

Business Organizations & Corporate Law: Chapter 1

Introduction

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Introduction

Chapter 1

Introduction to Business Organizations

Chapter Outline

- I. Introduction
 - A. The Importance of Business Type
- II. Overview of Business Organizational Models
 - A. Sole Proprietorships
 - B. Partnerships
 - 1. Formation of a Partnership
 - C. Limited Partnerships
 - D. Limited Liability Companies
 - 1. Formation of a Limited Liability Company
 - E. Corporations
 - 1. Professional Corporations
 - 2. Formation of a Corporation

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1. Formation of a Limited Liability Company

E. Corporations

1. Professional Corporations
 2. Formation of a Corporation
 3. The Role of the Legal Team in Creating a Business
 - a. Registering the Company Name
 - b. Acquiring a Web Site
 - c. Searching for a Trademark
 - d. Obtaining Licenses and Permits
 - e. Interviewing Clients
-

Applying Concepts

The screenshot shows a software window titled 'Business Organizations & Corporate Law: Chapter 1'. On the left is a vertical sidebar with six buttons: 'Applying Concepts' (highlighted), 'Chapter Review', 'eLecture: Review Answers', 'Reflection', 'Reflection Responses', and 'Chapter Quiz'. The main content area is titled 'Applying Concepts' and contains the following text:

Instructions: Email your responses to the following assignments to your instructor, making clear that your answers are for the *Applying Concepts* segment of Chapter 1.

1. Locate a sole proprietor in your area and ask this person some questions. For instance, what prompted this person to start a business in the first place? Did the sole proprietor consider other business models? Ask the sole proprietor about the advantages and disadvantages of running a business. How do these answers compare with the chapter material?

Student answers will vary but should focus on the issues of financing, taxation, and business models for sole proprietors.

2. Based on what you learned in this chapter, if you were going to set up business as a sole proprietor, how would you handle such issues as financing and legal liability?

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Student answers will vary but should focus on the issues of financing, taxation, and business models for sole proprietors.

2. Based on what you learned in this chapter, if you were going to set up business as a sole proprietor, how would you handle such issues as financing and legal liability?

Student answers will vary but should include references to the topic of unlimited liability for sole proprietors and the advantage of passing through business losses on individual income tax returns.

3. Visit the Small Business Administration (<http://www.sba.gov>) Web site and summarize the information and links that can be found there.

There is a wealth of information to be found on this Web site.

4. Contact your local government and ask about requirements for business licenses and permits to run the following types of businesses:

- An attorney's office
- A certified public accountant's office
- A paralegal firm
- A pharmacy

These responses will vary by state, county, and even by city.

Chapter Review

Chapter Review

1. What is the difference between a sole proprietor and other forms of business?
2. What are some of the specific concerns for a sole proprietor?
3. Explain the concept of unlimited liability.
4. What are some of the ways that a sole proprietor can protect his or her assets?
5. Why is it important for a sole proprietor to understand the law regarding business licenses and permits?
6. Why is trademark such an important issue for a sole

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6. Why is trademark such an important issue for a sole proprietor?
 7. What are some specific activities carried out by paralegals and attorneys in assisting business owners?
 8. Prepare a checklist of questions that should be asked of a new client who is seeking to create a new business as a sole proprietor.
 9. Why is the choice of business organization so important?
 10. What are the advantages of a sole proprietorship?
 11. What are the disadvantages of a sole proprietorship?
 12. What are some of the legal questions that a sole proprietor should resolve before starting his or her business?
 13. What is the significance of this chapter's critical case?
 14. How does a sole proprietorship differ from a general partnership?
 15. What is a corporation?
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eLecture: Review Answers

Business Organizations & Corporate Law: Chapter 1



Applying Concepts

Chapter Review


eLecture: Review Answers

Reflection

Reflection Responses

Chapter Quiz

eLecture: Review Answers



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Narration Script

1. What is the difference between a sole proprietor and other forms of business?

A sole proprietor has great flexibility in running and managing a business. Unlike other forms of business that often suffer from limitations imposed by others, the sole proprietor can make swift and effective decisions. However, the arrangement also suffers from several huge drawbacks, including the personal liability of the business owner for any business debts or judgments.

