

CHAPTER 7

Types of Business Ownership

A. Match each definition in the left column with the correct term from the right column. Write the letter of the term in the space provided.

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|--|------------------------|
| _____ 1. money owed to others | a. corporation |
| _____ 2. partners in a business whose liability is limited to their investment | b. sole proprietorship |
| _____ 3. a form of business where more than one person shares the business' decisions and outcomes | c. Subchapter S |
| _____ 4. a business that is registered by a state | d. limited partners |
| _____ 5. corporations that make money for reasons other than the owners' profit | e. partnership |
| _____ 6. a form of business where the owner is the only one responsible for the business' activities | f. limited liability |
| _____ 7. a corporation taxed like a sole proprietorship or partnership | g. liability |
| _____ 8. owners of a business are liable only up to the amount of their individual investments | h. non-profit |

B. In the space at the left, write the letter of the choice that best completes the statement or answers the question.

- _____ 9. The principal disadvantage of a sole proprietorship is
a. loss of freedom. c. creativity.
b. cost of forming. d. financial.
- _____ 10. The easiest and most popular form of business to create is the
a. sole proprietorship. c. Subchapter S corporation.
b. limited partnership. d. general partnership.
- _____ 11. A type of partnership where two companies join to complete a specific project is called a
a. Subchapter S corporation. c. joint venture.
b. strategic alliance. d. Nonprofit corporation.
- _____ 12. The owner of a sole proprietorship is the only one who receives
a. benefits. c. profits.
b. customers. d. prestige.

- _____ 13. One major type of corporation is a
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|------------------|-------------------------|
| a. Subchapter S. | c. sole proprietorship. |
| b. franchise. | d. limited partnership. |
- _____ 14. Which type of corporate form is expensive to set up?
- | | |
|--------------------------|-----------------------------|
| a. nonprofit corporation | c. C-corporation |
| b. limited partnership | d. Subchapter S corporation |
- _____ 15. Partners that all have unlimited personal liability and take full responsibility for the management of the business are
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| a. investors. | c. employees. |
| b. general partners. | d. limited partners. |
- _____ 16. A partnership in which two businesses work together for mutual benefit is called a
- | | |
|---------------------------|-------------------------|
| a. nonprofit corporation. | c. limited partnership. |
| b. joint venture. | d. strategic alliance. |

C. In the space provided, write the word (or words) from the list that will best complete each statement.

corporation	unlimited liability	LLC	sole proprietorship
communities	C Corporation	partnership	personality conflicts

17. The _____ protects the entrepreneur against being sued personally for actions and debts of the corporation and is the most common corporate form.
18. In a sole proprietorship, the owner has _____ for all debts and actions of the business.
19. In a _____ the owner or owners of a business is protected from liability for the actions of the company.
20. A _____ is a sole proprietorship with more than one owner.
21. An _____ is an informal structure in which the shareholders are known as "members."
22. The major threat that partnerships face is _____.
23. The least regulated, easiest, and most inexpensive form of ownership to set up is a _____.
24. Many entrepreneurs are running businesses that benefit their _____.

D. On a separate sheet of paper, write a 100-word paragraph that answers this question.

25. Compare the advantages and disadvantages of sole proprietorships, partnerships, and corporations.

Score (number correct x 4 points) = _____