

CHAPTER 6 Business Ownership and Operations

Key Words: Word Search

DIRECTIONS: The hidden words in this puzzle may appear vertically, horizontally, diagonally, or backward. Circle each word in the puzzle, then check it off the list below.

E	V	I	T	A	R	E	P	O	O	C	O	R	P	O	R	A	T
E	P	O	S	R	E	T	A	I	L	E	R	O	B	L	A	L	R
M	A	A	I	I	K	T	H	I	S	E	W	O	O	B	L	I	E
P	O	R	R	N	O	I	T	A	R	O	P	R	O	C	R	M	M
R	E	P	I	T	T	I	L	A	T	E	R	O	T	A	V	I	A
O	N	O	Y	U	N	R	L	A	P	D	D	R	E	S	T	T	T
C	R	N	E	N	E	E	A	F	R	A	N	C	H	I	S	E	S
E	R	I	X	O	F	L	R	O	O	N	P	H	A	M	S	D	T
S	E	U	P	C	T	A	A	S	C	K	F	E	B	L	O	L	I
S	C	M	O	O	I	S	D	N	H	A	O	P	L	T	S	I	F
O	U	V	S	W	G	E	E	I	O	I	G	T	O	K	A	A	O
R	D	E	T	E	L	L	N	B	R	L	P	O	C	F	W	B	R
S	O	L	E	P	R	O	P	R	I	E	T	O	R	S	H	I	P
L	R	S	U	R	A	H	T	A	J	D	T	N	U	L	T	L	N
O	P	T	L	D	B	W	R	T	E	S	F	I	Z	S	T	I	O
I	N	T	E	R	M	E	D	I	A	R	I	E	S	I	P	T	N
M	A	N	U	F	A	C	T	U	R	E	R	S	E	P	O	Y	X
Y	T	I	L	I	B	A	I	L	D	E	T	I	M	I	L	N	U

_____ cooperative

_____ corporation

_____ franchise

_____ intermediaries

_____ limited liability

_____ manufacturers

_____ nonprofit

_____ partnership

_____ processors

_____ producer

_____ retailer

_____ sole proprietorship

_____ stock

_____ unlimited liability

_____ wholesaler

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Key Concepts: True/False

DIRECTIONS: If the statement below is true, circle the letter T. If the statement is false, circle the letter F, then write the correct version in the space provided.

1. Less than one-half of all U.S. businesses are sole proprietorships. T F

2. To start a partnership, you need a contract that outlines the rights and responsibilities of each partner. T F

3. Nonprofit corporations cannot legally charge any money for the services they perform. T F

4. A local automobile dealership is considered a manufacturer. T F

5. Intermediaries change raw materials into more finished products. T F

6. Standard sole proprietorships have unlimited liability. T F

7. Banks are more likely to lend money to partnerships than sole proprietorships. T F

8. Owners of a partnership are neither legally nor financially responsible for the business decisions of their partners. T F

9. Only a sole proprietor may operate a franchise. T F

10. Wholesalers buy large quantities of goods and sell them to other businesses or individuals. T F

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Analytical Skills 1: Franchises

DIRECTIONS: Many people starting out in business prefer to open a franchise with a successful company than go into business on their own. The table below lists the top four fastest-growing franchises in the world during a recent two-year period. Study the information in the table and answer the questions that follow.

TOP FOUR FASTEST-GROWING FRANCHISES							
Franchise	Number of Units in the United States		Number of Units in Canada		Number of Units Outside N. America		Start-up Costs (in thousands of dollars)
	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2	
McDonald's	10,678	10,839	751	787	8,178	9,176	\$478-\$1,400
Coverall North America, Inc.	4,786	5,676	63	88	118	177	\$6-\$36
Taco Bell	3,541	4,226	158	0	69	260	\$236-\$515
Subway	11,840	12,268	1,330	1,407	722	856	\$63-\$175

- Which franchise had the most units in the United States during the second year?

- How many more units did this company have than its nearest competitor?

- Which franchise had the most units globally (including North America)?

