**Jump Start Micro-Enterprise Credential: Pre-Test**

(REVISED: Updated: July 2016)

Congratulations! You’re about to embark upon the process of attaining the Micro-Enterprise Credential. This credential will teach you about the skills you need to be successful as a small business employee, and one day perhaps as an entrepreneur who forms a successful new enterprise.

The objective of this pre-test is to determine how much of the material we will cover is familiar to you, and where your teacher can focus his / her efforts to make sure you are successful.

Do *not* be concerned if you can’t answer a question, or maybe even a whole section of questions. *That’s O.K.* In fact, that’s what your teacher should expect for most of the students taking this pre-test.

***But here’s something to think about: how great will it be to compare your performance on the final test – where you demonstrate how you’ve mastered all of the key concepts of this credential – with your answers on this pre-test?*** How great will that be?

Please answer the questions below to the best of your ability, skipping questions where you don’t know the answers.

You have \_\_\_\_\_\_ minutes to complete this pre-test. ***For each question please check the ONE best answer.***

|  |  |
| --- | --- |
| Your Name: | Date: |
| Your Teacher: | Period: |

**Section One: Self-Assessment Key Terms**

1) Characteristics of successful entrepreneurs include:

(a) grit

(b) submission

(c) self-importance

(d) short attention span

2) Robin has been working throughout the week to get ready for the store opening on Friday. The tiles for the entryway weren’t delivered on time, but Robin took the company van and picked up the tiles at the vendor’s warehouse. When the utility didn’t connect the electricity on Monday, Robin stayed on hold for an hour before finding a supervisor who sent a utility tech right away.

The type of entrepreneurial behavior that Robin has been exhibiting over the past week can best be described as:

(a) independence

(b) optimism

(c) determination

(d) computer literacy

3) Which is an entrepreneur?

(a) a manager of the biggest chain grocery store in town

(b) the bank CEO who started out as a teller 30 years ago

(c) an adult who started cutting grass as a pre-teen and now runs a gardening business with a sibling

(d) the convenience store clerk

4) Characteristics of successful entrepreneurs include:

(a) pessimism

(b) territorial

(c) optimism

(d) ineffective

5) Entrepreneurial problem solvers exhibit the following behaviors:

(a) comfort performing under pressure

(b) ability to forget important details

(c) loyalty to standard practices

(d) comfort conceding defeat

6) Self-discipline can best be defined as:

(a) perspective

(b) persistence

(c) prediction

(d) prescription

7) Amari has had a frustrating week. One of the new employees hired just last week showed up late her first two days, and another didn’t even show up one of his scheduled days. Amari talked patiently with both of them in the hope that they could turn their situation around and become valuable team members. Unfortunately, at the same time the bank returned the credit application that took Amari hours to fill out with requests for additional information. Amari had to find the time to find that information and send the application back to the bank. Finally, Amari really wanted to watch the *The Voice* on television tonight, but decided to stay in the store until closing because the store is short-staffed.

The type of entrepreneurial behavior that Amari has been exhibiting can best be described as:

(a) financial literacy

(b) self-discipline

(c) comfort engaging with strangers

(d) pessimism

8) Characteristics of successful entrepreneurs include:

(a) interpretation

(b) indifference

(c) ingratitude

(d) independence

9) Which of the following is an essential skill for a successful entrepreneur and small business leader?

(a) ability to complete complicated mathematical functions in your head

(b) ability to use hand tools

(c) ability to intimidate others

(d) ability to interact in a friendly and effective way with people you don’t know

10) Which of the following best defines self-motivation?

(a) ability to start and finish a task without giving up despite obstacles that might arise

(b) ability to ignore directions and do things your way

(c) ability to follow directions effectively to arrive at a desired result

(d) ability to develop a plan to get something done

11) Which is an entrepreneur?

(a) a woman who designs and makes her own line of clothing and sells them to her friends

(b) a corporate vice president of human relations

(c) a parking lot attendant

(d) a state government official

12) Successful entrepreneurs can be described as:

(a) unfriendly

(b) change agents

(c) reactive

(d) passive

**Section Two: School versus Work Expectations**

13) Which of the following is a school expectation:

(a) perfect attendance or expulsion / termination

(b) driving and texting results in expulsion / termination

(c) two weeks of vacation

(d) two months of summer vacation

14) Which of the following is a work expectation:

(a) unsafe behaviors are addressed tolerantly

(b) serious consequences for failures in self-discipline

(c) OK not to worry about a budget

(d) coming into contact with strangers during a typical day is unusual

15) Is the workplace expectation for being on-time different than the high school expectation?

