

Section 1: Quiz

Sole Proprietorships



A. Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

Column I

- ___ 1. a business owned and managed by a single individual
- ___ 2. an authorization from the local government to carry on an enterprise
- ___ 3. an arrangement whereby cities and towns designate separate areas for businesses
- ___ 4. the legal obligation to pay debts
- ___ 5. a payment to employees other than wages or salaries

Column II

- a. fringe benefit
- b. sole proprietorship
- c. zoning law
- d. business license
- e. liability

B. Main Ideas

Write the letter of the correct ending in the blank provided.

- ___ 6. Any establishment formed to carry on commercial enterprises is a
 - a. partnership.
 - b. business organization.
 - c. sole proprietorship.
 - d. corporation.
- ___ 7. All of the following are major advantages of a sole proprietorship except
 - a. ease of starting the business.
 - b. the owner has full control.
 - c. the possibility of fast, flexible decision making.
 - d. unlimited personal liability.
- ___ 8. If a sole proprietorship fails, the owner of the business
 - a. must pay all the business debts.
 - b. must pay off the investors.
 - c. has to do elaborate legal work to close the business.
 - d. can close the business with no payments to anyone.
- ___ 9. A major disadvantage of the sole proprietorship is that
 - a. the business cannot be sold if it does well.
 - b. the business can be difficult to relocate.
 - c. banks are often unwilling to lend money to the business.
 - d. no one can work for the business owner.
- ___ 10. A major advantage of a sole proprietorship is that
 - a. the owner is completely responsible for the business decisions.
 - b. the owner has no liability for the debts of the business.
 - c. the owner must be able to maintain and run the business independently.
 - d. it is relatively easy to borrow money for the business.

Section 2: Quiz Partnerships



A. Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

Column I

- ___ 1. a business in which all partners share in both responsibility and liability
- ___ 2. a business in which all partners are limited from personal liability in certain situations
- ___ 3. a business in which only one person has unlimited personal liability for the business's actions
- ___ 4. a state law that establishes rules for partnerships
- ___ 5. a legal agreement that sets out each partner's rights and responsibilities in a particular partnership

Column II

- a. limited partnership
- b. limited liability partnership
- c. general partnership
- d. Uniform Partnership Act
- e. articles of partnership

B. Main Ideas

Write the letter of the correct answer in the blank provided.

- ___ 6. What percentage of all businesses are partnerships?
 - a. 2 percent
 - b. 7 percent
 - c. 15 percent
 - d. 25 percent
- ___ 7. What is a major advantage of a business that is a partnership rather than a sole proprietorship?
 - a. The responsibility for the business is shared.
 - b. The business is easy to start up.
 - c. The partners are not responsible for the business debts.
 - d. The business is easy to sell.
- ___ 8. What is the difference between a limited partnership and a limited liability partnership?
 - a. In a limited partnership, every partner is responsible for the company's actions.
 - b. In a limited partnership, partners cannot lose the money they have invested.
 - c. In a limited liability partnership, only one partner manages the business.
 - d. In a limited liability partnership, all partners are limited from liability in some situations.
- ___ 9. What are assets?
 - a. suits against a partnership
 - b. absolute control over a company
 - c. money and other valuables
 - d. taxes that apply to a partnership
- ___ 10. How is a general partnership organized?
 - a. Every partner shares equally in both responsibility and liability.
 - b. The doctors, lawyers, or accountants who form a general partnership hire others to run the partnership.
 - c. No partner is responsible for the debts of the partnership beyond his or her investment.
 - d. Only one partner is responsible for the debts of the partnership.

