Unit 2 Grammar Handout 3

I. Read these short definitions about the 3 basic forms of business organizations. What is the function of the words in bold? Go to Menti.

Corporation It is the form of business **which** almost all large firms choose. It is defined as a legal entity or artificial person **that** is created through the authority of federal or state law. It is a business **which** can be owned by one or more persons.

Sole Proprietorship is the kind of business **that** is owned by one person. It is the simplest and most fundamental of all the forms of business organization. It succeeds or fails based on the owner's abilities, expertise, energy, and interest.

Partnership It is defined as an association **that** is owned by two or more persons **who c**arry on a business for profit as co-owners.

II. Read the following sentences and complete them with the appropriate relative clause marker.

a. A sole proprietorship or sole trader is a business _______________ is owned by one person only.

b. A partnership is created _______________ 2 or more people get together to do business for profit.

c. In Chile, the SII is _______________ you register your company so you can start doing business.

d. An investor is a person _______________ puts money in a business in order to receive a profit in the future.

e. A corporation is a kind of business _______________ can be owned by a group of people, governmental bodies, or other corporations.

III. Work in pairs or small groups. Create 3 sentences using different relative pronouns. Use content from the Business Organizations unit.

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IV. A speaker gives some interesting information at a seminar at in law firm. The solicitor, called Greg Harrison, talks about starting up a company. Read what Greg says. Pay attention to the key vocabulary in bold.

‘When a person starts a company, he or she has to be very careful to comply with the rules. When lawyers talk about setting up a new company, they use the expression “to **incorporate** a company”. That means to set up and register a company in the proper way. If you want to incorporate a company in England, you must register the company with Companies House, which is the central registry of companies. You cannot start to trade in the company’s name until the company appears on the official register of companies. Every company has its own file at Companies House, and anyone can look at the file to find out information about the company.

The people who set up a company are usually called the founders of the company. When the **founders** set up a company and register it with the Companies House, the company is known as an incorporated business. This means that the company has its own separate legal personality. Another name that means the same as legal personality is legal entity. Sole traders and traditional partnerships are unincorporated businesses and do not have their own legal personality. If someone wants to sue a company, perhaps because it did not fulfill its obligations, the claimant names the company as the defendant, because a company is a legal entity. On the other hand, if someone wants to sue a sole trader, the claimant names the owner of the business as the defendant.

The owners of a company are called the **members**. Another name for members is **shareholders.** Shareholders can be people or companies. They own or **‘hold’** a **share** or shares in the company. A share is a part of the company’s **share capital**. When we talk about share capital, we mean the amount and value of shares that members hold.

Let’s say that a company has a share capital of 1,000 pounds and that this is divided into 1,000 shares. In this example, each share has the value of 1 pound. We call this the **nominal value** of each share. All the shares in a particular company have the same nominal value. When the founders set up a company, they decide upon the nominal value of the shares for that company.
When someone buys shares in a company, the company will **issue** the shares to him or her. To issue a share means to officially give that share to a person and register his or her name in the company’s register of shareholders. The shareholder receives a share certificate from the company giving details of the share or shares that he or she owns.

Why do people want to **invest** their money in a company and buy shares? The answer is that they want to get some money back in return for allowing the company to use their money. We call this ‘a **return** on an investment’. If the company performs well during a year and makes a profit, then the company may decide to pay a part of that profit to the shareholders. This payment is called a **dividend.** If the company performs badly and makes a loss, the company will not pay a dividend to the shareholders.

If a company performs really badly and becomes insolvent, that company may have to stop trading. But the shareholders will not have to pay the debts of the company because they have the protection of limited liability. This means the shareholders may lose the money that they invested in the company, but their personal assets are not at risk.’

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V. Match **sentences halves 1-12** to **a-l** to create the correct definitions for the vocabulary in bold.

1. To **incorporate** a business means ...	**a.** to own a share
2. The **founders** of a company are ...	**b.** the people or companies who own shares in the company
3. The **members** are ...	**c.** a payment of the company's profits to its shareholders
4. The **shareholders** are ...	**d.** the people who create the company
5. A **share** is ...	**e.** to put money into a company by buying shares in the company
6. To **hold** a share means ...	**f.** the same as the members. They are the owners of the company
7. **Share capital** refers to ...	**g.** to set up the business and register it as a company
8. The **nominal value** of a share is ...	**h.** to officially give that share to someone so that he or she becomes the owner of that share.
9. To **issue** a share to someone means ...	**i.** the value of shares that the shareholders own
10. To **invest** money in a company means ...	**j.** one of the equal parts of the company's capital
11. A **return** on an investment means ...	**k.** the money that someone receives from their investment
12. A **dividend** is ...	**l.** the fixed value of each share

VI. Choose 5 concepts from the exercise above and write a definition including a relative clause marker. You may have to change or modify the sentence.

For example:

"To **issue** a share is **when** you officially give a share to someone so he or she becomes the owner of that share."

1.____

2. ____

3. ____

4. ____

5. ____