

ENT 211 / GNS 203

Entrepreneurship & Innovation

Introduction to Entrepreneurial Skills Development

COMPREHENSIVE MCQ BANK

200 Multiple Choice Questions with Answers

Covering: Forms of Business Organisations / Venture Capital / Entrepreneurship

Course Lecturer: Dr. E. O. Ojo | Department of Business Administration | Osun State University, Okuku Campus

COURSE SUMMARY

| Topic | Key Points |
|-----------------------------|---|
| Business Organisations | Classified by size (small/large) and ownership (private/public). Five basic forms: Sole Proprietorship, Partnership, Private Ltd, Public Ltd, Cooperative Society. |
| Sole Proprietorship | Owned by one person. Unlimited liability. Oldest and largest form. No legal entity. Easy to establish, quick decisions, but limited resources. |
| Partnership | 2-20 persons (2-10 for banking). Registered with Registrar of Company. Governed by Partnership Deed. Types: General and Limited. Partners: Active, Dormant, Nominal, Secret, Silent. |
| Limited Liability Companies | Also called Joint Stock Company. Separate legal entity. Two types: Private Ltd (2-50 members) and Public Ltd (minimum 7, no maximum). Require Certificate of Incorporation; Public Ltd also needs Certificate of Trading. |
| Cooperative Societies | Voluntary membership. 'One man, one vote' principle. Not profit-oriented. Types include CCS, PCS, CTCS, MCS, RCS, WCS, ACS. |
| Public Corporations | Owned and financed by government using tax revenue. Established by Acts of Parliament. Objective: provide essential public services. Also called statutory corporations. |
| Entrepreneurship Types | Four types: Small Business, Scalable Startup, Large-Scale Business Ventures, Social Entrepreneurship. |
| Venture Capital | Equity financing for high-risk, high-reward projects. Features: High risk, equity participation, long-term, participates in management, social objectives. Originated in USA in 1950s. |
| VC Financing Stages | Early Stage: Seed Capital, Start-Ups, Second Round. Later Stage: Development Capital, Expansion Finance, Replacement Capital, Turnarounds, Buy Outs (MBOs and MBIs). |
| VC Investment Factors | Strong management team, viable idea, business plan, project cost & returns, future market prospects, existing technology. |

MULTIPLE CHOICE QUESTIONS

SECTION A: BUSINESS ORGANISATIONS

1. Which of the following best defines a business organisation?

- A. A company owned solely by the government
- B. A company founded by an individual or group with the primary objective of producing goods/services at a profit
- C. An informal group of people sharing resources
- D. A non-profit entity providing social services

✓ Answer: B

2. Business organisations are classified by two major criteria. Which of the following is one of them?

- A. Location and climate
- B. Size and ownership
- C. Age and profitability
- D. Technology and workforce

✓ Answer: B

3. Which of the following is classified as a Small Business Organisation?

- A. Public Limited Company
- B. Cooperative Society
- C. Sole Proprietorship
- D. Public Corporation

✓ Answer: C

4. Limited Liability Companies and Public Corporations belong to which category of business?

- A. Small Business Organisations
- B. Micro enterprises
- C. Big or Large Business Organisations
- D. Informal sector organisations

✓ Answer: C

5. Private Enterprises are business organisations that are:

- A. Owned by the government
- B. Owned and managed by private individuals
- C. Funded by international donors
- D. Run by cooperative members

✓ Answer: B

6. Public Enterprises are business organisations owned and managed by:

- A. Private shareholders
- B. Foreign investors
- C. The government
- D. A board of trustees

✓ Answer: C

7. Which factor determines the choice of business ownership based on the amount of money needed by the firm?

- A. Market size
- B. Managerial capability
- C. Capital requirement
- D. Registration requirements

✓ Answer: C

8. The relationship between market size and capital requirement is:

- A. Inverse – larger market needs less capital
- B. No relationship exists
- C. Direct – larger market requires larger capital
- D. Capital determines market size

✓ Answer: C

9. Which determinant of business ownership choice involves the willingness to take risks?

- A. Capital requirement
- B. Market size
- C. Registration requirements
- D. Risk bearing

✓ Answer: D

10. How many basic forms of business organisations are identified in the course material?

- A. 3
- B. 4
- C. 5
- D. 6

✓ Answer: C

SECTION B: SOLE PROPRIETORSHIP

11. Sole proprietorship is a business concern established, owned, operated and controlled by:

- A. Two to twenty persons
- B. One person
- C. The government
- D. A board of directors

✓ Answer: B

12. Sole proprietorship is regarded as the _____ and _____ form of entrepreneurial organisation.

- A. Newest and largest
- B. Oldest and largest
- C. Oldest and smallest
- D. Newest and smallest

✓ Answer: B

13. Which of the following is a characteristic of sole proprietorship regarding liability?

- A. Limited liability
- B. Shared liability
- C. Unlimited liability
- D. No liability

✓ Answer: C

14. In a sole proprietorship, the capital outlay comes solely from:

- A. Bank loans
- B. Government grants
- C. The proprietor
- D. Public investors

✓ Answer: C

15. What is the legal status of a sole proprietorship?

- A. It is a full legal entity
- B. It is not a legal entity
- C. It is a semi-legal entity
- D. It has limited legal status

✓ Answer: B

16. Which of the following is an advantage of sole proprietorship?

- A. Large capital base
- B. Unlimited liability
- C. Quick and independent decision making
- D. Perpetual succession

✓ Answer: C

17. Privacy of business affairs in sole proprietorship means:

- A. The business must publish annual accounts
- B. The owner is not required by law to disclose annual accounts
- C. The business is open to public scrutiny
- D. All financial data must be submitted to the government

✓ Answer: B

18. Which of the following is a disadvantage of sole proprietorship?

- A. Easy to establish
- B. Privacy of business affairs
- C. Limited financial resources
- D. No business income tax

✓ Answer: C

19. The 'limited life span' disadvantage of sole proprietorship refers to:

- A. Annual renewal of business licence
- B. Lack of continuity due to possible death or incapacitation of the owner
- C. Government restrictions on business duration