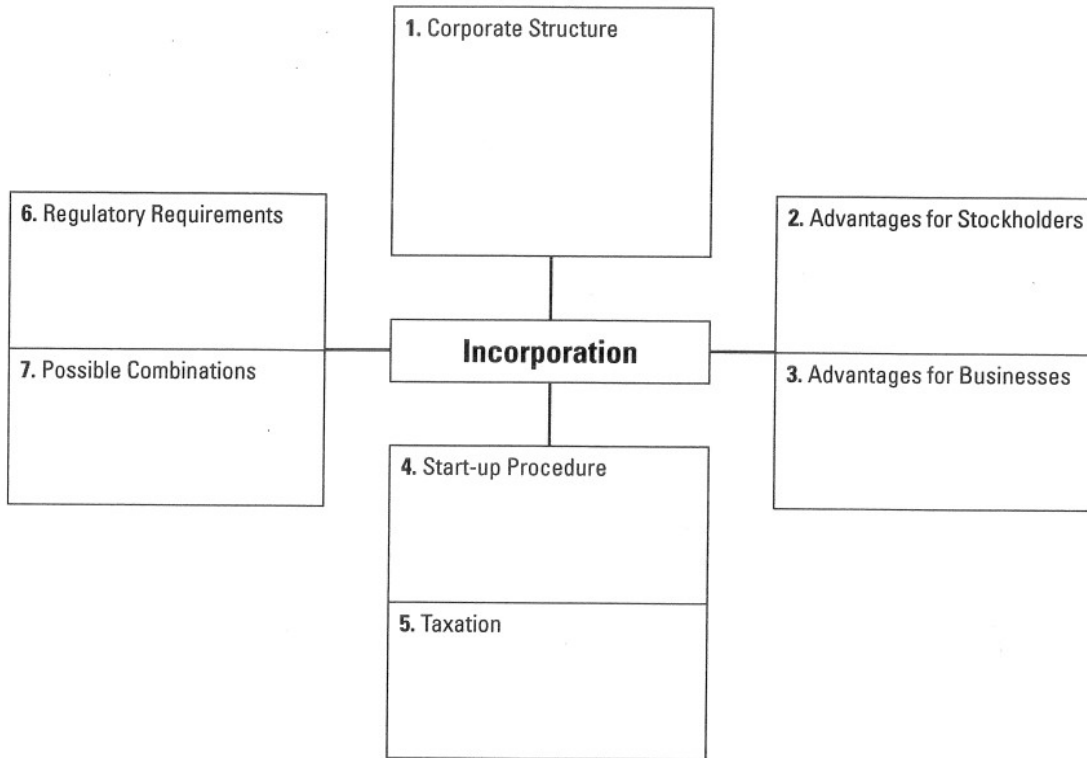


Section 3: Guided Reading and Review

Corporations, Mergers, and Multinationals

A. As You Read

As you read Section 3, supply the missing information in the graphic organizer.



B. Reviewing Key Terms

Read the statements below. In the space provided, write *T* if the statement is true, or *F* if it is false.

- ___ 8. Companies in the same business might form vertical mergers.
- ___ 9. Multinational corporations usually headquarter in several countries.
- ___ 10. If you buy stocks, you own part of a corporation.
- ___ 11. Corporate bonds pay dividends.
- ___ 12. Corporations have a legal identity.
- ___ 13. Dividends represent a portion of corporate profits.
- ___ 14. Privately held corporations are also closely held corporations.
- ___ 15. The federal government issues a company's certificate of incorporation.
- ___ 16. A conglomerate merges more than three companies making unrelated products.
- ___ 17. Publicly held corporations sell stocks to the Securities and Exchange Commission.
- ___ 18. Stockholders must pay a capital gains tax whenever they sell their shares.

Name _____

Date _____



ECONOMIC SKILLS LAB COMPARING FORMS OF BUSINESS ORGANIZATION

The various forms of business ownership each have advantages and disadvantages. Classify each characteristic listed below as an advantage or disadvantage for the different forms of business by writing the number into the appropriate space. Some of the characteristics may be used more than once.

	Advantages	Disadvantages
Sole Proprietorships		
Partnerships		
Corporations		

1. Owner can always be the "boss"
2. Can continue operations indefinitely
3. Funding limited by amount of personal savings and ability to borrow
4. Each owner acts on behalf of the business and is personally responsible
5. Lack of opportunities for employees since firms are generally small
6. Easiest kind of business to organize
7. Limited liability
8. Ownership can be easily transferred through transfer of stock
9. Often requires a lawyer to formally set up the business
10. Unlimited Liability
11. People can buy and sell their shares of ownership without the business ending
12. Business profits are made by individual owner(s)
13. The death of the owner can result in the termination of the business.
14. Double Taxation.
15. Can grow to be very large
16. Owner(s) can quickly react to business problems
17. Must pay a special tax on the profits
18. Management often separate from ownership
19. Does not have to pay corporate income tax
20. Combines funds of more than one person for start-up or expansion