



Terms and Definitions

Module 14

C corporations - corporations taxed by the government

Cooperative - a business made simply for the benefit of its members

Corporation - an entity separate from its owners in the eyes of the government; its owners have limited liability

Dividend - a part of the profits of the corporation obtained by buying shares

General partnership - all partners have unlimited liability

Incorporated - corporations that have set up within state law

Legal structure - a type structure for a business model

Liability - how obligated the owner is to use their own personal assets to settle business debts

Limited liability - when the business cannot pay debts, the owner cannot be legally forced to use personal assets for their business debts

Limited liability company - has the liability benefits of a corporation and the tax benefits of a sole proprietorship or partnership; its owner(s) are called members and there may be one or more members for a limited liability company

Nonprofit corporation - does not give its shareholders profit and instead is there simply for the good of its community; uses its profits only to expand and improve their work; they do not sell shares and their owners have limited liability

Partnership - when two or more people manage a business together and share in all of its liabilities and profits

Partnership agreement - a legal document that defines each partner's responsibilities and liabilities and details what will happen if one of them decides to leave the partnership

Shareholders/Stockholders - part owners of a corporation through buying stock

Share of stock - one unit of ownership in a corporation

Sole proprietorship - a business that has one owner that has unlimited liability but also gets to collect all the profit from their business

Subchapter S corporation - gives more benefits to the owners but is more complex and expensive to set up and keep going than a subchapter C corporation; are taxed differently than a subchapter C corporation

Unlimited liability - when the business owner can be legally forced to use personal assets for their business debts