(a) Yes – being late at school carries greater penalties than being late for work

(b) Yes – being late for work carries greater penalties than being late at school

(c) No – the expectations for being on-time are the same at work and at high school

(d) Unclear

**Section Three: Business Structure and Practice**

16) One advantage of establishing a new company as some type of a corporation is:

(a) reduces paperwork the owners have to complete

(b) guarantees the company will be profitable

(c) guarantees higher revenues

(d) ability to shield owners from liabilities of or judgments against the company

17) The government agency that enables companies to register to do business in the state of Louisiana is:

(a) Department of Commercial Licenses

(b) Secretary of State

(c) Workforce Commission

(d) Internal Revenue Service

18) Which of the following is a state government agency:

(a) Secretary of State Militia (SSM)

(b) Department of Defense (DoD)

(c) Small Business Administration (SBA)

(d) Louisiana Economic Development (LED)

19) What is a “registered agent?”

(a) a government official

(b) an advertising agency representative

(c) an officer of the court

(d) an individual responsible for receiving legal documents

20) The *geaux*BIZ portal is:

(a) a Louisiana Revenue website businesses use to pay taxes

(b) a Louisiana Secretary of State website entrepreneurs use to register a company

(c) a Louisiana Workforce Commission small business owners use to hire employees

(d) a joint state and federal website for filing IRS forms

**Section Four: How Companies Use Credit / Applying for Credit**

21) The financial term liability refers to:

(a) a weakness in the company’s financial structure

(b) the ability of the company to raise funds

(c) the ability of the company to secure loans

(d) a debt or a loan a company must repay

22) Compared to a bank loan, an online loan is:

(a) much easier to obtain

(b) less expensive (lower interest rate)

(c) only for companies in certain industries

(d) approximately equal in terms of interest rates

23) Which factors reduce the cost of borrowing from a bank?

(a) a guarantor

(b) an outstanding mortgage

(c) other outstanding loans

(d) available phantom assets

24) Parker needs money to expand the warehouse. By expanding the warehouse the company will be able to carry a lot more inventory, which will make it possible for them to fill more customer orders much more quickly. This expansion will cost approximately $150,000 in construction costs. Purchasing the additional inventory will cost $50,000. Over the next two years Parker believes this will increase sales 20% and profitability 25%.

What type of financing should Parker seek?

(a) online credit

(b) credit card credit

(c) bank credit

(d) none – the numbers indicate this will not be a profitable expansion

25) The maturity of a loan is:

(a) how long it takes to receive loan approval from the bank

(b) the interest rate on the loan

(c) the timeframe by which the borrower must repay the loan

(d) the balance of an outstanding loan

26) A guarantor:

(a) must be a business or individual located in-state

(b) is a credit-worthy individual or business responsible for repaying a loan if the debtholder cannot

(c) assumes no legal responsibilities

(d) has limited liquidity

27) Bank loan applications:

(a) can be intimidating, complex and detailed

(b) are easy to complete

(c) are short

(d) can only be completed in the presence of a banker during regular work hours

28) Online loans are:

(a) only available to companies in a limited number of industries

(b) easier to obtain but more expensive than bank loans

(c) easier to obtain and less expensive than bank loans

(d) easier to obtain and about the same cost as a bank loan

29) Loan applications require:

(a) applicants to provide personal and business information that must be truthful

(b) applicants to offer a guarantee to take whatever loan terms are offered

(c) completion all in one sitting

(d) applicants to pay for the right to submit an application

30) Consuelo’s gift store has an opportunity that will disappear if they don’t move quickly. A competitor is moving to another state and they’ve offered to sell Consuelo their inventory at 25% of retail value. Consuelo has inspected the inventory – it’s in perfect condition and includes all of the most popular items that Consuelo’s store sells every day. In the upcoming holiday season 60 days away Consuelo is sure the store can sell pretty much all of this inventory. Unfortunately this offer is only open for 48 hours – after that, the competitor will sell to another buyer.

What type of financing should Consuelo seek?

