

Entrepreneurship: Successfully Launching New Ventures, 6e (Barringer/Ireland)
Chapter 3 Feasibility Analysis

1) Owlet Baby Care, the company profiled in the opening feature of Chapter 3, produces a "smart sock" that can be used to monitor a baby via an app. The feature describes how Owlet Baby Care's founders accidentally validated their business idea when _____.

- A) they went on Kickstarter to raise funds
- B) they won a business plan competition
- C) they were featured on CNBC's *Shark Tank*
- D) parents began inquiring about the product after a video of a mockup of the product somehow got out
- E) a big company made a pitch to acquire them

Answer: D

Diff: 1

LO: 3.1: Explain what a feasibility analysis is and why it's important.

AACSB: Analytical Thinking

Quest. Category: Analytical

2) _____ is the process of determining whether a business idea is viable.

- A) Feasibility analysis
- B) Opportunity recognition
- C) Viability analysis
- D) Achievability analysis
- E) Scenario analysis

Answer: A

Diff: 1

LO: 3.1: Explain what a feasibility analysis is and why it's important.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

3) _____ research is research that is collected by the person or persons completing the analysis. _____ research probes data that is already collected.

- A) Primary, Derivative
- B) Secondary, Primary
- C) Primary, Secondary
- D) Indirect, Direct
- E) Direct, Indirect

Answer: C

Diff: 1

LO: 3.1: Explain what a feasibility analysis is and why it's important.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

4) Cynthia Jones recently surveyed 200 of her classmates to get a sense of the demand for a new software product she is working on. Collecting data via a survey you administer yourself is referred to as _____ research.

- A) direct
- B) derivative
- C) primary
- D) secondary
- E) initial

Answer: C

Diff: 2

LO: 3.1: Explain what a feasibility analysis is and why it's important.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

5) Talking to industry experts, obtaining feedback from prospective customers, and administering surveys are examples of _____ research.

- A) primary
- B) secondary
- C) derivative
- D) principal
- E) fundamental

Answer: A

Diff: 1

LO: 3.1: Explain what a feasibility analysis is and why it's important.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

6) Trade journals, industry-related publications, government statistics, and competitors' Web sites are examples of _____ research.

- A) secondary
- B) action
- C) principal
- D) legacy
- E) vertical

Answer: A

Diff: 2

LO: 3.1: Explain what a feasibility analysis is and why it's important.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

7) Jennifer Burroughs is thinking about starting a firm in the upscale women's fashion industry. To get a full appreciation of the competitive nature of the industry, and how she might position her products, Jennifer has spent considerable time looking at industry-related publications, Hoover's Online, and ABI-Inform, which is a database that provides access to articles covering a wide-variety of business and industry related issues. Jennifer is conducting _____ research.

- A) primary
- B) secondary
- C) action
- D) temporary
- E) purposeful

Answer: B

Diff: 2

LO: 3.1: Explain what a feasibility analysis is and why it's important.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

8) Which of the following is **NOT** one of the four areas of feasibility analysis discussed in the textbook?

- A) Product/service feasibility
- B) Financial feasibility
- C) Societal feasibility
- D) Organizational feasibility
- E) Industry/market feasibility

Answer: C

Diff: 2

LO: 3.1: Explain what a feasibility analysis is and why it's important.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

9) Feasibility analysis is the process of determining if a business idea is viable.

Answer: TRUE

Diff: 1

LO: 3.1: Explain what a feasibility analysis is and why it's important.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

10) A feasibility analysis is an assessment of a potential product or service idea rather than a potential business.

Answer: FALSE

Diff: 2

LO: 3.1: Explain what a feasibility analysis is and why it's important.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

11) The four forms of feasibility analysis include: product/service feasibility, industry/target market feasibility, organizational feasibility, and financial feasibility.

Answer: TRUE

Diff: 2

LO: 3.1: Explain what a feasibility analysis is and why it's important.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

12) Primary research probes data that is already collected.

