

## ESB Exam Study Guide

(Updated: June 16, 2017)

**Resource 28-01 Subjects Covered in the ESB Exam** describes what will be covered in each section of the ESB Exam.

This study guide offers tips to help students succeed with each section of the ESB Exam, including sample questions similar to actual ESB test questions.

**Unlike the Regional Micro-Enterprise Credential exam, the ESB will include computational questions.** Students will be presented with scenarios that include specific data. Students will then need to use those data to complete one or more computations (sometimes using the calculator built into the Certiport online test portal) to derive the correct answers.

### ESB Exam Sections

- 1) Characteristics of Successful Entrepreneurs
- 2) Opportunity Recognition and Analysis
- 3) Business Start-Up
- 4) Business Operations
- 5) Marketing and Sales
- 6) Financial Management and Analysis

Contact Certiport on their Customer Support website page to learn more about how students can take their ESB exam: <http://www.certiport.com/support>

Teachers who have questions about any aspect the Micro-Enterprise Credential should contact [JumpStart@la.gov](mailto:JumpStart@la.gov)

### Test Taking Tips on the Certiport Testing Portal

**A passing score on the ESB is ~70% - that's 32 correct answers out of 45 questions.**

Therefore, your mission is simple: find 32 questions you can answer correctly. *But make sure to answer all 45 questions, because there is no penalty for an incorrect answer.*

The ESB test portal includes a built-in calculator to help you with the questions that require calculations,

The table below provides a series of common-sense test taking tips that will help you succeed.

Test Taking Tips on the Certiport Testing Portal	
<b>Arrive early</b>	You'll do better if you arrive early, get organized, and get ready to start as soon as you can. <i>Allow 5 minutes to complete the test registration if you haven't registered in advance.</i>
<b>Get ready, stay calm</b>	Stress gets in the way. Once you sit down for the test, <i>stay calm</i> . You're going to do well!
<b>Plan your time</b>	You will have 50 minutes to complete the ESB exam. Plan your time carefully: "x" minutes for a quick review of questions, "y" minutes to answer easy questions, "z" minutes for the harder questions. <i>And make sure to leave time for a final review before you're finished.</i>
<b>Answer "easy" questions first</b>	The best way to get to 32 correct answers is to answer the questions you find easy first.
<b>Mark questions for "review" if you're not sure</b>	If you've answered a question and <i>think</i> you're right - but you're not sure - the Certiport exam portal allows you to mark a question for "Review." When you're done, the system will show you which questions you wanted to remind yourself to check before finishing.
<b>Skip complex / hard questions and come back</b>	If a question looks hard or will require time-consuming computation, you can skip it and come back. <i>Don't get hung up answering a long, hard question and miss answering easy questions that might come later in the test.</i>
<b><u>Calmly</u> seek assistance if you have technical problems</b>	If something goes wrong with your computer or the testing portal, <i>stay calm</i> . Your teacher will help you. The odds are, you'll be back online completing the test in moments.

The rest of this study guide provides section-by-section information that should help students pass the ESB exam, including sample test questions.

