NAME:________________

BUSINESS ORGANIZATIONS

READING	ANNOTATION & QUESTIONS
Business Organizations When someone starts a business, they can choose from several types of organizations. Each type has its own rules and ways of working. The main types are sole proprietorships, partnerships, corporations, and limited liability companies (LLCs).	What is a sole proprietorship?
• **Sole Proprietorship:** This is the simplest kind of business, owned by just one person. Think of a local bakery or a freelance photographer. The owner gets all the profits but is also responsible for all the business's debts and risks. • **Partnership:** This is when two or more people own a business together. They share the profits, but they also share the responsibility for the business's debts. Partnerships are common in professional fields like law or accounting.	What defines a partnership in business? How is a corporation different from other types of business organizations?
• **Corporation:** A corporation is a more complex business structure. It's like a separate person in the eyes of the law. It can make money, be taxed, and be legally responsible for its actions. The owners (shareholders) are not personally responsible for the corporation's debts. Corporations are typical for large businesses. • **Limited Liability Company (LLC):** An LLC is a mix of a partnership and a corporation. It provides some protection to its owners from being personally responsible for the business's debts, like a corporation. But, it's more flexible and simpler to run, like a partnership.	What is a Limited Liability Company (LLC)?
Each type of business organization has its pros and cons. The choice depends on how many owners there are, how much protection from legal issues the owners want, and how they want the business to be taxed.	How do business owners choose the type of organization for their business?

NAME:________________

SOLE PROPRIETORSHIP

READING	ANNOTATION & QUESTIONS
Sole Proprietorship A sole proprietorship is the simplest kind of business that's owned and run by one person. It's like having a lemonade stand or a small online shop that you operate on your own. **Key Features of a Sole Proprietorship:** ● Single Owner: The business is owned by one person. This person makes all the decisions and doesn't have to share control or profits with anyone else. ● Easy to Start and End: Starting a sole proprietorship is straightforward. You don't need to fill out lots of paperwork, and it's easy to close down if you decide to stop. ● Owner is Responsible for Debts: If the business owes money or faces legal issues, the owner is personally responsible. This means the owner's personal assets, like savings or a car, could be used to pay off business debts. ● All Profits to the Owner: The owner gets to keep all the profits after paying taxes. But remember, they also have to handle all the business costs on their own. ● Taxes: In a sole proprietorship, the business doesn't pay taxes separately. The owner pays taxes on the business's profits as part of their personal income tax. Sole proprietorships are popular because they're simple to start and manage. They're common for small businesses like local stores, home businesses, or freelance services.	What is a sole proprietorship? How difficult is it to start and end a sole proprietorship? Who is responsible for the debts and legal issues of a sole proprietorship? How are the profits from a sole proprietorship handled? How are taxes handled in a sole proprietorship?

NAME:__________________

PARTNERSHIP

READING	ANNOTATION & QUESTIONS
Partnership A partnership is a type of business where two or more people own and run the company together. It's like a team project where each member contributes something and shares the responsibilities.	What is a partnership in business?
Key Features of a Partnership: • **Multiple Owners:** Unlike a sole proprietorship that has just one owner, a partnership has at least two owners (partners). They work together to make business decisions. • **Shared Responsibility:** All the partners share the responsibility for the business's debts and decisions. This means if the business owes money, all partners might have to help pay it back.	How do partners in a business share responsibility?
• **Profit Sharing:** The profits from the business are shared among the partners. They decide how to divide the profits, usually based on a written agreement.	How are profits distributed in a partnership?
• **Different Types of Partnerships:** There are several kinds, like general partnerships where all partners are equally involved in running the business, and limited partnerships where some partners contribute financially but don't manage the business.	What are the different types of partnerships?
• **Simple to Form:** Forming a partnership is relatively simple, but it's a good idea to have a legal agreement that outlines how the partnership will work. Partnerships are common in professional fields like law, accounting, and architecture, where people with different skills can work together to run a business.	Is it difficult to form a partnership?

NAME:________________ **CORPORATION**

READING	ANNOTATION & QUESTIONS
Key Features of a Corporation: • **Separate Legal Entity:** A corporation is independent from its owners (the shareholders). This means the corporation itself can be involved in contracts, lawsuits, and owning assets like buildings or patents. • **Limited Liability for Shareholders:** The people who own the corporation (shareholders) have limited liability. This means they are not personally responsible for the corporation's debts. Their personal assets are protected if the corporation faces financial issues. • **Ability to Raise Capital:** Corporations can raise money by selling shares. People buy shares in the hope that the value of these shares will go up and they will get dividends (a share of the profits). • **Board of Directors:** A corporation is managed by a board of directors, elected by the shareholders. The board makes major decisions and oversees the corporation's overall management. • **Double Taxation:** Corporations face double taxation. First, the corporation pays tax on its profits. Then, when profits are distributed to shareholders as dividends, the shareholders pay income tax on these dividends. Corporations are a common structure for larger businesses. Examples include tech giants, large retail chains, and car manufacturers.	What is a corporation in business terms? What does limited liability mean for shareholders of a corporation? How can a corporation raise capital? Who manages a corporation and how are they chosen? What is double taxation in the context of a corporation?

