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: Guided Reading and Review

Partnerships

A. As You Read
As you read Section 2, supply the requested information in the spaces provided.

1. Typical examples of a general partnership
   1. ____________________________
      ____________________________
      ____________________________

2. What limited partners do and do not do
   2. ____________________________
      ____________________________
      ____________________________

3. How limited liability partnerships compare with general partnerships
   3. ____________________________
      ____________________________
      ____________________________

4. Items often covered under articles of partnership
   4. ____________________________
      ____________________________
      ____________________________

5. Capital and taxation advantages of partnerships
   5. ____________________________
      ____________________________
      ____________________________

6. Liability disadvantages of partnerships
   6. ____________________________
      ____________________________
      ____________________________

B. Reviewing Key Terms
Complete each sentence by writing the correct term in the blank.

7. Only one partner is required to be a general partner in a ____________________.

8. Money and other valuables make up a person's or firm's ____________________.

9. Ownership interests and management responsibilities are legislated under the ____________________.
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.

1. Corporate Structure

2. Advantages for Stockholders

3. Advantages for Businesses

4. Start-up Procedure

5. Taxation

6. Regulatory Requirements

7. Possible Combinations

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.
Corporations, Mergers, and Multinationals

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.

<table>
<thead>
<tr>
<th>Column I</th>
<th>Column II</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. portion of corporate profits paid out to stockholders</td>
<td>a. bond</td>
</tr>
<tr>
<td>2. joining of two or more firms competing in the same market with the same good or service</td>
<td>b. dividend</td>
</tr>
<tr>
<td>3. combination of more than three businesses that make unrelated products</td>
<td>c. stock</td>
</tr>
<tr>
<td>4. share representing a portion of ownership in a company</td>
<td>d. conglomerate</td>
</tr>
<tr>
<td>5. certificate issued by a corporation promising to repay the amount it has borrowed</td>
<td>e. horizontal merger</td>
</tr>
</tbody>
</table>

B. Main Ideas
Write the letter of the correct answer in the blank provided.

6. What is a certificate of incorporation?
   a. the taxes a stockholder must pay if he or she sells ownership in a corporation
   b. a license to form a corporation issued by the state government
   c. the stocks representing a majority interest in a corporation
   d. an annual report filed by a corporation with the Securities and Exchange Commission

7. What defines a corporation?
   a. a business that does international business
   b. a business with more than two owners
   c. a large business firm
   d. a business owned by individual stockholders

8. What percentage of the net income earned in the United States is generated by corporations?
   a. 28 percent
   b. 45 percent
   c. 70 percent
   d. 84 percent

9. What is the term for the joining of two or more firms involved in different stages of producing the same good or service?
   a. vertical merger
   b. conglomerate
   c. horizontal merger
   d. closely held corporation

10. What does the limited liability of the owners of stock in a corporation mean?
    a. The corporation is not responsible for the private debts of the owners of stock.
    b. The managers hired by the corporation are not responsible for the debts of the corporation.
    c. The stockholders of a corporation can lose only what they have invested in the corporation.
    d. The corporation can raise money by selling more shares of stock.
Section 4: Guided Reading and Review

Other Organizations

A. As You Read
As you read Section 4, supply the missing information under the headings on the chart.

<table>
<thead>
<tr>
<th>Business Franchises</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.</td>
<td>2.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cooperative Organizations</th>
<th>Membership and/or Purpose</th>
<th>Categories</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>3.</td>
<td>4.</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Nonprofit Organizations</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5.</td>
</tr>
</tbody>
</table>

B. Reviewing Key Terms
Briefly define or identify each of the following.

7. royalties

8. trade association

9. cooperative
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 retail outlet owned and operated by its members
2. a nonprofit organization that promotes the interests of a particular industry
3. a semi-independent business that pays fees to a parent company for exclusive rights to do business in a certain area
4. organizations such as museums, the Red Cross, and churches that promote a benefit to society
5. an agricultural marketing organization that helps members sell their products

Column II

a. business franchise
b. consumer cooperative
c. nonprofit organization
d. trade association
e. producer cooperative

B. Main Ideas
Write the letter of the correct ending in the blank provided.

6. An organization that attempts to improve the image and working conditions of people in a particular occupation is a
   a. service corporation.  
   b. professional organization.  
   c. closely held corporation.  
   d. limited partnership.

7. The share of earnings that a business owner pays for the right to be part of a certain business are
   a. special rights fees.  
   b. fringe benefits.  
   c. proprietor’s rights.  
   d. royalties.

8. The function of a retail or purchasing cooperative business or “co-op” is to
   a. obtain lower prices for members.  
   b. work to improve the image and working conditions of members.  
   c. save income taxes for members.  
   d. sell the goods or services produced by members.

9. All of the following are disadvantages of a franchise business except
   a. the high fees a franchiser charges.  
   b. the strict operating standards of a franchise.  
   c. the parent company’s guidance on running the business.  
   d. the purchasing rules about buying certain goods.

10. A common factor in all nonprofit businesses is that they
    a. perform charitable acts.  
    b. are national in scope.  
    c. have no capital.  
    d. pay no income tax.