

**Chapter 1 : MGMT Chapter 5 Flashcards by ProProfs**

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Each general partner is liable for the debts of the firm, no matter who was responsible for causing those debts. Disagreements can arise over division of authority, purchasing decisions, and division of profit. Because of such potential conflicts, all terms of partnership should be spelled out in writing to protect all parties. Many businesspeople try to avoid the disadvantages of the sole proprietorship and partnership by forming corporations. Compare the advantages and disadvantages of corporations and summarize the differences between C corporations, S corporations and limited liability companies. A corporation also enables many people to share in the ownership of a business without working there. To raise money, a corporation sells ownership stock to anyone interested. Corporations may also find it easier to obtain loans. Limited liability is probably the most significant advantage of corporations. Limited liability means that the owners of a business are responsible for losses only up to the amount they invest. Corporations have the ability to raise large amounts of money. They can also hire experts in all areas of operation. They can buy other corporations in other fields to diversify their risk. Corporations have the size and resources to take advantage of opportunities anywhere in the world. The death of one or more owners does not terminate the corporation. The owners thus have some say in who runs the corporation, but no control. Incorporation may cost thousands of dollars and involve expensive lawyers and accountants. There are less expensive ways of incorporating in certain states. A corporation must prove all its expenses and deductions are legitimate. A corporation must keep detailed records. Large corporations sometimes become inflexible and too tied down in red tape. Corporate income is taxed twice. The corporation pays tax on income before it can distribute any to stockholders. The stockholders pay tax on the income they receive from the corporation. States often tax corporations more harshly than other enterprises. S corporations have shareholders, directors, and employees, but the profits are taxed as the personal income of the shareholders. The benefits of S corporations change every time the law changes. Have no more than 75 shareholders. Have shareholders who are individuals or estates and are citizens or permanent residents of the U. Have only one class of outstanding stock. Changes in the Small Business Jobs Protection Act of have made the formation of operation of a S corporation easier. The law increased the maximum number of shareholders from 35 to It allows tax-exempt organizations to own shares in S corporations after January 1, S corporations can now own subsidiaries. The top tax rate for S corporations is almost five points higher than the highest corporation rate. Many businesses are changing to limited liability companies LLC that have much the same appeal. Limited liability companies are so new that many states have just recently passed legislation regarding them. LLCs are best for many new businesses for the following reasons: Choice to be taxed as partnership or as corporation. Define and give examples of three types of corporate mergers and explain the role of leveraged buyouts and taking a firm private. Many were megamergers-the result of major changes in the entertainment, drug, and telecommunications industries. There are three major types of corporate mergers: Rather than merge or sell to another company, some corporations decide to maintain control of the firm internally. The funds borrowed are used to buy out the stockholders in the company. Employees, managers, or group of investors now become the owners of the firm. Merger mania has also involved foreign companies purchasing U. In addition to the three basic forms of business ownership, we shall discuss two special forms of ownership. Outline the advantages and disadvantages of franchises and discuss the opportunities for diversity in franchising and the challenges of international franchising. Some people would like to own their own businesses but want more assurance of success- Franchising may be an alternative for such people. The most popular businesses for franchising are restaurants, retail stores, hotels and motels, and automotive parts and service centers. Some entrepreneurs have had great success taking American franchises overseas. Franchisees get assistance arranging financing and learning to keep records. Some franchisers will even provide financing to potential franchisees. Historically, the failure rate for franchises has been lower than that of other business ventures. Studies show that you should carefully research any franchise before buying. Most franchises will demand a fee to obtain the rights to the franchise. In recent years