D. Seasonal nature of the business

✓ Answer: B

20. Which of the following best describes management difficulties in sole proprietorship?

- A. Too many managers cause conflict
- B. The business does not enjoy abundance of managerial expertise
- C. The owner cannot manage alone
- D. Government interference in management

✓ Answer: B

21. One advantage of sole proprietorship is that business gains are personal gains, meaning:

- A. The owner shares profits with employees
- B. The owner retains all profits and does not share them with anybody
- C. Profits are reinvested automatically
- D. Gains are taxed at a corporate rate

✓ Answer: B

22. The formation of a sole proprietorship is subject to:

- A. Heavy government regulation
- B. Virtually no regulation except obtaining a licence in some cases
- C. Approval by the Registrar of Companies
- D. A formal partnership deed

✓ Answer: B

SECTION C: PARTNERSHIP

23. A partnership is an association of how many persons?

- A. Only one person
- B. Two or more persons
- C. At least twenty persons
- D. Exactly five persons

✓ Answer: B

24. What is the maximum number of partners in a general partnership (non-banking)?

- A. 5
- B. 10
- C. 20
- D. 50

✓ Answer: C

25. For banking business partnerships, the maximum number of partners is:

- A. 5
- B. 10
- C. 20
- D. 50

✓ Answer: B

26. Partnership is most common in which type of professional businesses?

- A. Agriculture and manufacturing
- B. Accounting and law
- C. Retail and whole sale
- D. Technology and media

✓ Answer: B

27. In a General/Ordinary Partnership, all partners have:

- A. Limited liability
- B. Equal responsibility and unlimited liabilities
- C. No financial obligation
- D. Silent roles only

✓ Answer: B

28. In a Limited Partnership, the liability of partners is limited to:

- A. Their personal assets
- B. The capital contributed into the business
- C. An agreed fixed amount regardless of contribution
- D. The total business debt

✓ Answer: B

29. An Active Partner in a partnership:

- A. Only contributes financial resources
- B. Takes active part in formation, financing and running of the business
- C. Lends his name only
- D. Remains anonymous

✓ Answer: B

30. A Dormant or Sleeping Partner:

- A. Takes active role in management
- B. Contributes financial resources but does not actively manage
- C. Lends only his name to the business
- D. Takes a secret role in management

✓ Answer: B

31. A Nominal or Passive Partner:

- A. Contributes capital and manages the business
- B. Does not contribute financial resources; his name is only used in formation
- C. Secretly participates in management
- D. Has unlimited liability

✓ Answer: B

32. The Partnership Deed includes which of the following?

- A. Names of customers
- B. Method by which profits and losses are to be shared
- C. List of government regulations

D. Business marketing strategies only

✓ Answer: B

33. Which of the following is a right of partners?

- A. A partner can be expelled at any time by majority vote
- B. New partners can be admitted without consent
- C. Each partner has the right to inspect the books at the place of business
- D. Partners can withdraw capital freely at any time

✓ Answer: C

34. Which of the following is an advantage of partnership?

- A. Unlimited liability
- B. Delay in decision making
- C. Greater capital or financial resources
- D. Not a legal entity

✓ Answer: C

35. Which of the following is a disadvantage of partnership?

- A. Greater specialisation
- B. Better credit rating
- C. Unlimited liability
- D. More employment opportunities

✓ Answer: C

36. A partnership can be dissolved through which of the following?

- A. Decision of only one partner
- B. Mutual consent of all partners
- C. Government decree only
- D. Death of a silent partner only

✓ Answer: B

37. What happens to a partnership when a partner dies or leaves?

- A. The business continues automatically
- B. The partnership dies or dissolves automatically
- C. The remaining partners absorb the share
- D. The government takes over

✓ Answer: B

38. Taxes in a partnership are paid on:

- A. The total business profit
- B. Individual partner's income only
- C. Gross revenue
- D. Capital contributed

✓ Answer: B

39. 'General Agency' is listed as a disadvantage of partnership. This means:

- A. Each partner can bind other partners through business actions

- B. The government acts as an agent for the firm
- C. Agencies are expensive
- D. Partners must hire agents

✓ Answer: A

SECTION D: LIMITED LIABILITY COMPANIES

40. A Limited Liability Company is also known as:

- A. Public Corporation
- B. Joint Stock Company
- C. Cooperative Society
- D. Sole Enterprise

✓ Answer: B

41. In a Limited Liability Company, the liability of owners is limited to:

- A. The total debt of the company
- B. The amount of capital they have invested in the company
- C. Their personal assets
- D. A fixed sum regardless of investment

✓ Answer: B

42. Which of the following is a type of Limited Liability Company?

- A. General Partnership
- B. Sole Proprietorship
- C. Limited by shares
- D. Public Corporation

✓ Answer: C

43. A business is considered 'limited by guarantee' when:

- A. Members guarantee to purchase shares
- B. The memorandum specifies maximum amount each member may contribute upon dissolution
- C. The government guarantees debts
- D. Partners guarantee each other's obligations

✓ Answer: B

44. A Private Limited Company is also known as:

- A. An open company
- B. A close company
- C. A public enterprise
- D. A statutory corporation

✓ Answer: B

45. The maximum membership of a Private Limited Company is:

- A. 20
- B. 50
- C. 100

D. Unlimited

✓ Answer: B

46. The minimum membership of a Private Limited Company is:

- A. 1
- B. 2
- C. 5
- D. 7

✓ Answer: B

47. Shares of a Private Limited Company:

- A. Can be freely traded on the stock exchange
- B. Cannot be transferred without knowledge of the Registrar of Companies
- C. Are available to all members of the public
- D. Are quoted on the stock exchange

✓ Answer: B

48. A Private Limited Company is managed by:

- A. The government
- B. Board of Directors headed by a Chairman
- C. The proprietor alone
- D. A cooperative committee

✓ Answer: B

49. Which of the following is a feature of a Private Limited Company?

- A. Shares are quoted in the stock exchange
- B. Members of the public can be invited to subscribe to shares
- C. It does not require publishing financial statements by law
- D. There is no restriction on transfer of shares

