

# Chapter 16 Forms of Business

## Section 16.1 Sole Proprietorships and Partnerships



### Note Taking

**Directions** As you read, write notes, facts, and main ideas in the Note Taking column. Write key words and short phrases in the Cues column. Then summarize the section in the Summary box. Use an extra sheet of paper if necessary.

Cues	Note Taking
<ul style="list-style-type: none"> <li>States operate under either UPA or RUPA.</li> </ul>	<p><b>SOLE PROPRIETORSHIPS</b></p> <ul style="list-style-type: none"> <li>Advantages:</li> <li>Disadvantages:</li> </ul> <p><b>GENERAL PARTNERSHIPS</b></p> <ul style="list-style-type: none"> <li>Advantages:</li> <li>Disadvantages:</li> <li>Partners share two types of liability:</li> <li>Five types of partners:</li> <li>Partnerships formed in two ways:</li> <li>Partners share certain rights:</li> <li>Partners have three duties:</li> <li>Partnership may terminate as follows:</li> <li>Other types of partnerships include: limited partnerships, limited liability partnerships,</li> </ul>
<p><b>Summary</b></p> <p>A sole proprietorship is a form of business that is owned and operated by one person.</p>	

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## Section 16.1 Sole Proprietorships and Partnerships



### Reading Comprehension

#### Using a Table

**Directions** Use the table below to review the five types of partners. Place a check mark (✓) in each row that matches each partner with its definition.

	General Partner	Secret Partner	Silent Partner	Dormant Partner	Limited Partner
Liability does not extend beyond his/her investment					
Has active role in management and unlimited liability					
Does not play active role in management; is known to the public					
Plays active role in management; connection is kept secret					
Has no active role in management; is not known to the public					

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### Study Skills Preparing for Class

**Directions** Read the tips below. Then answer the questions that follow.

#### PREPARING FOR CLASS

##### Before Class

- Do your homework. While reading, try to form your own opinions about what is being said in the material.
- Review your notes from the previous day's lecture and reading.
- Communicate with your teachers about any questions you have about the material or any problems you are having with studying.
- Get a good night's sleep.
- On your way to class, get ready to focus. Take a moment to prepare yourself mentally for the day's topic.

##### In Class

- Arrive on time. It is disrespectful to your teacher and the other students when you arrive late.
- If there is open seating, position yourself so you can focus on the subject matter. Choose the best location for listening, asking questions, and seeing visual materials.
- Avoid distractions that may interfere with your concentration, such as daydreaming or dozing off. If you are feeling sleepy, start going to bed earlier.
- Evaluate the class material as you listen. Try to decide what is important, what you should include in your notes, and what can be left out. Listen long enough to make sure you understand what is said before you write it down.
- Make a to-do list that includes completing assignments, reviewing difficult concepts, joining study groups, and making appointments with a tutor or the teacher if needed.

1. What is one advantage partnerships have over sole proprietorships?

\_\_\_\_\_

2. What are the two ways in which a partnership can be formed?

\_\_\_\_\_

3. What are the five types of partners recognized by law?

\_\_\_\_\_

4. Name three disadvantages of a sole proprietorship.

\_\_\_\_\_

5. What are the three ways a dissolution of a partnership can happen?

\_\_\_\_\_

## Chapter 16 Forms of Business

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#### Test Prep Getting Organized for a Test

**Directions** Review the tips below. Then answer the questions that follow. If the statement is true, circle *T*. If the statement is false, circle *F*.

#### GETTING ORGANIZED FOR A TEST

- Begin reviewing several days before the test. This will give you more time to learn and become comfortable with the information.
- Start with short, daily review sessions, then progress into longer, more intense sessions as the test nears.
- Read all text assignments before each lecture. This will help you identify concepts that the teacher feels are important and may include on the test.
- Review your notes immediately after class. This will help reinforce the information while the lecture is still fresh in your mind.
- Review with a group of classmates. This enables you to cover important material that you may have overlooked on your own.
- Study the most difficult material when you are most alert.

