

### Question #1 of 10

Question ID: 1575439

A small group of investment professionals is looking to establish a partnership agreement that specifies two of them as general partners and the rest as limited partners. The most appropriate form of partnership is a:

- A) limited partnership.
- B) limited liability partnership.
- C) general partnership.



#### Explanation

A limited partnership includes both general partners (managers with unlimited liability) and limited partners (liability is limited to their investments).

A general partnership includes only general partners, each with unlimited liability for claims against the business. A limited liability partnership involves only limited partners, but this form of business is often restricted to professional services like law, accounting, and medicine.

(Module 22.1, LOS 22.a)

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### Question #2 of 10

Question ID: 1575441

Under a limited partnership, there must be at *least*:

- A) one general partner, and one limited partner.
- B) one general partner, and two limited partners.
- C) two general partners, and one limited partner.



#### Explanation

In a limited partnership, there are two types of partners: general partners and limited partners. There must be at least one general partner (with unlimited liability) and at least one limited partner (with limited liability).




(Module 22.1, LOS 22.a)

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### Question #3 of 10

Question ID: 1573292

In a partnership, a general partner's liability for the obligations incurred by the business:

- A) is limited to the amount invested. 
- B) is unlimited. 
- C) depends on whether the partnership is general or limited. 

#### Explanation

In either a general partnership or a limited partnership, general partners have unlimited liability.


(Module 22.1, LOS 22.b)

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### Question #4 of 10

Question ID: 1573295

Government regulators typically require periodic disclosure of a company's financial performance for:

- A) listed companies only. 
- B) private companies only. 
- C) both private and listed companies. 

#### Explanation

Regulators and securities exchanges typically require periodic reporting of financial results for listed companies. Private companies are typically not subject to these requirements.

(Module 22.1, LOS 22.c)

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### Question #5 of 10

Question ID: 1573291

The owner's liability for the business obligations of a sole proprietorship:

- A) is limited to the amount invested. 
- B) is unlimited. 
- C) may be limited or unlimited. 

#### Explanation

A sole proprietorship is legally an extension of the individual who owns and operates it. The owner has unlimited liability for obligations the business incurs.




(Module 22.1, LOS 22.b)

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### Question #6 of 10

Question ID: 1575442

In a limited partnership, limited partners:

- A) typically receive a smaller share of profits than general partners. 
- B) are responsible for managing the business, but they have limited financial liability. 
- C) are not involved in business decisions, but they appoint/remove general partners. 

#### Explanation

In a limited partnership, general partners typically receive a greater share of profits than limited partners because general partners manage the business and make business decisions.

Limited partners have limited financial liability. They are typically not involved in key business decisions, and they do not appoint/remove general partners.




(Module 22.1, LOS 22.a)

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### Question #7 of 10

Question ID: 1575440

With respect to the various business structures, which of the following statements about income taxes is *most accurate*?

- A) In a limited partnership, all tax due on profits is paid by the limited partners. 
- B) In a general partnership, income is taxed at both the partnership and partner (individual) level. 
- C) Under a corporate structure, shareholders have no personal tax liability. 

#### Explanation

In a limited partnership, income is not paid by the business; it is instead taxed as personal income of each partner.

Similar to a limited partnership, in a general partnership, income is taxed as personal income of each partner.

Under a corporate structure, there may be tax liability to shareholders because corporate dividends are taxed as personal income of shareholders (although often at a favorable tax rate). In many countries, corporate earnings are already taxed by the government, and this can lead to double taxation.




(Module 22.1, LOS 22.a)

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### Question #8 of 10

Question ID: 1575443

Which of the following statements comparing corporations and general partnerships is *most accurate*?

- A) Owner liability is only limited under a corporation. 
- B) Access to capital is easier under a general partnership, given the less complex business structure. 
- C) Both corporations and general partnerships are separate legal entities. 

#### Explanation

Shareholders (owners) of corporations have limited liability; their liability is limited to their investments in the corporation. All general partners under a general partnership have unlimited liability.

Only corporations are separate legal entities.

Corporations tend to have the greatest and easiest access to both debt and equity capital, given their size and structure.

(Module 22.1, LOS 22.a)

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### Question #9 of 10

Question ID: 1573294

A corporation that wishes to raise equity capital and have its shares publicly traded is *most likely* to engage in:

- A) a management buyout. 
- B) a direct listing on an exchange. 
- C) an initial public offering. 

#### Explanation

An initial public offering is a sale of equity shares to the public. Proceeds from the sale increase the issuer's equity capital. A direct listing does not raise capital. A management buyout is a method to take a public company private.

(Module 22.1, LOS 22.c)

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## Question #10 of 10

Question ID: 1573293

Under which business structure are profits potentially subject to double taxation?

**A)** General partnership.



**B)** Limited partnership.



**C)** Corporation.



### Explanation

Double taxation refers to a situation in which a country taxes corporations' gross earnings and then taxes net earnings distributed to owners (dividends) as personal income.

Partnership profits are subject to only one level of taxation (they are personal income of the partners).

(Module 22.1, LOS 22.b)