Answer: FALSE

Diff: 2

LO: 3.1: Explain what a feasibility analysis is and why it's important.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

13) Census Bureau data, analyst forecasts, and other pertinent information gleaned through library and Internet research are examples of primary research.

Answer: FALSE

Diff: 2

LO: 3.1: Explain what a feasibility analysis is and why it's important.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

14) Describe the purpose of feasibility analysis. When should a feasibility analysis be conducted relative to opportunity recognition and the development of a business plan?

Answer: Feasibility analysis is the process of determining if a business idea is viable. As a preliminary evaluation of a business idea, a feasibility analysis is completed to determine if an idea is worth pursuing and to screen ideas before spending resources on them. Feasibility analysis follows the opportunity recognition stage but comes before the development of a business plan.

Diff: 1

LO: 3.1: Explain what a feasibility analysis is and why it's important.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

15) _____ feasibility is an assessment of the overall appeal of the product or service being proposed.

- A) Consumer
- B) Industry/market segment
- C) Industry/market
- D) Product/service
- E) Purchaser/end-user

Answer: D

Diff: 1

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

16) The two components of product/service feasibility analysis are product/service _____ and product/service _____.

- A) value; affordability
- B) demand; timeliness
- C) timeliness; value
- D) durability; value
- E) desirability; demand

Answer: E

Diff: 2

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

17) Does it make sense? Is it reasonable? Is it something consumers will get excited about? Does it take advantage of an environmental trend, solve a problem, or fill a gap in the marketplace? These are the types of questions asked during the _____ feasibility component of a complete feasibility analysis.

- A) financial
- B) industry/target market
- C) organizational
- D) concept
- E) product/service

Answer: E

Diff: 2

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Analytical Thinking

Quest. Category: Analytical

18) Which of the following is **NOT** a part of assessing the product/service feasibility of a business idea?

- A) "Get out of the building" and talk to potential customers
- B) Surveying potential customers
- C) Library research
- D) Analyzing industry attractiveness
- E) Concept test

Answer: D

Diff: 2

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

19) A(n) _____ involves showing a preliminary description of a product or service idea to prospective customers to gauge customer interest, desirability, and purchase intent.

- A) concept test
- B) product/service statement
- C) impression test
- D) idea prospectus
- E) idea test

Answer: A

Diff: 1

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

20) Which of the following items is typically **NOT** included in a concept statement?

- A) A brief description of the company's management team
- B) A description of how the product or service will be sold and distributed
- C) A description of how much money the new venture needs
- D) The benefits of the product or service
- E) The intended target market

Answer: C

Diff: 3

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Analytical Thinking

Quest. Category: Analytical

21) Tracy Brady is in the process of developing an exciting new product in the smartphone industry. She'd like to show a preliminary description of the product to industry experts and prospective customers to solicit their feedback. Tracy should complete and distribute a(n) _____ statement.

- A) perception
- B) usability
- C) early adopter
- D) concept
- E) adoption risk-reward

Answer: D

Diff: 2

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

22) Which of the following is an incorrect approach to administering a concept test?

- A) The concept statement shouldn't exceed one page.
- B) After the concept statement is developed, it should be shown to at least 10 people.
- C) The best candidates to distribute a concept statement to are family and friends.
- D) If time permits, a concept statement should be used in an iterative manner and distributed to several groups of people.
- E) A short survey should be attached to the concept statement to solicit feedback.

Answer: C

Diff: 2

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

23) A/B split testing, landing pages, prototyping services, and Web site usability testing are all online tools available to assist in the _____ stage of developing a business idea.

- A) opportunity recognition
- B) feasibility analysis
- C) business model
- D) business plan
- E) growth plan

Answer: B

Diff: 2

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

24) 3 Minute Optimizer and Optimizely are Web sites that provide access to _____.

