

Chapter 8: Business Organizations Review

Sole Proprietorships:

A. Key Terms and Concepts

Directions: Match each item with one of the descriptions below.

- | | | |
|----------|---|------------------------|
| <u>E</u> | 1. business owned and managed by a single individual | a. business license |
| <u>A</u> | 2. permission from the local government to do business | b. entrepreneur |
| <u>F</u> | 3. legal rules that cities use to separate certain areas for businesses | c. fringe benefits |
| <u>D</u> | 4. legal responsibility to pay debts | d. liability |
| <u>C</u> | 5. extras given to workers other than wages | e. sole proprietorship |
| <u>B</u> | 6. risk-taking individual | f. zoning laws |

B. Main Ideas

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

- A 7. What must a sole proprietor do if the business fails?
- | | |
|--|--|
| a. pay all the business debts | c. pay off the investors |
| b. much legal work to close the business | d. wait 10 days before starting another business |
- B 8. Which of the following is true of sole proprietorships?
- | | |
|--|---|
| a. They always have only one employee. | c. They do not need a business license. |
| b. They are owned by an individual. | d. They never pay fringe benefits. |
- C 9. What is a major disadvantage of a sole proprietorship?
- | | |
|---|--------------------------------------|
| a. It cannot be sold off if it does well. | c. Borrowing money can be difficult. |
| b. Relocating is easy. | d. No one can work for the owner. |
- A 10. What is a major advantage of a sole proprietorship?
- | |
|---|
| a. The owner has full control over business. |
| b. The owner has no liability for business debts. |
| c. Human capital is unlimited. |
| d. Finding good employees is easy. |

Partnerships and Franchises:

A. Key Terms and Concepts

Directions: Match each item with one of the descriptions below.

- | | | |
|----------|--|--|
| <u>D</u> | 1. business in which all partners share in both responsibility and liability | a. articles of partnership |
| <u>A</u> | 2. legal agreement that sets out each partner's rights and responsibilities | b. assets |
| <u>F</u> | 3. business in which one partner has unlimited personal liability | c. business franchise |
| <u>B</u> | 4. money and other valuables | d. general partnership |
| <u>E</u> | 5. business in which all partners are protected from personal liability | e. limited liability partnership (LLP) |
| <u>C</u> | 6. pays fees to a parent company | f. limited partnership |

B. Main Ideas

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

- B 7. What percentage of all businesses are partnerships?
- | | |
|--------------|---------------|
| a. 2 percent | c. 15 percent |
| b. 9 percent | d. 25 percent |
- A 8. What advantage does a partnership have over a sole proprietorship?
- | | |
|-------------------|------------------------------|
| a. combine assets | c. not responsible for debts |
| b. easy to start | d. easy to sell |
- A 9. Which of the following statements is true about partnerships?
- | | |
|--|--|
| a. In an LLP, all partners have limited liability. | c. In an LLP, one partner manages the business. |
| b. In a limited partnership, partners cannot lose the money they invested. | d. In a limited partnership, every partner is responsible for the company's actions. |
- C 10. What is a major advantage of a franchise?
- | | |
|---|--|
| a. The parent company has strict standards. | c. The parent company provides training. |
| b. A franchisee can launch new products. | d. The franchisee can choose suppliers. |

Corporations, Mergers, and Multinationals

A. Key Terms and Concepts

Directions: Match each item with one of the descriptions below.

- | | | |
|----------|--|--|
| <u>C</u> | 1. corporate profits paid to stockholders | A. bond |
| <u>D</u> | 2. firms that make the same good or service join together | B. conglomerate |
| <u>B</u> | 3. combination of more than three businesses that produce unrelated goods and services | C. dividend |
| <u>F</u> | 4. certificate representing a portion of ownership in a company | D. horizontal merger |
| <u>A</u> | 5. contract issued by a corporation promising to repay the amount it has borrowed | E. limited liability corporation (LLC) |
| <u>E</u> | 6. members pay taxes on earnings but not on corporate income | F. stock |

B. Main Ideas

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

- B 7. What is a certificate of incorporation?
- | | |
|------------------------------------|--|
| a. taxes a stockholder pays | c. a report filed with the CFO |
| b. a license to form a corporation | d. stocks equal to a majority interest |
- C 8. What percentage of the nation's income is generated by corporations?
- | | |
|---------------|---------------|
| a. 20 percent | c. 60 percent |
| b. 45 percent | d. 84 percent |
- C 9. What does limited liability mean for stockholders?
- | |
|--|
| a. The corporation is not responsible for stockholders' debts. |
| b. The corporation's managers are not responsible for its debts. |
| c. Stockholders can lose only the money they invested. |
| d. The corporation can sell stock. |
- B 10. Which of the following statements is true about horizontal or vertical mergers?
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|--|
| a. horizontal: different stages of production, same good/service |
| b. vertical: different stages of production, same good/service |
| c. horizontal: different markets, same good/service |
| d. vertical: same market, different good/service |

Nonprofit Organizations

A. Key Terms and Concepts

Directions: Match each item with one of the descriptions below.

- | | | |
|----------|--|------------------------------|
| <u>F</u> | 1. nonprofit organization that promotes a particular industry | a. business association |
| <u>B</u> | 2. retail outlet owned by its members | b. consumer cooperative |
| <u>C</u> | 3. organizations that promote a benefit to society | c. nonprofit organization |
| <u>D</u> | 4. organization that helps members sell their products | d. producer cooperative |
| <u>E</u> | 5. organization that works to improve the image and skills of a particular job | e. professional organization |
| <u>A</u> | 6. organization that promotes stores in an area | f. trade association |

B. Main Ideas

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

- A 7. What is the purpose of a consumer cooperative?
- to obtain lower prices for members
 - to work to improve the image of its members
 - to save income taxes for members
 - to sell goods and services produced by members
- D 8. Which of the following is true of all nonprofit organizations?
- They benefit the public.
 - They are national in scope.
 - They have no capital.
 - They pay no income tax.
- B 9. What is the main activity of a producer cooperative?
- buying products for its members
 - selling products for its members
 - producing products for its members
 - donating products for its members
- C 10. Who controls cooperatives?
- the state government
 - their shareholders
 - the members
 - the board of directors