

# Business Organizations & Corporate Law: Chapter 8

## Introduction

Business Organizations & Corporate Law: Chapter 8

The screenshot shows a digital learning interface. On the left is a sidebar with six blue buttons: 'Applying Chapter Concepts', 'Chapter Review', 'eLecture: Review Answers', 'Reflection', 'Reflection Responses', and 'Chapter Quiz'. The main content area has a title bar 'Introduction' and a subtitle 'Chapter 8'. Below this is the chapter title 'Creating a Corporation'. A section titled 'Chapter Outline' lists the following topics:

- I. Introduction
  - A. Creation of the Corporation
  - B. De Facto Corporations
  - C. Corporate Purpose
- II. The Role of the State Secretary of State's Office
  - A. Name Selection
    - 1. Reserving a Corporate Name
  - B. The Corporate Charter
    - 1. Preincorporation Agreements
    - 2. Promoters
- III. Articles of Incorporation

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Chapter 8

## Creating a Corporation

### **Chapter Outline**

- I. Introduction
  - A. Creation of the Corporation
  - B. De Facto Corporations
  - C. Corporate Purpose
- II. The Role of the State Secretary of State's Office
  - A. Name Selection
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- B. The Corporate Charter
  - 1. Preincorporation Agreements
  - 2. Promoters

### III. Articles of Incorporation

- A. Errors or Omissions in the Articles of Incorporation
- B. Filing Issues
- C. Incorporators
- D. Number and Type of Authorized Shares
- E. Registered Office
- F. Registered Agent

### IV. The Final Steps in Organizing the Corporation

- A. Organizational Meeting
  - B. Corporate Bylaws
    - 1. Emergency Bylaw Provisions
  - C. Election of Corporate Officers
  - D. Approval of Shareholder Agreements
  - E. Banking Resolutions
  - F. Issuance of Shares
  - G. Annual Reports
  - H. Corporate "Seals"
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## Applying Chapter Concepts



Applying Chapter  
Concepts

Chapter Review

eLecture: Review  
Answers

Reflection

Reflection  
Responses

Chapter Quiz

### Applying Chapter Concepts

**Instructions:** Email your responses to your instructor, making clear that your answers are for the *Applying Concepts* segment of Chapter 8.

Contact your state's secretary of state's office and inquire about the forms necessary to form a corporation. Request a package explaining the process of creating a corporation, including the filing of articles of incorporation and reserving a corporate name. Choose a name that you might wish to use for your corporation, and then see if you can discover if another corporation in your state has already used that name.

*Student responses to this question will vary.*

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## Chapter Review



Applying Chapter  
Concepts

Chapter Review

eLecture: Review  
Answers

Reflection

Reflection  
Responses

Chapter Quiz

### Chapter Review

1. Why is the choice of corporate structure so important?
2. What role does the state secretary of state's office play in creating a corporation?
3. What rules and regulations must individuals follow if they plan to create a corporation under state law?
4. What limitations are placed on the name that a newly formed corporation can take?
5. What are articles of incorporation?

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5. What are articles of incorporation?
  6. What information must articles of incorporation contain?
  7. What provisions must articles of incorporation make toward naming a registered agent?
  8. What are incorporators?
  9. What liability do incorporators have for contracts negotiated on behalf of the newly formed corporation?
  10. What are promoters?
  11. What role do promoters have in creating a corporation?
  12. What is the difference between preferred stock and common stock?
  13. What is the purpose of the initial meeting?
  14. What function do the bylaws serve for a newly formed corporation?
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## eLecture: Review Answers

Business Organizations & Corporate Law: Chapter 8



Applying Chapter  
Concepts

Chapter Review

eLecture: Review  
Answers

Reflection

Reflection  
Responses

Chapter Quiz

### eLecture: Review Answers



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### ***Narration Script***

1. Why is the choice of corporate structure so important?

The choice of business structure is vitally important because it will determine how the business is run, how it can be transferred to new owners, whether or not the business can receive investment income, and the legal status of the business.

2. What role does the state secretary of state's office play in creating a corporation?

The secretary of state's office is critical in creating a corporation. This office is responsible for maintaining a complete list of corporations authorized to do business in the state and is also the place where prospective incorporators file their documentation to create a new corporation.

3. What rules and regulations must individuals follow if they plan to create a corporation under state law?

Individuals who wish to create a corporation must abide by state statutes and filing requirements. They must also create necessary preincorporation agreements, draft and file articles of incorporation and corporate bylaws, hold mandatory meetings, and abide by other legal provisions, including annual filings with the state.

4. What limitations are placed on the name that a newly formed corporation can take?

Prospective corporations have wide latitude in using names for their corporations. Their only restrictions are that they are not permitted to use a name

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already assigned to another corporation and that they identify themselves as corporations under state law.

5. What are articles of incorporation?

Articles of incorporation create the rights, duties, and obligations of all parties involved in the new corporate venture, from shareholders and officers to the board of directors.

6. What information must articles of incorporation contain?

Articles of incorporation must include the name of the corporation, the number of shares issued by the new corporation, the registered office of incorporation, and the name and address of the registered agent, as well as the names and addresses of the incorporators

7. What provisions must articles of incorporation make toward naming a registered agent?

Articles of incorporation must identify the agent for service of process and provide his or her name and mailing address.

8. What are incorporators?

The incorporators are the people who form the corporation.

Instructor's Manual to Accompany Business Organizations and Corporate Law 51

9. What liability do incorporators have for contracts negotiated on behalf of the newly formed corporation?

They have personal liability for the contracts negotiated on behalf of the newly formed corporation unless and until the corporation ratifies their actions and assumes these obligations.

10. What are promoters?

In corporation law, a promoter is an individual who comes up with the idea of creating a corporation.

11. What role do promoters have in creating a corporation?

They investigate the laws, bring together the individuals, and seek funding for the new business enterprise.

12. What is the difference between preferred stock and common stock?

Preferred stock has priority status when the corporation is liquidated but has no voting rights. Common stock gives the owner the right to receive dividends and the ability to vote on corporate issues, but no higher priority in receiving corporate assets in the event of corporate bankruptcy or dissolution.

13. What is the purpose of the initial meeting?

The initial meeting is the organizational meeting for the corporation where the board of directors is selected, officers are appointed and documentation is created to submit to the state.

14. What function do the bylaws serve for a newly formed corporation?

Bylaws serve as the operating agreement for the corporation, creating the rights and obligations for the new corporation.

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## Reflection



Applying Chapter  
Concepts

Chapter Review

eLecture: Review  
Answers

Reflection

Reflection  
Responses

Chapter Quiz

### Reflection

Are corporations forced to give up too much information or too little? For instance, if a terrorist were considering damaging the American economy, destroying some corporate headquarters might seem like a worthwhile goal. On the other hand, it was the disguising and outright concealment of information that led to economic disasters like Enron, WorldCom, and others. How much or how little should corporations be forced to tell the public about their businesses?

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## Reflection Responses



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Chapter Review

eLecture: Review  
Answers

Reflection

Reflection  
Responses

Chapter Quiz

### Reflection Responses

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*Your answer to this question will vary but should include a frank discussion of the problems raised by the failure of publicly traded corporations to reveal the information that they are legally obliged to surrender.*

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## Chapter Quiz

Business Organizations & Corporate Law: Chapter 8



Applying Chapter  
Concepts

Chapter Review

eLecture: Review  
Answers

Reflection

Reflection  
Responses

Chapter Quiz

### Chapter Quiz

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

### ***Tab Text***

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

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