UNIVERSITI UTARA MALAYSIA
PEPERIKSAAN SEMESTER DISEMBER SESI 1990/91

KOD KURSUS : BI1032 ENGLISH FOR BUSINESS AND MANAGEMENT II
TARIKH : 8 JUN 1991 ( SABTU)
MASA : 9.00 - 11.00 PAGI (2 JAM)
TEMPAT : DKG 1 (1-6)

ARAHAN:

1. Kertas soalan ini mengandungi 2 Bahagian iaitu Bahagian I dan II dalam SEBELAS (11) muka surat yang bercetak.

2. Anda dikehendaki menjawab SEMUA soalan.


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NO. MATRIK: __________________________
(dengan perkataan)

(dengan angka)

NO. KAD PENGENALAN: _______________________

JANGAN BUKA SOALAN INI SEHINGGA DIBERI ARAHAN 40
PART 1: GRAMMAR

1.A. Error Detection I [24 points]

The following paragraph contains twelve mistakes. **UNDERLINE** the mistakes and **CORRECT** them.

Ex: TV is invented for the benefit fo humans.

When the television was invented in 1923, parents have no idea of the harmful effects this celebrated invention would one day have on children. Because of the tremendous amounts of times children spend watching TV. They become passive observers. Child psychologists say that children learn best by doing, not by watching, as a result, television has negative effect on childrens learning abilities and their creativity. Since children spend more time in front of the TV and less time behind the good book, his reading abilities have also suffered. Another harmful effect of television is caused by the excessive violence in many popular programs. Studies show that aggression behavior in children is a direct result of this violence. Young children imitate the behavior they see on TV. Consequently, youngsters have been known to "fly" out of windows like Superman and kill there enemies like Kojak. For all these reason, television has
evolve from the miracle it once was into the monster it is today.

I.B. Error Detection II [16 points]

The following paragraph contains eight errors. **UNDERLINE** the errors and **CORRECT** them.

Because dreaming is considered the very important part of life, the people of the Senoi tribe of Malaysia generally tries to control the events in a dream and makes the dream end in a positive way. One of the Senoi guideline to control dreams is "face and defeat danger." For instance, if a child dreams that a large, frightening animal is chasing you, the child should not run away or try to wake up. Instead he is encouraged to turn around and face an animal. If the animal attack him, then the child should fight back. Even being wounded or killed in a dream are a good experience because the dreamer has lessened the strength of the animal during the fight. That example shows how the dreamer can create a positive end to a dream by being in control.
I.C. Reported Speech [30 points]

Fill in the blanks by changing the direct speech to reported speech. Change the verb forms, word order, and pronouns as necessary.

Ellen works as an assistant editor for a publisher. She is telling her roommate, Andrea, about a discussion she had with her boss, Kay.

Andrea: Well, what happened? Did you talk to Kay about the promotion?

Ellen: First thing in the morning I asked her if I could talk to her for a few minutes. ("Can I talk to you for a few minutes?")

She answered. .............................................

("I'm very busy, but I'll be able to see you at 11.00")

Andrea: Oh no! How did you get through the morning?

Ellen: At first I wondered.................................

("Should I wait until another day when she isn't busy?")

Then I told myself.............................

("Don't worry about it.")

But I did worry. I didn't know .........................

("How am I going to begin the conversation?")

I decided.................................

("I'm not going to ask for a promotion directly.")

I couldn't concentrate on my work at all. At 11.00 Kay called me on the office phone and said.................................

("I'm ready to see you.")

Andrea: Then what happened?

Ellen: Well, she told me ...........................................

("Sit down")

and then asked me.................................

("How are you current projects coming along?")
I answered......................................
("Everything's going well."
but I continued...................................
("I feel a little bored with my job."

I reminded her.................................
("I've been working as an assistant editor for five years."

Andrea: Did she guess...........................
("What are you going to say next?"

Ellen: The funny thing is that she didn't. She said...........

................................................
("I hope you aren't thinking about leaving us."

I assured her........................................
(I haven't made any plans to leave and I'm happy working at Beacon Publishers."

Andrea: Did she mention the job opening to you then?

Ellen: No, she didn't. It was very uncomfortable. She just answered............................. and sat there.
("I'm glad.")

