selecting a market and establishing a position  
   Market Segmentation  
   5.2 Key marketing issues for new ventures  
   Marketing Issues  
   5.3 The importance of intellectual property  
   Intellectual Property  
   5.4 The various forms of intellectual property  
   Forms of Intellectual Property  
   5.5 Franchising and its issues  
   Franchising

**Outcomes assessed on the test**

- Define entrepreneurship  
- Identify the characteristics of successful entrepreneurs  
- Identify the critical components of an effective business plan  
- Discuss the competitive forces that determine industry profitability  
- Articulate a new venture’s business model  
- Explain the business planning process  
- Describe how to create strong ethical culture in an entrepreneurial venture  
- Explain the advantages and disadvantages of different types of business ownership  
- Describe financial planning and cash flow analysis  
- Identify the financing options for new venture start-ups  
- Analyze issues critical to venture success: market segmentation/branding; intellectual property; franchising
# Resource Licensing Guide

This is a comprehensive list of the materials used in this test description. We encourage you to explore these resources to make sure that you are familiar with multiple perspectives on the topics above. All of these resources are openly licensed, which means that they are free to be revised, remixed, reused, redistributed, and retained, so long as their unique terms are followed. You can learn more about open licensing [here](#).

<table>
<thead>
<tr>
<th>Title</th>
<th>License</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Saylor Academy's Small Business Management</td>
<td>See License</td>
</tr>
<tr>
<td>Commonwealth of Learning’s Entrepreneurship</td>
<td>CC BY-SA 3.0</td>
</tr>
<tr>
<td>U.S. Small Business Administration: Starting &amp; Managing</td>
<td>Public Domain</td>
</tr>
<tr>
<td>Boundless’ Introduction to Business</td>
<td>CC BY-SA 4.0</td>
</tr>
<tr>
<td>Boundless’ Marketing</td>
<td>CC BY-SA 4.0</td>
</tr>
<tr>
<td>Boundless’ Finance</td>
<td>CC BY-SA 4.0</td>
</tr>
<tr>
<td>Boundless’ Accounting</td>
<td>CC BY-SA 4.0</td>
</tr>
<tr>
<td>South African Journal of Economic and Management Sciences</td>
<td>CC BY-NC 3.0</td>
</tr>
<tr>
<td>Lumen Learning’s Introduction to Business</td>
<td>Various</td>
</tr>
<tr>
<td>Developing New Products and Services</td>
<td>CC-BY-NC-SA 3.0</td>
</tr>
<tr>
<td>Openstax CNX’s Business Fundamentals</td>
<td>CC BY 4.0</td>
</tr>
<tr>
<td>Principles of Marketing</td>
<td>CC BY-NC-SA 3.0</td>
</tr>
</tbody>
</table>

## Sample questions

**Multiple choice:** Select the best answer. (1 point each)

1. What is the primary opportunity that exists for startups in emerging industries?
   - a. Consolidating the industry and establish industry leadership as a result of doing so
   - b. Winning customers by placing an emphasis on service and process innovation
   - c. Pursuing a niche strategy that focuses on a narrow segment of the industry
   - d. Capturing a first-mover advantage

2. Which of the following are the main components of an industry/target market feasibility analysis?
   - a. Industry status and target market status
   - b. Industry attractiveness and target market attractiveness
   - c. Industry sufficiency and target market demand
   - d. Industry attractiveness and product/service demand

3. The majority of Americans work for
   - a. individual franchises
   - b. small businesses
   - c. large corporations
   - d. sole proprietorships

4. What are the two types of disruptive business models?
   - a. High-end and low-end
   - b. New-product and new-market
   - c. New-market and low-end
   - d. New-channel and high-quality
5. __________ research consists of data that has been collected by the person completing the analysis. __________ research uses data that has been collected previously.

   a. Secondary, Primary  
   b. Primary, Secondary  
   c. Indirect, Direct  
   d. Direct, Indirect

6. The most essential role of the executive summary in the business plan is to

   a. describe the company’s goals in detail  
   b. explain the business plan’s objectives in detail  
   c. identify the means by which company performance will be measured  
   d. attract investors

7. Which form of business organization combines the advantages of a partnership and a C corporation?

   a. Subchapter S corporation  
   b. Limited partnership  
   c. General partnership  
   d. Sole proprietorship

8. The price of prescription medicine is high, partly because when someone is sick there is no real alternative to buying medicine. Which of Porter’s Five Forces explains how this aspect of the prescription medicine industry helps keep its profitability high?

   a. Rivalry among existing firms  
   b. Threat of new entrants  
   c. Threat of substitutes  
   d. Bargaining power of buyers

9. __________ costs remain the same despite the volume of goods or services produced. __________ costs vary proportionally with the volume of goods or services provided.

   a. Expense; Non-standard  
   b. Standard; Non-Standard  
   c. Fixed; Variable  
   d. Non-Standard; Standard

10. Which type of business plan is intended as the blueprint of a company’s activities and is directed to an internal audience?

    a. Operational  
    b. Full  
    c. Summary  
    d. Tactical

11. A __________ partnership is a modified form of a general partnership.

    a. joint  
    b. limited  
    c. partial  
    d. mutual
12. Which section of the business plan focuses on the specific segment or target market of an industry to which the firm will try to appeal?

a. Current status  
b. Market analysis  
c. Company summary  
d. Operations plan

13. A(n) ________ director on a board of directors is NOT employed by the firm.

a. outside  
b. inside  
c. external  
d. impartial

14. What are the primary financial objectives of any firm?

a. Efficiency, effectiveness, strength, and flexibility  
b. Efficiency, effectiveness, power, and success  
c. Liquidity, control, effectiveness, and power  
d. Liquidity, profitability, efficiency, and stability

