



Business Structures

EPISODE #502

ACTIVITIES & LESSONS

LESSON LEVEL

Grades 6-8

KEY TOPICS

- Business Structures
- Profit
- Liability

ENTREPRENEURS & STORIES

- UrLocker – Jason
- Black Smith Skate Shop – Denard & Regis
- Frying Dutchmen – Ben & Jacob
- Hives for Lives – Carly & Molly
- Twin City Riot Roller Derby

EPISODE SYNOPSIS

What structure is right for your future business? Will your business be for-profit or non-profit? It's not just about LLCs, sole proprietorships, or partnerships. Examine the pros and cons of each business structure and discover which one could be right for you.

LEARNING OBJECTIVES

1. Learn the two basic types of U.S. business organizations: for-profit and non-profit.
2. Become familiar with different business structures.
3. Identify advantages and disadvantages of each entity.

NATIONAL STANDARDS CORRELATIONS

Aligned to National Financial Literacy Standards from the *Jump\$tart Coalition for Personal Financial Literacy* in the area of Financial Responsibility and Decision Making.

Overall Competency:

Apply reliable information and systematic decision making to personal financial decisions.

Standard 4:

Make financial decisions by systematically considering alternatives and consequences.

Aligned to Voluntary National Content Standards in Economics from the *Council for Economic Education*.

Standard 2:

Decision Making

Standard 10:

Institutions

CONTENTS

- Lesson Prep & Screening
- Activity #1
- Curriculum Connections
- Activity #2
- *Biz Terms* Vocabulary
- Family Activity Sheet



LESSON PREP & SCREENING

Getting Started

Familiarize yourself with the episode ahead of time. It will serve as a springboard for student learning, discussions, vocabulary exploration, and hands-on activities. Determine what is required to show the episode in your classroom and borrow equipment if needed. Choose an activity (each one takes between 45-60 minutes), and gather supplies. Have fun!

Equipment & Supplies

For all activities, students will need a pen or pencil. Additional equipment needs are identified on activity pages.

Screening

Introduce the series and the episode. Then, prior to playing the episode, lead your students in a discussion with the preview questions on this page. Explain that **Biz Kid\$** is a public television series that teaches kids about money and business. Also mention that the bizkids.com website has lots of video clips, games, a blog, and other resources.

About the Episode

What structure is right for your future business? Will your business be for-profit or non-profit? It's not just about LLCs, sole proprietorships, or partnerships. Examine the pros and cons of each business structure and discover which one could be right for you.

Preview Questions

- Think about businesses in your area. What do you think business owners had to do to start their businesses? (Responses may include a business license, name, raise capital, keep records, choose a business structure, pay taxes, and more.)
- What do the terms “for-profit” and “non-profit” mean to you?
- What are some questions you would ask if someone wanted you to be a partner in their business?

Summary & Conclusion

Episode #502 introduced you to young entrepreneurs who chose their business structures based on different needs. One of the most important decisions you make when starting a business is choosing the type of legal structure. The legal structure will determine the type of taxes your company will need to pay. You will want to evaluate all of your options and get advice from professionals such as an attorney or an accountant to ensure you make the best choice.

Family Connection

Distribute a copy of the Family Activity Sheet to each student to share what they've learned with their families.



Activity #1:

BUSINESS STRUCTURE COMPARISONS

Activity Learning Objectives

- Identify different business structures.
- Introduce *Biz Terms* and definitions used in the episode.

Episode Details

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Directions

Read the episode details out loud to the class. Hand out the two worksheets titled "For Students" and discuss them together in class. Read the *Biz Terms* and discuss the vocabulary/episode review questions together that are listed on that page. Call on volunteers for answers, and have them explain to the group why they chose the term they believe to be correct.

Then, give the students time to complete worksheets. Finally, acting as a facilitator, allow students to discuss the issues. See Curriculum Connections on page 7 for additional ways to work with *Biz Terms*. (Note: the definitions are on page 8.)

Activity Wrap-Up

Thank the students for their participation, and remind them that business structures are chosen based on different needs. It is important to evaluate all of the options and get advice from professionals such as an attorney or an accountant to ensure that they make the best choice when starting their businesses.



