

Chapter 8 Questions

Answer all in complete sentences

Questions From Chapter 8, Section 1

- 1) Why do people decide to start a business?
- 2) Define: Entrepreneur
- 3) What must entrepreneurs do after making the decision to start a business?
- 4) What kinds of things should an entrepreneur learn about?
- 5) Why would it be necessary for an entrepreneur to investigate competition?
- 6) What does the Small Business Administration do?
- 7) Define: Startup
- 8) Define: small business incubator
- 9) What kinds of things might a small business incubator provide?
- 10) What is the goal of a small business incubator?
- 11) In general, what are the four basic elements of business operation?
- 12) Give six examples of things that could be considered expenses for a business operation.
- 13) Define: inventory
- 14) If you are working for yourself, how much should you pay yourself?
- 15) Define: receipts
- 16) How do you determine if your business is making a profit?
- 17) What kind of records should you keep for your taxes?
- 18) What kind of a system must you have no matter how small your business?
- 19) What is "net worth"?
- 20) What are "receipts"?
- 21) In what way must you balance risk in your business?

Questions From Chapter 8, Section 2

- 1) Define: Sole Proprietorship
- 2) Define: proprietor
- 3) What is one advantage of being a sole proprietor?
- 4) What is one disadvantage?
- 5) What is the financial advantage of being a sole proprietor?
- 6) How do taxes affect the sole proprietor?
- 7) Define: unlimited liability
- 8) Define: assets

- 9) Define: Partnership
- 10) What kind of an agreement do the partners sign?
- 11) What does the agreement say?
- 12) Why are partnerships more efficient than sole proprietorships?
- 13) How do taxes affect a partnership?
- 14) What kind of borrowing potential do partnerships have?
- 15) Why is this?
- 16) Define: Limited Partnership
- 17) What does the "general partner" do?
- 18) What is a "limited" partner?
- 19) Define: Limited Liability Company
- 20) What is the advantage of a Limited Liability Company?
- 21) Define: joint venture

Questions From Chapter 8, Section 3

- 1) Define: corporation
- 2) What kinds of things can a corporation do that is similar to a person?
- 3) What is the relationship of the corporation to its stockholders?
- 4) Define: Stock
- 5) In terms of amount of business done, how does the corporation compare to other types of businesses?
- 6) What is the major advantage of a corporation?
- 7) What happens if a corporation goes bankrupt or is sued?
- 8) What are the three things the founders of a corporation must do?
- 9) Define: articles of incorporation
- 10) Define: corporate charter
- 11) What can you do to raise money for business expansion?
- 12) Define: common stock
- 13) Define: dividend
- 14) Define: preferred stock
- 15) Define: bylaws
- 16) What does a board of directors do?
- 17) Define: franchise
- 18) What is the parent company called?
- 19) What is the person buying the rights called?
- 20) What does the franchisee agree to pay to the franchisor?
- 21) What does the franchisee get from the franchisor?
- 22) What are the advantages of franchising?
- 23) What are the disadvantages of franchising?