

Unit 2

Objectives



- Define and characterize business organizations
- Compare different business organizations
- Use relative clauses

Business organizations

Introduction

Look at the picture below. What characteristics about companies do they represent?



1. Basic Forms of Business Organization

Although new forms of business organization are constantly being experimented with, they all find their origin in one or a combination of the three basic forms. These are the **sole proprietorship**, the **partnership**, and the **corporation**.

a. Sole Proprietorship

With a sole proprietorship, a single owner alone is personally liable for the obligations of the business. These obligations include providing the business's initial funding (capitalization), making payroll, purchasing supplies, and accepting liability for injuries and property damage caused by employees in the performance of their job duties. The sole proprietorship is desirable because it is easy to start.

b. Partnerships

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 her/his own business mistakes as in a sole proprietorship, a partner also is personally liable for the mistakes of her/his partner(s).

c. Corporations

The corporation offers the best limited liability protection for investors. It is the form of business that almost all large firms choose. A corporation is defined as a legal entity or artificial person created through the authority of federal or state law. It can be owned by one or more persons, other corporations, a governmental body, or a combination of all of these. It can sue or be sued without its investors being exposed to the risk of losing personal assets to pay any corporate debts that result.

2. Read these 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.

Relative Clauses

Relative Clauses give information about the subject. The subject can be a person, a thing, a place, or a moment. You use...

Which/ That when you refer to things.

- A **dividend** is part of the profit **which** companies give to their shareholders.
- **Businesses that** do not have legal personality are sole traders or traditional partnerships.

Who/ That when you refer to people.

- **The people who/ that** set up a company are called the founders.

Where when you refer to places.

- **The Stock Exchange** is **where** stocks/shares are bought and sold.

When to refer to moments or situations.

- **An incorporated business** is **when** the company is registered with Companies House.

Whose when you refer to possession

- **Martin, whose** company went bankrupt this year, asked for an international loan.

3. Read the following sentences and complete them with the appropriate relative clause marker.

- a. A sole proprietorship or sole trader is a business _____ is owned by one person only.
- b. A partnership is created _____ 2 or more people get together to do business for profit.
- c. In Chile, the SII is _____ you register your company so you can start doing business.
- d. An investor is a person _____ puts money in a business in order to receive a profit in the future.
- e. A corporation is a kind of business _____ can be owned by a group of people, governmental bodies, or other corporations.

4. Marie Stephens wants some information about companies. She went to a seminar at a law firm called Taylor Wallies. A solicitor called Greg Harrison is talking about companies. Read what Greg says. Pay attention to the key vocabulary in bold.

<p>'When a person starts a company, he or she has to be very careful to comply with the rules. When lawyers talk about setting up a new company, they use the expression "to incorporate a company". That means to set up and register a company in the proper way. If you want to incorporate a company in England, you must register the company with Companies House, which is the central registry of companies. You cannot start to trade in the company's name until the company appears on the official register of companies. Every company has its own file at Companies House, and anyone can look at the file to find out information about the company.</p>	<p>The people who set up a company are usually called the founders of the company. When the founders set up a company and register it with the Companies House, the company is known as an incorporated business. This means that the company has its own separate legal personality. Another name that means the same as legal personality is legal entity. Sole traders and traditional partnerships are unincorporated businesses and do not have their own legal personality. If someone wants to sue a company, perhaps because it did not fulfill its obligations, the claimant names the company as the defendant, because a company is a legal entity. On the other hand, if someone wants to sue a sole trader, the claimant names the owner of the business as the defendant.</p>
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<p>The owners of a company are called the members. Another name for members is shareholders. Shareholders can be people or companies. They own or 'hold' a share or shares in the company. A share is a part of the company's share capital. When we talk about share capital, we mean the amount and value of shares that members hold.</p> <p>Let's say that a company has a share capital of 1,000 pounds and that this is divided into 1,000 shares. In this example, each share has the value of 1 pound. We call this the nominal value of each share. All the shares in a particular company have the same nominal value. When the founders set up a company, they decide upon the nominal value of the shares for that company.</p> <p>When someone buys shares in a company, the company will issue the shares to him or her. To issue a share means to officially give that share to a person and register his or her name in the company's register of shareholders. The shareholder receives a share certificate from the company giving details of the share or shares that he or she owns.</p>	<p>Why do people want to invest their money in a company and buy shares? The answer is that they want to get some money back in return for allowing the company use their money. We call this 'a return on an investment'. If the company performs well during a year and makes a profit, then the company may decide to pay a part of that profit to the shareholders. This payment is called a dividend. If the company performs badly and makes a loss, the company will not pay a dividend to the shareholders.</p> <p>If a company performs really badly and becomes insolvent, that company may have to stop trading. But the shareholders will not have to pay the debts of the company because they have the protection of limited liability. This means the shareholders may lose the money that they invested in the company, but their personal assets are not at risk.'</p>
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5. Read the following concepts taken from the text and then match the first half of each sentence with the correct ending

