**Chapter 18**

1. Fee paid by a client to an attorney for legal services that is dependent upon the outcome of a case is referred to as   
   A. contingency fees.  
   B. hourly fees.  
   C. flat fees.  
   D. retainers.
2. Which of the following is true regarding a small-claims court?   
   A. These courts will accept cases where the stakes are as large as $100,000.  
   B. Most of these courts are designed so that ordinary citizens can bring their cases in.  
   C. This legal option is available to entrepreneurs who can afford an attorney.  
   D. These courts should be the first course of action for entrepreneurs in case of any problems.
3. All business forms are types of separate, legal entities EXCEPT   
   A. partnerships.  
   B. sole proprietorships.  
   C. LLCs.  
   D. corporations.
4. Which of the following is an advantage of corporations?   
   A. Personal in nature  
   B. Low incorporation fees and taxes  
   C. Ease of conducting business in another state  
   D. Relatively permanent
5. For start-ups, the most popular business form is the   
   A. corporations.  
   B. partnerships.  
   C. sole proprietorships.  
   D. LLCs.
6. Which among the following is a disadvantage of sole proprietorships?   
   A. No specific tax advantages  
   B. Difficult to organize, operate, and dissolve  
   C. Owner has to share profits  
   D. Inadequate management and employee skills
7. Which of the following is a document that sets forth information about a limited company that is filed with the state to establish an LLC?   
   A. Articles of incorporation  
   B. Articles of organization  
   C. Articles of partnership  
   D. Articles of presentation
8. Which among the following is a disadvantage of partnerships?   
   A. Lack of division of labor  
   B. Difficulty in raising capital  
   C. Complex procedures involved in set up  
   D. Death of any one of the partners terminates the partnership
9. Which form of business faces double taxation?   
   A. Sole proprietorship  
   B. Partnership  
   C. Corporation  
   D. LLC
10. This is a choice LLCs can make on their tax returns to be taxed as a corporation or a partnership.   
    A. Check the box taxation  
    B. Double taxation  
    C. Pass through taxation  
    D. Single taxation
11. The dissolution of a corporate form, making it back into a sole proprietorship or general partnership, if the court finds that the owner carelessly mixed up personal and business assets or finances is(are) called   
    A. piercing the veil.  
    B. pass through taxation.  
    C. torts.  
    D. exculpatory clause.
12. Torts are \_\_\_\_\_\_ wrongs.   
    A. no-liability  
    B. homicide  
    C. criminal  
    D. civil
13. According to the IRS, to be an independent contractor   
    A. the person must decide how the work must be done in consultation with the employer.  
    B. the person's expenses must be paid by the employer.  
    C. the person must perform a service that is central to the operation of the business.  
    D. the person must be employed for a distinct term.
14. Identify this federal law that describes the steps publicly traded businesses must take to protect and provide their key financial information.   
    A. The Service Contract Act  
    B. Sarbanes-Oxley Act  
    C. Walsh-Healy Public Contracts Act  
    D. Davis-Bacon Act
15. Which among the following dispute resolution methods is generally much faster to complete and the least expensive?   
    A. Litigation  
    B. Arbitration  
    C. Mediation  
    D. Piercing the veil
16. Which of these refers to a dispute resolution process held instead of court cases in which both sides present their case to a legal professional?   
    A. Litigation  
    B. Arbitration  
    C. Mediation  
    D. Piercing the veil
17. A grant by the U.S. government to an inventor for an idea that is new, useful, and nonobvious, giving the inventor the exclusive right to make, use, or sell his or her idea is called a   
    A. trade secret.  
    B. copyright.  
    C. trademark.  
    D. patent.
18. Distinctive words, slogans, or images, that identify a product and its origin is called a   
    A. trade secret.  
    B. copyright.  
    C. trademark.  
    D. patent.
19. This is not created by the government but is information known to certain people in the company that makes that company more competitive.   
    A. Copyright  
    B. Trade secret  
    C. Patent  
    D. Trademark
20. Which of the following statements is true regarding trademarks?   
    A. Some words or groups of words can be both trademarks and service marks.  
    B. A trademark once granted lasts for 25 years.  
    C. A trademark can continue to be renewed for another 5 years at a time.  
    D. Trademarks are exclusive right given to the creator of a literary or artistic work.

**Scenario: Design-an-Ad**Debbie is a marketing and graphic arts major at ABC University and is exploring the idea of starting her own business, "Design-an-Ad". She has several options that she is considering—going alone into business, joining with two other friends or her brother David. Where she needs help is in determining the form of business she should consider.

1. Debbie speaks with a lawyer, Mr. Hutchinson, for help with the business form paperwork. Mr. Hutchinson indicated that he will charge a fixed amount for handling the paperwork once Debbie has decided on the form. Mr. Hutchinson's method of billing is called   
   A. flat fees.  
   B. a retainer.  
   C. hourly fees.  
   D. contingency fees.

1. For start-ups like Design-an-Ad, the most popular business form is the   
   A. LLC.  
   B. sole proprietorship.  
   C. corporation.  
   D. partnership.

1. If Debbie decides to go with sole proprietorship, she should know that this is one of its disadvantages.   
   A. Secrecy.  
   B. Owner doesn't have to share profits.  
   C. Absence of tax advantages.  
   D. Difficulty in obtaining credit.
2. Based on what you have learned in this chapter, unless otherwise advised by Mr. Hutchinson, the best choice for Design-an-Ad is   
   A. sole proprietorship.  
   B. partnership.  
   C. limited liability company.  
   D. C corporation.

1. If Debbie decides to enter into a partnership with her friends, she should know that this is one of its disadvantages.   
   A. Difficulty in obtaining credit  
   B. An impasse may develop if the partners become incompatible  
   C. Lack of specialized skills  
   D. Relative permanence