

Chapter 8 Test, Form A

Business Organization

DIRECTIONS: Matching Match each item with the correct statement below.

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|--|-------------------------------|
| _____ 1. nonprofit service cooperative that accepts deposits from, and makes loans to, its members | A. limited life |
| _____ 2. a form of corporate ownership giving one vote per share for stockholders | B. general partnership |
| _____ 3. organization that works for its members' interests concerning pay, working hours, health coverage, fringe benefits, and other job-related matters | C. common stock |
| _____ 4. form of stock without vote, in which stockholders receive their dividends before common stockholders do | D. preferred stock |
| _____ 5. situation in which a firm legally ceases to exist when an owner dies, quits, or sells the business | E. horizontal merger |
| _____ 6. all partners are equally responsible for management and debts | F. incubator |
| _____ 7. using a social network to appeal to potential investors | G. crowdfunding |
| _____ 8. combination of firms producing the same kind of product | H. venture capitalist |
| _____ 9. place where entrepreneurs can receive the training and possibly financing to start a successful business | I. credit union |
| _____ 10. lender of investment funds to a new or unproven business in exchange for partial ownership | J. labor union |

DIRECTIONS: Multiple Choice Indicate the answer choice that best completes the statement or answers the question.

- _____ 11. Which of the following is an advantage of sole proprietorship?
- A.** There are almost no requirements to start up a sole proprietorship.
 - B.** The owner makes all the decisions.
 - C.** The owner keeps all the profits.
 - D.** All of the above statements are true.
- _____ 12. Limited life applies to _____.
- A.** corporations
 - B.** multinationals
 - C.** nonprofit organizations
 - D.** sole proprietorships

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- _____ 13. A person who wishes to incorporate a business needs to _____.
- A. find stockholders
 - B. pay the government dividends
 - C. file for permission with the government
 - D. do all of the above
- _____ 14. A business's net income is defined as _____.
- A. total income before expenses
 - B. total income after expenses
 - C. total dividends paid to investors
 - D. total income before sales
- _____ 15. When two companies that produce the same kind of product merge, this is called a _____.
- A. horizontal merger
 - B. vertical merger
 - C. conglomeration
 - D. multinational merger
- _____ 16. What is the main purpose of incubators?
- A. helping entrepreneurs think of new business ideas
 - B. providing entrepreneurs with training to be successful
 - C. helping entrepreneurs find investors
 - D. both A and C
- _____ 17. A venture capitalist's main goal is usually to _____.
- A. help individuals achieve their dreams
 - B. help their communities
 - C. get a good return on an investment
 - D. teach entrepreneurs managerial skills
- _____ 18. Which of the following is true of both nonprofit organizations and for-profit corporations?
- A. They both pay income taxes.
 - B. They both pay dividends.
 - C. They both use scarce factors of production.
 - D. They both issue stock.
- _____ 19. Which of the following is true about nonprofit organizations?
- A. The results of their efforts can be analyzed in the same way as for-profit businesses.
 - B. They work in a businesslike way to promote member interests.
 - C. Most are informal businesses that are not incorporated.
 - D. They make up an insignificant part of the economy.

Chapter 8 Test, Form A *cont.*

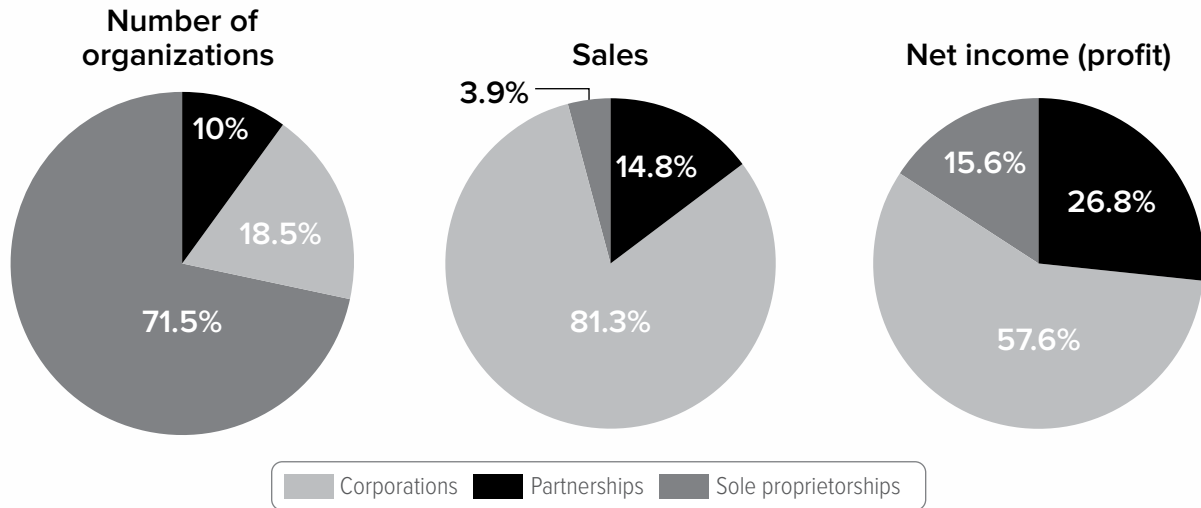
Business Organization

_____ 20. A nonprofit organization that provides services to its members is called a _____.

- A. consumer co-op
- B. producer co-op
- C. market co-op
- D. service co-op

DIRECTIONS: Essay Write a short essay to answer each of the following questions.

Figure 8.1 Business Organizations



Source: 2012 Statistical Abstract of the United States

21. Look at the figure above. Using the data in the charts, write an essay comparing the number of each business type to their sales and profitability. Which type of business is the most numerous? Which is the most profitable? Why do you think this is? Use evidence from the charts and the chapter to support your opinion.

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22. Identify one way to grow a business and explain its advantages and disadvantages.
23. Consider the reasons a company chooses a site for its factory. How do you think the development of transportation networks in this country, such as railroads and the interstate highway system, affected the places where companies chose to build factories?