- A) 3D printing services
- B) Web site usability testing
- C) online whiteboarding services
- D) A/B split testing services
- E) feedback on business ideas

Answer: D

Diff: 3

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

25) Growth Hackers, Meetup and Reddit are Web sites that provide access to _____.

- A) feedback on business ideas
- B) landing pages
- C) surveys
- D) prototyping services
- E) market research

Answer: A

Diff: 3

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

26) Three commonly utilized methods for determining product/service demand are _____.

- A) assessing the overall financial attractiveness of the proposed venture, talking face-to-face with potential customers, and assessing industry attractiveness
- B) analyzing the financial performance of other businesses, talking face-to-face with potential customers, and assessing target market attractiveness
- C) assessing target market attractiveness; utilizing online tools, such as Google AdWords and landing pages; and calculating total startup cash needed
- D) assessing industry attractiveness; library, Internet and gumshoe research; and talking face-to-face with friends and family
- E) talking face-to-face with potential customers; utilizing online tools, such as Google AdWords and landing pages; and library, Internet and gumshoe research

Answer: E

Diff: 3

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

27) Katlin Smith is investigating the feasibility of developing an iPhone app to help high school students with math. To get a good handle on the potential demand for her service, Katlin is scrounging around for information wherever she can find it. She even spent two weeks volunteering as a math tutor at a local high school to see how students responded to her methods. Katlin is conducting _____ research.

- A) parallel
- B) derivative
- C) gumshoe
- D) secondary
- E) on-the-ground

Answer: C

Diff: 2

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

28) Conner Brandshaw is investigating the feasibility of a new type of electronic game targeting middle school and high school-age boys. Which of the following is an example of "gumshoe research" that Conner could conduct to get a sense of the likely demand for his game?

- A) Download electronic games industry reports from the Internet.
- B) Administer a buying intentions survey.
- C) Administer a concept test.
- D) Look at the Web sites of a number of companies that sell electronic games.
- E) Spend several days in electronic games arcades and stores to observe the types of games that attract the interest of middle school age and high school age boys.

Answer: E

Diff: 2

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

29) According to the textbook, the only way to know if your product or service is what people want and need is by _____.

- A) interviewing industry experts
- B) library, Internet and gumshoe research
- C) conducting brainstorming sessions
- D) talking to them
- E) surveying them

Answer: D

Diff: 2

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

30) A _____ is a single Web page that typically provides direct sales copy, like "click here to buy a Hawaiian vacation."

- A) sales page
- B) marketing page
- C) destination page
- D) call for action page
- E) landing page

Answer: E

Diff: 2

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

31) The Savvy Entrepreneurial Firm feature in Chapter 3 focuses prototyping. According to the feature, a prototype is _____.

- A) observing how customers acted when buying their product
- B) studying industry trends
- C) conducting Internet research
- D) an early sample, model, or release of a product that is built to test a concept or a process
- E) hiring consultants to provide them advice

Answer: D

Diff: 2

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

32) Product/service feasibility analysis is an assessment of the overall appeal of the product or service being proposed.

Answer: TRUE

Diff: 1

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

33) The two components to product/service feasibility analysis are product/service desirability and total startup funds needed.

Answer: FALSE

Diff: 2

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

34) A concept statement should be two to three pages long.

Answer: FALSE

Diff: 2

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

35) The temptation to show a concept statement to friends and family members should be avoided because they are predisposed to give positive feedback.

Answer: TRUE

Diff: 2

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

36) Unassumer is a Web site that allows you to submit product ideas to a community that vets and provides feedback on the ideas.

Answer: TRUE

Diff: 2

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

37) Describe what a concept statement is, and what it should include.

Answer: A concept statement is a preliminary description of a business. It should include:

- A description of the product or service being offered.
- The intended target market.
- The benefits of the product or service.
- A description of how the product will be positioned relative to similar ones in the market.
- A description of how the product or service will be sold and distributed.

The concept statement is administered as part of product/market feasibility analysis and should be used to get initial feedback and input regarding a business idea.

Diff: 2

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

38) What is gumshoe research and why is it important?

