

GUIDED READING Activity 8-2

For use with textbook pages 213–216

SOLE PROPRIETORSHIPS AND PARTNERSHIPS

RECALLING THE FACTS

Directions: Use the information in your textbook to answer the questions.

Sole Proprietorships

1. What is a sole proprietorship?

2. Who is a proprietor?

3. What is the biggest advantage and disadvantage of a sole proprietorship?

Advantage: _____

Disadvantage: _____

4. Why can it be difficult to finance growth under a sole proprietorship?

Partnerships

5. What is a partnership?

6. What are the advantages and disadvantages of management under a partnership?

Advantages: _____

Disadvantages: _____

7. How is a limited partnership different from a general partnership?

8. What is a joint venture?

GUIDED READING Activity 8-3

For use with textbook pages 218-223

THE CORPORATE WORLD AND FRANCHISES

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.

corporation	stock	limited liability
articles of incorporation	corporate charter	fee
franchise	dividend	sole proprietor
partnership	board of directors	taxes

Introduction/Corporations and Their Structure

As a **1** _____, one keeps all the profits. In a **2** _____, the profits are shared with one or several people. In a **3** _____, profits are shared among thousands of shareholders. A **4** _____ is an organization owned by many people but treated by law as though it were a person. **5** _____ represents ownership rights to a certain portion of the profits and assets of the company issuing the stock.

One of the major advantages of a corporation is **6** _____, which limits the responsibilities for the owner of the company. A major disadvantage of corporations is that they pay more **7** _____ than other businesses. Corporations must register with the government, sell **8** _____, and elect a board of directors. When registering the corporation, one must file the **9** _____, which lists the basic information of the company. If the articles are agreed to by the state, the state will issue the corporation a **10** _____—a license to operate from that state. Common **11** _____ gives an investor part ownership in a corporation. Yet, it does not guarantee a **12** _____, or a money return on the investment. Preferred **13** _____ does not give one voting rights in a corporation, but it guarantees a certain amount of dividend each year. To become incorporated, a company must elect a **14** _____. The board is responsible for general supervision and control of the **15** _____.

Franchises

A **16** _____ is a contract in which a franchisor sells to another business the rights to use its name and sell its products. The person who buys these rights pays a **17** _____ to the franchisor that may include a percentage of all money taken in.

GUIDED READING Activity 9-1

For use with textbook pages 231–235

PERFECT COMPETITION

OUTLINING

Directions: Locate the heading in your textbook. Then use the information under the heading to help you write each answer.

I. Market Structure and Perfect Competition

A. What is market structure?

B. What are the four basic market structures in the American economy?

C. What is perfect competition?

D. What are the five conditions that must exist for perfect competition?

E. No Control Over Price

1. When the conditions of perfect competition are working, what controls the price of goods and services?

2. In a perfectly competitive market, what is the market price?

F. Information Is Key—How has the Internet changed availability of information?

II. Agriculture as an Example

A. In the United States, what industry comes close to perfect competition?

B. No Control Over Wheat Prices—Where is the equilibrium price of wheat set?

C. Unique Situation—Why is the supply of most agricultural markets unique?

D. Benefits to Society—Why are perfectly competitive industries so efficient?

GUIDED READING Activity 9-2

For use with textbook pages 236–243

MONOPOLY, OLIGOPOLY, MONOPOLISTIC COMPETITION

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.

market price
brand loyalty
nonprice competition
product differentiation
economies of scale

barriers to entry
oligopoly
cartel
monopolistic competition

competition
monopoly
patent
government

Introduction

Perfect **1** _____ is the ideal type of market structure. However, most market structures represent imperfect competition. There are three types: **2** _____, oligopoly, and **3** _____.

Monopoly

The most extreme example of imperfect competition is the pure **4** _____, in which a single seller controls the supply of the goods and services with no substitutes, no entry, and almost complete control of **5** _____. A monopoly is protected by **6** _____—obstacles that prevent others from entering the market. There are four types of monopolies: natural, geographical, technological, and **7** _____. The large sizes of most natural monopolies seem to give companies **8** _____, in which they can produce the largest amount for the lowest cost. A government **9** _____ gives one exclusive rights to manufacture, rent, or sell an invention for a specific period of time.

Oligopoly

An **10** _____ is an industry dominated by several suppliers who exercise some control over the price. An oligopoly engages in **11** _____ in which advertising emphasizes minor differences and tries to build customer loyalty. The real or perceived differences in a good or service that make it more valuable in the customer's opinion is known as **12** _____. An international form of collusion is a **13** _____, in which businesses from different countries try to reduce international competition by controlling prices, production, and distribution.

Monopolistic Competition

The most common form of market structure in the United States is **14** _____, where a large number of sellers offer similar but slightly different products or services. Competitive advertising is more important in monopolistic competition than in oligopolies because of the need to build **15** _____.