✓ Answer: C

50. A Public Limited Company is otherwise known as:

- A. A closed company
- B. An open company
- C. A private enterprise
- D. A statutory corporation

✓ Answer: B

51. The minimum number of persons required to form a Public Limited Company is:

- A. 2
- B. 5
- C. 7
- D. 10

✓ Answer: C

52. In a Public Limited Company, shareholders can transfer their shares:

- A. Only with approval of all shareholders

- B. Freely through the stock exchange
- C. Only after 5 years
- D. With government permission only

✓ Answer: B

53. A Public Limited Company is managed by:

- A. The proprietor
- B. Board of Directors through an appointed Managing Director
- C. The government
- D. An elected committee

✓ Answer: B

54. Which legal document is required for company registration under the Companies and Allied Matter Acts?

- A. Partnership Deed
- B. Memorandum of Association
- C. Certificate of Trading
- D. Business Licence

✓ Answer: B

55. The Certificate of Incorporation is issued by:

- A. The Federal Government
- B. The Registrar of Company
- C. The Central Bank
- D. The Court

✓ Answer: B

56. A Private Limited Company can commence operations after obtaining:

- A. Only a Certificate of Trading
- B. Certificate of Incorporation alone
- C. Certificate of Incorporation and Certificate of Trading
- D. A government licence

✓ Answer: B

57. The Certificate of Trading is issued to:

- A. Sole proprietorships
- B. Private Limited Companies only
- C. Public Limited Liability Companies
- D. Partnerships

✓ Answer: C

58. Which of the following is an advantage of a Limited Liability Company?

- A. Unlimited liability for owners
- B. Death of a shareholder ends the business
- C. Death or withdrawal of a shareholder does not end the business
- D. Managers are always the owners

✓ Answer: C

59. Which of the following is a disadvantage of a Limited Liability Company?

- A. Separate legal entity from owners
- B. Huge capital required for formation and running of the business
- C. Easy expansion due to large capital
- D. Limited liability of owners

✓ Answer: B

60. A Limited Liability Company can be wound up if:

- A. A director resigns
- B. The membership falls below the minimum required number
- C. Profits decline for one year
- D. The managing director is replaced

✓ Answer: B

61. A Cooperative Society is a business organisation established by a group of individuals with the aim of:

- A. Maximising individual profits
- B. Protecting common interest of their members
- C. Providing government services
- D. Investing in international markets

✓ Answer: B

62. Membership of a cooperative society is:

- A. Compulsory and permanent
- B. Voluntary and open to all persons
- C. Limited to government employees
- D. Restricted to wealthy individuals

✓ Answer: B

63. Which of the following is a feature of a cooperative society?

- A. It is a dictatorial organisation
- B. It operates on 'one man, one vote' principle
- C. Dividend is based on shares held
- D. Profit maximisation is the primary aim

✓ Answer: B

SECTION E: COOPERATIVE SOCIETIES

64. The minimum required membership for a cooperative society is:

- A. 5
- B. 7
- C. 2
- D. 10

✓ Answer: C

65. In a cooperative society, dividend paid to members is based on:

- A. Capital contributed
- B. Shares held
- C. Patronage
- D. Seniority

✓ Answer: C

66. Which type of cooperative society is the oldest form?

- A. Producers' Cooperative Society
- B. Credit and Thrift Cooperative Society
- C. Consumers Cooperative Society
- D. Apex Cooperative Society

✓ Answer: C

67. A Producers' Cooperative Society (PCS) is also known as:

- A. Credit marketing society
- B. Produce marketing society
- C. Consumer distribution society
- D. Retail cooperative

✓ Answer: B

68. A Credit and Thrift Cooperative Society (CTCS) is organised to provide members with:

- A. Free goods and services
- B. A ready source of fund at moderate rate of interest
- C. Employment opportunities
- D. Housing facilities

✓ Answer: B

69. A Multipurpose Cooperative Society (MCS):

- A. Serves only one function
- B. Combines two or more functions and features of different types of cooperative societies
- C. Is only for agricultural purposes
- D. Is managed by the government

✓ Answer: B

70. An Apex Cooperative Society (ACS) is best described as:

- A. The smallest type of cooperative
- B. An umbrella cooperative society in a given geographical area
- C. A government-owned cooperative
- D. A credit union for banks

✓ Answer: B

71. Which of the following is an advantage of cooperative societies?

- A. Members are always well educated
- B. Capital is always sufficient
- C. It stimulates economic growth and development

D. Decisions are made quickly

✓ Answer: C

72. Which of the following is a disadvantage of cooperative societies?

- A. Credit facilities are provided to members
- B. Members save money regularly
- C. Majority of cooperative members are not well educated
- D. It promotes welfare of members

✓ Answer: C

73. A Public Corporation is established, owned, managed and financed by:

- A. Private shareholders
- B. The government with tax payers' money
- C. A group of investors
- D. International organisations

✓ Answer: B

74. Public Corporations are also known as:

- A. Joint stock companies
- B. Public enterprises or statutory corporations
- C. Cooperative societies
- D. Private enterprises

✓ Answer: B

75. Public Corporations are established by:

- A. Memorandum of Association
- B. Acts of Parliament
- C. Partnership Deed
- D. Certificate of Incorporation

✓ Answer: B

SECTION F: PUBLIC CORPORATIONS

76. Public Corporations are owned by the government but managed by:

- A. Elected shareholders
- B. Board of Directors appointed by the government
- C. The President alone
- D. A cooperative committee

✓ Answer: B

77. The primary objective of Public Corporations is:

- A. Profit maximisation
- B. Rendering essential services to members of the public
- C. Competing with private enterprises
- D. Expanding global markets

✓ Answer: B

78. Which of the following is a merit of Public Corporations?

- A. Bureaucracy
- B. Undue government interference
- C. Enjoyment of monopoly power
- D. Inefficiency

✓ Answer: C

79. Which of the following is a demerit of Public Corporations?

- A. Large scale production
- B. Generation of employment
- C. Bureaucracy
- D. Provision of efficient services

✓ Answer: C

80. Which of the following is a characteristic of Public Corporations?

- A. Owned and financed by private individuals
- B. Established by articles of association
- C. Enjoyment of monopoly
- D. Shares sold on stock exchange

