

## Forms of Business Organization Homework Exercise (Partial Key)

Please answer the following questions in a concise, meaningful manner.

1. What are the 3 main factors that you should consider when choosing a form of business organization for your operation?

**Ease of transfer of ownership to others**

**Taxation of the business' profits**

**Liability faced by the owners of the business**

2. Your entire class wants to start its own small business that does handiwork for low-income families in the community – mowing lawns, shoveling snow, painting fences, etc. The main goal of this business is to gain experience managing a real-world operation while helping improve the community. The work that you will be doing is very low risk – the chances of hurting someone or damaging property are very low. You will charge prices that are just enough to cover your expenses. Finally, you would like this business to continue for several years – long after you have graduated – you will pass the ownership of the business to younger students as you graduate.

What is the best form of business organization for your business? Please give 3 reasons why you selected this particular form of organization.

Again, there isn't just one correct answer – great opportunity for a little “Debate”.

Main issues:

- not facing much risk
- will not be making a lot of profits (just covering expenses)
- want it to last for several years

To me, the main consideration is wanting it to last for several years – that would lead me to recommend a C-corp or S-corp (possibly an LLC) – this allows the graduating students to

pass their share of ownership to younger students. To me, liability and taxation are not primary factors.

- Find at least one example of a local business for each of the main forms of organization.

**Type of Organization**

**Example of a Local Business**

Sole Proprietorship:	_____
General Partnership:	_____
Limited Partnership:	_____
C-corporation:	_____
S-corporation:	_____
Limited Liability Company:	_____

Use your knowledge of local businesses to develop a list of examples for each type of ownership)

- Choose the owner of a local business – it can be someone from your family who owns a business. Briefly interview them about the form of organization of their business. Ask them questions such as:

- What is the form of organization for your business?
- What is the main reason you chose this form of organization?
- What do you think is the biggest advantage of this form?
- What do you think is the biggest disadvantage of this form?
- Who did you talk to for advice before you selected this form of business organization?

Write a 1- to 2-page paper that summarizes your interview. Please include a brief description of the business. Also, include your thoughts into your paper: for example, do you agree with the choice of organization?; What other type of organization might be appropriate for this business?; What did you learn from this interview....