Answer: Gumshoe research is simply doing what it takes to collect sufficient information to assess the target market feasibility of a product idea. A gumshoe is a detective or an investigator that scrounges around for information or clues wherever they can be found. This type of research can take creative forms. For example, if your idea is to sell educational toys, you might spend a week volunteering at a day care center and watch how children interact with toys. Similarly, you might spend some time browsing through a toy store and observing the types of toys that get the most attention. Gumshoe research is simply being inventive in regard to the activities that can be undertaken to better understand your industry and target market's attractiveness.

Diff: 2

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

39) A(n) _____ is a group of firms producing a similar product or service. A firm's _____ is the limited portion of the industry that it goes after or to which it wants to appeal.

A) target market; industry

B) trade group; industry

C) industry; trade group

D) competitive group; target market

E) industry; target market

Answer: E

Diff: 1

LO: 3.3: Describe an industry/market feasibility analysis, explain its purpose, and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

40) The two components of industry/target market feasibility analysis are industry _____.

A) status and target market status

B) attractiveness and target market attractiveness

C) sufficiency and target market demand

D) attractiveness and product/service demand

E) evolution and target market attractiveness

Answer: B

Diff: 2

LO: 3.3: Describe an industry/market feasibility analysis, explain its purpose, and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

41) _____ feasibility analysis is an assessment of the overall appeal of the industry and market for the product or service being proposed.

- A) Institutional
- B) Financial
- C) Organizational
- D) Product/service
- E) Industry/target market

Answer: E

Diff: 1

LO: 3.3: Describe an industry/market feasibility analysis, explain its purpose, and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

42) Which of the following issues should be considered in industry/target market feasibility analysis?

- A) Gaps in the marketplace
- B) Financial performance of similar businesses
- C) Resource sufficiency
- D) Industry attractiveness
- E) Management prowess

Answer: D

Diff: 2

LO: 3.3: Describe an industry/market feasibility analysis, explain its purpose, and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

43) Which of the following is **NOT** an attribute of an attractive industry?

- A) Is young rather than old
- B) Is not crowded
- C) Is late rather than early in its life cycle
- D) Is important to the customer
- E) Is fragmented rather than concentrated

Answer: C

Diff: 2

LO: 3.3: Describe an industry/market feasibility analysis, explain its purpose, and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

44) Mintel, IBISWorld, and Bizminer are databases most likely to be used during the _____ feasibility stage of the feasibility analysis process.

- A) organizational
- B) economic
- C) political/legal
- D) industry/target market
- E) product/service

Answer: D

Diff: 3

LO: 3.3: Describe an industry/market feasibility analysis, explain its purpose, and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

45) Which of the following statements about target markets is incorrect?

- A) There is a distinct difference between a firm's industry and its target market.
- B) The challenge in identifying an attractive target market is to find a market that's large enough for the proposed business but is yet small enough to avoid attracting larger competitors.
- C) By focusing on a target market, a firm can usually avoid head-to-head competition with industry leaders and can focus on serving a specialized market very well.
- D) A target market is a place within a larger market segment that represents a narrower group of customers with similar needs.
- E) It's generally easier to find good information about a target market than an industry as a whole.

Answer: E

Diff: 2

LO: 3.3: Describe an industry/market feasibility analysis, explain its purpose, and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

46) _____ feasibility analysis is conducted to determine whether a proposed business has sufficient management expertise, organizational competence, and resources to successfully launch its business.

- A) Industry/market
- B) Institutional
- C) Financial
- D) Organizational
- E) Product/service

Answer: D

Diff: 1

LO: 3.3: Describe an industry/market feasibility analysis, explain its purpose, and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

47) Industry/target market feasibility is an assessment of the overall appeal of the industry and the target market for the product or service being proposed.

Answer: TRUE

Diff: 1

LO: 3.3: Describe an industry/market feasibility analysis, explain its purpose, and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

48) Describe the purpose of industry/target market feasibility analysis, and identify the two primary issues that should be considered. What is the difference between a firm's industry and its target market?

