

Check Yourself

In the sentences below, fill in the blanks with the correct answer.

1. A business owner with _____ liability might have to pay off business debts using his or her personal money and possessions.
2. Liability is a _____ obligation.
3. The _____ is the simplest option for business ownership.
4. Partners share the management, profits, and liability of their business based on the terms of their _____.
5. Shareholders or stockholders are the owners of a _____.
6. To _____ means to set up a corporation in accordance with the laws of the state in which the business is located.
7. A cooperative is a business owned by its _____.

Circle whether each statement is true or false.

8. True False Entrepreneurs with limited liability put their personal assets at risk.
9. True False The level of liability depends on the type of business ownership.
10. True False A sole proprietorship provides limited liability to the business owner.
11. True False In a general partnership all partners have unlimited liability.
12. True False A corporation is easier to set up than a sole proprietorship.
13. True False C corporations and S corporations differ in how they are taxed.
14. True False Farmers often form cooperatives to buy farming equipment.
15. True False A limited liability company is owned by its stockholders.

Extend Your Knowledge

Use Internet resources to learn about incorporating a business in your state. Write an instructional “how-to” booklet, or paper, in which you describe the steps and fees required to incorporate. Make sure your booklet or paper is the length specified by the instructor.