BIZ TERMS & EPISODE REVIEW

WORKSHEET FOR STUDENTS

Biz Terms

- 501(c)(3)
- Business structure
- C corporation
- For-profit
- Incorporate
- L3C
- Legal liabilities
- LLC
- LLP
- Non-profit
- S corporation
- Sole proprietorship

Episode Review

1. Jason, owner of “UrLocker,” changed his business structure to a(n) _____ to gain more protection for his growing business.
2. Denard and Regis started their skateboard and T-shirt business as a(n) _____ but go their separate ways a year later leaving one of them as the _____.
3. The Frying Dutchmen chose their business structure to be a(n) _____ to give themselves maximum protection and enable possibilities for future expansion.
4. Roderick foiled Tabitha’s plan by becoming a(n) _____ to prevent her from incorporating with his company’s name.
5. The company “Hives for Lives” is both a _____ organization and a _____ organization at the same time.
6. Scrooge donates to a _____ organization for the solicitors when he learns that it is tax-deductible!
7. The most familiar exemption from federal corporate income taxes is the exemption under section _____.
8. A corporation is a type of _____.
9. All publically-traded companies are _____ corporations.
10. A company with one owner, but whose company name is not protected is a _____.



BUSINESS STRUCTURE COMPARISONS

WORKSHEET FOR STUDENTS

Discuss different business structures as a class. Together, identify the characteristics of each business structure by marking an X in the cell for each attribute that is true for that structure.

<i>Example</i>	Sole Proprietorship	General Partnership	L3C	LLP	501(c)(3)	C Corp	S Corp
Owners have limited liability for business debts and obligations.			X	X	X	X	X

	Sole Proprietorship	General Partnership	L3C	LLP	501(c)(3)	C Corp	S Corp
Created by a state-level registration that usually protects the company name.							
May have an unlimited number of owners.							
May issue shares of stock to attract investors.							
Owners can report business profit and loss on their personal tax returns.							
Owners can split profit and loss with the business for a lower overall tax rate.							
Not required to hold annual meetings or record meeting minutes.							

Extra Credit

Based on what you've learned from this episode, what business structure would you choose to start your own business? Would you be for-profit or non-profit? Why would you make these choices?



Activity #2:

BUSINESS PERMIT & LICENSING ONLINE

DIRECTIONS FOR STUDENTS

Each state has different forms and fees that are required to obtain a business license. You are going to discover which forms and fees are required for you to create your own business in the state that you live in. For this exercise, we will assume that you want to set up a sole proprietorship, which is the most simple business structure.

Activity Learning Objective

- Research requirements in your own state for business permits and licenses.

Episode Details

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Supplies Needed

Computers, access to Internet, and printers.

Using a computer with internet access, go to your state's website. For the state of California, you would type the URL "http://www.ca.gov" or for the state of New York, you would type the URL "http://www.ny.gov". Use a web search engine to locate your state's government website.

In the search box on the state government website, search for "business permit." Look at the list of results, and try to find which entries will help you determine which forms you must file and what fees are required.

This may be difficult, and you might have to search for different word combinations to find what you are looking for. Using your paper and pen or pencil, keep track of the searches you have done. Some example searches are:

1. "business permit"
2. "business license"
3. "business fees"
4. "seller's permit"
5. "starting a business"
6. "DBA requirements"

If you need help, ask a teacher, a librarian, or a parent to assist you. When you discover which forms and fees are required in your state for a sole proprietorship, print out the forms. Now imagine that you want to start your own business. Fill in your forms with the name of your business and other information that would be required. When you have finished, share your business idea with the class.



CURRICULUM CONNECTIONS

Language Arts

- Have students construct sentences; write a paragraph; or create a story, skit, or dialog using *Biz Terms*.
- Have students create a class dictionary of financial terms using *Biz Terms*.
- Have students start their own journal of personal financial education and continue to add to it.

History/Social Studies

- Interview a local business owner to learn how they chose their business structure. Ask about the requirements they had to meet to open their businesses. Are they for-profit or non-profit organizations?
- What kind of business structures built the economy of your community or state? Are those businesses still around or did they change over time?
- Investigate what organizations and services in your community, region, and state assist or regulate new start-up businesses.
- Complete a one-page report on the Internal Revenue Service.

