**Forms of Business Organization Quiz Key**

**Directions: For each characteristic, write the letter in the blank for the correct form of ownership. (1.5 points each)**

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| --- | --- |
| 1. Sole proprietorship 2. Partnership 3. Corporation | 1. \_\_\_\_\_\_\_ Difficult and costly to start **(C)** 2. \_\_\_\_\_\_\_ Easiest form to start and most common form of business. **(A)** 3. \_\_\_\_\_\_\_ Unlimited legal and financial responsibility is shared. **(B)** 4. \_\_\_\_\_\_\_Requires an agreement to start **(B)** 5. \_\_\_\_\_\_\_Requires a charter filed with the government to start **(C)** 6. \_\_\_\_\_\_\_ Owner keeps all of the profits **(A)** 7. \_\_\_\_\_\_\_ Double taxation **(C)** 8. \_\_\_\_\_\_\_ Businesses must name a board of directors **(C)** 9. \_\_\_\_\_\_\_Time commitment, responsibilities, and profits/losses are shared. **(B)** 10. \_\_\_\_\_\_\_ Owner responsible for all debts and funding can be difficult to obtain **(A)** 11. \_\_\_\_\_\_\_ Owners are called shareholders **(C)** 12. \_\_\_\_\_\_\_ Must publish annual reports **(C)** 13. \_\_\_\_\_\_\_Conflicts between owners can be a common problem. **(B)** 14. \_\_\_\_\_\_\_\_ Limited liability **(C)** 15. \_\_\_\_\_\_\_\_No fringe benefits provided to owners **(A)** 16. \_\_\_\_\_\_\_ Owner makes all decisions **(A)** 17. \_\_\_\_\_\_\_ Requires no paperwork other than business licenses/permits to start **(A)** 18. \_\_\_\_\_\_\_Owners and managers are generally separate **(C)** 19. \_\_\_\_\_\_\_ If one partner leaves, the business can still exist **(B)** 20. \_\_\_\_\_\_\_Sole control over all business functions **(A)** |

**Directions: Answer each question in complete sentences. (3 points each)**

1. What is the difference in a sole proprietorship and partnership?

Sole proprietorship has one owner, and a partnership has two or more owners.

1. Explain the relationship between a franchisor and a franchisee.

A franchisor sells the rights to operate a business establishment to the franchisee. The franchisee must operate the business according to the rules set by the franchisor.

1. What are some factors that might encourage a business owner to shift from one form of ownership to another form of ownership?

Growth of company, population shifts, expansion opportunities, other market factors. (Student answers might vary slightly-use your own judgement here.)

1. Why would someone choose to start a franchise business?

Franchise businesses generally already have a well-established reputation and have been proven successful.

1. Why do you believe that there are so many sole proprietorships in America?

Sole proprietorships are the easiest form of business to start.

1. Of the different forms of business ownership we have discussed in class, which form of ownership would you want to use if you started a business? Why did you choose this form? Use at least two of the words written on the dry erase board in your answer. **(This question worth 5 points)**

Answers will vary.