1. A sole proprietorship is a form of business that is owned and operated by one person. T F
2. A sole proprietor must pay taxes as a business. T F
3. Partnerships may be formed by agreement or by proof of existence. T F
4. A liable partner is one of the five types of partners recognized by law. T F
5. Unlimited liability is a legal duty placed on a business owner that requires the owner to be responsible for all losses experienced by the business. T F
6. Joint liability is liability shared by two or more people. T F
7. Under RUPA, the three duties that partners have are loyalty, obedience, and trust. T F
8. A limited liability partnership is one in which all partners are liable for the acts of the other partners. T F
9. A joint venture is a business enterprise in which two or more participants combine in order to complete a single task. T F
10. A partnership is an association of two or more persons to carry on as co-owners of a business for profit. T F

# Chapter 16 Forms of Business

## Section 16.2 Corporations and Limited Liability Companies



### Note Taking

**Directions** As you read, write notes, facts, and main ideas in the Note Taking column. Write key words and short phrases in the Cues column. Then summarize the section in the Summary box.

<b>Cues</b>	<b>Note Taking</b>
<ul style="list-style-type: none"> <li>• Share: single unit of ownership of a corporation</li> </ul>	<p><b>CORPORATIONS</b></p> <ul style="list-style-type: none"> <li>• Corporation is an entity with the legal authority to act as a single person, distinct from its owners.</li>   <li>• A legal process is necessary to form a corporation:</li> </ul> <p><b>LIMITED LIABILITY COMPANIES</b></p> <ul style="list-style-type: none"> <li>• Limited liability company (LLC) is an entity with the legal authority to act as a single person, distinct from its owners, and combines the best features of a partnership and a corporation.</li> </ul> <p><b>DOING BUSINESS INTERNATIONALLY</b></p> <ul style="list-style-type: none"> <li>• Tax codes and laws differ in other countries.</li> </ul>
<p><b>Summary</b></p> <p>A corporation is an entity with the legal authority to act as a single person, distinct from its owners.</p>	

## **Chapter 16 Forms of Business**

### **Section 16.2 Corporations and Limited Liability Companies**



#### **Reading Comprehension**

#### **Analytical Skills**

**Directions** Answer the following questions by writing your responses on the lines provided.

1. Name the legal document that must be filed with the office of the secretary of state as a step in forming a corporation. \_\_\_\_\_  
\_\_\_\_\_
2. What type of corporation includes incorporated political units such as towns, villages, and school districts? \_\_\_\_\_  
\_\_\_\_\_
3. Name one advantage of a corporation. \_\_\_\_\_  
\_\_\_\_\_
4. Describe the role of the corporate promoter when forming a corporation. \_\_\_\_\_  
\_\_\_\_\_
5. What is the name for a corporation that is incorporated in another country but does business in the United States? \_\_\_\_\_  
\_\_\_\_\_
6. Name one disadvantage of a corporation. \_\_\_\_\_  
\_\_\_\_\_
7. What is a person who owns shares of a corporation called? \_\_\_\_\_  
\_\_\_\_\_
8. What must a corporation include in its name? \_\_\_\_\_  
\_\_\_\_\_
9. What document gives a corporation official authorization to do business in a state? \_\_\_\_\_  
\_\_\_\_\_
10. What is the term for a single unit of ownership of a corporation? \_\_\_\_\_  
\_\_\_\_\_

# Chapter 16 Forms of Business

## Section 16.2 Corporations and Limited Liability Companies



### Study Skills

#### Paying Attention in the Classroom

**Directions** Read the tips below. Then answer the questions that follow.

#### PAYING ATTENTION IN THE CLASSROOM

- Try to anticipate the main ideas of the lecture by looking over your notes from the previous day's lecture and reading the course material.
- Resist distractions by sitting at the front of the room, away from disruptive classmates. Focus on the teacher through active listening and note taking.
- Maintain an attentive posture and expression. Do not slouch in your chair.
- Shift your position in your seat once in a while. Do not sit frozen in one position. Shifting will help your blood circulate and send more oxygen to your brain. This will help you to remain alert.
- Ask questions for clarity or when you are having trouble understanding the material.
- Train yourself to avoid distractions such as persons exiting and entering the room. Keep your concentration on what is being taught in front of you.

