

Questions That Test Your Business Knowledge

Just when you thought you had considered enough questions, I have prepared another fifty for you to think about. These are less personal in nature and have more to do with your potential business.

1. Are the sales and market share of each of your potential business competitors on the rise or are they declining?
2. Are you willing to hire an expert to refine the sales forecast if needed?
3. Can you figure the average expenses net profit as a percent of sales?
4. Did you know that there is a 95 percent chance that you will not be in business five years from now? What do you think of that possibility?
5. Do you know how to do a pro forma statement?
6. Do you know the average expenses as a percentage of sales?
7. Do you know the average gross profit as a percentage of sales?
8. Do you know the average return on investment for the kind of business you want to operate?
9. Do you know the business geographical market area from which you will be finding your customers?
10. Do you know what financial investment is required for your business?
11. Do you know who your major competitors are?
12. Does your price allow you to achieve an adequate markup that gives you enough gross profit to cover your fixed business expenses?
13. Does your product or service appeal to the entire geographic area of your business market? If not, does it appeal to enough of that area to become a profitable business?
14. Have any companies of your kind of business gone out of business lately? If so, why?
15. Have you checked out the delivery schedule, credit terms, and sales terms of each of your potential suppliers?

16. Have you documented what your necessary expenses—rent, wages, insurance, utilities, advertising, payroll, interest, etc.—will be in your first year of business? Do you know what your total overhead and both direct and indirect costs will be?
17. Have you done demographic studies that indicate the makeup of population in your market area, average family size, age, and per capita income?
18. Have you ever examined an income statement?
19. Have you forecast the total market share you can realistically expect? If so, what is that as a percentage of the entire market potential?
20. Have you analyzed your sales forecast to make sure it will be greater than the sales amount needed to guarantee your minimum income?
21. How aware are you of the major risks associated with your business products and services?
22. How do you plan to market your product or service?
23. How important is the price of your product or service in your target market?
24. How important will accounts receivable be to your business?
25. How much could you earn by investing your money somewhere other than this business?
26. How much could you earn by working for someone else instead of your own business?
27. How do you plan to advertise and promote your products and services?
28. How will you respond to and compete with your competition?
29. If you mark down your inventory, do you know what effect that will have on your profit margins?
30. Is your forecast of sales optimistic and liberal or pessimistic and conservative? Is it objective and reasonable?
31. Is your forecast of your potential total sales accurate? Why do you know that?
32. On a financial statement, what all is included in the business assets?
33. What are the strengths and weaknesses of your competitors?

34. What competitive advantage will you have over your competitors?
35. What do you know about the sales level and market share of each competitor? What do you know about their profitability?
36. What do you know about your competitors' price structure, product lines, source of supply, promotional and marketing activities, and company image from a customer's perspective?
37. What economic conditions or business trends would change your forecast of total sales revenue and net margins?
38. What is a balance sheet?
39. What is considered the normal markup in this kind of business?
40. What is the average cost of goods sold when figured as a percentage of sales?
41. What is the average inventory turnover?
42. What is the average sales per square foot for your competitors in your type of business?
43. What is the population growth trend in your market area?
44. What is the potential total revenue in your market area for your type of business?
45. What is your potential customer's attitude and spending patterns as relates to your business?
46. What is your risk of shortage for any critical materials or merchandise? If it occurs, can you stay in business?
47. What kind of personal income are you expecting from the business? Can you then use a pro forma income statement and figure the amount of monthly sales and profit you will need just to support that income? Is that level of sales and net income possible, and how soon can you reach that point in your business?
48. What might be a normal level of sales revenue per employee for your type of business?
49. What will your variable selling expenses be both payroll and product?
50. Will you eliminate old inventories by occasionally marking them down? If so, when and at what percentage?