

## Chapter 16 – Forms of Business

### I-Study

In this chapter you learned about the different forms of business. A sole proprietorship is a business owned and operated by one person. A partnership is an association of two or more persons to carry on as co-owners of a business for profit. General partnerships can be formed by agreement or by proof of existence. There are five types of partners: general, secret, silent, dormant, and limited. Partners have three duties: to be loyal to the firm; to be obedient to the arrangements made by the partnership agreement; and to act with due care in carrying out the business of the firm. Partnerships can end through dissociation or dissolution.

A corporation is an entity with the legal authority to act as a single person, distinct from its owners. A shareholder is an individual who owns shares of a corporation. A share is a single unit of ownership of a corporation. Corporations may be classified as public or private corporations, stock or non-stock corporations, and domestic, foreign, or alien corporations. A limited liability company (LLC) is a business entity with the legal authority to act as a single person, distinct from its owners, and combines the best features of a partnership and a corporation.

### I-Quiz

1. A sole proprietor has which type of liability for business losses?
  - A. Limited liability
  - B. Unlimited liability
  - C. Joint liability
2. The break up of a partnership, or any legal entity, is called
  - A. a winding up.
  - B. a dissociation.
  - C. a dissolution.
3. The legal document filed with the state to establish a corporation is the
  - A. articles of incorporation.
  - B. certificate of incorporation.
  - C. corporate charter.
4. A business entity that combines features of a partnership and a corporation is a
  - A. limited partnership.
  - B. limited-liability company.
  - C. nonstock corporation.

**Answer Key**

- 1. B**
- 2. C**
- 3. A**
- 4. B**