

Chapter 17 Operating a Corporation

Section 17.1 Managing a Corporation



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.

Cues	Note Taking
<ul style="list-style-type: none"> • Corporate directors must be reelected by shareholders. • Shareholders have right to: • Preemptive right: shareholder's right to buy stock before it is offered to the public 	<p>CORPORATE MANAGEMENT</p> <ul style="list-style-type: none"> • In a corporation, power is shared by many people: <p>RIGHTS OF SHAREHOLDERS</p> <ul style="list-style-type: none"> • Right to stock certificate: proves ownership <p>LIABILITY OF DIRECTORS AND OFFICERS</p> <ul style="list-style-type: none"> • Business judgment rule:
<p style="text-align: center;">Summary</p> <p>Decisions for running a corporation are made by three groups of people—corporate directors, corporate officers, and corporate shareholders—who have certain rights and responsibilities.</p>	

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Social Studies

Careers

Directions There are many corporations in the United States. Some corporations manufacture products, others sell services. Think of a corporation you might like to work for. Write the name and a brief description of what it does in the box below. Then answer the questions that follow.

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<p>Corporation:</p> <hr/>
<p>Description:</p> <hr/> <hr/>

1. What kind of position would you like to have in this corporation?

2. If you were a director of the corporation, what kinds of decisions would you make?

3. If you made a bad decision as director, could you be sued? Explain the rules the court would follow.

4. If you were an officer or director of the corporation, how could you get in trouble for insider trading?

5. What are some benefits of working for a large corporation?

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Study Skills

Contextual Definitions

Directions Read the following tips and passage. Then write your own definitions for the terms below based on contextual clues in the passage.

USING CONTEXTUAL DEFINITIONS

Contextual definitions will help you understand the meaning of words you do not know and ideas that are hard to comprehend. Look for clues from the larger content of the text to help you figure out the meaning of unknown words or ideas. To read using contextual definitions, follow these steps:

- As you read a passage in the text, circle unfamiliar words.
- Reread the sentence a second time in which the unfamiliar word appears.
- Focus on what you do understand in the sentence. It may help to reread the sentences before and after the one in which the unfamiliar word appears.
- In your own words, state the meaning of the sentence. You may know only part of the meaning. State as much as you can.
- Based on the meaning of the sentence, guess what the unfamiliar word means.

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Forms of Business Ownership

The U.S. Small Business Administration (SBA) was created in 1953 as an independent agency of the federal government to aid, counsel, assist and protect the interests of small business concerns, to preserve free competitive enterprise and to maintain and strengthen the overall economy of our nation. We recognize that small business is critical to our economic recovery and strength, to building America's future, and to helping the United States compete in today's global marketplace. Although SBA has grown and evolved in the years since it was established in 1953, the bottom line mission remains the same. The SBA helps Americans start, build, and grow businesses.

1. independent: _____
2. enterprise: _____
3. critical: _____
4. global: _____
5. evolved: _____
6. mission: _____

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Test Prep Reducing Test Jitters

Directions Practice the tips below while answering the questions on the practice test that follows.

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REDUCING TEST JITTERS

- It is normal to have jitters before and even during a test, so do not worry about those butterflies in your stomach.
- Remember, this is only one test. It may be an important one, but it is not the only test on which your grade depends.
- When you get jittery, take a deep breath. Count to three as you breathe in. Imagine the jitters are going out as you exhale.
- Get plenty of rest the night before a test.
- Dress in layers. If you get hot, you can remove a layer, or you can put one on if you get cold. It is important to be comfortable during a test so you can concentrate.

1. How does someone become a director of a corporation?

2. When a corporation has made a profit, must dividends to shareholders automatically be declared? Explain your answer.

3. How might shareholders who disagree with a decision of the board of directors go about defeating an issue affecting the corporation?

4. What does the corporate opportunity doctrine state?

5. What is the purpose of a shareholder's preemptive right?

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Section 17.2 Financing, Expanding, and Dissolving a Corporation



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.

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Cues	Note Taking
<ul style="list-style-type: none"> • Stock subscriptions: contracts to buy stock after a corporation is authorized to sell stock 	<p>CORPORATE FINANCING</p> <ul style="list-style-type: none"> • Corporations need financing to pay for their business activities (e.g., research, product development, marketing, advertising). • Two types of stock: <p>CORPORATE EXPANSION</p> <ul style="list-style-type: none"> • A corporation can expand in several different ways: <p>DISSOLUTION OF A CORPORATION</p> <ul style="list-style-type: none"> • A corporation can be dissolved in two ways:
<p style="text-align: center;">Summary</p> <p>A corporation raises money by selling stocks or bonds.</p>	

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Mathematics Reading Tables

Directions The table below identifies the fastest-growing franchises in the United States. Study the table and answer the questions that follow.

TOP FIVE FASTEST-GROWING FRANCHISES
Changes over a Five-Year Period

Franchise	Number of Units in the U.S.		Number of Units in Canada		Number of Units Outside North America	
	Year 1	Year 5	Year 1	Year 5	Year 1	Year 5
Subway	14,032	19,837	1,609	2,123	1,124	3,502
Pizza Hut	5,974	5,851	0	246	3,509	3,625
Quiznos	1,120	3,844	121	374	26	88
Jan-Pro Franchising Int'l. Inc.	1,170	3,918	96	188	0	0
Curves	3,130	7,879	295	736	0	0

- Which franchise had the most units in the United States in the fifth year?

