

TECEP® Test Description for MAN-230-TE

INTRODUCTION TO ENTREPRENEURSHIP

This exam assesses the process by which individuals pursue opportunities without regard to resources they currently control. The essence of entrepreneurial behavior is identifying opportunities and putting useful ideas into practice. The tasks called for by this behavior can be accomplished by either individuals or a group and typically require creativity, drive, and a willingness to take risks. This exam evaluates students' understanding of the entrepreneurial process and the way it typically unfolds. It assesses students' knowledge and application of this four-step process that includes: deciding to become an entrepreneur; developing successful business ideas; moving from an idea to an entrepreneurial firm; and managing and growing the entrepreneurial firm. (3 credits)

- **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
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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

TOPICS ON THE TEST AND THEIR APPROXIMATE DISTRIBUTION

The table below indicates the main topics covered by this exam and the approximate percentage of the exam devoted to each main topic. Under the main topic heading is a list of related—but more specific—topics. It is important to review these topics to determine how much prior knowledge you have and/or how much additional study is necessary. To assist with refreshing and enhancing your knowledge of the ideas, concepts, and theories for this subject, links to free and openly licensed review materials are included for each topic.

Deciding to become an entrepreneur (10%)	
Topic	Resource
Introduction to entrepreneurship	<i>Boundless Management</i> <ul style="list-style-type: none"> • Chapter 1: Introduction to Management <ul style="list-style-type: none"> ◦ Entrepreneurship
The importance of entrepreneurship	<i>Introduction to Management</i> <ul style="list-style-type: none"> • Module: Entrepreneurship <ul style="list-style-type: none"> ◦ Reading: The Importance of Small Business to the U.S. Economy
The changing demographics of entrepreneurs in the U.S.	<i>BUS305: Small Business Management</i> <ul style="list-style-type: none"> • Unit 1: Elements of Entrepreneurship <ul style="list-style-type: none"> ◦ Chapter 2: What Makes Someone an Entrepreneur?
The entrepreneurial process	<i>Getting Started as an Entrepreneur</i> <ul style="list-style-type: none"> • Entrepreneurship Is...
Approaches that entrepreneurs use to identify opportunities	<i>Introduction to Business</i> <ul style="list-style-type: none"> • Module: Entrepreneurship <ul style="list-style-type: none"> ◦ Reading: Advantages and Disadvantages of Business Ownership ◦ Reading: Is Entrepreneurship for You? ◦ Reading: Twenty Questions Before Starting a Business
Techniques for generating ideas	<i>Creating Services and Products</i> <ul style="list-style-type: none"> • Chapter 6: Facilitating Creativity and Innovation



Opportunity assessment (25%)	
Topic	Resource
The importance of a thorough feasibility analysis prior to launch	<i>Developing New Products and Services</i> <ul style="list-style-type: none"> Chapter 12: Developing a Business Plan <ul style="list-style-type: none"> 12.11: Due Diligence
Industry analysis	<i>Marketing Principles</i> <ul style="list-style-type: none"> Chapter 10: Gathering and Using Information: Marketing Research and Market Intelligence
Competitor analysis	<i>Business Fundamentals</i> <ul style="list-style-type: none"> Competitive intelligence - Definition
The business model of a start-up	<i>South African Journal of Economic and Management Sciences</i> <ul style="list-style-type: none"> Potential Entrepreneurs' Assessment of Opportunities Through the Rendering of a Business Plan
Strategic resources and partnerships	<i>Business Fundamentals</i> <ul style="list-style-type: none"> Chapter 8: Securing and Managing External Relationships <ul style="list-style-type: none"> Section 8.3: Marketing Exchanges and Partnerships
Business and organizational planning (25%)	
Topic	Resource
Writing and presenting the business plan	<i>Developing New Products and Services</i> <ul style="list-style-type: none"> Chapter 12: Developing a Business Plan
Forms of business organization	<i>BUS101: Introduction to Business</i> <ul style="list-style-type: none"> Unit 2: Entrepreneurship and Legal Forms of Business <ul style="list-style-type: none"> 2.1: Legal Forms of Business
Preparing the proper ethical and legal foundation for the business	<i>Introduction to Business</i> <ul style="list-style-type: none"> Module 6: Business Ethics and Corporate Responsibility
Creating a new venture team	<i>International Journal of Business and Social Research</i> <ul style="list-style-type: none"> Entrepreneurial Intention, Culture, Gender and New Venture Creation: Critical Review
Role of professional advisors	Finding a Business Mentor
Financial analysis and financing the new venture (25%)	



