



Business Structures

EPISODE #502

ACTIVITIES & LESSONS

LESSON LEVEL

Grades 9-12

KEY TOPICS

- Business Structures
- Profit
- Liability

LEARNING OBJECTIVES

1. Learn the two basic types of U.S. business structures: for-profit and non-profit.
2. Become familiar with different business structures.
3. Identify advantages and disadvantages of each entity (why you'd choose one over the other).
4. Learn financial terms.

EPISODE SYNOPSIS

What structure is right for your future business? Will you 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.

NATIONAL STANDARDS CORRELATIONS

Aligned to *National Financial Literacy Standards* from the **JumpStart Coalition for Personal Financial Literacy**.

Financial Responsibility and Decision Making

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 14: Entrepreneurship

Aligned to **Common Core State Standards Initiative's** standards for *Literacy in History/Social Studies, Science and Technical Subjects*.

Standard 1: Read closely to determine what the text says explicitly and to make logical inferences from it; cite specific textual evidence when writing or speaking to support conclusions drawn from the text.

Standard 4: Interpret words and phrases as they are used in a text, including determining technical, connotative, and figurative meanings, and analyze how specific word choices shape meaning or tone.

Standard 7: Integrate and evaluate content presented in diverse formats and media, including visually and quantitatively, as well as in words.

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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 equipment is required to show the episode in your classroom and request it if needed. Choose an activity (each one takes between 45-60 minutes), and gather supplies. Students will need a pen or pencil and copies of the activity worksheets. Have fun!

Screening

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

About the Episode

What structure is right for your future business? Will you 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.

Episode Preview Questions

Before you show this Biz Kid\$ episode, lead your students in a brief discussion of the following questions:

- Think about businesses in your area. What do you think business owners had to do to start their business?
- 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?

Next Steps

Show this episode. After the episode, read the Summary and Conclusion to the class.

Summary and Conclusion

This episode introduced you to young entrepreneurs who chose their business structures based on different needs. Of all the decisions you make when starting a business, probably the most important one relating to taxes is the type of legal structure you select for your company. You 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.



FAMILY ACTIVITY SHEET

Episode Synopsis

What structure is right for your future business? Will you 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 family connections to and interactions with 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, 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 requirements for starting a business.
- What are the advantages to starting a business online for a young entrepreneur? What would you choose, for-profit or non-profit and why? What's keeping you from doing that?



Activity #1:

BIZ TERM\$

WORKSHEET FOR STUDENTS

Biz Term\$

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

Directions

With students, read aloud the Biz Term\$ and each question. Call on volunteers for answers, and have them explain why they chose the term they believe to be correct.

Biz Term\$ 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 _____ 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 _____.



CURRICULUM CONNECTIONS

Language Arts

- Have students construct sentences, write a paragraph, or create a story, skit, or dialog using Biz Term\$.
- Have students create a class Dictionary of Financial Terms using Biz Term\$.
- Have students start their own Journal of Personal Financial Education and continue to add to it.

History/Social Studies

- Investigate the history of business structures in your state or community.

Mathematics

- Ask students to each survey 10 business owners in the local community and create a graph showing 1) whether they are for-profit or non-profit, and 2) their business structure. Share and compare student results with the entire class.

Economics

- Complete a one-page report on the Internal Revenue Service. What impact does federal income tax collection have on the U.S. economy?

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.

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.



Activity #2:

CLASSROOM BLOG

WORKSHEET FOR STUDENTS

Lesson Level:

Grades 9-12

Learning Objective:

Perform the Common Core task to create a classroom blog.
Improve writing skills and collaboration skills in the process.

Directions

Create a classroom blog about business structures after answering the following questions:

1. What free software choices do you have for blogging? How will you decide which one to use?

2. How will you make sure that everyone gets a chance to participate?

3. Will you allow people to comment on your posts, and if you do how will you share the responsibility for posting replies to questions that people ask? How will you prevent 'spam' comments?

4. How will you decide which order to give to the many topics within the subject of "business structures" that you can write about? For example, do you want to start with a post about for-profits, non-profits, corporations, or something else?

5. What method will you use as a class to evaluate the quality of your work, and to make improvements to the process of blogging as a class?

Have students discuss these ideas and share their answers with the class.



Activity #3:

BANKS VS. CREDIT UNIONS

WORKSHEET FOR STUDENTS

Lesson Level:

Grades 9-12

Learning Objective:

Extend knowledge of business structures.

Directions

Compare, contrast, and discuss the business structures of banks vs. credit unions.

	Bank	Credit Union
For-profit or non-profit?		
Who owns the organization?		
Is the company name protected by the business structure?		
Are there shareholders?		
Are they a corporation, and if so what kind?		

1. Do we need both banks and credit unions? Why or why not?

2. Which organization do you prefer as a customer, and why?

3. If you were told that you can be the CEO of either the bank or the credit union, which do you want to be in charge of and why?

Have students discuss these ideas and share their answers with the class.



BIZ TERMS DEFINITIONS

- *501(c)(3)*: A section of the Internal Revenue Service code that provides for tax-exempt status for corporations that (1) serve charitable, religious, scientific, or educational purposes and (2) for these corporations no part of the income can be taken for the benefit of anyone without justification. Companies that comply with these requirements 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 like a 501(c)(3) or for-profit structures like a C corporation.
- *C corporation*: Business structure which allows 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 not responsible for fees, liabilities, and losses associated with the business.
- *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.
- *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 particular 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 losses in the short term. By using this structure you will avoid the double taxation of a C corporation.
- *Sole proprietorship:* The 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.



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