franchisees have been banding together to resolve their grievances with franchisers. Franchisees must also look out for competition from fellow franchisees. Many franchisees face restrictions in the reselling of their franchises. Franchisers often insist on approving the new owner, who must meet their standards. Most franchisers are not large systems. There has been an increase in complaints to the FTC about franchisers that delivered little or nothing that they promised. They are becoming franchisers as well. When women find it difficult to obtain financing to expanding their businesses, they often turn to finding franchisees to sidestep expansion costs. Franchising opportunities fit the needs of many aspiring minority businesspersons. Home-based businesses offer advantages but leave owners with a feeling of isolation. Home-based franchisees feel less isolated. More than of the 3, franchisers have outlets overseas. Canada is by far the most popular target because of proximity and language. Franchisers find the costs of franchising high in these markets, but the costs are counterbalanced by less competition and rapidly expanding consumer base. Franchisers must be careful to adapt to the region. Franchisers are using technology to meet the needs of customers and franchisees. Franchise Web sites can streamline communication with employees, customers, and vendors. Using the Internet every franchisee has immediate access to every subject that involves the franchise operation. Explain the role of cooperatives. There are 47, cooperatives in the U. Members democratically control these businesses by electing a board of directors that hires professional management. The farm cooperative started with farmers joining together to get better prices for their food products. The organization expanded so that farm cooperatives now buy and sell other products needed on the farm. In spite of debt and mergers, cooperatives are still a major force in agriculture today. The miracle of free enterprise is that the freedom and incentives of capitalism make risks acceptable to many people.

## Chapter 2 : Chapter 5 - Options For Organizing Business - ProProfs Quiz

*Business Chapter 5 Sole proprietorship- a business that is owned and operated by one person and assumes all financial and legal risks Partnership- a legal form of business with two or more owners who share all the financial and legal risks Corporation- a legal entity with the authority to act and have liability apart from its owners, and also can easily raise capital investment Advantages of.*

GRASP the advantages of the three major types of business ownership. LEARN the five functions of managers. Owner has complete responsibility for all business decisions Nearly These partners have a written agreement to share the profits or losses. Partners have unlimited liability for the debts of their business. Operate under written permission. Written permission is called certificate of incorporation. Owner is known as a shareholder or stockholder. Managers are employees who are responsible for coordinating resources within a business human, capital, and natural. Management activities are focused in five key areas: Who manages the resources here at CDO? Gemma Slide 8 Role of Business Provide employment Employee wages are used to purchase goods and services Profits eared by businesses are used to compensate owners and investors. Most businesses pay taxes to federal, state, and local governments. Governments spend those taxes to provide services such as streets, parks, libraries, schools, police, etc. Slide 9 Impact on Community When a new business opens â€”Pays wages to workers â€”Buys goods and services from other businesses in the area â€”This money was not in the community before so businesses and employees use much of the money to purchase things they need. Slide 12 Principles of Effective Organization Responsibility â€” the obligation to complete specific work. Authority â€” the right to make decisions about how responsibilities should e accomplished. Accountability â€” taking responsibility for the results achieved. Slide 13 Principles of Effective Organization Unity of Command â€” there is a clear reporting relationship for all staff of a business. Span of Control â€” the number of employees who are assigned to a particular work task and manager. Slide 14 Business Organization Chart Mrs. Slide 15 Setting Direction Mission Statement â€”A mission statement is a short, specific written statement of the reason a business exists and what it wants to achieve. Slide 16 Setting Direction Goal â€” a precise statement of results the business expects to achieve. Policies â€” guidelines used in making consistent decisions. Procedures â€” descriptions of the way work is to be done. Postil going to work Slide 18 L eading The work of people must be directed so their tasks will be performed correctly and timely. Effective leaders inspire workers to willingly perform their jobs and accept responsibility for accomplishing the goals of the business. Leading requires good human relations and communications skills. Slide 19 Controlling Controlling means comparing what actually happens with what was planned. Managers must determine to what extent the business is accomplishing the goals it set out to reach in the planning stage. Slide 20 Growing a Business articles of partnership A written agreement that provides the details of the partnership will work. Name Investment Salaries Profit and loss share proportions Responsibilities Purchase or buy-out rights. Slide 21 Growth Opportunities One way to raise capital and to limit risk is to form a corporation. Soliciting investment from others going public has enabled many entrepreneurs to grow into large national or even international businesses. Slide 22 Forming a Corporation Apply for corporation status in the state located Receive Articles of Incorporation Issue and sell shares Call meeting of shareholders to elect board of directors, responsible to guide the operations of the corporation Board of directors elect executive officers, such as President, VPs, CEO, CFO, Treasurer, etc. A franchisee is the person or group of people who received the franchise from a parent company. A franchisor is the parent company granting a franchise. Slide 25 A franchise is an easy business to start. The franchisor agrees to help the franchisee get started. One advantage is national advertising by the parent company. The franchisor collects a percentage of sales or a flat fee for their services. Franchises usually require a large investment of capital to start. Not all franchises succeed. Slide 26 A cooperative is owned by the members it serves and is managed in their interest. A cooperative is much like a regular corporation. Its formation must be approved by the state. It sells shares of stock to its members and has a board of directors. Unlike a corporation, a cooperative is controlled by a vote of members based on service bought from the cooperative and most of the profits are distributed to members