Answer: Industry/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.

Diff: 2

LO: 3.3: Describe an industry/market feasibility analysis, explain its purpose, and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

49) The two primary issues to consider in organizational feasibility analysis are _____.

- A) target market attractiveness and financial rate of return
- B) management prowess and resource sufficiency
- C) capital requirements and industry attractiveness
- D) concept testing and financial rate of return
- E) industry attractiveness and overall attractiveness of the investment

Answer: B

Diff: 2

LO: 3.4: Explain what an organizational feasibility analysis is and its purpose and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

50) The two primary issues to consider in organizational feasibility analysis are management prowess and _____.

- A) market timeliness
- B) concept testing
- C) resource sufficiency
- D) target market attractiveness
- E) total startup cash needed

Answer: C

Diff: 2

LO: 3.4: Explain what an organizational feasibility analysis is and its purpose and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

51) A(n) _____ team is the group of founders, key employees, and advisers that either manage or help manage a new business in its startup years.

- A) opening
- B) entrepreneurial
- C) scout
- D) launch
- E) new venture

Answer: E

Diff: 1

LO: 3.4: Explain what an organizational feasibility analysis is and its purpose and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

52) According to the textbook, two of the most important factors to consider regarding "management prowess" are _____.

- A) the passion the sole entrepreneur or the management team has for the business idea and the extent to which the management team or sole entrepreneur understands the markets in which the firm will participate
- B) whether the members of the management team have worked successfully together before and the passion the sole entrepreneur or the management team has for the business idea
- C) whether the members of the management team are good "networkers" and the extent to which the management team or sole entrepreneur understands the markets in which the firm will participate
- D) the educational and functional backgrounds of the management team or sole entrepreneur
- E) whether the members of the management team are good "networkers" and the passion the sole entrepreneur or the management team has for the business idea

Answer: A

Diff: 3

LO: 3.4: Explain what an organizational feasibility analysis is and its purpose and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

53) The focus in organizational feasibility analysis is on _____.

- A) financial resources for manufacturing firms and nonfinancial resources for service firms
- B) financial resources for service firms and nonfinancial resources for manufacturing firms
- C) nonfinancial and financial resources equally
- D) nonfinancial resources
- E) financial resources

Answer: D

Diff: 2

LO: 3.4: Explain what an organizational feasibility analysis is and its purpose and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

54) An excellent resource for doing a quick trademark search is _____.

- A) Trademarkia
- B) Trademarkepedia
- C) Wikitradeamarks
- D) Trademarkdata
- E) GlobalTrademarks

Answer: A

Diff: 1

LO: 3.4: Explain what an organizational feasibility analysis is and its purpose and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

55) The Partnering for Success feature in Chapter 3 focuses on the task of finding the right business partner. According to the feature, which of the following is an incorrect rule-of-thumb in finding a business partner?

- A) Know the skills and experiences you need in a partner.
- B) Make sure you and your partner's work habits are compatible.
- C) Make sure you and your partner have common goals and aspirations.
- D) Pick a partner that is similar rather than different from you in terms of skills, abilities, and functional background.
- E) Hire a lawyer to negotiate the partnership agreement.

Answer: D

Diff: 2

LO: 3.4: Explain what an organizational feasibility analysis is and its purpose and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

56) Which of the following is an example of a resource that normally would not be evaluated as part of the "resource sufficiency" stage of organizational feasibility analysis?

- A) Ability to form favorable business partnerships
- B) Financial resources
- C) Affordable office space
- D) Key equipment needed to operate the business
- E) Key support personnel

Answer: B

Diff: 2

LO: 3.4: Explain what an organizational feasibility analysis is and its purpose and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

57) To test resource sufficiency, a firm should list the _____ most critical non-financial resources that it will need to move its business idea forward and determine if those resources are available.