Characteristics of Successful Entrepreneurs (5 - 10% of exam questions)		
<b>Types of Questions You Should Expect</b>	<ul style="list-style-type: none"> <li>Multiple choice questions (most). These questions will focus on the behaviors / decisions of effective entrepreneurs, including when entrepreneurs will determine when they need employees and/or service providers to help them grow their business</li> <li>Scenario questions (few). These questions are <u>unlikely</u> to require extensive calculations.</li> </ul>	
<b>How Students Can Prepare</b>	<ul style="list-style-type: none"> <li>Review <a href="#">Resource 02-08 Complete Credential Word Bank</a></li> <li>Review <a href="#">Resource 24-03 Key Characteristics of Entrepreneurs versus Small Business Leaders</a></li> <li>Review Practice Test questions and answers</li> <li>Create additional class exercises (“College Bowl” contests) and instructional resources (crossword puzzles, flash cards) for students to practice their understanding of key concepts</li> <li>Reinforce these concepts during Q&amp;A sessions with in-person and Nepris virtual mentors</li> </ul>	
<b>Sample Questions</b> (Teachers can cut-and-paste these answers into a “practice mini-test.”)	Multiple Choice Questions	<p>1) Which is one of the greatest benefits of entrepreneurship?</p> <ul style="list-style-type: none"> <li>a) Working in an enterprise you're passionate about</li> <li>b) Meeting new people</li> <li>c) Paying less taxes</li> <li>d) Quick return on investment</li> </ul> <p>2) Which are three risks of entrepreneurship? (Choose three)</p> <ul style="list-style-type: none"> <li>a) Lack of motivation</li> <li>b) Isolation from meeting people</li> <li>c) Financial insecurity</li> <li>d) Potential business failure</li> <li>e) Long hours</li> </ul>
	Scenario Question	<p>3) Toni is about to launch a new business. The bank originally turned down her application for a \$20,000 loan, but she found a loan guarantor and received a \$15,000 loan that still enabled her to purchase most of her equipment. When the equipment distributor didn't have one piece of equipment her salon needed, Toni found used equipment at a \$3,000 savings and drove her brother's pick-up to go fetch the equipment. Tomorrow Toni is going to help out on the worksite because the crew is a day behind and Toni wants to open on time.</p> <p>The type of entrepreneurial behavior that Toni has been exhibiting can best be described as:</p> <ul style="list-style-type: none"> <li>(a) computer literacy</li> <li>(b) determination</li> <li>(c) comfort engaging with team members</li> <li>(d) pessimism</li> </ul>

Opportunity Recognition and Analysis (15 - 20% of exam questions)		
Types of Questions You Should Expect	<ul style="list-style-type: none"> <li>• Most of the questions in this section will be scenario questions, similar to question 6 below. These questions may require extensive calculations.</li> <li>• These questions will focus on analyzing a new venture or the demand for a good or service. <b>Carefully read all questions to make sure you're understanding the question being asked.</b></li> </ul>	
How Students Can Prepare	<ul style="list-style-type: none"> <li>• Review <a href="#">Resource 23-05 Developing the Key Elements of a Business Concept Package</a></li> <li>• Review <a href="#">Resource 23-09 What Makes a Business Concept "Doable"</a></li> <li>• Review <a href="#">Resource 23-12 Opportunity Assessment: Different Types of Business Opportunities</a></li> <li>• Review <a href="#">Resource 23-10 Business Concept Evaluation Exercises</a></li> <li>• Review Practice Test questions and answers</li> <li>• Reinforce these concepts during Q&amp;A sessions with in-person and Nepris virtual mentors</li> </ul>	
Sample Questions  (Teachers can cut-and-paste these answers into a "practice mini-test.")	Multiple Choice Questions	<p>4) A child daycare center needs to identify a value proposition that will help parents feel secure about using their services. Which two initiatives meets this objective? (Choose two.)</p> <ul style="list-style-type: none"> <li>a) Offering free snacks to the children</li> <li>b) Providing parents access to the activity schedule</li> <li>c) Responding to email inquiries within 24 hours.</li> <li>d) Offering a list of references from other parents</li> <li>e) Providing live web cams parents can access from the Internet by using a secure logon</li> </ul> <p>5) The owner of a pet daycare is presenting a plan to investors to expand the facility and promises the center will meet the needs of customers with a variety of schedules. What is a compelling value proposition directly related to customers with different schedules?</p> <ul style="list-style-type: none"> <li>a) Providing extended hours to pick up and drop off pets before and after work</li> <li>b) Adding live web cams so customers can view their pets from work</li> <li>c) Providing a variety of organic pet foods during their stay</li> <li>d) Developing interactive website for customers</li> </ul>
	Scenario Question	<p>6) A restaurateur is developing a cash flow budget for a new diner. The average "ticket" (or revenue per customer) is projected to be \$15. Experience indicates that food and beverage costs will be 40%. The diner will serve an average of 1,200 customers each week. Monthly rent costs will be \$6,500. All other monthly costs (utilities, insurance, etc.) will be \$7,200. Because all labor is hourly labor, the diner owner will be able to keep labor costs at 22% of revenue. Marketing and advertising costs will likely be around \$1,500 per month. The owner will only draw a salary when the diner makes money.</p> <p>After calculating a <i>pro forma</i> for this new diner, which two statements are true?</p> <ul style="list-style-type: none"> <li>a) This diner will lose money every month, making it a bad potential investment</li> <li>b) This diner will breakeven, so the owner will not be able to draw a salary</li> <li>c) This diner will make enough operating profit that the owner will be able to draw a salary</li> <li>d) The owner still needs to determine start-up costs for equipment, furniture and other items</li> </ul>

