

Entrepreneurship ©2013

Chapter 2: Business Plan—Checkpoint Solutions

Checkpoint 2.1

1. What is the difference between a want and a need?

Answer: A need is something that is necessary for survival, such as air and water. A want is something that is desired but a person can function without it.

2. List and describe the factors of production.

Answer: Natural resources, such as land, water, minerals, forests, sunlight, etc., are not made by man. Human resources is the work performed by people. Capital resources, such as money, supplies, buildings, vehicles, etc., are man-made.

3. What are the different types of businesses that you can consider?

Answer: Manufacturer, wholesaler, retailer, or service business.

4. Give an example of opportunity cost.

Answer: You just purchased some wood at a lumber store. You have enough wood to make a chair or a table, but you decide to make the table. Your opportunity cost is the chair you did not make. In entrepreneurship, opportunity costs are often defined in terms of time and money lost or risk versus reward.

5. It is a known fact that many businesses fail. What are five of the reasons that they fail?

Answer: *(any five)* 1. Failure to complete a feasibility analysis. 2. Lack of planning. 3. Insufficient start-up capital. 4. Location. 5. Underestimating the competition. 6. Poor management decisions. 7. Ineffective marketing strategies. 8. Unexpected growth.

Checkpoint 2.2

1. List three features of a memorable business plan.

Answer: *(any three)* 1. Well written. 2. Grammatically correct. 3. Exciting. 4. Unique. 5. Viable. 6. Attractive.

2. Describe the difference between a vision statement and a mission statement.

Answer: The vision statement is the overall goal for the company's future, while the mission statement is a message to the customer as to why you are in business.

3. What information needs to be included in the market evaluation?

Answer: Industry conditions, economic conditions, trade area analysis, target market, and competition.

4. Give an example of the type of business operations you will include in your business plan.

Answer: Student answers will vary, but answers should include organizational structure, management team, marketing strategies, human resources, and risk management evaluation.

5. Why is the financial plans section of the business plan important?

Answer: Potential investors and loan officers analyze financial plans carefully. Financial plans play a large part in the decision to invest in or lend money to a start-up business. Investors want a good return on their investment. Bankers want to know you will make enough money to pay back a business loan.