✓ Answer: C

81. Which type of entrepreneurship involves a hair salon, grocery store or travel agency?

- A. Scalable Startup Entrepreneurship
- B. Large-Scale Business Ventures
- C. Small Business Entrepreneurship
- D. Social Entrepreneurship

✓ Answer: C

82. Scalable Startup Entrepreneurship is characterized by:

- A. Minimal investment and local operations
- B. Launching a venture that can alter the course of history, drawing intelligent investors
- C. Government funding and social service
- D. Family-run businesses with traditional methods

✓ Answer: B

83. Social Entrepreneurship is centered on:

- A. Maximising profits above all else
- B. Creating goods and services that address issues and needs in society
- C. Operating in international stock markets
- D. Producing luxury goods

✓ Answer: B

SECTION G: TYPES & CHARACTERISTICS OF ENTREPRENEURSHIP

84. Large-Scale Business Ventures remain profitable by:

- A. Reducing product range

- B. Introducing fresh, cutting-edge goods that complement their core offerings
- C. Avoiding competition
- D. Relying on government subsidies

✓ Answer: B

85. Which characteristic of entrepreneurship involves the ability to do things differently from others?

- A. Risk bearing
- B. Open-mindedness
- C. Innovation
- D. Leadership

✓ Answer: C

86. An entrepreneur needs leadership and visionary qualities because:

- A. Businesses need public relations
- B. A leader must inspire and direct team members towards success
- C. Entrepreneurs must obey government orders
- D. Vision helps in avoiding taxes

✓ Answer: B

87. Being open-minded as an entrepreneur means:

- A. Accepting all ideas without analysis
- B. Every situation can be turned into an opportunity and exploited to the company's advantage
- C. Ignoring competition
- D. Following trends without innovation

✓ Answer: B

88. How does entrepreneurship contribute to employment generation?

- A. By reducing government spending
- B. By providing jobs through establishment of new businesses, especially SMEs
- C. By importing labour
- D. By encouraging retirement of older workers

✓ Answer: B

89. Entrepreneurship facilitates the transfer of technology by:

- A. Buying technology from government
- B. Enabling entrepreneurs to develop and adapt appropriate technological methods
- C. Restricting technology to large corporations
- D. Importing technology without adaptation

✓ Answer: B

90. Entrepreneurship ensures increased resource utilisation by:

- A. Allocating resources to government
- B. Putting limited resources that might otherwise remain idle into good use
- C. Exporting resources
- D. Reducing resource availability

✓ Answer: B

91. Venture capital is best described as:

- A. Government grants for public projects
- B. Capital provided by firms of professionals who invest in young, rapidly growing companies with high growth potential
- C. Bank loans for established businesses
- D. Funds raised from stock market listings

✓ Answer: B

92. Venture capital is a form of:

- A. Debt financing
- B. Equity financing especially designed for funding high risk and high reward projects
- C. Government subsidy
- D. Cooperative funding

✓ Answer: B

93. The concept of venture capital originated in:

- A. United Kingdom in the 1940s
- B. USA in the 1950s
- C. Japan in the 1960s
- D. Germany in the 1970s

✓ Answer: B

94. The first venture capital organisation was:

- A. Google Ventures
- B. The American Research and Development
- C. Rockefeller Capital Group
- D. Silicon Valley Bank

✓ Answer: B

SECTION H: VENTURE CAPITAL

95. Which of the following is a feature of venture capital?

- A. Low degree of risk
- B. Short-term investment
- C. High degree of risk
- D. Fixed interest returns

✓ Answer: C

96. Venture capital financing involves equity participation with the objective of:

- A. Earning fixed dividends
- B. Making capital gain by selling shares once the firm becomes profitable
- C. Providing debt security
- D. Government control of the business

✓ Answer: B

97. Venture capital is generally a:

- A. Short-term investment
- B. Medium-term investment of 1-2 years
- C. Long-term investment
- D. Fixed-deposit investment

✓ Answer: C

98. In addition to providing capital, venture capitalists also:

- A. Take passive roles only
- B. Take an active interest in the management of assisted firms
- C. Avoid involvement in business operations
- D. Only monitor financial statements

✓ Answer: B

99. Venture capital investment is considered liquid because:

- A. It can be withdrawn at any time like a bank account
- B. It is realized only when the company is sold or achieves a stock market listing
- C. It earns monthly interest payments
- D. It is backed by government guarantees

✓ Answer: B

100. Which of the following is a social objective of venture capital?

- A. Tax evasion
- B. Private gain of investors only
- C. Generation of employment and balanced regional growth
- D. Reduction of government spending

✓ Answer: C

101. Which of the following is a type of organised venture capital fund?

- A. Cooperative societies
- B. Venture capital funds set up by angel investors
- C. Government-owned banks
- D. Insurance companies

✓ Answer: B

102. Angel investors in venture capital are described as:

- A. Low-income individuals
- B. High net-worth individual investors
- C. Government officials
- D. Bank managers

✓ Answer: B

103. Private capital firms/funds are described as:

- A. Government-sponsored entities
- B. The primary institutional source of venture capital
- C. Cooperative financial institutions

D. Commercial banks' savings departments

✓ Answer: B

104. Most venture capital funds provide financial support to entrepreneurs by financing what percentage of total equity?

- A. 25%
- B. 49%
- C. 51%
- D. 75%

✓ Answer: B

105. Why do most venture capital funds prefer equity financing?

- A. It requires periodic debt servicing
- B. It ensures ownership remains with the entrepreneur and avoids periodic debt repayment
- C. It gives VCs majority control
- D. It is the cheapest form of financing

✓ Answer: B

106. A conditional loan from a venture capitalist usually involves:

- A. High interest rates and strict repayment schedules
- B. No interest or nominal rate, plus a royalty on sales turnover
- C. Government-backed guarantees
- D. Conversion into preference shares

✓ Answer: B

107. A convertible loan is subordinate to all other loans and may be converted into equity if:

- A. The business expands rapidly
- B. The company goes public
- C. Interest payments are not made within agreed time limits
- D. The VCI decides to exit

