

Review 8

Multiple Choice

Identify the letter of the choice that best completes the statement or answers the question.

- _____ 1. Which of the following is an advantage of a sole proprietorship?
- No one is responsible if it fails.
 - It is the least-regulated form of business organization.
 - It is an easy way to make a lot of money.
 - It is easy to get financing to start one.
- _____ 2. What percentage of businesses are sole proprietorships?
- 25 percent
 - 40 percent
 - 60 percent
 - 75 percent
- _____ 3. If a general partnership fails, who is responsible for the debts?
- anyone who works for the partnership
 - all of the partners
 - only the most senior general partner
 - no one
- _____ 4. A joining of two or more businesses that are involved in different stages of producing the same good or service is called which of the following?
- vertical merger
 - horizontal merger
 - cooperative
 - conglomeration
- _____ 5. Why is it easier for a partnership to borrow money and to hold good employees than it is for a sole proprietorship to do so?
- The more limited access to a partner's personal funds make the business more careful.
 - The large number of partners makes it more likely that the business will be a success.
 - The larger number of partners means that people are easier to get along with.
 - A partnership has more personal stability and access to more money.
- _____ 6. What is the major difference between a corporation and other kinds of businesses?
- A corporation is much larger than other kinds of businesses.
 - A corporation is not responsible for its debts if it fails.
 - A corporation has a separate entity apart from that of the owners and workers.
 - A corporation has officers who are responsible for the business.
- _____ 7. What are royalties?
- fees paid to law firms and accountants
 - a percentage of a franchise's earnings paid to the parent company
 - fees paid to celebrities for using their names
 - a percentage of profits paid to the government
- _____ 8. Which of the following represents the percentage of all U.S. businesses that are corporations, and the percentage of all goods that those corporations sell?
- 10 percent of businesses; 50 percent of goods sold
 - 20 percent of businesses; 90 percent of goods sold
 - 50 percent of businesses; 75 percent of goods sold
 - 20 percent of businesses; 50 percent of goods sold
- _____ 9. What is a fringe benefit?
- a cash payment for casual work
 - a business other than sales or marketing
 - a payment other than wages or salaries

d. an accounting term meaning profits

- ___ 10. Which of the following is a disadvantage of a sole proprietorship?
- a. lack of permanence
 - b. high taxes
 - c. legal constraints
 - d. difficult to start up
- ___ 11. What are the money and other valuables that belong to a corporation or partnership called?
- a. liabilities
 - b. assets
 - c. ownership
 - d. liens
- ___ 12. What are organizations that are in the business of benefiting society and operate like a business called?
- a. trade associations
 - b. nonprofit organizations
 - c. producer cooperatives
 - d. limited partnerships
- ___ 13. Which of the following is a business organization owned by a group of people for their mutual benefit?
- a. a cooperative
 - b. a labor union
 - c. a limited liability partnership
 - d. a professional organization
- ___ 14. If a general partnership fails, who is responsible for the debts?
- a. no one
 - b. anyone who works for the partnership
 - c. only the most senior general partner
 - d. all of the partners
- ___ 15. The family-owned Italian restaurant in your neighborhood is probably an example of a
- a. multinational corporation.
 - b. franchise.
 - c. consumer cooperative.
 - d. general partnership.
- ___ 16. In a publicly held corporation
- a. stockholders rarely trade their stocks.
 - b. a large number of stockholders can buy and sell stock.
 - c. stocks are not usually traded at stock exchanges.
 - d. family members are excluded from holding stock.
- ___ 17. Good Wireless and Better Wireless merge to form Best Wireless. The federal government watches this merger carefully for evidence of a
- a. horizontal merger.
 - b. conglomerate.
 - c. monopoly.
 - d. vertical merger.
- ___ 18. Dr. Ruiz shares equal responsibility and liability with her colleagues in their medical practice. Her practice is a
- a. general partnership.
 - b. limited partnership.
 - c. limited liability partnership.
 - d. sole proprietorship.
- ___ 19. Your running shoes were designed in the United States but assembled in Asia by a company called RunnerPro. RunnerPro is a
- a. general partnership.
 - b. trade association.
 - c. multinational corporation.
 - d. producer cooperative.
- ___ 20. You are looking for a job with many fringe benefits. You therefore probably want to work for a
- a. sole proprietorship.
 - b. corporation.
 - c. general partnership.
 - d. nonprofit organization.
- ___ 21. Your family's house needs a new roof. In order to find out which roofers are reliable and charge fair prices, your family should call your local
- a. business franchise.
 - b. service cooperative.
 - c. Better Business Bureau.
 - d. labor union.
- ___ 22. Your uncle owns a convenience store that has branches nationwide. His store is an example of a
- a. business franchise.
 - b. professional organization.
 - c. multinational.
 - d. consumer cooperative.