- A) 1 to 2
- B) 3 to 5
- C) 6 to 12
- D) 10 to 16
- E) 15 to 25

Answer: C

Diff: 2

LO: 3.4: Explain what an organizational feasibility analysis is and its purpose and discuss the two primary issues to consider when completing this analysis.

AACSB: Analytical Thinking

Quest. Category: Critical Thinking

58) Organizational feasibility analysis is conducted to determine whether a proposed business venture has sufficient management expertise, organizational competence, and resources to successfully launch its business.

Answer: TRUE

Diff: 2

LO: 3.4: Explain what an organizational feasibility analysis is and its purpose and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

59) The focus in organizational feasibility analysis is on financial resources.

Answer: FALSE

Diff: 2

LO: 3.4: Explain what an organizational feasibility analysis is and its purpose and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

60) The two primary areas to consider in organizational feasibility analysis are management prowess and resource sufficiency.

Answer: TRUE

Diff: 2

LO: 3.4: Explain what an organizational feasibility analysis is and its purpose and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

61) A new venture team is the group of founders, key employees, and advisers that either manage or help manage a new business in its startup years.

Answer: TRUE

Diff: 2

LO: 3.4: Explain what an organizational feasibility analysis is and its purpose and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

62) In regard to management prowess, two of the most important factors in this area are the passion that the solo entrepreneur or the management team has for the business idea and the extent to which the management team or solo entrepreneur understands the markets in which the firm will participate.

Answer: TRUE

Diff: 3

LO: 3.4: Explain what an organizational feasibility analysis is and its purpose and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

63) _____ feasibility analysis is a quick financial assessment of the viability of a business idea.

A) Organizational

B) Institutional

C) Product/service

D) Financial

E) Industry/market

Answer: D

Diff: 1

LO: 3.5: Describe what a financial feasibility analysis is, explain its importance, and discuss the most critical issues to consider when completing this analysis.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

- 64) The most important issues to consider in financial feasibility analysis are _____.
- A) resource sufficiency, industry attractiveness, and total startup cash needed
 - B) total startup cash needed, financial performance of similar businesses, and the overall financial attractiveness of the proposed venture
 - C) target market attractiveness, resource sufficiency, and product/service demand
 - D) total startup cash needed, management prowess, and product/service demand
 - E) concept testing, total startup cash needed, and financial performance of similar businesses

Answer: B

Diff: 2

LO: 3.5: Describe what a financial feasibility analysis is, explain its importance, and discuss the most critical issues to consider when completing this analysis.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

- 65) The most important issues to consider in financial feasibility analysis are: financial performance of similar businesses, total cash needed, and _____.

- A) the projected internal rate of return of the proposed venture
- B) the projected years to an IPO or an acquisition for the proposed venture
- C) management prowess
- D) overall attractiveness of the proposed venture
- E) the projected borrowing power of the proposed business

Answer: D

Diff: 2

LO: 3.5: Describe what a financial feasibility analysis is, explain its importance, and discuss the most critical issues to consider when completing this analysis.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

- 66) Which of the following is incorrect regarding the "total startup cash needed" component of financial feasibility analysis?

- A) It's not necessary to complete an actual budget of startup expenses.
- B) When explaining where the startup funds will come from, avoid cursory explanations such as "I plan to bring investors on board" or "I'll borrow the money."
- C) There are worksheets posted online that help entrepreneurs determine the startup costs to launch their venture.
- D) An explanation of where the startup funds will come from should be included.
- E) If the money will come from friends and family or is raised through other means, a reasonable plan should be stipulated to repay the money.

Answer: A

Diff: 2

LO: 3.5: Describe what a financial feasibility analysis is, explain its importance, and discuss the most critical issues to consider when completing this analysis.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

67) Which of the following factors is a negative as it pertains to the financial feasibility of a business venture?