incorporate	shareholders	share capital	invest
founders	share	nominal value	return
members	hold	issue	dividend

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|---|--|
| 1. To incorporate a business means ... | a. to own a share |
| 2. The founders of a company are ... | b. the people or companies who own shares in the company |
| 3. The members are ... | c. a payment of the company's profits to its shareholders |
| 4. The shareholders are ... | d. the people who create the company |
| 5. A share is ... | e. to put money into a company by buying shares in the company |
| 6. To hold a share means ... | f. the same as the members. They are the owners of the company |
| 7. Share capital refers to ... | g. to set up the business and register it as a company |
| 8. The nominal value of a share is ... | h. to officially give that share to someone so that he or she becomes the owner of that share. |
| 9. To issue a share to someone means ... | i. the value of shares that the shareholders own |
| 10. To invest money in a company means ... | j. one of the equal parts of the company's capital |
| 11. A return on an investment means ... | k. the money that someone receives from their investment |
| 12. A dividend is ... | l. the fixed value of each share |

6. Pick 5 concepts from the exercise above and write a definition including a relative clause marker. You may have to change or modify the sentence.

For example:

Issue a share

To issue a share is when you officially give a share to someone so he or she becomes the owner of that share.

1. _____
2. _____
3. _____
4. _____
5. _____

7. Use the following prompts to create sentences by including the correct relative clause marker. You may have to modify the sentences to create one.

- a) The rapist was finally caught/ The rapist was wanted by the police for several months.
- b) Money laundering/ Selling goods bought with illegal money in order to receive 'clean' money.
- c) A court of law/ Legal proceedings take place
- d) The judge/ Give the final decision of a legal case
- e) Burglary in occupied residences/ Frighten the most in the Metropolitan Region due to its level of violence
- f) They presented the evidence/ The evidence was provided by one of the witnesses
- g) They called a lawyer/ The lawyer had great experience in commercial cases
- h) She worked in a company/ She was victim of sex discrimination
- i) Counterfeit/ making copies of luxurious products to sell them in street markets
- j) She works in a law clinic/ In the law clinic lawyers provide legal assistance to people who can't afford it
- k) They live in a borough/ The borough registers the highest crime rate of the region

8. In some cases, the use of the Relative Clause marker is not necessary. Analyze the sentences below and decide in which cases the marker can be omitted.

- A dividend is part of the profit **(which) companies** give to their shareholders.
- A dividend is part of the profit **which is given** to the shareholders.

- When solving a problem **that involves** my family, I usually ask for advice to my friends.
- When solving a problem, the technique **(that) I** usually **use** is stating my options.

- The businessperson **(who) I** met in the International Business Seminar works in Finance.
- In the International Business Seminar, I met a businessperson **who works** in Finance.

9. Complete the gaps with *Which, That* or *Who* only when necessary.

- I think _____ Chile has a great technological potential.
- They hired an accountant _____ has large experience in audits.
- Samantha has just been hired to work in a company _____ provides educational consultancy.
- Peter told us _____ his former boss offered him a good job opportunity.
- The multidisciplinary team _____ I work with are experts in their fields.
- There are many small businesses _____ are not prepared to face the economic crisis we are undergoing.

10. Discussion

U.S BUSINESS OVERSEAS

A great deal of money has been made by taking businesses ideas that have succeeded in the United States and starting a copy of them elsewhere in the world. Examples include a multitude of fast-food franchises such as McDonald's which operates in over 119 countries and Ben & Jerry's that operates in 27 countries. We can also mention big- box retailers such as Walmart which has 28 supercenters in China alone, and many more

Think critically

- 👉 What type of foreign businesses do you think are most likely to succeed in Chile?
- 👉 What barriers would the business have to overcome to be successful?
- 👉 Discuss the questions with a partner and present your ideas to the class