Business Start-Up (15 - 20% of exam questions)		
<b>Types of Questions You Should Expect</b>	<ul style="list-style-type: none"> <li>• Multiple choice questions (most). These questions will focus on actions or decisions necessary to start a new venture</li> <li>• Scenario questions (few). These questions may require extensive calculations.</li> </ul>	
<b>How Students Can Prepare</b>	<ul style="list-style-type: none"> <li>• Review <a href="#">Resource 26-02 Components of Effective Business and Marketing Plans</a></li> <li>• Review <a href="#">Resource 26-09 Developing Sales and Marketing Plans</a></li> <li>• Review <a href="#">Resource 03-13 Ethics and Social Responsibility</a></li> <li>• Review <a href="#">Resource 07-02 Company Registration Vocabulary</a></li> <li>• Review <a href="#">Resource 06-03 Small Business Capital and Credit</a></li> <li>• Review <a href="#">Resource 06-06 How Small Business Credit Applications are Evaluated</a></li> <li>• Review <a href="#">Resource 07-03 Government Agencies Important to Small Businesses</a></li> <li>• Review Practice Test questions and answers</li> <li>• Create additional instructional resources (crossword puzzles, flash cards) for students to practice their identification of different types of government agencies</li> </ul>	
<b>Sample Questions</b> (Teachers can cut-and-paste these answers into a “practice mini-test.”)	Multiple Choice Questions	<p>7) Which two groups benefit most from a well-written business plan? (Choose two)</p> <ul style="list-style-type: none"> <li>a) Distributors</li> <li>b) Suppliers</li> <li>c) Business owner</li> <li>d) Potential customers</li> <li>e) Investors</li> </ul> <p>8) The government agency that helps start-ups with small business advice and resources is:</p> <ul style="list-style-type: none"> <li>a) the Secretary of State</li> <li>b) the Small Business Administration</li> <li>c) the Franchise Board</li> <li>d) the Internal Revenue Service</li> </ul>
	Scenario Question	<p>9) The partners of an awning repair shop are assessing the amount of money needed to start a business at a new location. The partners have calculated that the business will generate more than enough revenue to cover monthly expenses after its second month in operation. Start-up expenses are estimated as: Equipment lease (monthly): \$3,000 Materials and supplies (monthly): \$20,000 Licensing (annual but must be paid upfront in a lump sum): \$200 Payroll (monthly): \$12,000 Advertising (monthly): \$1,000 Operating expenses (monthly insurance, utilities and rent): \$2,000 One-time Security Deposit for electricity: \$1,000 Contingency (to cover 10% of start-up investment) What is the amount of start-up capital the partners will need to open the new awning repair business?</p> <ul style="list-style-type: none"> <li>a) \$29,200</li> <li>b) \$32,120</li> <li>c) \$84,920</li> <li>d) \$85,920</li> </ul>