- How many more units outside North America did Pizza Hut have in the first year over Quiznos?

- Overall, which franchise has the most units globally in the fifth year?

- Which franchise has the least units globally in the fifth year?

- Which franchise decreased in number of units in the United States over the five-year period?

- Which franchise has the most units outside North America?

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Study Skills Using Both Sides of Your Brain

Directions Read the tips below. Then fill in the chart that follows by putting a check mark (✓) next to each statement that is true.

USING BOTH SIDES OF YOUR BRAIN
<p>Your brain has two sides. The left side controls logic, words, lists, numbers, sequencing, and analysis. The right side controls rhythm, imagination, daydreaming, color, size, and spatial awareness. Research shows that you have better memory skills if you use both sides of your brain. Try these exercises to help you develop both sides of your brain.</p> <ul style="list-style-type: none"> • Stand straight. Lift your left leg forward. Touch your right hand to your left foot. • Lift your left leg behind you. Reach back and touch your right hand to your left foot again. • Now lift your right leg forward. Touch your left hand to your right foot. • Lift your right leg behind you. Reach back and touch your left hand to your right foot again. • Do things with your non-dominant hand, which is the hand you use less. For example, if you are right-handed, use your left hand to open doors, brush your hair, or write a column of numbers. If you are left-handed, use your right hand.

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Corporate Expansion

	1. There is no significant difference between a merger and a consolidation, and the terms are often used interchangeably.
	2. General Electric owns financial services, plastics companies, and theme parks and is a good example of a sole proprietorship.
	3. A tender offer is an offer to end a corporation by a unanimous vote of its shareholders.
	4. McDonald's, Blockbuster, and Holiday Inn are well-known franchises.
	5. In an asset acquisition, a corporation buys the assets of another corporation rather than the corporation itself to avoid taking on the debts and liabilities of the other corporation.
	6. A business that buys a franchise benefits from the trade name and expertise of the parent company.
	7. Tender offers are often referred to as takeover bids.
	8. In a merger, both companies joined together are able to keep their corporate identities.
	9. A conglomerate is a corporation that specializes in one type of product or service.
	10. A corporation's assets include property, buildings, and equipment.

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Test Taking Taking a Test

Directions Read the tips below. Then answer the questions that follow by writing the correct answer in the space provided.

TAKING A TEST

- Before you begin, read the test directions carefully. Underline words that will help you follow directions, such as *summarize*, *compare and contrast*, or *explain your answer*.
- When you have completed the test, check your answers to make sure you answered every question.
- For essay and short-answer questions, reread your answers. Make sure all words are spelled correctly, proper grammar is used, and sentence structure is correct.

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1. Name some reasons why a government would dissolve or terminate a corporation.

2. How does a broker fill a purchaser's order?

3. If a corporation ends voluntarily, to whom must the dissolution be reported?

4. What are stock subscriptions?

5. How are bonds different from stocks?

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Chapter Content Vocabulary



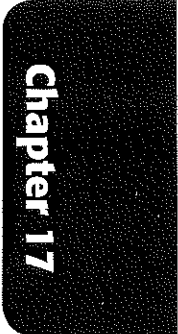
English Language Arts Definitions

Directions Match each vocabulary word(s) with its definition below. Write the letter of the word(s) on the line next to the matching definition.

- a. corporate director
- b. corporate officer
- c. direct suit
- d. class action suit
- e. derivative suit
- f. insider trading

- g. merger
- h. consolidation
- i. conglomerate
- j. asset acquisition
- k. stock acquisition
- l. franchise

1. _____ The joining together of two companies, with one company keeping its corporate identity and the other losing its corporate identity.
2. _____ A person chosen by the directors to run the day-to-day affairs of a corporation.
3. _____ Two or more companies joining together to form a new corporation.
4. _____ One company agreeing to purchase the assets of a second corporation.
5. _____ A person elected by the shareholders to make broad policy decisions in the running of a corporation.
6. _____ A license a company grants to a business or individual to use its name and sell its products or services.
7. _____ When an individual or corporation buys enough shares of stock in another corporation to take over control of it.
8. _____ A lawsuit a shareholder can bring on behalf of the corporation to correct an injury to the corporation.
9. _____ A lawsuit shareholders with a common claim can bring as a group against a corporation.
10. _____ A corporate director or officer buys or sells shares in a corporation based on firsthand information about the corporation that is not available to the public.
11. _____ A corporation that owns many different types of companies.
12. _____ A lawsuit a shareholder can bring against a corporation for denying his or her rights as a shareholder.



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Chapter Academic Vocabulary



English Language Arts Reading Skills

Directions Choose the word in the box that correctly completes each sentence below.

proportionate
exploit
significant

preemptive
subscription
unanimous

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1. Shareholders have the right to buy a(n) _____ share of every new stock issue before it is offered to the public.
2. Directors and officers must not _____ their positions for personal gain at the expense of the corporation.
3. A stock _____ is a contract to buy stock once the corporation is authorized to sell stock to the public.
4. There is no _____ difference between a merger and a consolidation.
5. A(n) _____ vote of its shareholders can voluntarily end a corporation.
6. The purpose of a shareholder's _____ right is to prevent the directors from taking control of the corporation by issuing more shares and buying them all themselves.