Mathematics

- Have students add together the fees discovered during Activity #2 to determine a total cost required to obtain a business license in their state or community for a sole proprietorship.
- Ask each student to each survey a business owner in the local community and create a graph showing 1) whether they are for-profit or non-profit, and 2) their business structure. Make a class chart of the data and discuss as a group.

Optional Vocabulary Extensions

Make Art!

Ask students to create personal illustrated glossaries using sketches or cartoons to visually represent the meaning of each *Biz Term*. Invite students to design a stock certificate for their own companies.

Make It Personal!

Provide students with dictionaries and ask students to re-write formal definitions for each *Biz Term* in their own words to demonstrate comprehension.



BIZ TERMS DEFINITIONS

- **501(c)(3):** A section of the Internal Revenue Service code that provides tax-exempt status for corporations that (1) serve charitable, religious, scientific, or educational purposes. As part of this code, no part of the corporation's income can be taken for the benefit of anyone without justification. These organizations are called 501(c)(3) corporations or non-profit corporations.
- **Business structure:** The legal status under which a company operates. There are many different business structures to choose from, and examples include both non-profit structures such as a 501(c)(3) or for-profit structures such as a C Corporation.
- **C Corporation:** Business structure which permits a company to sell shares of stock in the company. All publicly-traded companies are C corporations. These businesses must hold annual stockholder meetings and keep meticulous records. Shareholders are responsible for losses associated with the business, however, the owners of the C Corporation are not liable debts of the business.
- **For-profit:** A business organization that exists primarily to generate a profit. The most common for-profit business structures are:
 - Sole proprietorships
 - Partnerships
 - Corporations (S Corp, C Corp)
 - Limited Liability Companies (LLC) (LLP) (L3C)
- **Incorporate:** The process of forming a corporation for the purpose of shielding the owner and members of the company from personal liability. Creditors cannot go after personal assets to make up for company shortfalls.
- **L3C:** L3C stands for Low-profit Limited Liability Company. A new, hybrid business form with a flexible ownership structure created to advance charitable purposes, but still subject to taxation.
- **Legal liabilities:** Something that a person is responsible for, related to a personal or business debt or obligation. A difficulty such as when the business is involved in a lawsuit.
- **LLC:** LLC stands for Limited Liability Company. This is a hybrid business structure which was created to provide business owners with the liability protection that corporations enjoy without the double taxation. It requires minimal company record-keeping, and there is no limit to the number of members an LLC can maintain.
- **LLP:** LLP stands for Limited Liability Partnership. The partners in this business structure are liable for their own malpractice and not that of their partners. This works well for those involved in professional practices, such as physicians.
- **Non-profit:** A non-profit organization exists to provide a service to the community. It is organized under rules that forbid the distribution of profits to owners. Most non-profits are organized into corporations. Each state has specific provisions for forming non-profit corporations, and at the federal level, non-profits follow the rules outlined in the Internal Revenue Service code 501(c)(3).
- **S Corporation:** This organization can only issue one class of stock, and can only be owned by individuals, estates, certain types of trusts, or qualified pension plans. This business structure is a tax-efficient way to operate if you expect short-term losses. By using this structure you will avoid the double taxation of a C corporation.
- **Sole proprietorship:** This business structure has one owner as well as fewer requirements, fees, and paperwork, but it also has greater risks as personal assets are vulnerable. Your company name is not protected by this business structure.



FAMILY ACTIVITY SHEET

Episode Synopsis

What structure is right for your future business? Will your business be for-profit or non-profit? It's not just about LLCs, sole proprietorships, or partnerships. Examine the pros and cons of each business structure and discover which one could be right for you.

Activity Suggestions

Students will benefit from learning about their own family connections with a variety of business structures. Have a discussion with your family about business structures. The following questions might facilitate the discussion.

- If there is a family business, share your type of business structure, and find out why it was chosen and if it has ever been changed.
- If family members work for a company, is the company that they work for a for-profit or a non-profit organization? Why does it qualify for that designation?
- With family members, try and list non-profit organizations that benefit your local community.
- If your child is interested in starting a business, help them investigate your state and local requirements for starting a business.



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