

Intro to Business

Chapter 2 Business Structures

“How Stuff Works” web site – for this activity go to <http://money.howstuffworks.com/biz-structure.htm>. This will take you to the information needed to complete this assignment. It is helpful to READ all of the information on the web site instead of just trying to “scan” for the answers.

1. What is a common goal for many new business owners?

2. Name five of the most common legal structures that are options when opening a business.

3. What are three possibly “bad” outcomes that could occur in your business if you fail to structure it appropriately?

4. What are the two scenarios that can happen when you start a business?

5. What is considered to be one of the most important parts of setting up your business?

6. Name three key issues that separate the types of business structures.

7. In a “pass-through” structure, the taxes are paid at the
 - a. Business level
 - b. Owner level
 - c. Both

8. How many times is the owner taxed in a “pass-through structure?”

9. In a “non-pass-through” structure, the taxes are paid at the
 - a. Business level
 - b. Owner level
 - c. Both

10. How many times is the owner taxed in a “non-pass-through structure?”

11. Complete the following table: The business made **\$20,000** in the year and the tax rates for the business and individuals are **20%**. Fill in the blocks that represent where the taxes are paid:

Pass-through structure vs. non-pass-through structures			
	Business Level	Owner Level	Tax Outcome
Pass-through			
Non-pass-through			

12. Liability can differ depending on what type of structure your business is set up as. List two different ways that liability can be assigned.

13. Name two expenses that a business may incur as part of their administrative costs.

14. Define sole proprietorship as defined on the web site.

15. Advantages of a sole proprietorship.

16. Disadvantages of a sole proprietorship.

17. Describe what a “doing business as” (d/b/a) form is used for.

18. Define General Partnership as defined on the web site.

19. Advantages of a general partnership.

20. Disadvantages of a general partnership.

21. What is a partnership agreement and what issues does it address?

22. What is a limited liability partnership?

23. Advantages of a LLP.

24. Disadvantages of a LLP.

25. What is the difference between a general partnership and an LLP?

26. Define C-Corporation.

27. Advantages of a C-Corporation.

28. Disadvantages of a C-Corporation.

29. How many shareholders can a C-Corporation have?

30. Define S-Corporation.

31. Advantages of an S-Corporation.

32. Disadvantages of an S-Corporation.

33. How many shareholders can an S-Corporation have?

34. What does LLC stand for?

35. What advantages do LLC companies have over S-Corporations?

36. What disadvantages do LLC companies have over S-Corporations?

37. Complete the following table with the key factors for each structure.

	Sole Proprietorship	General Partnership	LLP	C-Corp	S-Corp	LLC
Taxes						
Liability						
Administrative Costs (scale 1-5)						

38. What questions should you ask yourself when assessing your business's legal situation?

39. Many early stages businesses are currently being structured as _____ due to their income and limited liability characteristics.

40. Who can help you sift through the details before you set up your business?