

Chapter 6: Business Ownership and Operations

I-Summary: This chapter describes the different ways businesses are organized, and the different functions involved in the running of any business. Sole proprietorships, partnerships, and corporations are the most common ways businesses are formed. A sole proprietorship has a single owner, a partnership has two or more, and a corporation is owned, but not run, by a group of shareholders. Other forms of business ownership include cooperatives, which are formed when a group of companies combine resources; nonprofits, which focus on providing a service instead of making a profit; and franchises, which use the name and sell the services of a larger company in a specific geographic area. Business can be grouped according to the types of activities they perform: producers, processors, manufacturers, intermediaries, wholesalers, retailers, and service businesses. There are five main functions required to run any business: production and procurement; marketing; management; finance; and accounting. These functional areas depend on each other, but are sometimes in conflict. Management's job is to coordinate so that all functional areas work together to benefit the whole company.

I-Quiz

Quiz yourself to check your understanding. For each question, you will hear four answer choices. After you hear all four answer choices, choose your answer during the pause. Then you will hear the correct answer. Let's begin.

Question 1

Which is the most common form of business organization in the United States?

- a. corporation
- b. partnership
- c. sole proprietorship
- d. franchise

Question 2

Which is NOT true of either a sole proprietorship or a partnership?

- a. The government regulates them more than other types of businesses.
- b. The owners can keep all the profits.
- c. The income of owners is taxed once.
- d. The owners have unlimited liability.

Question 3

Which type of business most likely offers a service to its customers?

- a. cooperative
- b. partnership
- c. franchise
- d. nonprofit

Question 4

Which is NOT a function of all businesses?

- a. marketing
- b. retailing
- c. production and procurement
- d. finance and accounting

Question 5

Which functional area of business operations is concerned with planning, organizing, directing, and evaluating the effective use of resources?

- a. management
- b. finance and accounting
- c. marketing
- d. production and procurement

Answer Key

1. The correct answer is C, sole proprietorship. About three-quarters of all businesses in the United States are sole proprietorships, or businesses owned by one person.

2. The correct answer is A, the government regulates them more than other types of businesses. The government regulates corporations more than other types of businesses.

Sole proprietorships and partnerships have similar advantages and disadvantages including unlimited liability for the owners.

3. The correct answer is D, nonprofit. A nonprofit organization is a type of business that focuses on providing a service, not on making a profit. Nonprofits must register with the government, but they do not pay taxes because they do not make a profit.

4. The correct answer is B, retailing. There are five main functions involved in the operation of all businesses. They are production and procurement, marketing, management, finance, and accounting. Not all businesses are retailers.

5. The correct answer is A, management. Management is the process of achieving company goals by planning, organizing, directing, controlling, and evaluating the effective use of resources.