

Guided Reading Activity

Business Organization

Lesson 2 *Business Growth and Expansion*

Review Questions

Directions: Read each main idea and complete the statements below. Refer to your textbook as you write the answers.

A. Growth Through Reinvestment

Main Idea: A business that earns a profit may use some of its profits to reinvest in—and thereby grow, expand, or improve—the business.

1. A business's income _____ shows a business's sales, expenses, and _____ income, or the amount it has as profit after expenses have been deducted.
2. A firm's _____, or cash flow, is its profits after deductions for all expenses, including _____, or wear and tear on capital goods such as machinery.
3. A corporation with a _____ cash flow may give some of that money to its investors in the form of _____.
4. Businesses may take the positive cash flow and _____ by expanding its product line, increasing production, or upgrading its _____ or technology.

B. Growth Through Mergers

Main Idea: A merger is a combination of two or more business enterprises that join to form a single firm. Efficiencies of scale and diversity are some positive results of mergers.

1. A _____ merger is when two companies that produce the _____ type of product join together to form a single company.
2. A _____ merger is when two companies involved in different steps of sales, _____, and marketing join together.
3. Merged companies enjoy greater economies of _____, as their cost per unit of production _____.

Guided Reading Activity *cont.*

Business Organization

4. One company may merge with another to _____ by acquiring new product lines.
Companies may also merge in order to eliminate _____.
5. A company is called a _____ when it has merged with at least four other companies making _____ products.
6. A _____ company has operations in many different _____ around the world.
7. Multinational corporations can efficiently move _____, goods, services, and financial capital across borders. Most nations welcome multinationals because they transfer new technologies and bring new _____.

C. Entrepreneurial Funding for Start-Ups

Main Idea: There are many ways that entrepreneurs can seek out and receive money to help them fund a new enterprise.

1. Some states and universities run new business _____ that help _____ entrepreneurs in the skills they need to run a successful business.
2. A _____ capitalist invests money in a new and promising, though unproven, start-up company, even though this investment carries a lot of _____.
3. A friend, neighbor, family member, or club may act as an _____ investor to provide _____ money to a promising start-up.
4. Online social networking provides a platform for _____, which allows interested individuals to invest in a promising enterprise. This is a relatively _____ form of raising capital.

Guided Reading Activity *cont.*

Business Organization

D. Location, Location, Location

Main Idea: All businesses must consider location when choosing a site for a factory or retail store. Factors that businesses must consider include the availability of labor, infrastructure, and land, as well as proximity to consumers.

1. The _____ of a factory is its exact location. Factories must be built near workers, as well as near infrastructure such as highways, ports, or _____ that help move raw materials to the factories and finished products to their next destination.
2. Many factories are built in _____ areas where the cost of land is lower.
3. Bulk- _____ industries need to be near the raw materials used to manufacture goods. On the other hand, bulk- _____ industries need to be near the cities where their goods are sold.
4. Retail stores also need to think about location. Retail store owners need to consider their product's _____, or how far their customers are willing to travel to buy their product. They also need to consider their product's _____, or the minimum proportion of people in the area who must make purchases in order to ensure that the store remains profitable.

Summary and Reflection

Directions: Summarize the main ideas of the lesson by answering the questions below.

What type of business would you like to start, and how would you go about finding capital? Once your business is successful, in what ways would you try to expand or grow it? Which of the methods described in this lesson would you use to grow your business? Which would be best suited to your business? Explain your answer.
