

Chapter 6 Business Ownership and Operations

Section 6.1 Types of Business Ownership

Section Summary with Key Terms and Academic Vocabulary

Types of Business Ownership Three primary forms of business ownership are sole proprietorships, partnerships, and corporations. A major advantage of sole proprietorships and partnerships is their ease of formation. One advantage corporations have over sole proprietorships and partnerships is limited liability. Limited liability means an owner cannot suffer a loss that is more than he or she invested. An advantage partnerships and corporations have over sole proprietorships is better access to capital. Nonprofits, cooperatives, and franchises are other forms of organizations.

Key Terms _____

sole proprietorship A business owned by only one person

unlimited liability A liability that holds the owner fully responsible for a company's debts

partnership A business owned by two or more people who share its risks and rewards

corporation Company that is registered by a state and operates apart from its owners

limited liability A claim that holds a firm's owners responsible for no more than the capital that they have invested in it

cooperative Organization that is owned and operated by its members

nonprofit organization A type of business that focuses on providing a service rather than making a profit

franchise Contractual agreement to use the name and sell the products or services of a company in a designated geographic area

Academic Vocabulary _____

sole Having no sharer; being the only one

income A gain or recurrent benefit usually measured in money that derives from capital or labor

partner A member of a partnership, especially in a business

regulate To bring under the control of law or constituted authority