



Unit 1 - The American Business Enterprise System

Objective

The objective of this unit is to teach the student how to: 1) recognize how businesses are organized in the United States, 2) identify the characteristics of each form of business, and 3) discuss how the members/owners benefit from each.

After completion, the student should:

1. Be able to write a short paragraph describing the "Free" or "Private" enterprise system in America.
2. Have a working knowledge of the four basic principles of the U.S. business system.
3. Know the four basic ways American businesses are generally organized.
4. Be aware of the two subdivisions of a corporation.
5. Be able to discuss the characteristics of the methods of doing business.

Instructor Directions

1. Become familiar with the discussion guide and reference materials.
2. Lead the discussion using PowerPoint slides and/or the selected references provided. The discussion guides serve as an outline.
3. If possible, invite representatives from the differing types of business ownerships to speak to the class as resource people. Give the provided handout to the students. The students should complete the handout as each speaker is asked the appropriate questions. (or you can instruct the students to fill it out as an exercise)
4. An alternative to #3, if time and circumstances permit, would be an on site visit to each (or some) of the types of businesses. Students should then complete the handout from the information gained during the field trip(s).

Unit 1 – Index and References

USDA Rural Development. *Understanding Cooperatives Instructional Program.*
Unit 1 – The American Enterprise System
Cooperative Programs: <http://www.rurdev.usda.gov/rbs/coops/csdir.htm>

Teaching Tools

Instructor Discussion Guide

Handout 1 - Characteristics of American Business Structures

Quiz 1

Quiz 1 Answers

Unit 1 PowerPoint Slides

S 1.1 Principles of Our Business System

S 1.2 Individually Owned

S 1.3 Partnership

S 1.4 Investor-Owned Corporation

S 1.5 Cooperative Corporation

S 1.6 Hybrid-Limited Liability Company

S 1.7 Comparison of Am. Bus. Types

S 1.8 Ownership/Profit Incentive

Teacher References

CIR 55: Co-ops 101

CIR 5: Cooperatives in Agribusiness

CIR 11: Cooperatives: What They Are and the Roles of Directors, Members, Management, and Employees (chapter 1)

CIR 11 Chapter 1 PowerPoint

CIR 45, Section 1: The American System of Business

Student References

CIR 5: Cooperatives in Agribusiness

CIR 11: Cooperatives: What They Are and the Roles of Directors, Members, Management, and Employees (chapter 1)

CIR 45, Section 1: The American System of Business

Unit 1 - Instructor Discussion Guide

Corresponding slides are in parenthesis with associated discussion points, denoted "S" for slide and by number.

1. The American System of Business is often described as the "FREE" or "PRIVATE" enterprise system.

American businesses can make certain decisions "FREE" of government regulation and they are "PRIVATE" profit-potential businesses.

2. Class exercise – consider: is the system being really free or private? (have the class think about this)

In their thinking they should consider taxes and laws regulating business, such as: trade laws, tariffs, and reports necessary that reveal almost all aspects of a business.

3. What are the four basic principles our business system is based on? (S 1.1)

- a) Freedom of choice
- b) Private property rights
- c) Profit motives of owner
- d) Owner control

4. What are the three basic types of business forms? (S 1.2, 1.3, 1.4)

- a) Individually owned
- b) Partnership
- c) Corporation

5. Corporations are divided into two types. (S 1.4, 1.5)

- a) General corporations
 - 1) Investor oriented
- b) Cooperative corporations
 - 1) Member owned

6. A hybrid-type business structure has become popular of late, particularly in agriculture: (S 1.6)

- a) It's a hybrid of a partnership and a corporation, combining certain characteristics of each.
- b) It's the Limited Liability Company

7. Examine the characteristics of the five business structures with doing business with respect to the following: (S 1.7)

- a) Control
 - 1) Who votes and controls
 - 2) Requirements to be a voter
 - 3) How many votes per voter
- b) Ownership
 - 1) How many votes per voter
- c) Benefits

Unit 1 – Instructor Discussion Guide (continued)

- 1) Why is net income generated
 - 2) What is income tax obligation
8. Examine the profit motives for the ownership of each of the business forms? (S 1-8)
9. Which business form is most common? Why?
- a) Individually owned
 - b) Because it is the oldest, simplest, and most numerous form of business.