NAME:________________ **CONGLOMERATE**

READING	ANNOTATION & QUESTIONS
Conglomerate A conglomerate is a large company that owns a bunch of smaller companies, which usually make totally different kinds of products or services. It's like if one big umbrella company owned a bunch of smaller companies that do different things. **Key Features of a Conglomerate:** • **Diverse Businesses:** A conglomerate is made up of many different businesses that often have nothing to do with each other. For example, one part of the conglomerate might make toys, while another part runs restaurants. • **Large Size:** Conglomerates are usually very big and have a lot of money. This is because they combine the profits from all their different businesses. • **Reduced Risk:** Because they have businesses in different industries, conglomerates are less affected if one industry has problems. If people stop buying toys, the company still has money coming in from its restaurants. • **Complex Management:** Running a conglomerate can be complex because it involves managing many different kinds of businesses. Each business might need different skills and knowledge to be successful. • **Global Reach:** Many conglomerates operate worldwide. They have businesses in different countries, which helps them make more money and spread their risk even more. Conglomerates are like a big family of companies. A famous example is Disney, which owns movie studios, TV channels, theme parks, and more, all under one big Disney roof.	What is a conglomerate? What kind of businesses does a conglomerate typically own? Why is a conglomerate usually considered to have reduced risk? What are the challenges in managing a conglomerate? Do conglomerates operate only in their home country?

NAME:________________ **HOW BUSINESSES GROW & EXPAND**

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How Businesses Grow and Expand

Businesses grow and expand in different ways. Just like a small plant grows into a big tree, businesses start small and then get bigger.

Here's how they do it:

- **Increasing Sales:** Businesses can grow by selling more of their products or services. This might be done by attracting more customers or selling more to existing customers.
- **Introducing New Products or Services:** Sometimes businesses expand by offering new things. For example, a restaurant might start selling new types of food or a clothing store might begin selling accessories.
- **Opening New Locations:** Expansion can also happen by opening new stores or offices in different places. This could be in a new neighborhood, city, or even a different country.
- **Merging with or Acquiring Other Businesses:** Sometimes a business gets bigger by joining with another business (merging) or buying another business (acquisition). This can help them reach more customers or offer more products.
- **Investing in Technology:** Businesses also grow by investing in new technology. This can help them make products faster, provide better services, or reach customers online.
- **Franchising:** Some businesses expand by franchising, which means allowing someone else to open a new store with the same brand name. Fast-food chains often grow this way.

As businesses grow, they can face new challenges like managing more employees or dealing with competition. But growth also brings opportunities, like reaching more customers and increasing profits.

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How can a business grow by increasing sales?

What is one way a business can expand its product or service offerings?

How does opening new locations contribute to business growth?

What does it mean for a business to merge with or acquire another business?

What role does technology play in business growth?

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NAME:________________ **VERTICAL MERGER**

READING	ANNOTATION & QUESTIONS
Vertical Merger: A vertical merger is when two companies that are in different stages of producing the same product or service decide to join together. It's like pieces of a puzzle coming together to make a complete picture.	What is a vertical merger?
Imagine a company that grows apples (Company A) and another company that makes apple juice (Company B). If Company A merges with Company B, that's a vertical merger. They're different parts of the same product's journey - from growing apples to making them into juice.	Can you give an example of a vertical merger?
Key Features of a Vertical Merger: • **Different Stages of Production:** In a vertical merger, the companies involved are at different stages of making the same product. One might be involved in the raw materials (like growing apples), and the other in production or selling the final product (like making and selling apple juice).	How does a vertical merger improve efficiency?
• **Improves Efficiency:** By merging, these companies can work more efficiently. They can save time and money, like the apple grower not having to find a buyer for the apples because the apple juice company needs them. • **Control Over Supply Chain:** The merged company can control more steps in the process of making and selling a product. This can reduce costs and make production more consistent.	What advantage does a vertical merger provide in terms of supply chain?
• **Can Reduce Competition:** Sometimes, a vertical merger can reduce competition. The company now doesn't have to compete with others for the raw materials or for selling the product. Vertical mergers are a way for businesses to be more effective and save money by controlling more parts of the production and selling process.	How can a vertical merger affect competition?

NAME:__________________ HORIZONTAL MERGER

READING	ANNOTATION & QUESTIONS
Horizontal Merger A horizontal merger is when two companies that do the same kind of business decide to join together. It's like two soccer teams coming together to form one stronger team. For example, imagine two companies that both make and sell smartphones. If these companies merge, that's a horizontal merger. They're at the same stage of business – both making and selling the same type of product. **Key Features of a Horizontal Merger:** • **Same Industry and Stage:** In a horizontal merger, the companies involved are in the same industry and at the same stage of the business process. • **Increases Market Share:** By merging, the new, larger company controls a bigger part of the market for their product. This can make them more powerful and influential in their industry. • **Reduces Competition:** With fewer companies in the industry, there's less competition. The merged company might have more control over prices and product offerings. • **Can Lead to Economies of Scale:** The merged company can often produce products more efficiently and at a lower cost because it's larger and has more resources. This is called achieving economies of scale. • **Regulatory Concerns:** Sometimes, governments watch horizontal mergers closely because they can lead to less competition in the market, which might not be good for consumers. Horizontal mergers are a way for businesses to become bigger and more competitive in their market, but they need to be managed carefully to ensure they're good for the market and consumers.	What is a horizontal merger? Can you provide an example of a horizontal merger? How does a horizontal merger affect market share? What is one of the benefits of a horizontal merger for the company? Why might governments be concerned about horizontal mergers?