

### Question #1 of 7

Question ID: 1469208

Government regulators typically require periodic disclosure of a company's financial performance for:

- A) private companies only.
- B) public companies only.
- C) both private and public companies.



#### Explanation

Regulators typically require periodic reporting of financial results for public companies. Private companies are typically not subject to these requirements.

(Module 28.1, LOS 28.b)

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### Question #2 of 7

Question ID: 1469206

Under which business structure are profits potentially subject to double taxation?

- A) Corporation.
- B) General partnership.
- C) Limited partnership.



#### Explanation

Double taxation refers to a situation in which a country taxes corporations' gross earnings and then taxes net earnings distributed to owners (dividends) as personal income. Partnership profits are subject to only one level of taxation (they are personal income of the partners).

(Module 28.1, LOS 28.a)

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### Question #3 of 7

Question ID: 1469205

In a partnership, a general partner's liability for the obligations incurred by the business:

- A) depends on whether the partnership is general or limited.



**B)** is unlimited.



**C)** is limited to the amount invested.



### Explanation

In either a general partnership or a limited partnership, general partners have unlimited liability.

(Module 28.1, LOS 28.a)

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### Question #4 of 7

Question ID: 1469210

Increasing a company's risk exposure in an effort to increase its growth rate is *most likely* to be favored by:

**A)** owners but not lenders.



**B)** both lenders and owners.



**C)** neither lenders nor owners.



### Explanation

Because the upside for lenders is limited to the promised interest payments and repayment of principal, they do not benefit from an increased growth rate of the company and are unlikely to favor actions that increase a company's risk exposure and potential for default. Because owners have potentially unlimited upside from a company's growth, they are more likely to favor actions that increase a company's potential growth rate.

(Module 28.1, LOS 28.c)

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### Question #5 of 7

Question ID: 1469204

The owner's liability for the business obligations of a sole proprietorship:

**A)** is limited to the amount invested.



**B)** may be limited or unlimited.



**C)** is unlimited.



### Explanation

A sole proprietorship is legally an extension of the individual who owns and operates it. The owner has unlimited liability for obligations the business incurs.

(Module 28.1, LOS 28.a)

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**Question #6 of 7**

Question ID: 1469207

A corporation that wishes to raise equity capital and have its shares publicly traded is *most likely* to engage in:

- A) a management buyout. 
- B) an initial public offering. 
- C) a direct listing on an exchange. 

**Explanation**

An initial public offering is a sale of equity shares to the public. Proceeds from the sale increase the issuer's equity capital. A direct listing does not raise capital. A management buyout is a method to take a public company private.




(Module 28.1, LOS 28.b)

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**Question #7 of 7**

Question ID: 1469209

Which of the following payments are contractual obligations of a corporation?

- A) Interest and principal payments. 
- B) Interest and common stock dividend payments. 
- C) Interest, principal, and preferred stock dividend payments. 

**Explanation**

Interest and principal payments to lenders are contractual obligations. A corporation may distribute dividends to owners but is not required to do so.

(Module 28.1, LOS 28.c)