✓ Answer: C

108. Which of the following represents Early Stage Financing in venture capital?

- A. Expansion Finance
- B. Buy Outs
- C. Seed Capital and R&D Projects
- D. Replacement Capital

✓ Answer: C

109. Seed capital provided by venture capitalists refers to:

- A. Large sums for established businesses
- B. Very small amounts needed to turn an idea into a business
- C. Government grants for agriculture
- D. Loans for purchasing real estate

✓ Answer: B

110. Start-Up financing in venture capital is considered:

- A. The least risky stage
- B. The most risky aspect of venture capital
- C. A government-funded stage
- D. A low-return investment

✓ Answer: B

111. Second Round Financing refers to the stage when:

- A. The business is being wound up
- B. The product has been launched but has not earned enough profits to attract new investors
- C. The company goes public
- D. Seed capital is first provided

✓ Answer: B

112. The time scale for Second Round Financing is usually:

- A. Less than one year
- B. One to two years
- C. Three to seven years
- D. Ten to fifteen years

✓ Answer: C

113. Development Capital in Later Stage Financing is for enterprises that:

- A. Are just starting up
- B. Have overcome high-risk stages, recorded profits, but cannot go public
- C. Are about to be wound up
- D. Are seeking seed funding

✓ Answer: B

114. Management Buyouts (MBOs) involve:

- A. Outside managers acquiring a company
- B. Venture capital institutions providing funds to current management to acquire an existing product line /business
- C. Government purchasing private companies
- D. Foreign investors acquiring local firms

✓ Answer: B

115. Management Buy-ins (MBIs) are considered more risky than MBOs because:

- A. They involve larger sums of money
- B. It is difficult for new management to assess the actual potential of the target company
- C. They require government approval
- D. They take longer to complete

✓ Answer: B

116. Replacement Capital in venture capital involves:

- A. Replacing all company assets
- B. Providing funds for the purchase of existing shares of owners
- C. Replacing the management team
- D. Funding new technology acquisition

✓ Answer: B

117. Turnarounds in venture capital involve:

- A. Low risk and short-term investment
- B. Buying control of a sick company, which requires specialised skills
- C. Providing seed capital to startups
- D. Replacing capital equipment only

✓ Answer: B

118. Which is the first factor venture capitalists consider when making investments?

- A. Future market prospects
- B. A viable idea
- C. Strong management team
- D. Existing technology

✓ Answer: C

119. A viable idea in venture capital assessment establishes:

- A. The management structure
- B. The market for the product or service
- C. The exit strategy
- D. The legal framework

✓ Answer: B

120. What does a business plan submitted to venture capitalists concisely describe?

- A. Only financial projections
- B. Nature of business, qualifications of management team, business performance and projections
- C. Marketing campaigns only
- D. Historical background of founders

✓ Answer: B

121. VCs calculate the Internal Rate of Return (IRR) to assess:

- A. Employee satisfaction
- B. Whether future cash inflows are likely to exceed present cash outflows
- C. Government compliance
- D. Marketing effectiveness

✓ Answer: B

122. The 'hands-on' approach of venture capitalists means:

- A. VCs passively receive financial statements
- B. VCs actively provide value-added services in an advisory role and actively interact with entrepreneurs
- C. VCs avoid management affairs
- D. VCs focus only on financial returns

✓ Answer: B

123. The 'hands-off' approach of venture capitalists refers to:

- A. Active involvement in management
- B. Passive participation where VCs just receive periodic financial statements

- C. Providing daily operational guidance
- D. Making all strategic decisions

✓ Answer: B

124. When selecting venture capitalists, entrepreneurs should inquire about exit policies, which include:

- A. Tax payment schedules
- B. Buyback, quotation, or trade sale
- C. Employee hiring procedures
- D. Government liaison strategies

✓ Answer: B

125. Fund viability and liquidity in VC selection means ensuring the VC:

- A. Has minimal investment experience
- B. Has adequate liquid resources and can provide later-stage financing if needed
- C. Is backed by only one investor
- D. Focuses on short-term financial gains

✓ Answer: B

126. The first step in the procedure followed by VCs is:

- A. Investment
- B. Exit
- C. Receipt of a business proposal/plan
- D. Provision of value-added services

✓ Answer: C

127. During appraisal of the plan by VCs, they conduct a cost-benefit analysis by:

- A. Comparing management team qualifications
- B. Comparing future expected cash inflows with present investment
- C. Assessing government regulations
- D. Reviewing competitor performance

✓ Answer: B

128. After providing investment, venture capitalists also provide:

- A. Tax evasion strategies
- B. Managerial and marketing assistance and operational advice
- C. Free products to customers
- D. Insurance coverage

✓ Answer: B

129. A VC exits from an investment by:

- A. Liquidating all assets of the company
- B. Selling shares in the stock market at a high premium once the company is profitable
- C. Transferring ownership to the government
- D. Distributing profits to customers

✓ Answer: B

130. Which sectors attract the most venture capital financing according to the course material?

- A. Agriculture and fisheries
- B. Biotechnology, medical services, communications, electronic components and software
- C. Mining and oil extraction
- D. Tourism and hospitality

✓ Answer: B

131. In India, which sector attracts a lot of venture capital finance?

- A. Agriculture
- B. Manufacturing
- C. Software sector
- D. Tourism

✓ Answer: C

132. Which of the following best describes 'Expansion Finance' in venture capital?

- A. Finance for winding up operations
- B. Finance for expanding a business through growth or purchase of existing businesses, representing the last round before planned exit
- C. Seed capital for new ideas
- D. Finance for purchasing replacement equipment

✓ Answer: B

133. Venture capitalists evaluate which of the following during early-stage investments?

- A. Only the track record of the business
- B. Technology, potential markets, and the capability of the promoter to implement the project
- C. Political connections of the entrepreneur
- D. The geographical location of the business

✓ Answer: B

134. In later-stage investments, venture capitalists closely examine:

- A. Seed capital requirements
- B. New markets and track record of the business/entrepreneur
- C. Social objectives only
- D. Tax obligations of the company

