

**Matching**

Match the definition in Column A with the term in Column B.

Column A

- \_\_\_\_\_ Independent business, shareholders own.
- \_\_\_\_\_ Business owned and operated by one person.
- \_\_\_\_\_ Process to form a corporation.
- \_\_\_\_\_ Individual's risk for business debts.
- \_\_\_\_\_ Business model shielding personal assets from company debts.

Column B

- a. Sole Proprietorship
- b. LLC
- c. Corporation
- d. Incorporation
- e. Personal Liability

**Multiple Choice**

1. **What business structure is characterized by the owner being personally responsible for all the business's debts and legal actions?**
  - a. Corporation
  - b. LLC
  - c. Sole Proprietorship
  - d. Partnership
2. **In which business structure can profits pass directly to the owners without being taxed at the business level but still provide some liability protection?**
  - a. Sole Proprietorship
  - b. Corporation
  - c. LLC
  - d. Non-profit Organization
3. **What is the term used to describe the legal concept that prevents creditors from going after a business owner's personal assets in certain types of business entities?**
  - a. Personal Liability
  - b. Corporate Veil
  - c. Double Taxation
  - d. Sole Proprietorship
4. **Which of the following is NOT a characteristic of a corporation?**
  - a. Ability to issue stocks
  - b. Limited liability for its shareholders
  - c. Profits are taxed at both the business and personal levels
  - d. Owner directly pays business taxes on personal tax returns

**Application**

Consider the chart on the following page. For each business, choose whether it would best be structured as a Sole Proprietorship, LLC, or Corporation. Consider liability, taxes, investment needs, and the number of owners. Write a one-sentence justification for the factor that influenced your decision (e.g., reduces personal liability, ease of setup, attracts investors, etc.).



Business Decision Chart

<b>Business Scenario</b>	<b>Chosen Structure</b>	<b>Reason</b>
<b>Freelance Graphic Designer</b>		
<b>Cafe Partnership</b>		
<b>Tech Startup</b>		
<b>Handmade Crafts Online Store</b>		

## Becoming a Business | Answer Key

Match the definition in Column A with the term in Column B.

### Column A

- c. Independent business, shareholders own.
- a. Business owned and operated by one person.
- d. Process to form a corporation.
- e. Individual's risk for business debts.
- b. Business model shielding personal assets from company debts.

### Column B

- a. Sole Proprietorship
- b. LLC
- c. Corporation
- d. Incorporation
- e. Personal Liability

### Multiple Choice

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## Application Answer Example

### Business Decision Chart

<b>Business Scenario</b>	<b>Chosen Structure</b>	<b>Reason</b>
<b>Freelance Graphic Designer</b>	Sole Proprietorship	"Lowest setup complexity and direct control."
<b>Cafe Partnership</b>	LLC	"Protects both owners' personal assets from business debts."
<b>Tech Startup</b>	Corporation	"Facilitates investment and limits personal liability."
<b>Handmade Crafts Online Store</b>	LLC	"Offers personal asset protection while keeping tax simplicity."