

## Module 1 – Review Questions 1

1. Partnership is
  - a) A business owned by two or more persons
  - b) A separate legal entity
  - c) A business owned by one person
  - d) None of the above
  
2. Which of the followings is NOT the accounting process?
  - a) Recording
  - b) Communicating
  - c) Identifying economic events
  - d) Coding
  
3. Which of the followings is NOT the branches of accounting ?
  - a) Taxation
  - b) Marketing
  - c) Auditing
  - d) Costing
  
4. The following best describe a private company except:
  - a) It is a business that is owned by two or more individuals
  - b) It can be formed when two or more individuals agree to start a business together and share its profit or loss
  - c) It is has limited liabilities
  - d) It is a separate legal entity

5. Which of the following statements about the strength of a sole proprietor is incorrect?

- a) Easily form
- b) Low cost of capital
- c) Limited liabilities
- d) Can be easily dissolved

6. Which of the following is NOT a service business

- a) Provide medical consultancy
- b) Selling medical insurance
- c) Selling computer equipment
- d) Provide computer services

7. Which of the following is the manufacturing business

- a) Selling cloth
- b) Provide consultancy service
- c) Giving tuition
- d) Baking breads and cakes

8. What is the main advantage of being a sole trader?

- a) Unlimited liability
- b) Limited liability
- c) Be able to make quick decisions

9. Who is limited liability an advantage to?

- a) Shareholders
- b) Stakeholders
- c) Sole traders

10. What is a partnership?

- a) A business owned by shareholders
- b) One person trading alone
- c) Two or more individuals trading together

11. Who is a company controlled by?

- a) Shareholders
- b) Stakeholders
- c) Managers

12. What legal identity does a company have in the eyes of the law?

- a) No legal identity
- b) Its own legal identity
- c) As shared legal identity with shareholders

13. Which type of business does NOT usually have limited liability?

- a) A public limited company
- b) A multinational
- c) A partnership

14. One of the characteristics of a limited liability partnership is that

- a) It is owned by sole owner
- b) It has unlimited liabilities
- c) It has a separate legal entity from its partners
- d) It can issue shares to public

15. Who has legal responsibility to settle debts in a company with unlimited liability?

- a) Owners
- b) Shareholders
- c) Stakeholders

16. Which of the following are the features of any partnership?

- a) Owner management, joint liability
- b) Owner management, limited liability
- c) Separate legal entity, limited liability
- d) Separate legal entity, joint liability

17. Which of the following is more of a disadvantage of operating as a sole proprietor rather than a partnership?

- a) Risk of personal bankruptcy
- b) Limited access to get bank financing
- c) Responsibility for all liability
- d) Requirements to keep accounting records

18. Which business type can only be owned by 1-person?

- a) Sole-Proprietorship
- b) Partnership
- c) Corporation
- d) Limited Liability Partnership

19. When business fails, which business entities that owner(s) personal assets may be demanded by banks?

- a) Sole proprietorship
- b) Partnership
- c) Corporation

20. Which business entity that an owner's maximum monetary risk in the business is limited by the amount he/she has already invested?

- a) Sole proprietorship
- b) Partnership
- c) Corporation

21. Steven and his brothers want to start a plumbing business together. What is an advantage of organizing the business as a partnership rather than a corporation?

- a) Partnerships can start up quickly.
- b) Partnerships can issue stock to raise money.
- c) Partnerships need a legal charter to begin.
- d) Partnerships have protection from the government.

22. What is the worst disadvantage about a sole proprietorship?

- a) The owner is personally liable for all debts, judgments and expenses of the business.
- b) You can't have any employees
- c) It is only suited for service businesses.
- d) It cannot export to foreign countries.

23. Linda invested \$10K as a limited partner in a LIMITED partnership. George invested \$10K in a GENERAL partnership. Both entities buy \$1 Million worth of land that the entity does not have the money for, so the entity gets sued. Who is happier: Linda or George?

- a) George because he is only liable for \$10K while Linda is liable for the entire \$1Million.
- b) Linda because she is only liable for \$10K while George is liable for the entire \$1Million.
- c) Neither because both George and Linda are liable for the \$1Million.
- d) Both are happy because only the entity is liable, not them personally.

24. The owners of a corporation are referred to as:

- a) partners
- b) shareholders
- c) limited partners
- d) officers

25. Meagan was really, really good at STEM in school and has invented a magnetic levitation device that does not require much power. She can see this device will revolutionize the moving, warehousing and shipping industries, but she knows she will need some help and some money. She doesn't know anything about business law or accounting or management or raising money, but she knows she will need people with these skills. She also has about 5 other inventions in various stages of development that could each make big money for a company. Oh, yeah, she also needs about \$50 Million to start production of her device. What is the best form of a business entity for Meagan?

- a) Limited Liability Corporation
- b) Partnership
- c) Sole Proprietorship
- d) Corporation

26. J.R. needs some big money to drill an oil well. He has about \$1 Million of his own money, but he needs about \$10 Million. Fortunately, he knows some good ol' boys who he's done some oil deals with in the past, but he wants to make sure they're not always second guessing him on business decisions. What is the best type of business entity for him to choose under these circumstances?

- a) Sole Proprietorship
- b) Limited Partnership
- c) Corporation
- d) General Partnership

27. Which business entity has the most legal & finance requirements to fulfill on a yearly basis?

- a) Sole proprietorship
- b) Partnership
- c) Corporation

28. Which business entity will surely terminate upon the death of the owner?

- a) Sole-proprietorship
- b) Partnership
- c) Corporation

29. Which business entities where the business profits will be taxed at personal income tax rate? (Hint: more than 1 answer)

- a) Sole-proprietorship
- b) Partnership
- c) Corporation

30. Which type of business entity is the most expensive to get registered (or set up)?

- a) Sole-proprietorship
- b) Partnership
- c) Corporation