Multiple Choice
Identify the choice that best completes the statement or answers the question.

1. The form of ownership entrepreneurs choose when they organize their business can affect
   a. the types of taxes the business must pay.
   b. how much liability they face for the debts of their company.
   c. the way the firm can obtain financial resources.
   d. all of the items in this list.

2. Sole proprietors have ________________ for the debts of their companies.
   a. no liability
   b. limited liability
   c. unlimited liability
   d. shared liability

3. From the standpoint of an owner, a major advantage of the sole proprietorship is the
   a. ability to pool financial resources.
   b. ability to capitalize on complementary skills.
   c. retention of control.
   d. permanence of the business.

4. Historically, the three basic forms of business ownership in the United States have been the
   a. sole proprietorship, partnership, and corporation.
   b. full partnership, nominal partnership, and silent partnership.
   c. joint venture, cooperative, and holding company.
   d. monopoly, duopoly, and oligopoly.

5. Dana wants to open her own business after completing college. As a fine arts student, she is
   planning to provide services as a graphic artist. She wants the freedom to be her own boss and
   doesn’t want to deal with a lot of rules and regulations. But she is nervous about risking her
   personal wealth. She is thinking about forming a sole proprietorship and asks you for your
   opinion about this form of business. Which of the following statements is most accurate?
   a. Forming a sole proprietorship will enable you to be your own boss. But if you are
      really nervous about risking your personal assets, you might want to consider
      some other form of ownership because it will also expose you to unlimited liability.
   b. Forming a sole proprietorship is a bad choice. Not only is a sole proprietorship
      subject to extensive government regulation that will limit your ability to run your
      business, it also exposes you to unlimited liability.
   c. Forming a sole proprietorship is a great idea. It gives you the ability to be your
      own boss while also protecting your personal assets from loss.
   d. Forming a sole proprietorship can help you protect your personal assets, but it is a
      poor choice for individuals who want to be their own boss because this form of
      business is heavily regulated.
6. Allison Peterson has elected to operate her new downtown boutique as a ___________. She is aware of the unlimited liability associated with this form of ownership, but she wants to remain in complete control of her company and be her own boss.
   a. general partnership
   b. S Corporation
   c. sole proprietorship
   d. limited partnership

7. Samantha has a talent for making attractive but inexpensive jewelry and wants to set up a small business to sell some of her creations. She asks for your advice about setting up her firm, telling you that she wants to start her business as quickly and inexpensively as possible. In addition, she doesn’t want to share control (or profits) with anyone else. Which form of business ownership would you suggest for Samantha?
   a. general partnership.
   b. C corporation.
   c. sole proprietorship.
   d. limited liability company (LLC).

8. Basil Pappas spent his youth working in the restaurants of several of his close relatives. Now, he wants to venture into his own business and has decided that he will open his own restaurant. Basil needs more money than he can come up with on his own, so he plans to ask his two brothers to put up some money in exchange for a share of ownership. Such an arrangement means that the company can’t be formed as a
   a. general partnership.
   b. sole proprietorship.
   c. limited partnership.
   d. statutory close corporation.

9. A ____________ is a voluntary agreement between two or more people to jointly own a business.
   a. sole proprietorship
   b. partnership
   c. corporation
   d. limited liability partnership

10. Compared to a sole proprietorship, an advantage of a general partnership is that it is
    a. considered to be a permanent business organization.
    b. able to take advantage of complementary skills and shared workload.
    c. easier and less expensive to form.
    d. able to completely avoid the problem associated with unlimited liability.
11. General Motors, ExxonMobil, General Electric, and virtually all other large companies in the United States are organized as
   a. C corporations.
   b. general partnerships.
   c. limited liability companies.
   d. limited partnerships.

12. A corporation must register as a __________ in every state in which it operates other than its state of incorporation.
   a. foreign corporation
   b. domestic corporation
   c. C corporation
   d. closed corporation

13. Stockholders are __________ of a corporation. They have the right to vote on issues affecting the operation of the business.
   a. creditors
   b. employees
   c. buyers
   d. owners

14. Sixty percent of Fortune 500 firms have filed articles of incorporation in the state of
   a. California.
   b. Maryland.
   c. Delaware.
   d. Texas.

15. Stockholders in a corporation elect the __________ to oversee the operation of the company and ensure that their interests are protected.
   a. board of proprietors
   b. senior staff
   c. board of directors
   d. audit committee
   d. horizontal

Essay: What is franchising? What is the relationship between a franchisor and franchisee? Describe at least one advantage and one disadvantage of franchising for the franchisor, and at least one advantage and disadvantage for the franchisee.

Bonus: What is the name of Julie Hall’s domestic C corporation?_____________________
What is the name of Julie Hall’s foreign C corporation?_____________________