

Exercise A: Reading comprehension

Read the following text and choose the answer (a, b or c) that best completes each sentence (1-10). Write the answer in the right-hand column.

STARTING A NEW BUSINESS

The first thing to do when starting a business is to decide exactly what form of business you wish to set up. There are many considerations when choosing an organizational form, ranging from how the business will be owned and managed to tax, legal, and financial implications. As such, you want to choose the form that suits your purposes best. Businesses concerned with liability issues, for example, may want to incorporate as this form legally separates the business owner from the business' liability. If the main concern is expediting the formation of the business at a low cost, sole proprietorship may be the best avenue.

Within different industries, there can be a variety of types of organization. The three basic forms include:

- Sole Proprietorship
- Partnership
- Incorporation.

Other forms such as Cooperatives and Joint Ventures do exist, but they tend to be less common.

Sole Proprietor

Essentially, as a proprietor, you are the business. You may operate under your own name, but use caution. If the business fails your name is associated with that failure. Alternatively, you may register a trade name. With a proprietorship, your business income is your personal income. It will be reported on your personal income tax return and will be taxed at personal income tax rates.

The advantages of starting a proprietorship are many. Start-up costs are low. Proprietorship is the least expensive way of setting up a business. It allows for simplified filing procedures and the owner is in direct control of decision making. All profits from the business go to the owner.

There are disadvantages to sole proprietorship as well. There is, for instance, a lack of continuity of the business in the absence of the owner. Another disadvantage is the unlimited liability you will face as a proprietor. For example, should something unfortunate happen and a customer decides to sue your business, you can be held personally responsible (i.e. your personal assets are at risk). Or alternatively, if your business goes into debt, you are personally obligated to pay it back.

Generally speaking, proprietorship may be a good choice for you if your business profit does not adversely affect your personal income tax and if your business carries little risk of debt or lawsuit.

Partnerships

A partnership is formed when two or more individuals (including corporations) come together to practice business under one name. The Partnership Act in Canada defines partnership as "...the relationship that subsists between persons carrying on a business in common with a view to a profit." This definition applies to individuals who have agreed to operate as partners regardless of whether or not they have put the agreement in writing. Although a partnership is a separate entity from its owners, each partner is equally responsible and totally liable for all business debts and obligations. As such, it is important to have a legal agreement drawn up outlining the terms and conditions of the partnership. Partnership agreements can be designed to suit the type of business you and your partner/s envision. For example, you may choose to enter into:

- A general partnership, where all partners contribute management and money or assets; or into
- A limited partnership, where certain partners may contribute money but that is the extent of their involvement. They are not involved with managing the business.

Like the proprietor, partners have unlimited liability. They are held personally responsible for all that happens with their business. This may be a concern if, for example, one partner undertakes activities that the others are not aware of and negative results occur. The consequences, unfortunately, will be on the shoulders of each partner, not just the partner who independently undertook the action.

Incorporation

When you incorporate, you establish a separate legal entity which divides your personal affairs from your business. In effect, a corporation is a distinct legal "person", responsible for its own matters. A corporation is owned by one or more persons, called shareholders. The shareholders' liability is limited to what they put into the corporation and anything they guarantee on behalf of it. This "limited liability" is one of the main reasons that small businesses incorporate. A basic responsibility of the shareholders is to hold a meeting once a year to elect a "Board of Directors" who will run the corporation's day to day affairs.

The second major reason for incorporating is for tax purposes. Unlike proprietors and partnerships, a corporation is taxed separately from the owners, on its profits, and must file a tax return. Many Canadian corporations with a taxable income of under \$200,000 pay a tax rate of only 19%.

There are other reasons to consider incorporation. It is often easier to raise capital by selling shares in the company. These shares then become part of the buyer's estate. Additionally the life of the business is not tied to the life of its owner or owners.

One of the major disadvantages of incorporating is the amount of administration required to run a corporation. The shareholders (owners) are required to hold annual meetings and record the minutes of those meetings in the corporation's "minute book". Similarly, the Directors are required to meet annually and again, minutes must be recorded in a minute book. In addition, every corporation must file a tax return. The corporate tax forms are quite complicated. Most small businesses use professionals like accountants or lawyers to perform these duties.

