

Self Assessment

1. For business owners in the planning of their estate involving Keyman protection and Buy-Sell agreements, which of the following is / are relevant?
 - I. Partnership Act 1967
 - II. Companies Act 1965
 - III. Registration of Business Act 1956
 - A. I only
 - B. II only
 - C. III only
 - D. All of the above

2. Settlement options for businesses are varied. Which of the statement(s) is/are correct?
 - I. When a sole proprietor dies, the business entity legally ceases to exist.
 - II. If a personal representative runs the business and fails, he will not be personally liable for the losses.
 - III. A loss of value to the estate due to liquidation does not affect the legal representative personally.
 - A. I and II only
 - B. II and III only
 - C. I and III only
 - D. None of the above

3. Which of the following statement(s) is/are correct concerning Buy-Sell arrangements in a sole proprietorship?
- I. To avoid the risk of “no suitable takers” for a sole proprietorship, it may be prudent to pre-arrange the sale of the business to an employee or an interested third party.
 - II. Life insurance can be used to bind both parties in a proprietorship buy-sell agreement.
 - III. A key employee can rely on a continuing source of income upon the death of his boss should he agree to a pre-arranged buy-sell agreement.
- A. I only
- B. II only
- C. III only
- D. All of the above
4. With reference to liabilities in partnerships, which of the following is/are correct?
- I. All partners of a general partnership are exposed jointly to unlimited liabilities of the enterprise that is of a contractual nature.
 - II. All partners are jointly and severally liable for wrongs, torts and crimes.
 - III. Having unlimited liability means the personal assets may be exposed by the partnership liabilities that go beyond the partner's capital contributions and their share of profits.
 - IV. The estate of a deceased partner is not liable for the debts of the partnership incurred during the time of the deceased partner's tenure.
- A. I and II only
- B. II and III only
- C. I and III only
- D. All of the above

5. A company has a distinct and separate legal identity from the people who own or create it. However, should the principle shareholder die, there are many issues to consider. Which of the following is/are correct?
- I. There may be conflict between the needs of the surviving shareholders and the widow of the deceased shareholder.
 - II. The surviving shareholders may buy over the shares of the deceased shareholder.
 - III. The surviving shareholders may try to continue the business with the deceased's family.
 - IV. The surviving shareholders may sell their shares to the deceased's estate.
- A. I and II only
B. II and III only
C. III and I only
D. All of the above
6. Assuming a company is growth focused, which of the following is/are correct concerning issues faced by widows of deceased shareholders?
- I. Upon the demise of a minority shareholder, the widow of the deceased shareholder can demand dividend payments from the company and the company has to comply.
 - II. The widow of a deceased majority shareholder can demand for dividend payments from the company and the company is likely to comply.
 - III. The widow of a deceased equal shareholder can demand for dividend payments from the company and the company is likely to comply.
 - IV. All of the above
- A. I only
B. II only
C. III only
D. All of the above

7. To overcome future problems for survivors of business owners, which of these statement(s) is/are correct?
- I. A Buy-Sell Agreement is a useful arrangement to overcome problems for survivors of deceased business owners.
 - II. A Buy-Sell Agreement provides shareholders with a fair price for their shares upon their demise.
 - III. One important issue in a Buy-Sell Agreements is the determination of the source of the money when needed.
 - IV. All of the above
- A. I only
- B. II only
- C. III only
- D. All of the above
8. Which of the statement(s) is/are correct concerning the impact of death or disability of a Keyman to a business organisation?
- I. There can be loss of credit worthiness in the eyes of creditors.
 - II. There may be a loss of goodwill.
 - III. The driving force and leadership of a keyman may be difficult to replace in a business
 - IV. Employees of the business may suffer a loss of confidence.
- A. I and II only
- B. II and III only
- C. III and IV only
- D. All of the above

9. Which of the statements is/are correct concerning Partnerships?

- I. A partnership exists as a separate legal entity
 - II. In the absence of an agreement which provides for continuation, the death of a partner ends the partnership as a business entity.
 - III. Partners in a partnership are agents for each other and thus can make each other liable for business obligations contracted in a partnership.
 - IV. The unlimited liability of each and every partner is a major concern for the estate of each partner.
- A. All are correct except (I)
 - B. All are correct except (II)
 - C. All are correct except (III)
 - D. All are correct except (IV)

10. Which of the following statements are correct?

- I. Keyman insurance is considered an important business planning tool.
 - II. Keyman insurance helps indemnify losses of the company.
 - III. Keyman insurance provides a business reserve fund.
 - IV. Keyman insurance can help strengthen a business's credit status.
- A. I and II only
 - B. III and IV
 - C. III and I only
 - D. All the above

Answers: 1-D, 2-C, 3-D, 4-C, 5-D, 6-B, 7-D, 8-D, 9-A, 10-D