Have students fill out handout during guest speaker presentations or during open class discussion.

Have students take Quiz 1 and then discuss answers.

Handout 1 – Characteristics of American Business Structures

	Individually Owned	Partnership	Investor-owned Corporation	Cooperative Corporation	Limited Liability Company
1. Who owns?					
2. Who uses services?					
3. Who votes?					
4. Who determines policy?					
5. Who determines policy?					
6. Who manages?					
7. Who gets profits?					
8. Who finances?					
9. What is the extent of owner risk?					
10. Give an example					

Quiz 1

True/False (Write true or false for each statement.)

- _____ 1. Individually owned, partnerships, corporations, cooperative corporations, and LLC's help to provide our communities with needed goods and services.
- _____ 2. Cooperatives eliminate the profit motive among members.
- _____ 3. If an individually owned business firm were to fail, it would not be possible for the owner to lose more than he/she invested in the business.
- _____ 4. Cooperatives are owned and controlled by members.
- _____ 5. In a cooperative, capital is generally supplied by investors seeking profits.
- _____ 6. In an investor-oriented corporation, profits are shared in direct relation to the amount of stock owned.
- _____ 7. In partnerships, income is distributed among partners according to the percentage of business each one owns.
- _____ 8. In a cooperative, net earnings are returned to members based on how much the member patronized the cooperative.
- _____ 9. Both the investor-oriented corporation and the cooperative corporation must be legally chartered to do business.
- _____ 10. Cooperatives are common in such areas of business as: insurance, credit, agriculture, consumer goods, and rural electricity.

(Short answer section)

11. Our American system of business is often described as the _____ or _____ enterprise system.

12. List and briefly explain the four basic principles of the American business system.

- a)
- b)
- c)
- d)

13. List the four basic forms of business in America.

- a)
- b)
- c)
- d)

14. Corporations are divided into two types. What are those two types?

- a)
- b)

15. What hybrid business structure is becoming increasingly common?

16. Name a cooperative in your hometown, or a nearby town. _____

Quiz 1 Answers

True/False (Write true or false for each statement.)

- True 1. Individually owned, partnerships, corporations, cooperative corporations, and LLC's help to provide our communities with needed goods and services.
- False 2. Cooperatives eliminate the profit motive among members.
- False 3. If an individually owned business firm were to fail, it would not be possible for the owner to lose more than he/she invested in the business.
- True 4. Cooperatives are owned and controlled by members.
- False 5. In a cooperative, capital is generally supplied by investors seeking profits.
- True 6. In an investor-oriented corporation, profits are shared in direct relation to the amount of stock owned.
- True 7. In partnerships, income is distributed among partners according to the percentage of business each one owns.
- True 8. In a cooperative, net earnings are returned to members based on how much the member patronized the cooperative.
- True 9. Both the investor-oriented corporation and the cooperative corporation must be legally chartered to do business.
- True 10. Cooperatives are common in such areas of business as: insurance, credit, agriculture, consumer goods, and rural electricity.

11. Our American system of business is often described as the free or private enterprise system.

12. List and briefly explain the four basic principles of the American business system.

- a) Freedom of choice
- b) Private property rights
- c) Profit motives of owner
- d) Owner control

13. List the four basic forms of business in America.

- a) Individually owned
- b) Partnership
- c) Corporation

14. Corporations are divided into two types. What are those two types?

- a) Investor-owned corporations
- b) Cooperative corporations

15. What hybrid business structure is becoming increasingly common?

The limited liability company

16. Name a cooperative in your hometown, or a nearby town. (Open group discussion question - select some students to provide their answer and discuss.)