Another major disadvantage of incorporating is the cost that it involves. Total fees for incorporating can range from a low of about \$400 to a high of over \$1500 depending on if you do it yourself or you use a lawyer and whether or not you incorporate Provincially or Federally.

1. According to the text, the first decision you should make when starting a new business is deciding _____. 1. _____
 - a. where it should be located
 - b. which type of business is best for you
 - c. who should deal with the legal implications
2. There are _____ three different forms of business organization to choose from. 2. _____
 - a. only
 - b. more than
 - c. fewer than
3. As a sole proprietor you _____. 3. _____
 - a. must operate under a trade name which cannot be your own name
 - b. can choose to use either your own name or a trade name
 - c. can operate under another person's name
4. Advantages to being a sole proprietor include _____. 4. _____
 - a. lower initial costs and full control over the business
 - b. not having to pay personal income tax
 - c. a great deal of paperwork but no responsibility
5. One of the biggest disadvantages to being a sole proprietor is that _____. 5. _____
 - a. if you go into debt your partners are responsible for paying it back
 - b. you cannot personally deal with your customers
 - c. if you incur any debts, your personal assets can be seized and sold to repay those debts
6. A partnership _____. 6. _____
 - a. cannot involve corporations
 - b. must involve at least two individuals and a corporation
 - c. can involve individuals and/or corporations
7. If you want to set up a business in which all partners share financial and managerial responsibility, you should choose _____. 7. _____
 - a. a general partnership
 - b. a sole proprietorship
 - c. a limited partnership
8. Both sole proprietors and partners _____. 8. _____
 - a. are responsible only for the mistakes they make individually
 - b. are fully responsible for paying all debts
 - c. cannot undertake actions independently
9. A corporation is a good idea if you _____. 9. _____
 - a. don't mind having unlimited liability and paying high taxes
 - b. don't want to have unlimited personal liability or be taxed as a sole proprietor
 - c. want to make decisions on your own without consulting anybody else
10. Disadvantages of becoming a corporation include _____. 10. _____
 - a. higher initial costs and a great deal of administrative work
 - b. having a direct tie between the life of the business and the owners' assets
 - c. paying higher tax rates than sole proprietors and partnerships

Exercise B: Text cohesion

The following headings have been taken from current newspaper articles. Complete each sentence with a phrase from the box below. Write the letter that corresponds to the ending in the right-hand column.

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|---|-----------|
| 1. BP shares fell dramatically this morning, | 1. _____ |
| 2. Consumer spending on credit cards across Europe rose in the first three months of the year, | 2. _____ |
| 3. Marks & Spencer became the first UK retailer to launch Fairtrade Foundation-certified vegetables, | 3. _____ |
| 4. After years of being pushed to work 12-hour days, six days a week, | 4. _____ |
| 5. Regulators on Friday closed three affiliated banks in Florida and one in California, | 5. _____ |
| 6. A coal mine explosion in northwest Colombia has killed | 6. _____ |
| 7. Toyota Motor Corp. began a recall Friday of 4,509 Lexus cars in Japan because of a computer problem, | 7. _____ |
| 8. Rich and poor countries today agreed on guidelines to save forests, | 8. _____ |
| 9. The Spanish government of Socialist Prime Minister José Luis Rodríguez Zapatero promised | 9. _____ |
| 10. Britain's high streets were the beneficiaries of World Cup fever last month as consumers | 10. _____ |

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| <ul style="list-style-type: none">A. according to figures from payments groups Visa and Mastercard.B. China's workers are starting to push back and protest.C. bringing the number of bank failures this year to 78.D. at least 11 miners and trapped 61 others.E. in the first concrete sign of global action on climate change since Copenhagen.F. bought new TVs to watch the four-week football festival.G. after the company announced that its clean-up operation in the Gulf of Mexico will cost more than \$1bn.H. to cut 2011 spending by 7.7%.I. with a similar recall to follow in the U.S.J. after two years of negotiations with Fairtrade's certifying body. |
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Exercise C: Language in context

Read the article below and choose the best option (a, b or c) to complete the sentences. Write the answer in the right-hand column.