- _____ 23. Ellen started a catering business, but soon decided that catering was too stressful for her. She could close her business relatively easily and return to school because the business was a
- producer cooperative.
 - general partnership.
 - sole proprietorship.
 - closely held corporation.
- _____ 24. Corporations are defined as “entities” because they
- sell about 90 percent of the products sold in the United States.
 - require a certificate of incorporation.
 - may merge in various ways.
 - have a legal identity separate from those of their owners.
- _____ 25. The government usually allows conglomerates because they
- do not result in decreased competition.
 - lead to larger, more efficient firms.
 - join two or more firms that compete in the same market.
 - combine firms that are involved in different stages of producing the same good or service.
- _____ 26. You own a successful bicycle repair business. You are considering incorporating in order to
- avoid double taxation.
 - raise money more easily.
 - avoid government regulations.
 - acquire greater control in managing the business.
- _____ 27. You are part-owner of NewBrands corporation because you
- own the company’s stock.
 - have created a corporate charter for the company.
 - have purchased company bonds.
 - attend the company’s annual meetings.
- _____ 28. Every day on your way to basketball practice you wave to Mr. Martin, who owns the neighborhood flower stand. Mr. Martin’s store is probably a
- limited partnership.
 - sole proprietorship.
 - small corporation.
 - parent company.
- _____ 29. You decide to go to a consumer cooperative to buy supplies for your class party. Prices are cheaper there mainly because consumer cooperatives
- make large purchases.
 - charge annual membership fees.
 - require members to work 20 hours a month.
 - help members sell their products.

Matching

Identifying Key Terms

Match each term with the correct statement below.

- | | |
|--------------------------|-----------------------------|
| a. assets | f. professional association |
| b. business organization | g. business license |
| c. trade association | h. corporation |
| d. limited partnership | i. cooperative |
| e. sole proprietorship | j. bond |

- _____ 30. an establishment owned by two or more persons in which only one person has unlimited personal liability for the business
- _____ 31. nonprofit association that promotes the interests of a particular industry
- _____ 32. money and other valuables belonging to an individual or business

- ___ 33. a business owned and managed by a single individual
- ___ 34. a business organization owned and operated by a group of individuals for their mutual benefit
- ___ 35. a legal entity owned by individual stockholders
- ___ 36. a certificate issued by a corporation promising to repay a loan with interest to the buyer
- ___ 37. an establishment formed to carry on commercial enterprise

Identifying Key Terms

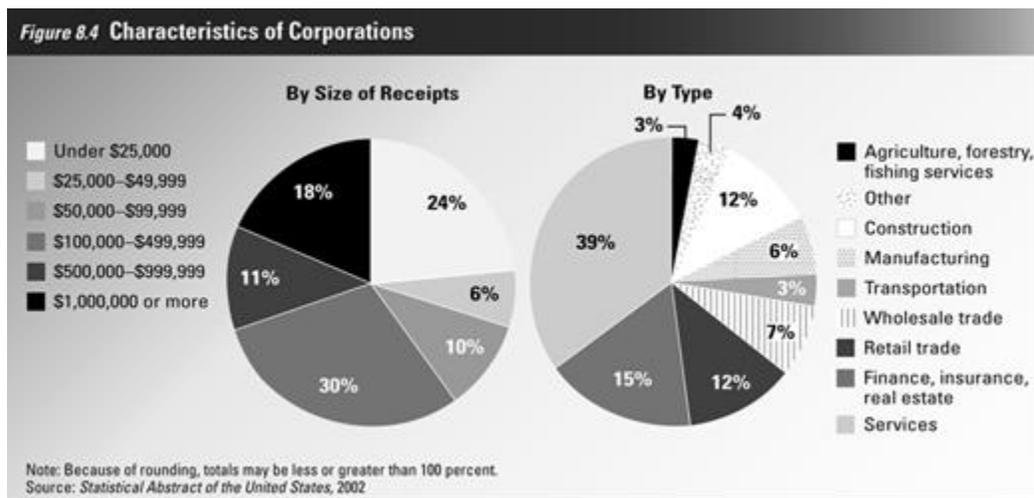
Match each term with the correct statement below.

- | | |
|------------------------|---------------------------|
| a. general partnership | f. royalties |
| b. dividend | g. producer cooperative |
| c. zoning law | h. liability |
| d. stock | i. business license |
| e. horizontal merger | j. nonprofit organization |

- ___ 38. the legally bound obligation to pay debts
- ___ 39. a share representing a portion of ownership in a corporation
- ___ 40. authorization to start a business issued by the local government
- ___ 41. the portion of corporate profits paid out to stockholders
- ___ 42. regulation in a city or town that designates separate areas for residency and business
- ___ 43. an institution that functions like a business but does not operate in order to generate profits
- ___ 44. the joining of two or more firms competing in the same market with the same good or service
- ___ 45. a business in which the owners share equally in both responsibility and liability

Short Answer

Reading a Chart



- 46. According to Figure 8.4, what percentage of all U.S. corporations are devoted to either retail or wholesale trade?
- 47. According to Figure 8.4, what size corporation represents about 30 percent of all U.S. corporations?
- 48. According to Figure 8.4, what percentage of U.S. corporations are construction companies?

49. According to Figure 8.4, what size corporations are the most common in the United States?
50. According to Figure 8.4, what percentage of U.S. corporations are in the transportation business?
51. According to Figure 8.4, what percentage of U.S. corporations are in the finance, insurance, real estate, and services industries?

Essay

Critical Thinking

52. **Identifying Central Issues** Why would a businessperson establish a sole proprietorship when it was possible to have a partnership or a corporation instead?
53. **Making a Comparison** How does a stockholder in a corporation differ from a person who buys a bond from the same corporation?
54. **Analyzing Information** What are some of the advantages and disadvantages of a multinational corporation?
55. **Making Comparisons** Why would a group of business people establish a limited partnership when they could have a general partnership instead?
56. **Expressing Problems Clearly** How does a stockholder in a publicly held corporation differ from a stockholder in a closely held corporation?
57. **Demonstrating Reasoned Judgment** What are some of the advantages of opening a franchise business?