Business Operations (15 - 20% of exam questions)		
<b>Types of Questions You Should Expect</b>	<ul style="list-style-type: none"> <li>Multiple choice scenario questions (most). These questions will focus on the behaviors / decisions of effective entrepreneurs, including when entrepreneurs will determine when they need employees and/or service providers to help them grow their business</li> <li>These questions may require extensive calculations.</li> </ul>	
<b>How Students Can Prepare</b>	<ul style="list-style-type: none"> <li>Review <a href="#">Resource 24-28 Small Business Operations</a></li> <li>Review the concept of intellectual property from <a href="#">Resource 03-13 Ethics and Social Responsibility</a></li> <li>Review Practice Test questions and answers</li> <li>Note: there should not be any scenario questions in this section of the exam</li> </ul>	
<b>Sample Questions</b> (Teachers can cut-and-paste these answers into a "practice mini-test.")	Multiple Choice Questions	<p>10) Partners of a small web-site development company are identifying milestones that will measure growth of their business during its first year. What should the partners measure to help track the growth of the business during the first year?</p> <ul style="list-style-type: none"> <li>a) Revenue</li> <li>b) Expenses</li> <li>c) Assets</li> <li>d) Liability</li> </ul> <p>11) An HVAC repairman has been operating his own business for three years. Demand for his services is growing and he is finding it difficult to keep up with customer visits. He decides to hire an assistant who can successfully meet the additional work load. The assistant must be dependable and able to work independently. The HVAC repairman has identified the skills required for the assistant position, written a job description, and has posted the ad. Response to the ad is strong and several candidates have applied for the position. Which factor will help the HVAC repairman choose the best candidate that meets this human capital need?</p> <ul style="list-style-type: none"> <li>a) Whether the candidate can relocate</li> <li>b) Whether the candidate shows a "mission-driven" mentality during the job interview</li> <li>c) Whether the candidate agrees to stay on the job for more than a year</li> <li>d) Whether there is enough business income to pay for an assistant</li> </ul> <p>12) A plumber needs to hire a new bookkeeper. Which of the following would be appropriate internal controls to implement after hiring this new team member? (Choose two)</p> <ul style="list-style-type: none"> <li>a) Have friends / advisors who are knowledgeable about accounting interview your final candidates and get their input into the hiring decision</li> <li>b) Have the outside accountant review the new bookkeeper's work at the end of each month</li> <li>c) Do not give the new bookkeeper the authority to sign company checks or use the company credit card</li> <li>d) Have the new bookkeeper prepare a new sales and cash flow forecast</li> </ul>

Marketing and Sales (15 - 20% of exam questions)	
<b>Types of Questions You Should Expect</b>	<ul style="list-style-type: none"> <li>Multiple choice scenario questions (most). These questions will focus on sales strategies, finding and retaining customers, and evaluating communication channels / marketing methods.</li> <li>These questions may require extensive calculations.</li> </ul>
<b>How Students Can Prepare</b>	<ul style="list-style-type: none"> <li>Review <a href="#">Resource 26-02 Components of Effective Business and Marketing Plans</a></li> <li>Review <a href="#">Resource 26-09 Developing Sales and Marketing Plans</a></li> <li>Review <a href="#">Resource 26-14 Culminating Module Template: Develop a Business and Marketing Plan</a></li> <li>Review Practice Test questions and answers</li> <li>Reinforce these concepts during Q&amp;A sessions with in-person and Nepris virtual mentors</li> </ul>
<b>Sample Questions</b> (Teachers can cut-and-paste these answers into a “practice mini-test.”)	<p style="text-align: center;">Multiple Choice Questions</p> <p>13) A property care business provides landscaping maintenance, debris cleanup, and snow removal. The owner is reviewing several requests for its services. Which potential new customer will generate the highest gross revenue over the next year?</p> <ol style="list-style-type: none"> <li>Group of retail businesses paying \$2000 quarterly</li> <li>Apartment complex paying \$175 weekly</li> <li>Condominium complex that pays \$500 monthly</li> <li>Office park of five suites paying \$1500 per suite annually</li> </ol> <p>14) The owner of a small local diner wants to attract customers away from competing restaurants. Which strategy will best identify those customers when they arrive at the diner?</p> <ol style="list-style-type: none"> <li>Measuring the increase in customers arriving at the diner each month</li> <li>Placing flyers outside competitors' businesses</li> <li>Asking customers to complete an online survey identified on the back of their receipt</li> <li>Accept coupons issued by competitors when customers pay their bill</li> </ol>
	<p style="text-align: center;">Scenario Question</p> <p>15) The diner owner is considering starting a catering business to serve local businesses for lunch and business meetings. Market research indicates that local competitors all deliver for free, so charging a delivery fee isn't an option. The diner owner estimates that the average "ticket" (or revenue) from each catering customer will be \$120, and that there will be an average of three catering customers each weekday except for Fridays when there will be six catering customers per day. (There will be no weekend business.)</p> <p>The average food and beverage (variable) costs for the diner is 40%. Delivery costs from the local delivery contractor is likely to be a flat \$15 per order.</p> <p>The diner owner feels that social media marketing, while inexpensive, will not be enough to let local businesses know about this new catering business. Which marketing approach would be the most affordable and effective for this diner owner?</p> <ol style="list-style-type: none"> <li>Television advertising that costs \$10,000 per month and reaches all businesses in the city</li> <li>Hiring a new catering salesperson at \$25,000 per year to sell to local businesses</li> <li>Paying the delivery contractor \$500 per month to give \$25 off gift cards to their customers</li> <li>Putting a notice on the menus at the diner about the new catering business</li> </ol>