✓ Answer: B

135. Which of the following is NOT listed as an area of venture capital investment?

- A. Biotechnology
- B. Software companies
- C. Traditional farming
- D. Medical services

✓ Answer: C

136. A well-prepared business proposal submitted to VCs serves how many functions?

- A. One
- B. Two

- C. Three
- D. Four

✓ Answer: B

137. The term 'venture capital' was developed to denote:

- A. Only financial risk
- B. Risk, adventure and some element of investment
- C. Government funding programs
- D. Tax incentives for investors

✓ Answer: B

138. American Research and Development, the first venture organisation, made profit how many times its investment?

- A. Over 10 times
- B. Over 20 times
- C. Over 35 times
- D. Over 50 times

✓ Answer: C

139. Venture capital provides long-term start-up costs to projects that are generally unattractive to:

- A. Social entrepreneurs
- B. Risk-averse bankers and private sector companies
- C. Government agencies
- D. International organisations

✓ Answer: B

140. Which of the following is correct regarding admission of a new partner?

- A. A majority vote of existing partners is sufficient
- B. Unless there is unanimous consent of all partners, no new partner can be admitted
- C. Only the senior partner needs to approve
- D. The Registrar of Companies approves new partners

✓ Answer: B

141. In a partnership, no partner is entitled to interest on his capital before:

- A. The partnership is dissolved
- B. Profits have been determined
- C. A new partner is admitted
- D. The partnership is registered

✓ Answer: B

142. A 'cordial relationship existence between partners and customers' is listed as which type of benefit?

- A. Disadvantage of partnership
- B. Advantage of partnership
- C. Feature of sole proprietorship
- D. Characteristic of cooperative

✓ Answer: B

143. The partnership deed specifies 'how long the business shall last.' This falls under which aspect?

- A. Rights and duties of partners
- B. Dissolution conditions
- C. Contents of the partnership deed
- D. Registration requirements

✓ Answer: C

144. When does a partnership dissolve through court order?

- A. When profits decline for two consecutive years
- B. When the Court orders that the partnership be dissolved
- C. When a new partner joins
- D. When capital is reduced below the minimum

✓ Answer: B

145. A Retailers Cooperative Society (RCS) is formed by:

- A. Producers of similar products
- B. Retailers of same or similar products in the same or close locality
- C. Consumers with low incomes
- D. Wholesalers of diverse products

✓ Answer: B

146. A Wholesalers Cooperative Society (WCS) is formed by:

- A. Consumers of basic goods
- B. Farmers of similar crops
- C. Wholesalers of same or similar products
- D. Credit-seeking individuals

✓ Answer: C

147. Which is a disadvantage of cooperative societies related to management?

- A. Providing credit facilities
- B. Encouraging savings
- C. Some are managed by members who lack administrative and managerial acumen
- D. Stimulating economic growth

✓ Answer: C

148. Cooperative societies suffer from insufficient capital, which affects their ability to:

- A. Provide services to members
- B. Expand their operations
- C. Educate members
- D. Pay dividends

✓ Answer: B

149. High enrolment rate in cooperative societies is a disadvantage because:

- A. It reduces profits

- B. Managers find it difficult to effectively coordinate and control the association
- C. It leads to government interference
- D. It increases taxation

✓ Answer: B

150. Which of the following is a characteristic of Public Corporations under 'Restriction of Services'?

- A. Services are offered to the highest bidder
- B. Certain essential services may be restricted to the public
- C. Services are privatised
- D. Only government employees benefit

✓ Answer: B

SECTION I: MIXED REVIEW QUESTIONS

151. Large-scale production is listed as a merit of Public Corporations because:

- A. Government has unlimited resources
- B. Public corporations have access to large capital and can produce at economies of scale
- C. They operate without competition
- D. Employees work without salaries

✓ Answer: B

152. Inefficiency as a demerit of Public Corporations is often attributed to:

- A. Excessive competition
- B. Bureaucracy and lack of profit motive
- C. Too many shareholders
- D. Government underfunding

✓ Answer: B

153. Social Vices is listed as a demerit of Public Corporations. This refers to:

- A. Production of harmful goods
- B. Corruption, bribery and other malpractices that may arise in a government-run entity
- C. Environmental pollution
- D. Poor working conditions

✓ Answer: B

154. The motive for forming a sole proprietorship is:

- A. Social welfare
- B. Employment generation
- C. To make profit
- D. National development

✓ Answer: C

155. In the classification of business by ownership, which of the following is a private enterprise?

- A. National Electric Power PLC
- B. Nigerian Airways

- C. A family-owned manufacturing company
- D. A statutory corporation

✓ Answer: C

156. Which of the following best explains 'ease or difficulty of transfer of ownership' as a determinant of business choice?

- A. Whether the owner can easily move the business location
- B. How simple or complex it is to change who owns the business
- C. Whether the business can be imported from another country
- D. How quickly the owner can sell products

✓ Answer: B

157. Which of the following statements is true about cooperative society membership?

- A. Members cannot leave once they join
- B. Membership is compulsory for all community members
- C. Members are free to leave when they wish
- D. Only wealthy individuals can join

✓ Answer: C

158. Knowing your product as an entrepreneurship characteristic means:

- A. Only knowing the price of your product
- B. A business owner should be knowledgeable about available products and the market
- C. Memorising only product specifications
- D. Understanding only manufacturing processes

✓ Answer: B

159. Which of the following entrepreneurship characteristics involves turning every business situation into a competitive advantage?

- A. Risk taking
- B. Innovation
- C. Open-mindedness
- D. Leadership

✓ Answer: C

160. The importance of entrepreneurship in 'reinvigorating large-scale and public enterprises' means:

- A. Replacing government ownership with private ownership
- B. Bringing fresh entrepreneurial energy and innovation into existing large organisations
- C. Eliminating competition from large corporations
- D. Reducing the size of public enterprises

✓ Answer: B

161. Entrepreneurship encourages and sustains economic dynamism, enabling an economy to:

- A. Maintain rigid economic policies
- B. Adjust successfully in a rapidly changing global environment
- C. Avoid international competition
- D. Rely solely on government interventions

✓ Answer: B

162. Which of the following requires both a Certificate of Incorporation AND a Certificate of Trading before commencing business?

