

# GUIDED READING Activity 3-1

For use with textbook pages 57–66

## **F**ORMS OF BUSINESS ORGANIZATION

### RECALLING THE FACTS

**Directions:** Use the information in your textbook to answer the questions. Use another sheet of paper if necessary.

1. What are the advantages and disadvantages of a sole proprietorship?

Advantages:

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Disadvantages:

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2. What is the difference between a general partnership and a limited partnership?

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3. What is bankruptcy?

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4. What are the advantages and disadvantages of a corporation?

Advantages:

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Disadvantages:

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5. Explain the connection between a bond, principal, and interest.

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# GUIDED READING Activity 3-2

For use with textbook pages 68–73

## **B** BUSINESS GROWTH AND EXPANSION

### **OUTLINING**

**Directions:** Locate the following headings in your textbook. Then use the information under the headings to help you write each answer. Use another sheet of paper if necessary.

**I. Growth Through Reinvestment**

**A. Estimating Cash Flows**—What does cash flow represent?

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**B. Reinvesting Cash Flows**

**1.** What can business owners do with cash flow to further help their businesses?

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**2.** What can happen when cash flows are reinvested in the business?

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**II. Growth Through Mergers**

**A. Introduction**

**1.** What happens when two firms merge? \_\_\_\_\_

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**2.** What are five possible reasons for mergers? \_\_\_\_\_

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**B. Types of Mergers**—What is the difference between a horizontal merger and a vertical merger?

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**C. Conglomerates**—What is the main reason for a conglomerate to want diversification?

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**D. Multinationals**—What are the advantages and disadvantages of multinationals?

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# GUIDED READING Activity 3-3

For use with textbook pages 75–79

## **O** THER ORGANIZATIONS

### FILLING IN THE BLANKS

**Directions:** Use your textbook to fill in the blanks using the words in the box. Some words may be used more than once. Use another sheet of paper if necessary.

public utilities	professional association	credit union
consumer cooperative	cooperative	collective bargaining
service cooperative	labor union	nonprofit organization(s)

#### **Introduction/Community and Civic Organizations**

In addition to businesses that use scarce resources to produce goods and services in hopes of earning a profit, there are **1** \_\_\_\_\_ that operate to promote the collective interests of their members rather than to seek financial gain for their owners. Though legally incorporated, they do not issue stock, pay dividends, or pay income taxes, yet they are an important part of our economic system.

#### **Cooperatives**

One example of a nonprofit organization is a **2** \_\_\_\_\_, which is a voluntary association of people formed to carry on some kind of economic activity that will benefit its members. The **3** \_\_\_\_\_ is a voluntary association that buys bulk amounts of goods on behalf of its members. A **4** \_\_\_\_\_ provides services rather than goods. One example is a **5** \_\_\_\_\_ that accepts deposits from, and makes loans to, employees from a particular company or agency.

#### **Labor, Professional, and Business Organizations**

Another important economic institution is the **6** \_\_\_\_\_, an organization of workers formed to represent its members' interests in employment matters. It participates in **7** \_\_\_\_\_ when it negotiates with management over various job-related matters. Workers may also belong to a **8** \_\_\_\_\_—a group of people in a specialized occupation that works to improve the working conditions, skill levels, and public perceptions of the profession.

#### **Government**

Government plays an indirect role in the economy when it regulates certain areas of it. One such case is the regulation of **9** \_\_\_\_\_, where investor- or municipal-owned companies offer important products to the public, such as water or electric service.