

Business Ownership Structure

Chapter 20

Unit 5

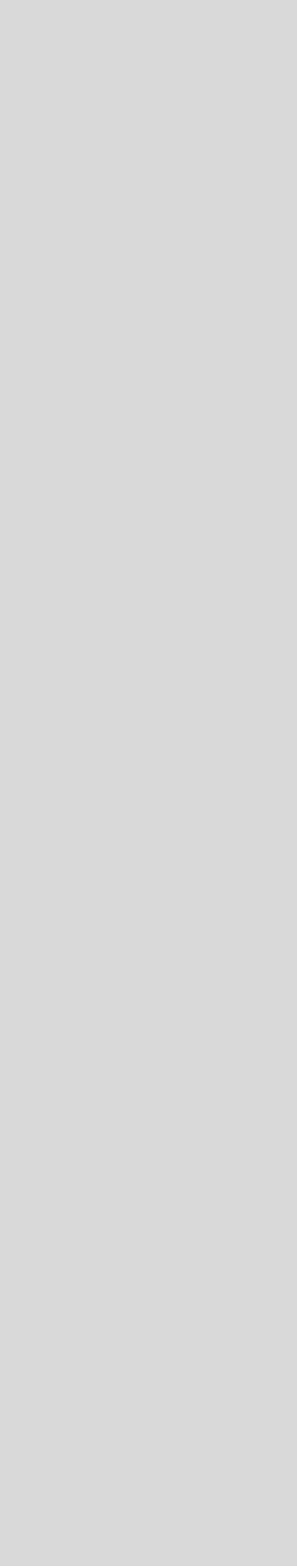
Performance Objectives:

After completing a Web search, you will describe the advantages and disadvantages of each form of business ownership and choose the one that is most appropriate for your business.

Evaluation Criteria:

Successful completion of this chapter requires you to:

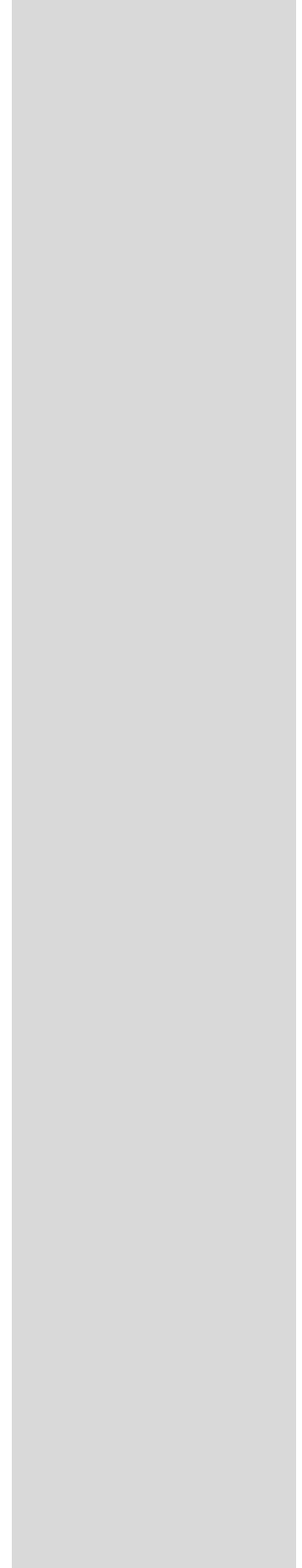
- § Complete a Web search on forms of business ownership.
- § Write answers to questions from the Web search.
- § Decide on a legal form for your new business.
- § Justify your choice of legal form.



6. List the advantages and disadvantages of Corporations.

7. Which of these statements above would make you decide to become (or not become) a Corporation?

8. List the advantages and disadvantages of a Limited Liability Company.



Task 2: Case Studies: Legal Implications of the Forms of Business Ownership

Reread the article [Forms of Business Ownership](#) and review the legal implications of each type of business. Write what you think will happen in each of the following cases.

1. Stolen Parts!

College roommates Joe and Mike started a small car repair shop two years ago as a General Partnership. The company started slowly but has grown quickly this past year. Joe manages the financial aspects of the business and Mike runs the shop.

Unknown to Joe, Mike has been secretly selling stolen foreign car parts to interested customers out of the garage shop. Last week, unknown to Mike, one of the customers he sold a stolen part to was an undercover police officer.

What happens to these two partners?

2. Cool Software!

Alicia and Miranda are partners in a software design company they started last year. Alicia has been writing an advanced program that will transcribe doctor's spoken notes into medical records as Word documents. She spent eight hours a day, five days a week working on this project for three months. She and Miranda had a nasty fight and fell out. The partnership was dissolved and both went their separate ways.

A year later Miranda found out that Alicia had been selling her software and making tons of money because it's so successful. Since Alicia developed the product on work time during their partnership, Miranda wants her share of the profits.

Will she get her money?

3. Cheatin' Words

Deborah and Winston are partners in a desktop publishing company. Deborah has been developing "The Guide to Microsoft® Word" to be published by their company. This book will be sold to schools throughout the American Midwest and has thousands of advance orders.

The problem is Deborah found a guide to Microsoft® Word on a recent vacation trip to Australia. Most of what she has written has been copied word for word from the Australian book. Winston knows that plagiarism is highly illegal.

He has repeatedly emailed her demanding that she change the way she is writing the book. She refused. The Australian book company saw a draft copy of her plagiarized book. They went to the District Attorney and brought charges against Deborah and Winston's company.

What happened to Deborah and Winston?

4. An Empty Plate

Bob was the sole proprietor of a small restaurant. His wife Darlene stayed home to raise their three children. The restaurant had been very successful for several years. Bob and Darlene had recently purchased a summer house at a lake and owned a boat as well as three new cars. Unfortunately, the business fell into hard times. Bob lost staff, then customers, and eventually he had to declare bankruptcy. The bank seized his summer house, boat, and two of the cars. Now, six years later, Darlene (who had no association with the business other than being Bob's wife) is trying to get a loan for a new car. The bank pulls up her credit report.

Will she get the loan?

5. Joe's Wilted Greenhouse

Joe is the sole proprietor of a greenhouse and has been in business for three years. He received a large order from H-Mart stores to provide them with 10,000 flats of bedding plants. Two days after the delivery of plants, the H-Mart stores announced bankruptcy. Joe was supposed to get \$50,000 for the flats. Now he's getting nothing. Joe got the material for growing the bedding plants on credit from Ace Plant Supplies. He now owes them \$30,000.

Joe has no money in the bank, an old car, a house worth \$50,000, and business assets worth \$10,000. He doesn't want to declare bankruptcy.

What can Joe do?

NOTE: There are other forms of business not addressed here that are more complex, such as Limited Liability Companies (LLCs), C-Corporations, and S-Corporations. If you are considering these forms of business, please consult an attorney to help you make the best decision.

Task 3: The Decision

Decide upon a legal form of business ownership and explain why below.