2. What are some of the specific concerns for a sole proprietor?

Among the most important concerns for a sole proprietor are the issues of personal liability for business debts and judgments. A sole proprietor remains personally liable, and therefore all of his or her personal assets are subject to attachment by business creditors.

3. Explain the concept of unlimited liability.

Unlimited liability refers to the sole proprietorship and general partnership business models where the business debts and judgments remain the personal concern of the business owners. A sole proprietor must pay these debts and judgments or risk being forced into bankruptcy.

4. What are some of the ways that a sole proprietor can protect his or her assets?

A sole proprietor can attempt to shield assets by placing them in a different business model, one that provides limited liability.

5. Why is it important for a sole proprietor to understand the law regarding business licenses and permits?
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Local governments may require specific types of business licenses and permits before a sole proprietor will be permitted to run a business.

6. Why is trademark such an important issue for a sole proprietor?

Trademark law is important for sole proprietors in order to ensure that they do not violate the trademark held by the company and also that they can insure that their own trademark is properly protected.

7. What are some specific activities carried out by paralegals and attorneys in assisting business owners?

Instructor's Manual to Accompany Business Organizations and Corporate Law 3
Paralegals and attorneys assist sole proprietors by helping them to register their company names, making them aware of business licenses and permit issues, and conducting trademark research and legal research related to specific legal issues.

8. Prepare a checklist of questions that should be asked of a new client who is seeking to create a new business as a sole proprietor.

Student answers will vary on this question; checklist should include issues related to formation, financing, ownership, divorce, taxation, and business licenses, among others.

9. Why is the choice of business organization so important?

The choice of business organizational model is so critical because it can have profound effects on how the business is run, transferred to new owners, and dissolved.

10. What are the advantages of a sole proprietorship?

Sole proprietorships offer a great deal of flexibility and freedom to the owners. They can decide how, when, and where to conduct the business. All profits from the business go directly to the owner, and tax losses can be passed through on the individual owner's income tax return.

11. What are the disadvantages of a sole proprietorship?

The disadvantages of a sole proprietorship include unlimited liability for all debts and judgments against the business as well as the close identification between business and the individual. Sole proprietorships also involve heavy personal and financial commitments on the part of individual and limit the options for the business because only one person runs it.

12. What are some of the legal questions that a sole proprietor should resolve before starting his or her business?

A sole proprietor should resolve the issues concerning liability before starting a business. How will the sole proprietor pay for judgments assessed against the business? How will the business be run? How will the business be financed? In addition to these questions, the sole proprietor must also address the issues of business licenses and permits and other legal issues that arise.

13. What is the significance of this chapter's critical case?

This chapter's case reveals that unless a business takes affirmative steps to assume the role of a different type of business organizational model, courts will presume a sole proprietorship and make the individual owner liable for all debts incurred by the business.

14. How does a sole proprietorship differ from a general partnership?

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In a general partnership, there are at least two individuals. Financial personal commitments can be spread among the other individuals and help alleviate the burden faced by a sole proprietor.

15. What is a corporation?

A corporation is a legally recognized artificial person that has many of the same rights as a natural person and can conduct business on its own. Corporations pay taxes, own property, and may engage in business relationships with other businesses.

Questions for Reflection

1. Given the fact that sole proprietorships face unlimited liability and have other disadvantages, why do business owners continue to adopt this model?

Although student responses may vary to this question, there are some basic issues that should arise. One reason why an individual might adopt a sole proprietorship model instead of a general partnership or corporation is that there is only one person who actually can conduct the business. There may simply be no other option.

2. Do business owners have a knowledge gap when it comes to the legal implications of business? Explain your answer

It is clear from this chapter and from common experience that business owners frequently have a large knowledge gap when it comes to the legal indications in running a business.

Reflection



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Reflection Responses



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Chapter Quiz

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Chapter Quiz

[Click here for the Chapter Quiz.](#)

Applying Concepts

Chapter Review

eLecture: Review Answers

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Reflection Responses

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[Click here for the Chapter Quiz.](#)