(a) online credit

(b) mortgage

(c) bank credit

(d) none – the numbers indicate this will not be a profitable business decision

31) One critical difference between bank loans and online loans is:

(a) applicants only have to be completely truthful on a bank loan application

(b) none – they are pretty much the same

(c) the amount of information the applicant must provide

(d) the amount of money the applicant can request

**Section Five: Key Financial Terms and Business Concepts**

32) To determine whether a business opportunity is realistic, the entrepreneur must:

(a) determine how much capital is required to launch the business

(b) determine the corporate officers of the competitors

(c) determine the color scheme of the company’s proposed logo

(d) determine how the company will advertise

33) The fixed costs of a business:

(a) must be different each month

(b) include the cost of production materials

(c) are the same no matter how many customers the business serves

(d) must exceed variable costs

34) A business plan has the following purpose:

(a) serves as collateral that a company can take to a bank to secure guaranteed loans

(b) serves as a required filing with the Internal Revenue Service

(c) describes in detail how the company’s product or service will be differentiated versus its competition

(d) describes in detail how the company will set up its headquarters office

35) Businesses should always set their prices:

(a) lower than their competitors’ prices

(b) low enough so that revenues are below variable expenses

(c) to reflect the value of their goods or services, not just their costs

(d) higher than their competitors’ prices

36) Pricing strategies may include:

(a) maximizing revenues for different products using different price points

(b) maximizing debt through effective loan applications

(c) maximizing units sold through effective advertising themes

(d) completing audited financial statements

37) Advertising can be important for a new business because it:

(a) is a free form of promotion

(b) allows the new business to set up a network of distributors

(c) communicates a differentiated message to your target customers

(d) is a low-cost method to increase revenues

38) An employee:

(a) owns a business venture

(b) works for someone else

(c) takes primary financial responsibility for the risk of the business venture

(d) is responsible for contributing equity to the business

39) When launching a business, which is NOT a critical consideration?

(a) how the new company’s product or service is different from or better than competitor products or services

(b) identifying team members with important skills the new business can hire

(c) what type of bank account the company will use

(d) physical or virtual location

40) A company balance sheet is the single report that best indicates:

(a) company assets and liabilities

(b) company quarterly cash flow

(c) company financial projections

(d) monthly debt payments and outstanding debt obligations

41) An example of a fixed cost is:

(a) monthly rent

(b) cost of goods sold

(c) hourly labor

(d) office supplies

42) An example of a variable cost is:

(a) monthly rent

(b) overhead salaries

(c) cost of goods sold

(d) the salary of the Finance Vice President

43) A breakeven analysis can determine:

(a) how many units the company will need to sell to pay for a new piece of equipment

(b) the identity of future loan guarantors

(c) when a company must pay its bills to avoid bankruptcy

(d) how many customers a new business will need to secure to meet its revenue projections

44) Revenue per unit minus cost of goods sold equals:

(a) unit breakeven

(b) contribution margin

(c) income pro forma

(d) debt service

45) Total revenues minus total costs equals:

(a) contribution margin

(b) unit breakeven

(c) profits before owner compensation and taxes

(d) future value profits

46) The profit margin on an item a company sells can best be defined as:

(a) total debt minus annual debt payment

(b) variable cost per unit

(c) price of the unit minus unit cost of goods sold

(d) total company revenue minus total company costs

47) A payment made to an insurance company to cover the costs of an insurance policy is called:

(a) a policy

(b) a dividend

(c) a beneficiary

(d) a premium

**Section Five: Business Ethics and Social Responsibility**

48) Corporate social responsibility:

(a) is the legal requirement that companies make charitable donations before paying dividends

(b) is a government program required for all companies

(c) are voluntary steps beyond a company’s financial self-interest that reflect what business leaders believe their companies can or should accomplish

(d) is a form that must be completed each year and filed with the Louisiana Secretary of State

49) A conflict of interest is:

(a) when business partners have an honest disagreement about their next advertising campaign

(b) when an accountant disagrees with the IRS on how much a company owes in income taxes

(c) naturally occurring whenever there is competition between small businesses

(d) a situation in which an individual might take an action to his/her advantage that would be to the disadvantage of a person or company that believe this individual is serving them

50) An example of intellectual property is:

(a) a truck

(b) a patent on an invention

(c) stock

(d) electronic bank accounts