- A) Steady and rapid growth in sales during the first five to seven years in a clearly defined market niche
- B) High percentage of recurring revenue—meaning that once a firm wins a client, the client will provide recurring sources of revenue
- C) Inability to forecast income and expenses with a reasonable degree of accuracy
- D) Internally generated funds to finance and sustain growth
- E) Availability of an exit opportunity for investors to convert equity into cash

Answer: C

Diff: 3

LO: 3.5: Describe what a financial feasibility analysis is, explain its importance, and discuss the most critical issues to consider when completing this analysis.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

68) Which of the following factors is a positive as it pertains to the financial feasibility of a business venture?

- A) Inconsistent and slow growth in sales during the first five to seven years in a clearly defined market niche
- B) High percentage of recurring revenue
- C) Inability to forecast income and expenses with a reasonable degree of accuracy
- D) Reliance on externally generated funds to finance and sustain growth
- E) Absence of an existing opportunity for investors to convert equity into cash

Answer: B

Diff: 3

LO: 3.5: Describe what a financial feasibility analysis is, explain its importance, and discuss the most critical issues to consider when completing this analysis.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

69) For financial feasibility analysis, a very detailed and comprehensive financial analysis is required.

Answer: FALSE

Diff: 1

LO: 3.5: Describe what a financial feasibility analysis is, explain its importance, and discuss the most critical issues to consider when completing this analysis.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

70) The most important issues to consider in financial feasibility analysis are total startup cash needed, financial performance of similar businesses, and overall financial attractiveness of the proposed venture.

Answer: TRUE

Diff: 2

LO: 3.5: Describe what a financial feasibility analysis is, explain its importance, and discuss the most critical issues to consider when completing this analysis.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

71) The template for completing a feasibility analysis included in Appendix 3.2 of the book is called the _____ analysis.

A) First Evaluation

B) Initial Screen

C) First Pass

D) First Screen

E) Flash Screen

Answer: D

Diff: 3

LO: 3.6: Describe a feasibility analysis template and explain why it is important for entrepreneurs to use this template.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

72) The First Screen feasibility analysis template included in Chapter 3 is called "First Screen" because _____.

A) it is the first feasibility analysis template created

B) it is the first and most important step in the opportunity recognition process

C) it is the first step in a sequence of several steps that must be completed before a business idea is deemed to be feasible

D) feasibility analysis is an entrepreneur's initial or first pass at determining the feasibility of a business idea

E) it is the first of several "screens" that a business idea must pass through before it is considered to be feasible

Answer: D

Diff: 2

LO: 3.6: Describe a feasibility analysis template and explain why it is important for entrepreneurs to use this template.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

73) The mechanics for filling out a First Screen worksheet are complicated.

Answer: FALSE

Diff: 2

LO: 3.6: Describe a feasibility analysis template and explain why it is important for entrepreneurs to use this template.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

74) First Screen is a template for completing industry analysis.

Answer: FALSE

Diff: 2

LO: 3.6: Describe a feasibility analysis template and explain why it is important for entrepreneurs to use this template.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking

75) Briefly describe the purpose of the First Screen and how it's used.

Answer: The First Screen is a template for completing a feasibility analysis. It is called First Screen because a feasibility analysis is an entrepreneur's initial pass at determining the feasibility of a business idea. The mechanics for filling out the First Screen worksheet are straightforward. It maps the four areas of feasibility analysis accentuating the most important points in each area. The final section of the worksheet, "Overall Potential," includes a section that allows for suggested revisions of a business idea to improve its potential for feasibility. The value of the First Screen is that it (1) provides an entrepreneur an overall sense of the feasibility of a business idea and (2) draws attention to issues that suggest the idea has low potential. The fact that an issue, such as total startup cash needed, is low potential does not necessarily mean that the business idea is not feasible. By drawing attention to this issue, an entrepreneur may think through less expensive ways to launch the venture.

Diff: 3

LO: 3.6: Describe a feasibility analysis template and explain why it is important for entrepreneurs to use this template.

AACSB: Reflective Thinking

Quest. Category: Critical Thinking