1. Describe the difference between share and shareholder.

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2. What is the difference between articles of incorporation and a certificate of incorporation?

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3. What are the three classifications of a corporation?

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4. What is one advantage of a limited liability company?

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5. What is expropriation?

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# Chapter 16 Forms of Business

## Section 16.2 Corporations and Limited Liability Companies



### Test Prep Tips for Better Test Taking

**Directions** Read the tips below. Then answer the questions that follow.

**TIPS FOR BETTER TEST TAKING**

- Prepare for tests by analyzing your past test results. Each test can prepare you for the next one.
- Arrive early for the test. Bring all the materials you will need, such as writing instruments, a dictionary, and a watch. These items will help you focus on the task at hand.
- Be comfortable and alert. If there is open seating, position yourself in a good spot where you have plenty of space to work. Maintain a comfortable posture. Do not slouch.
- Remain relaxed and confident. Remind yourself that you are well prepared and are going to do well. If you find yourself feeling stressed, take slow, deep breaths to relax.
- When you get the test, read the directions carefully first. This may seem obvious, but it will help you avoid careless errors.
- Look over the entire test before you start. Note key terms.
- Answer the easy questions first. This will help build confidence, score points, and mentally orient yourself to vocabulary and concepts. It may also help you make associations with more difficult questions.
- When answering the difficult questions, eliminate the answers you know to be wrong. This will increase your chances of choosing the correct one.
- Always review the entire test to make sure that you have answered all questions, that you have filled in the answer sheet correctly, and that you have not made other simple mistakes.

1. Why is it important to read the directions carefully before starting?

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2. What is a good strategy for answering difficult questions on a test?

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3. Why is it important to review the entire test?

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4. How can answering the easy questions first be a helpful strategy?

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5. What are some materials you should bring to a test? How will they help?

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# Chapter 16 Forms of Business

## Chapter Content Vocabulary



### English Language Arts

#### Writing

**Directions** Choose ten of the following terms. Use each in a sentence that shows you understand the meaning of the term.

sole proprietorship	dissolution	share
unlimited liability	dissociation	shareholder
partnership	limited partnership	articles of incorporation
joint liability	corporation	certificate of incorporation

1. \_\_\_\_\_  
\_\_\_\_\_
2. \_\_\_\_\_  
\_\_\_\_\_
3. \_\_\_\_\_  
\_\_\_\_\_
4. \_\_\_\_\_  
\_\_\_\_\_
5. \_\_\_\_\_  
\_\_\_\_\_
6. \_\_\_\_\_  
\_\_\_\_\_
7. \_\_\_\_\_  
\_\_\_\_\_
8. \_\_\_\_\_  
\_\_\_\_\_
9. \_\_\_\_\_  
\_\_\_\_\_
10. \_\_\_\_\_  
\_\_\_\_\_

# Chapter 16 Forms of Business

## Chapter Academic Vocabulary



### English Language Arts Reading Skills

**Directions** Complete the graphic organizer below for each vocabulary term as you read the text. The first term has been done for you.

1	2	3	4	5
Read the Word	Rate the word: 0 = Do not know meaning 1 = might know meaning 2 = know the meaning	Predict the meaning before reading	Write a new definition after reading. If the new definition is the same put a check mark in the column.	Write context clues
perpetual	1	ongoing, continuous	continuing forever; everlasting	Unlike sole proprietors, corporations have perpetual existence.
dormant				
incompetence				
domestic				
process				
similar				