Financial Management and Analysis (15 - 20% of exam questions)		
<b>Types of Questions You Should Expect</b>	<ul style="list-style-type: none"> <li>• Multiple choice questions (few). These questions will focus basic financial knowledge and analysis.</li> <li>• Scenario questions (many). These questions are <u>very likely</u> to require extensive calculations, similar to question 18 below.</li> </ul>	
<b>How Students Can Prepare</b>	<ul style="list-style-type: none"> <li>• Review <a href="#">Resource 06-02 Key Financial Vocabulary</a></li> <li>• Review <a href="#">Resource 06-18 Jump Start Financial Concepts Student Handout</a></li> <li>• Review <a href="#">Resource 06-19 Pro Forma Student Spreadsheet</a></li> <li>• Review <a href="#">Resource 23-06 Creating Simple Financial Pro Formas</a></li> <li>• Review <a href="#">Resource 23-07 Business Pro Forma Exercises</a></li> </ul>	
<b>Sample Questions</b>  (Teachers can cut-and-paste these answers into a "practice mini-test.")	Multiple Choice Questions	<p>16) A business owner is applying for a loan with a bank. The bank uses a standard credit application form that asks the business owner about her personal income, bank accounts, credit cards, current balances outstanding, whether she rents or owns her house, and other personal information. The bank informs the business owner that they will also request her credit score from one of the national reporting agencies. Which three are factors that affect credit scores? (Choose three.)</p> <ul style="list-style-type: none"> <li>a) The year and model of car the applicant drives</li> <li>b) Payment history on existing loans</li> <li>c) Amounts owed on existing loans</li> <li>d) The type of business the applicant owns</li> <li>e) Types of credit already in use by the applicant</li> <li>f) The amount of income made by the applicant the last three years</li> </ul> <p>17) The owner of an apartment complex is examining expenses versus income for the last six months and notices that the city recently increased costs for water and sewer. Maintenance costs, vacancy rates, mortgage payments, and staff salaries are as expected. The owner decides he must raise the rent prices. Which factor is the owner concerned about?</p> <ul style="list-style-type: none"> <li>a) Acquisition costs</li> <li>b) Contingency costs</li> <li>c) Variable costs</li> <li>d) Fixed costs</li> </ul>
	Scenario Question	<p>18) A local distributor of beauty products is a start-up, keeping a close watch on cash flow. The distributor starts June with a cash balance of \$180,000. In June the distributor generates revenues of \$600,000, of which 60% are paid in cash, 40% sold with 30 day collection terms. The cost of goods sold for these revenues is 65% - the distributor must pay suppliers immediately upon sale, since this new business doesn't have a business credit history. During June the distributor collects \$250,000 in accounts receivable. Overhead costs are \$62,000. The distributor takes delivery of a new set of industrial shelving which cost \$21,000, cash on delivery. Finally, the distributor uses \$150,000 to pay off a high-cost line of credit.</p> <p>What is the distributors cash balance at the end of June?</p> <ul style="list-style-type: none"> <li>a) \$407,000</li> <li>b) \$347,000</li> <li>c) \$317,000</li> <li>d) \$167,000</li> </ul>