15. Which type of financial statement projects the firm's financial situation in the future based on current trends and assumptions?

a. Chronological  
b. Pro forma  
c. Concurrent  
d. Historical

16. The statement of cash flows is divided into ____________activities.

a. profitability, stability, and investing  
b. stability, earning, and financing  
c. pending, earning, and capital  
d. operating, investing, and financing

17. The difference between sales revenue and cost of goods sold is known as the

a. net profit  
b. debt  
c. break-even point  
d. gross profit or gross margin

18. The most common way to compute the cost of sales is to use the percent-of-sales method, which expresses each expense item as a percentage of

a. net sales  
b. gross profit  
c. net income  
d. operating income
19. What are the primary reasons that startups need funding?
   a. Cash flow challenges, capital investments, and lengthy product development cycles
   b. Business research, cash flow challenges, and costs associated with building a brand
   c. Bonuses for members of the new venture team, legal fees, and lengthy product development cycles
   d. Attorney fees, capital investments, and marketing research

20. An entrepreneur who starts a business without external funding is utilizing a technique referred to as
   a. networking
   b. capitalizing
   c. prospecting
   d. bootstrapping

21. The 4 P’s of a firm's marketing mix consists of
   a. product, price, promotion, and place
   b. passion, pride, principle, and premium
   c. parity, passion, product, and pay
   d. place, promotion, passion, and performance

22. Value-based pricing takes a ________-oriented approach.
   a. product
   b. company
   c. customer
   d. cost

23. What are the three types of patents?
   a. Manufacturing; process; plant
   b. Usefulness; purpose; genetic
   c. Explicit; implicit; plant
   d. Utility; design; plant

24. A ________ franchise is an arrangement in which the franchisor grants to the franchisee the right to buy its products and use its trade name.
   a. product and trademark
   b. product extension
   c. business format
   d. production plus

25. Companies often falter because the founders can't adjust quickly enough to their new roles and because the firm lacks a "track record" with outside buyers and sellers. This is referred to as the
   a. innovator's affliction
   b. creator's dilemma
   c. liability of newness
   d. burden of inexperience
**Short answer questions:** Answer in two to four sentences. (5 points each)

26. What are the two primary guidelines for deciding whether intellectual property protection should be pursued for a specific intellectual asset?

27. What is a copyright? What type of material does it cover?

28. When is franchising appropriate, from the business owner's point of view? Provide an example.

**Essay questions:** Answer in two to four paragraphs. (10 points each)

29. Describe the purpose of industry/target market feasibility analysis. Identify the two primary issues that should be considered. What is the difference between a firm’s industry and its target market?

30. What is a business model? Why is it important for a firm to have a business model? Provide and discuss an example of a specific company's business model to illustrate your answer.

### Answers to sample questions

<table>
<thead>
<tr>
<th>1. d</th>
<th>2. c</th>
<th>3. b</th>
<th>4. c</th>
<th>5. b</th>
<th>6. d</th>
<th>7. b</th>
</tr>
</thead>
<tbody>
<tr>
<td>22. c</td>
<td>23. d</td>
<td>24. a</td>
<td>25. c</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

26. First, a firm should determine whether the intellectual property in question is directly related to its competitive advantage. Second, a firm should determine whether the item has independent value in the marketplace. If either or both of these conditions exist, intellectual property protection for an asset should be considered.

**Scoring rubric:**
3 points - Provides the two guidelines for deciding whether to pursue intellectual property protection
2 points - Provides appropriate discussion for each

27. A copyright is a form of intellectual property protection that grants to the owner of a work of authorship the legal right to determine how the work is used and to obtain the economic benefits from the work. The work must be in tangible form, such as a book, operating manual, or magazine article. If something is not in a tangible form, such as a speech that has never been recorded or saved as a computer file, copyright law does not protect it.

**Scoring rubric:**
3 points - Appropriately explains copyright
2 points - Provides appropriate discussion of what materials copyright covers

28. Franchising is appropriate when a firm has a strong or a potentially strong trademark, a well-designed business method, and a desire to grow. Panera Bread is an example, because it possesses all three of these qualities.

**Scoring rubric:**
3 points - Explains when franchising is appropriate
2 points - Provides appropriate example
29. Industry/target market feasibility analysis is an assessment of the overall appeal of the industry and the target market for the product or service being promoted.

For industry/target market feasibility analysis, there are two primary issues that a proposed business should consider: industry attractiveness and target market attractiveness. There is a distinct difference between a firm’s industry and its target market. An industry is a group of firms producing a similar product or service, such as computers, cars, or electronic games. A firm’s target market is the limited portion of the industry that it goes after or to which it wants to appeal. Most firms do not try to service their entire industry. Instead, they select or carve out a specific target market and try to service that market very well.

**Scoring rubric:**
3 points – Provides the purpose of feasibility analysis
3 points – Provides two appropriate issues that must be considered
4 points – Explains the difference between a firm's industry and its target market

30. A business model is a firm’s plan or recipe for how it creates, delivers, and captures value for its stakeholders. A firm's business model also describes how the core aspects of what it does fit together and complement one another.

Business models are fundamental to a firm's ability to succeed both in the short and long term.

Dropbox, for example, has what's referred to as a freemium business model. It offers customers a free account with a set amount of storage space, and makes money by selling premium accounts with more capacity. Dropbox could charge all of its users a monthly fee based on the amount of storage that they use, but that's not its business model. Its business model is based on the belief that by introducing users to its service through a free account, it will ultimately sign up more paid users.

**Scoring rubric:**
3 points - Provides appropriate explanation of a business model
3 points - Provides appropriate explanation why a firm needs to have a business model
4 points - Provides appropriate example and discussion of a specific business model