

4.01 Organizational Forms, Corporate Issuer Features, and Ownership

Question 1

An investor wants to partially fund a small business that will not be a separate legal entity. Also, the investor does not want management responsibilities or unlimited liability. Which of the following roles is best for this investor?

- A. Limited partner
- B. General partner
- C. Corporate shareholder

Question 2

Which of the following most likely applies to both general and limited partnerships?

- A. Partners have unlimited liability.
- B. Neither is typically taxed at the entity level.
- C. Both are legal entities separate from their owners.

Question 3

In the last fiscal year, a corporation generated \$3.5 billion in pretax income, paid \$1.26 billion in taxes at the corporate level, and distributed all remaining income to investors. If the corporation operates in a country that taxes dividend distributions at 25%, the total tax rate as a percentage of pretax income is closest to:

- A. 48%
- B. 52%
- C. 61%

Question 4

Which of the following is most likely an example of a sole proprietorship?

- A. A bookstore whose income is taxed at the corporate level
- B. A software development firm whose owner has unlimited liability
- C. A chain of auto repair stores issuing bonds to expand its operation