at the end of the business year. Slide 27 Non-Profit Corporations Operate to provide a service, but not for profit. Tucson, is a municipal corporation or municipality a non-profit corporation. Tucson has its own officials, police and fire departments, provides street repairs, street lighting, and other services for its citizens. To do this, Tucson levies taxes and passes rules and regulations to operate effectively. Other groups also organize as non-profit corporations. Slide 28 Types of Businesses Producers "Create the products and services used by individuals and businesses. It does not offer products for sale. Slide 31 The Changing U. Job Market Employment data "A mini-boom of younger workers will cause the 20-29 age group to grow faster for the first time in 25 years "Other groups that will go through higher employment growth rates are Asian, Hispanic, and African-American workers. Some estimates project that number will double in 10 years. Some workers take contingent work because they cannot find permanent jobs, others like the flexibility it offers. A sole proprietorship must be chartered by the state in which it is located. A partnership is owned by two or more people who own shares of stock in the company. A corporation is a legal entity and has a life separate from its owners. Managers have to plan, control, lead, staff, and organize. Gathering and analyzing information, and then making decisions about all phases of the business, is called organizing. Determining what work has to be done and who is to do it is called organizing. Slide 37 Sample Test Questions 4. Goals must be set in order to perform the management activity of controlling. Franchises can be operated only as sole proprietorships or partnerships. The person or group who receives a franchise is called the franchisee. Slide 38 Sample Test Questions 1. The form of business that represents two-thirds of U.S. A form of business that is based on a written agreement about how to manage it and how to share profits is the a. Slide 39 Sample Test Questions 3. The form of business that requires written permission from the state in which it is organized and can have many owners is the a. People who become part owners of a corporation are called a. Slide 40 Sample Test Questions 5. Which of the following is NOT one of the five activities of business managers? Performing the management activities of planning includes a. Slide 41 Sample Test Questions 7. Assigning jobs to workers and giving authority to certain people is a managing activity called a. The part of the profits that are paid to shareholders is called a. Slide 42 Sample Test Questions 9. The parent company of a franchise business is known as the a. Which of the following is NOT true about a non-profit corporation? It can be organized to serve citizens. It has no shareholders. Examples are school clubs, colleges, and service organizations. All of the above are true. Slide 43 Sample Test Questions 1. Slide 44 Sample Test Questions 4. Page , Develop Your Business Language 10 through 23 "letter and the term that matches it.

### Chapter 3 : Chapter 5: Forms of Business Ownership

*Five advantages of a sole proprietorship are the following: (1) They are easy and inexpensive to form, (2) they allow a high level of secrecy, (3) all profits belong to the owner, (4) the owner has complete control over the business, (5) and government regulation is minimal.*

### Chapter 4 : General Law - Part I, Title XV, Chapter , Section 5

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