Brazil: Electronic Goods in Trouble

The home appliance and electronic goods industry is in difficulties; the good years are over.

The industry enjoyed sales growth of 30% annually during the country's boom in the nineties, but sales have been1..... fast in the last two years, and warehouses are full of unsold2..... The industry's growth estimate of 10% now looks far too optimistic.

.....3..... had doubled their borrowing to \$24bn in the year to May 2003. They spent4..... of this money on appliances, often at Brazil's three big retailers, Casas Bahia, loyas Arapua and Ponto Frio.

Now consumers fear they have5..... their spending limits and are simply not buying anything that they don't need6.....

Thus a battle for cash buyers is developing, and7..... the most efficient retail operations will handle the inevitable8..... in profit margins. Arapua, which has small, specialized stores, is the company most likely to survive the downturn in business. It will also benefit from its decision to attack the less9..... markets of the north and northeast, while Casas Bahia and Ponto Frio continue to restrict themselves to the10..... cities.

Suppliers, meanwhile, must cope with11..... that are full of goods that retailers simply don't want at the moment. Major items like refrigerators, cookers and washing machines are in oversupply, and the12..... is even worse for 'brown goods' (TVs, stereos and VCRs).

Many big-name13....., including Electrolux (Sweden) and Sanyo (Japan), are looking for ways to14..... their overheads, for example, by extending holidays and cutting shifts. Their strategy is to bring costs under control, price their goods competitively and in this way stimulate the market. It looks as if the strategy is working: prices have fallen15..... 12% this year and, in the case of brown goods, by 44%.

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|----------------------|----------------|----------------|-----------|
| 1. A) gain | B) falling | C) going | 1. _____ |
| 2. A) stock | B) market | C) share | 2. _____ |
| 3. A) Consumers | B) Consumption | C) Consumes | 3. _____ |
| 4. A) much | B) many | C) any | 4. _____ |
| 5. A) expected | B) caught | C) reached | 5. _____ |
| 6. A) eagerly | B) urgently | C) hopefully | 6. _____ |
| 7. A) alone | B) lonely | C) only | 7. _____ |
| 8. A) fall | B) rose | C) go down | 8. _____ |
| 9. A) competition | B) competitive | C) concurrence | 9. _____ |
| 10. A) major | B) more | C) least | 10. _____ |
| 11. A) appliances | B) retailers | C) warehouses | 11. _____ |
| 12. A) company | B) item | C) problem | 12. _____ |
| 13. A) manufacturers | B) production | C) manufacture | 13. _____ |
| 14. A) reduced | B) reduce | C) reducing | 14. _____ |
| 15. A) by | B) for | C) at | 15. _____ |

Exercise D: Vocabulary in use

Make collocations using one item from each box and write them in the ‘collocations’ column. Then use these collocations to complete the sentences below.

N.	A	B	Collocations
1.	Marketing	awareness	
2.	Red	rate	
3.	Distribution	pricing	
4.	Brand	tape	
5.	Core	goods	
6.	Prestige	channel	
7.	Trade	share	
8.	Interest	mix	
9.	Non-durable	competencies	
10.	Market	surplus	

A. We often refer to the four main fields of the _____ as the four Ps. These include Product, Price, Place and Promotion.

B. When companies launch a new product, they invest large sums of money in _____ to make customers recognize the product.

C. Nokia is selling its products at a lower price in order to attract more customers and increase its _____, which has recently fallen to 33% .

D. It is not a good time to borrow money from banks because the _____ on loans has risen to 15%.

E. A country has a _____ if its exports exceed its imports.

F. Companies must often deal with a lot of _____ or excessive bureaucratic regulation when they want to hire foreign employees.

G. Lacoste keeps the price of its products high in order to maintain a reputation of exceptional quality. This is known as _____.

H. Products such as office supplies, fuel, food, clothing and cosmetics are known as _____. They are used up when used once, or have a lifespan of less than 3 years.

I. The company’s main _____ is the internet. In fact last year’s sales online accounted for 80% of total sales.

J. Mediolanum’s _____ include employing financial experts who provide door-to-door service to help clients with their investments.