

**Reading 22****ORGANIZATIONAL FORMS, CORPORATE  
ISSUER FEATURES, & OWNERSHIP**

1. (A) **limited 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)

2. (A) **one general partner, 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)

3. (B) **is unlimited.**

**Explanation**

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

(Module 22.1, LOS 22.b)

4. (A) **listed companies only.**

**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)

5. (B) **is 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)

6. (A) typically receive a smaller share of profits than 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)

7. (A) In a limited partnership, all tax due on profits is paid by the limited partners.

**Explanation**

In a limited partnership, income is not paid by the business; it is instead taxed as persona income of each partner Similar to a limited partnership, in a general partnership, income is taxed as persona 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 favourable 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)

8. (A) Owner liability is only limited under a corporation.

**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)

9. (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)

10. (C) Corporation.

**Explanation**

Double taxation refers to a situation in which a country taxes corporations' gross earning 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)