Topic	Resource
Financial management of a start-up	<i>Introduction to Business</i> <ul style="list-style-type: none"> Module 2: Economic Environment Module 4: Financial Markets and System
Preparation of financial statements	<i>Boundless Accounting</i> <ul style="list-style-type: none"> Chapter 3: Overview of Financial Statements
Financial statements forecasting	<i>Boundless Finance</i> <ul style="list-style-type: none"> Chapter 4: Forecasting Financial Statements
Venture financing options	<i>Boundless Finance</i> <ul style="list-style-type: none"> Chapter 14: Obtaining Capital: Methods of Long-Term Financing <ul style="list-style-type: none"> Venture Capital
Managing an entrepreneurial firm (15%)	
Topic	Resource
Selecting a market and establishing a position	<i>Boundless Marketing</i> <ul style="list-style-type: none"> Chapter 4: Consumer Marketing <ul style="list-style-type: none"> Market Segmentation
Key marketing issues for new ventures	Entrepreneurship
The importance of intellectual property	<i>Introduction to Business</i> <ul style="list-style-type: none"> Module 5: Legal Environment <ul style="list-style-type: none"> Intellectual Property
The various forms of intellectual property	<i>The Legal Environment and Business Law: Executive MBA Edition</i> <ul style="list-style-type: none"> Chapter 10: Intellectual Property
Franchising and its issues	<i>Introduction to Business</i> <ul style="list-style-type: none"> Module 7: Business Ownership <ul style="list-style-type: none"> Franchises

STUDY MATERIALS

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](#).



Resource Licensing Guide	
Title	License
(2019). Small Business Management [Saylor course]. Washington, D.C.: Saylor Academy.	See License
C4DLab University of Nairobi. (2016). Introduction to Business and Entrepreneurship .	CC BY-SA 3.0
U.S. Small Business Administration: Starting & Managing	Public Domain
Boundless' Introduction to Business [Boundless course]. Portland, OR: Lumen Learning.	CC BY-SA 4.0
Boundless' Marketing [Boundless course]. Portland, OR: Lumen Learning.	CC BY-SA 4.0
Boundless' Finance [Boundless course]. Portland, OR: Lumen Learning.	CC BY-SA 4.0
Boundless' Accounting [Boundless course]. Portland, OR: Lumen Learning.	CC BY-SA 4.0
Botha, M., & Robertson, C. L. (2014). Potential entrepreneurs' assessment of opportunities through the rendering of a business plan . <i>South African Journal of Economic and Management Sciences</i> , 17(3), 249-265.	CC BY-NC 3.0
Williams, L., et al. (n.d.). Introduction to Business [Lumen course]. Portland, OR: Lumen Learning.	Various
(2012). Developing New Products and Services (v. 1.0). Washington, D.C.: Saylor Academy.	CC-BY-NC-SA 3.0
Business Fundamentals . OpenStax CNX.	CC BY 4.0
(2012). Principles of Marketing (v. 2.0). Washington, D.C.: Saylor Academy.	CC BY-NC-SA 3.0

SAMPLE QUESTIONS

The questions below are designed to help you study for your TECEP. Answering these questions does not guarantee a passing score on your exam.

Please note that the questions below **will not** appear on your exam.

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



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- 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?
- Subchapter S corporation
 - Limited partnership
 - General partnership
 - 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?
- Rivalry among existing firms
 - Threat of new entrants
 - Threat of substitutes
 - 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.
- Expense; Non-standard
 - Standard; Non-Standard
 - Fixed; Variable
 - 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?
- Operational
 - Full
 - Summary
 - Tactical
11. A _____ partnership is a modified form of a general partnership.
- joint
 - limited
 - partial
 - 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?
- Current status
 - Market analysis
 - Company summary
 - 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?
- Cash flow challenges, capital investments, and lengthy product development cycles
 - Business research, cash flow challenges, and costs associated with building a brand
 - Bonuses for members of the new venture team, legal fees, and lengthy product development cycles
 - Attorney fees, capital investments, and marketing research
20. An entrepreneur who starts a business without external funding is utilizing a technique referred to as
- networking
 - capitalizing
 - prospecting
 - bootstrapping
21. The 4 P's of a firm's marketing mix consists of
- product, price, promotion, and place
 - passion, pride, principle, and premium
 - parity, passion, product, and pay
 - place, promotion, passion, and performance
22. Value-based pricing takes a _____-oriented approach.
- product
 - company
 - customer
 - cost
23. What are the three types of patents?
- Manufacturing; process; plant
 - Usefulness; purpose; genetic
 - Explicit; implicit; plant
 - 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.
- product and trademark
 - product extension
 - business format
 - 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.
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ANSWERS TO SAMPLE QUESTIONS

Multiple-choice questions

- | | | |
|--------|---------|---------|
| 1. (d) | 10. (a) | 19. (a) |
| 2. (c) | 11. (b) | 20. (d) |
| 3. (b) | 12. (b) | 21. (a) |
| 4. (c) | 13. (a) | 22. (c) |
| 5. (b) | 14. (d) | 23. (d) |
| 6. (d) | 15. (b) | 24. (a) |
| 7. (b) | 16. (d) | 25. (c) |
| 8. (c) | 17. (d) | |
| 9. (c) | 18. (a) | |

Short answer questions

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	
Provides the two guidelines for deciding whether to pursue intellectual property protection	3 points
Provides appropriate discussion for each	2 points

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	
Appropriately explains copyright	3 points
Provides appropriate discussion of what materials copyright covers	2 points



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	
Explains when franchising is appropriate	3 points
Provides appropriate example	2 points

Essay questions

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

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	
Provides appropriate explanation of a business model	3 points
Provides appropriate explanation why a firm needs to have a business model	3 points
Provides appropriate example and discussion of a specific business model	4 points