- A. Private Limited Company
- B. Public Limited Company
- C. Sole Proprietorship
- D. Partnership

✓ Answer: B

163. The Prospectus is a legal document associated with which type of business?

- A. Sole Proprietorship
- B. Partnership
- C. Limited Liability Company
- D. Cooperative Society

✓ Answer: C

164. Which of the following correctly describes winding up of a limited liability company due to membership?

- A. If membership exceeds the maximum
- B. If membership falls below the minimum (2 for private, 7 for public)
- C. If all members are replaced
- D. If a new director is appointed

✓ Answer: B

165. A company can be wound up if there is an unnecessary delay to commence business for about how long from incorporation?

- A. Six months
- B. About one year
- C. Two years
- D. Five years

✓ Answer: B

166. Which of the following is the PRIMARY distinction between a venture capitalist and a traditional banker?

- A. Venture capitalists charge higher interest rates
- B. Venture capitalists take equity participation and actively participate in management
- C. Bankers provide longer-term finance
- D. Bankers invest in high-risk projects

✓ Answer: B

167. A VCI would MOST LIKELY invest in which of the following projects?

- A. An established grocery store seeking a small loan
- B. A technically qualified entrepreneur with an unproven high-tech idea
- C. A government-run public utility
- D. A cooperative seeking microfinance

✓ Answer: B

168. Which of the following statements best describes the risk level of venture capital investment?

- A. Low risk with guaranteed returns
- B. High risk with potential for high returns
- C. Risk-free with government guarantees
- D. Medium risk with fixed interest

✓ Answer: B

169. Venture capital firms maintain a balance between risk and profitability by financing:

- A. Only early-stage investments
- B. Only later-stage investments
- C. Both early and later-stage investments
- D. Only government projects

✓ Answer: C

170. The capital required to form and run a sole proprietorship comes solely from:

- A. Bank loans
- B. Government grants
- C. The proprietor
- D. Foreign investors

✓ Answer: C

171. In which type of business can the shareholders be real owners who are free to transfer shares to other people?

- A. Private Limited Company
- B. Cooperative Society
- C. Public Limited Company
- D. Sole Proprietorship

✓ Answer: C

172. Which of the following best describes the 'workaholic' disadvantage of sole proprietorship listed in the material?

- A. The owner does not have enough work to do
- B. The owner is highly incentivised to work hard to please himself, often leading to overwork
- C. The business requires too many workers
- D. The owner cannot delegate tasks

✓ Answer: B

173. Under the types of Limited Liability Companies, what is an 'Unlimited Company'?

- A. A company with no limit on profits
- B. A company where members have no limit on their liability
- C. A company with unlimited number of members
- D. A public corporation

✓ Answer: B

174. The purpose of Venture Capital Companies providing necessary risk capital to entrepreneurs is to meet the:

- A. Government's regulatory requirements
- B. Promoters' contribution as required by financial institutions
- C. Foreign exchange obligations
- D. Legal registration costs

✓ Answer: B

175. Which form of business organisation best enables national goals like employment generation?

- A. Sole Proprietorship only
- B. Venture Capital-backed firms only
- C. Partnership only
- D. All forms contribute in different ways

✓ Answer: D

176. A venture capitalist typically provides seed capital for which type of project?

- A. Already profitable companies seeking expansion
- B. Unproven ideas, products, technology-oriented or start-up firms
- C. Government-owned enterprises
- D. Established exporters

✓ Answer: B

177. Retarded growth is a disadvantage of sole proprietorship due to:

- A. Government restrictions
- B. Difficulty of expansion because of smallness of capital outlay
- C. High competition from large firms
- D. Lack of skills

✓ Answer: B

178. The concept of venture capital became popular during which decades?

- A. 1940s and 1950s
- B. 1950s and 1960s
- C. 1960s and 1970s
- D. 1970s and 1980s

✓ Answer: C

179. Which is a medium-to-high-risk form of later-stage venture capital financing?

- A. Replacement Capital
- B. Development Capital
- C. Turnarounds
- D. Seed Capital

✓ Answer: C

180. An entrepreneur lacking capital for a high-risk project would MOST appropriately seek financing from:

- A. A commercial bank with strict collateral requirements
- B. A venture capitalist who provides equity finance
- C. A cooperative society

D. A sole proprietor

✓ Answer: B

181. How many clauses are explicitly listed in the Partnership Deed in the course material?

- A. 10
- B. 12
- C. 15
- D. 20

✓ Answer: C

182. A new class of professional investors who combine risk capital with entrepreneurs' management to launch new companies are called:

- A. Commercial bankers
- B. Venture capitalists
- C. Stock market brokers
- D. Insurance underwriters

✓ Answer: B

183. Which of the following correctly lists the five basic forms of business organisations?

- A. Sole Proprietorship, Partnership, Private Ltd, Public Ltd, Public Corporation
- B. Sole Proprietorship, Partnership, Private Ltd, Public Ltd, Cooperative Society
- C. Partnership, Cooperative, Joint Venture, Public Ltd, Franchise
- D. Sole Proprietorship, Franchise, Cooperative, Private Ltd, Public Corporation

✓ Answer: B

184. The Wholesalers Cooperative Society (WCS) functions are most similar to which other type?

- A. Credit and Thrift Cooperative Society
- B. Consumers Cooperative Society
- C. Retailers Cooperative Society
- D. Apex Cooperative Society

✓ Answer: C

185. Which type of venture capital financing involves buying the control of a sick company requiring specialised skills?

- A. Seed Capital
- B. Expansion Finance
- C. Turnarounds
- D. Replacement Capital

✓ Answer: C

186. Which form of business organisation can own property, make contracts, borrow money, and sue?

- A. Sole Proprietorship
- B. Partnership
- C. Limited Liability Company
- D. Cooperative Society

✓ Answer: C

187. Which statement correctly differentiates a Public Limited Company from a Private Limited Company?

- A. Public Ltd requires fewer members than Private Ltd
- B. Public Ltd allows public subscription to shares; Private Ltd does not
- C. Private Ltd shares are traded on stock exchange
- D. Public Ltd is managed by the proprietor

✓ Answer: B

188. The Memorandum of Association forms part of:

- A. Partnership Deed
- B. Legal requirements for company registration
- C. Cooperative society rules
- D. Public corporation charter

✓ Answer: B

189. Which of the following business forms is NOT a legal entity?

- A. Public Limited Company
- B. Private Limited Company
- C. Sole Proprietorship
- D. Public Corporation

✓ Answer: C

190. Which business form is best suited for a person with limited capital and who wants complete control?

- A. Public Limited Company
- B. Cooperative Society
- C. Sole Proprietorship
- D. Public Corporation

✓ Answer: C

191. The concept that venture capital 'combines the qualities of a banker, stock market investor and entrepreneur in one' is used to describe which feature?

