

THINK CRITICALLY

1. Why should business owners carefully consider the legal form of ownership for their business?
 2. Why does the corporate form of ownership offer more likelihood of greater initial financing than either the sole proprietorship or partnership?
 3. The form of business ownership determines which type of responsibility of the owner? _____
 - a. financial
 - b. legal
 - c. managerial
 - d. all of the above
 4. Most new businesses fail due to poor _____ planning.
 - a. financial
 - b. production
 - c. managerial
 - d. none of the above
 5. A _____ is a business owned and managed by two or more people under the conditions of a legal written agreement.
 - a. sole proprietorship
 - b. partnership
 - c. corporation
 - d. none of the above
 6. The major financial disadvantage to the ownership of a corporation is _____.
 - a. each owner is individually liable of all losses
 - b. corporate tax rates are usually higher than individual rates
 - c. corporate profits are subject to double taxation
 - d. stock prices can decrease in value as well as increase
 7. Which type of business does not end when the current owner dies or sells his or her ownership in the business? _____
 - a. sole proprietorship
 - b. partnership
 - c. corporation
 - d. none of the above
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TEAMWORK

Discuss in pairs or small groups and then write your conclusions below.

8. Develop a simple partnership agreement for a business. Prepare four statements that describe your agreements about financing, management and operations responsibilities, and the sharing of profits and losses. How do the interests and skills of each partner influence your decisions?