- In which geographical category did this company far surpass the others in new units?

- How many new units did each of the following companies open in Canada during the one-year period?
McDonald's: _____ Coverall: _____ Subway: _____
- What happened to Taco Bell in Canada during this time?

- How many units total did each franchise open between the two years?
McDonald's: _____ Coverall: _____ Taco Bell: _____ Subway: _____
- Which franchise cost the least to start?

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Analytical Skills 2: Types of Business Ownership

DIRECTIONS: Fill in the table below to describe the characteristics of each type of business.

Type	Ownership	Start-up Costs	Taxes
Sole Proprietorship			
Partnership			
Corporation			

Type	Liability	Responsibility for Decisions	General Pros and Cons
Sole Proprietorship			
Partnership			
Corporation			

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Reading Skills: Buying a Franchise

DIRECTIONS: Many entrepreneurs lower the risk of starting a business on their own by purchasing a business that is already established. Read the article about opening a franchise below and answer the questions that follow.

When someone thinks about opening up a new business, a smart alternative to starting from scratch is buying an existing one. Look at it this way: The McDonald's near your home or school already has customers, cash flow, and a proven track record. Think how simple it will be to determine the operating expenses and labor costs when you can look through the business's records.

Anyone who thinks about buying an existing business should know the phrase *caveat emptor*, which is Latin for "let the buyer beware." It's in the seller's best interests to paint the prettiest possible picture of the business. It's in the prospective buyer's best interests to investigate the accuracy of the seller's statements. This means asking both technical and social questions.

Technical questions usually require the help of professionals such as accountants or lawyers. Are the financial records accurate? Are all the legal requirements of the business in order? Was the business sued in the past?

The buyer can ask the social questions. This means talking to the present owner, the employees, and customers. For instance, why is the owner selling? Maybe he/she is ready to retire. Maybe the business is losing money and the owner thinks it's time to get out. The customers can tell you about the business's reputation. How's the service? How does the business compare to its competition? All of these questions need to be answered before someone decides to purchase an existing business.

1. How can the records of an existing business help a prospective buyer?

2. Why is it in the buyer's best interests to check the seller's statements?

3. What types of professionals might be able to help the buyer answer technical questions?

4. What does the phrase *caveat emptor* mean?

5. What is a technical question asked in this article?

6. What is a social question asked in this article?

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Writing Skills 1: Expanding a Business

DIRECTIONS: *Imagine you're the sole proprietor of a specific business of your choice, such as a small restaurant or a graphics studio. Your business is very successful and you want to expand it. In what ways could you expand your business and how could you finance it?*

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

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Writings Skills 2: Partnership Agreement

DIRECTIONS: To form a business partnership with someone, you need to fill out a partnership agreement for it to be legal. Below is a standard contract for a limited partnership. Fill it out as if you're planning to go into business with a friend.

CERTIFICATE OF LIMITED PARTNERSHIP

1. The name of the limited partnership is

2. The street address of its proposed registered office is (a P.O. Box is not sufficient)

and the name of its proposed registered agent at such address is

3. The address of the principal office in the United States where records of the partnership are to be kept or made available is

4. The name and the mailing address of the business or residence of each general partner is as follows:

NAME

MAILING ADDRESS

1.

2.

3.

Date Signed:

General Partner(s)

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Computer Skills: Types of Businesses

DIRECTIONS: Using your word processing program, create a table that matches the business in List A to the type of business in List B.

List A:

Oil refinery
Fishing fleet
Auto dealership
Bakery
Law firm

Book store
Logging company
Paper mill
Hospital
Computer factory

List B:

Producer
Processor
Manufacturer
Intermediary
Service

1. Start your word processing program.
2. Create a table with six columns and eleven rows.
3. On the top row, title the first column "Business." Title the next five columns using the business types in List B. Fill in the ten rows under the "Business" column using List A. Place an X under the business type that matches the business.
4. After completing your table, save your work to a new file.
5. Print out a copy of your work if your teacher has instructed you to do so.