- A. High degree of risk
- B. Participation in management
- C. Social objectives
- D. Equity participation

✓ Answer: B

192. Which of the following best describes the relationship between the venture capitalist and the entrepreneur?

- A. The VCI is a creditor demanding repayment
- B. The VCI acts as a partner with the entrepreneur
- C. The VCI is a government regulator
- D. The VCI is a silent spectator

✓ Answer: B

193. Which of the following stages of venture capital investment involves the lowest risk?

- A. Seed Capital
- B. Start-Ups
- C. Replacement Capital
- D. Second Round Financing

✓ Answer: C

194. A key disadvantage shared by both Sole Proprietorship and Partnership is:

- A. Separate legal entity
- B. Unlimited liability
- C. Large capital base
- D. Perpetual succession

✓ Answer: B

195. Which of the following forms of business has perpetual succession?

- A. Sole Proprietorship
- B. Partnership
- C. Limited Liability Company
- D. General Partnership

✓ Answer: C

196. Ajo, Adashe and Esusu are local forms of which type of business organisation?

- A. Partnership
- B. Cooperative Society
- C. Sole Proprietorship
- D. Public Corporation

✓ Answer: B

197. Which type of cooperative society provides insurance and other financial services comprehensively?

- A. Consumers Cooperative Society
- B. Producers' Cooperative Society
- C. Multipurpose Cooperative Society
- D. Retailers Cooperative Society

✓ Answer: C

198. The Articles of Association is one of the legal documents required to register a:

- A. Sole Proprietorship
- B. Partnership
- C. Limited Liability Company
- D. Cooperative Society

✓ Answer: C

199. Venture capital is said to be an important contributor to economic development in which countries?

- A. Only in developing nations
- B. USA, UK, Europe and Japan
- C. Only in African countries

D. Only in India

✓ Answer: B

200. Which form of business ownership is most appropriate for targeting a very large market?

A. Sole Proprietorship

B. General Partnership

C. Public Limited Company

D. Cooperative Society

✓ Answer: C

QUICK ANSWER KEY

| # | Answer |
|-----|--------|-----|--------|-----|--------|-----|--------|-----|--------|
| 1 | B | 2 | B | 3 | C | 4 | C | 5 | B |
| 6 | C | 7 | C | 8 | C | 9 | D | 10 | C |
| 11 | B | 12 | B | 13 | C | 14 | C | 15 | B |
| 16 | C | 17 | B | 18 | C | 19 | B | 20 | B |
| 21 | B | 22 | B | 23 | B | 24 | C | 25 | B |
| 26 | B | 27 | B | 28 | B | 29 | B | 30 | B |
| 31 | B | 32 | B | 33 | C | 34 | C | 35 | C |
| 36 | B | 37 | B | 38 | B | 39 | A | 40 | B |
| 41 | B | 42 | C | 43 | B | 44 | B | 45 | B |
| 46 | B | 47 | B | 48 | B | 49 | C | 50 | B |
| 51 | C | 52 | B | 53 | B | 54 | B | 55 | B |
| 56 | B | 57 | C | 58 | C | 59 | B | 60 | B |
| 61 | B | 62 | B | 63 | B | 64 | C | 65 | C |
| 66 | C | 67 | B | 68 | B | 69 | B | 70 | B |
| 71 | C | 72 | C | 73 | B | 74 | B | 75 | B |
| 76 | B | 77 | B | 78 | C | 79 | C | 80 | C |
| 81 | C | 82 | B | 83 | B | 84 | B | 85 | C |
| 86 | B | 87 | B | 88 | B | 89 | B | 90 | B |
| 91 | B | 92 | B | 93 | B | 94 | B | 95 | C |
| 96 | B | 97 | C | 98 | B | 99 | B | 100 | C |
| 101 | B | 102 | B | 103 | B | 104 | B | 105 | B |
| 106 | B | 107 | C | 108 | C | 109 | B | 110 | B |
| 111 | B | 112 | C | 113 | B | 114 | B | 115 | B |
| 116 | B | 117 | B | 118 | C | 119 | B | 120 | B |
| 121 | B | 122 | B | 123 | B | 124 | B | 125 | B |
| 126 | C | 127 | B | 128 | B | 129 | B | 130 | B |
| 131 | C | 132 | B | 133 | B | 134 | B | 135 | C |
| 136 | B | 137 | B | 138 | C | 139 | B | 140 | B |
| 141 | B | 142 | B | 143 | C | 144 | B | 145 | B |
| 146 | C | 147 | C | 148 | B | 149 | B | 150 | B |
| 151 | B | 152 | B | 153 | B | 154 | C | 155 | C |
| 156 | B | 157 | C | 158 | B | 159 | C | 160 | B |
| 161 | B | 162 | B | 163 | C | 164 | B | 165 | B |
| 166 | B | 167 | B | 168 | B | 169 | C | 170 | C |
| 171 | C | 172 | B | 173 | B | 174 | B | 175 | D |
| 176 | B | 177 | B | 178 | C | 179 | C | 180 | B |
| 181 | C | 182 | B | 183 | B | 184 | C | 185 | C |
| 186 | C | 187 | B | 188 | B | 189 | C | 190 | C |
| 191 | B | 192 | B | 193 | C | 194 | B | 195 | C |

196

B

197

C

198

C

199

B

200

C