



Unit 2 Handout 1

- I. What types of businesses are the images depicting? Brainstorm.
- II. Read the following definitions and match them with the corresponding type of business.

1) Sole proprietorship	_____ It is the form of business which almost all large firms choose. It is defined as a legal entity or artificial person that is created through the authority of federal or state law. It is a business which can be owned by one or more persons.
2) Partnership	_____ kind of business that is owned by one person. It is the simplest and most fundamental of all the forms of business organization. It succeeds or fails based on the owner's abilities, expertise, energy, and interest.
3) Corporation	_____ It is defined as an association that is owned by two or more persons who carry on a business for profit as co-owners.

- III. Match the concepts in the article (a-i) with their correct definitions (1-9).

a. Fundraising	1. A unit of equity ownership in the capital stock of a corporation _____
b. Liability	2. A resource with economic value that an individual, corporation, or country owns or controls _____
c. Payroll	3. A person who owns shares in a company and therefore gets part of the company's profits _____
d. Stockholder	4. An individual, a public or private group, or a financial institution that makes funds available to a person or business _____
e. Asset	5. A position from which objects or principles are viewed and according to which they are compared and judged _____
f. Lender	6. The seeking of financial support for a charity, cause, or other enterprise _____
g. Standpoint	7. The total amount of money paid to the people employed by a particular company _____
h. Bankrupt	8. A person who upon their own petition or that of their creditors is considered insolvent by a court _____
i. Share of stock	9. The state of being legally responsible for something _____



IV. Read the following article about **business organizations** and their **main differences**.

Business Organizations

Business organizations are an important part of a business structure. Different organizations provide different advantages and disadvantages regarding to their creation, costs, ongoing maintenance requirements, dissolution and continuity, fundraising, managerial control, public ownership, tax planning, and limited liability.

Although new forms of business organization are constantly being experimented with, all companies find their origin in one or a combination of the three basic forms: **proprietorships, partnerships, and corporations**.

Sole Proprietorship

A proprietorship has a single owner, called the proprietor, who is usually also the manager. Proprietorships tend to be small retail establishments or individual professional businesses, such as those of physicians, attorneys, and accountants. The owner alone is personally liable for the obligations of the business. These obligations include providing the business's initial funding, making payroll, purchasing supplies, and accepting liability for injuries and property damage caused by employees in the performance of their job duties.

A sole proprietorship is desirable because it is easy to start. Aside from having a product, a service, and a prospective customer, very little preparation is necessary. The government may enforce minor requirements such as a tax number or business license. However, there are few significant consequences for starting without these.

Partnership

A partnership joins two or more individuals together as co-owners. Each owner is a partner. Many retail establishments as well as some professional organizations of physicians, attorneys, and accountants are a partnership. Most partnerships are small and medium-sized, but some might be bigger.

The characteristics of the general partnership form include the co-owner's unlimited personal liability for the obligations of the business. So, in addition to being liable for their own business mistakes as in a sole proprietorship, a partner also is personally liable for the mistakes of her/his partner(s).

Corporation

A corporation is a business owned by stockholders. The business becomes a corporation when the state approves its article of incorporation. A corporation is a legal entity, an artificial person that conducts its business in its own name. This type of company offers the best limited liability protection for investors and therefore it is the form of business that almost all large firms choose. It can be owned by one or more persons, other corporations, a governmental body, or a combination of all of these.

Like the proprietorship and partnership, the corporation is also an entity with existence separate from its owners. From a legal standpoint, however, corporations differ significantly from proprietorships and partnerships. If a proprietorship or a partnership cannot pay their debts, the lender can take the owner's personal assets to pay the debts. If a corporation goes bankrupt, on the other hand, the lender cannot take the personal assets of the stockholders. The limited personal liability of the stockholders for corporate debts partially explains why corporations are the dominant form of business. People can invest in corporations with limited personal risk.

Another factor in corporate growth is the division of ownership into individual shares. Companies such as Coca-Cola, Goodyear or IBM have millions of shares of stock. An investor can become an owner by buying 30, 100, 5000, or any number of shares of stock. For many corporations, the investor can sell the stock whenever he or she wishes. It is usually harder to sell out a proprietorship or a partnership.



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V. **Determine whether the following statements are true or false.**

1. ____ The sole proprietorship does not require any significant preparation and can start without obtaining a tax number or business license.
2. ____ A distinct disadvantage of the sole proprietorship is that the remains personally liable for all the business's debts.
3. ____ Members of a partnership retain full liability for their own actions, but do not respond for the decisions of all other general partners.
4. ____ Partnerships are only found in small and medium-sized retail establishments and professional organizations.
5. ____ In a corporation, ownership is denoted by the possession of shares of stock, which entitle the shareholder to certain rights and privileges,
6. ____ Stockholders are subject to a greater degree of personal liability for any debts or legal complications that may arise.
7. ____ Compared to selling stocks in the market, the liquidation of a proprietorship or partnership is a complex and arduous process,
8. ____ Corporations are the most optimal choice for large-scale enterprises seeking to raise funds or capital.

VI. **Work in pairs/groups. Compare the 3 types of business organizations discussed in the text. What are their main advantages/disadvantages?**

	<i>Sole Proprietorship</i>	<i>Partnership</i>	<i>Corporation</i>
Advantages			
Disadvantages			