Finally I decided to just jump in, and I said ...........

................................................
("I've been wondering what the requirements and responsibilities for the opening as a full editor are.")

Andrea: Good for you!
PART 2 : READING

READ THE PASSAGE CAREFULLY AND DO THE TASK THAT FOLLOW:-

2. A. In each box below place the numbers of the phrases that apply.

<table>
<thead>
<tr>
<th>ADVANTAGES</th>
<th>DISADVANTAGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sole proprietorship</td>
<td>1</td>
</tr>
<tr>
<td>Partnership</td>
<td>1</td>
</tr>
</tbody>
</table>

1. Ease of organization and dissolution
2. Separated managerial responsibilities
3. All assets of individual(s) liable for paying debts
4. No special taxes
5. Easiest way to protect business secrets
6. High devotion to the business
7. Excellent employees cannot own part of business
8. Possible problems in raising money
9. Business ends if owner(s) dies
10. Owner(s) may have serious arguments.

(9 points)

2. B. Based on the context provided by the text define the following terms:

1. clients
2. municipalities
3. credit
4. payroll
5. liquidating
6. assests
7. crippling
8. evolutionary
9. document
10. spellout
11. underline
INTRODUCTION

Starting a business in our economic system requires a decision as to the form of business ownership to be used. There are several choices, and the one finally accepted must be appropriate to the type of operation contemplated.

The various forms of business ownership available have been determined by law. In this chapter we will discuss the operation, advantages, and disadvantages of the forms of business ownership from which the choice must be made. The types of ownership discussed will be as follows:

1. Sole proprietorship
2. Partnership
3. Corporation
4. Cooperative

The ultimate decision on the business form to be chosen rests upon such problems, the amount of capital required, the size of the risk involved, the freedom of action that is desired, and the type of business that is contemplated.

SOLE PROPRIETORSHIPS

A sole proprietorship is a business that is owned and operated by one person for his profit. It is the oldest and most common form of ownership and is often referred to as an individual proprietorship or individual enterprise. The sole proprietor is called an entrepreneur and he is considered self-employed.

A sole proprietorship is usually begun by a person investing his own capital or money borrowed from friends and relatives in a business. The owner is generally present at all times to manage the operation and he, plus a few employees, are active in the operation. Generally, sole proprietorships are small in size and limited both as to capital and the opportunity for enormous growth. Neighborhood retailers, small service companies, and such professionals as doctors, dentists, and accountants are often organized as sole proprietorships. This form of ownership revolves completely around the proprietor, who makes all decisions in every function of the business.

ADVANTAGES OF SOLE PROPRIETORSHIPS

Simple to Organize. Going into business as a sole proprietorship generally requires nothing more than the desire on the part of the owner and, depending upon the type of business, some capital. An accountant, for example, who wishes to go into business for himself, need do no more than find clients and perhaps set up an office and telephone somewhere.

Certain businesses, such as restaurants, need a governmental certificate to operate, but this has nothing to do with the form of ownership. A sole proprietorship can frequently be set up without legal fees, filing fees, or taxes.

Owner Keeps All Profits. The sole proprietorship is owned completely by its owner. Consequently, all the profits it earns are his. In contrast, corporations and partnerships have more than one owner. This results in a division of profits among the various owners.

Freedom of Action. Despite the fact that most municipalities and other governmental units require licenses or permits of people who want to set up businesses, the sole proprietor is the complete owner of his business—he is also its complete boss. He is free to act in any way he chooses and is answerable to no co-owners. Such decisions as adding to the line, expanding, and giving credit are his and his alone. This improves the operation because it permits decisions to be made promptly and decisively.

Tax Savings. The law recognizes no difference between an individual and his sole proprietorship. As a result, the sole proprietorship is not taxed separately, as is the case with a corporation. Although he must pay regular payroll and income and property taxes, no special tax is levied against his form of business. Such taxes are a major drawback to corporations. However, it should be pointed out that a very successful sole proprietorship may pay a higher personal tax rate than the rate that is charged to corporations.

Less Government Control. Sole proprietorships are subject to the same laws as are all other forms of business. However, as is the case with taxes, there are special legal provisions regulating corporations that are not applicable to proprietorships.

Confidential Operation. The fewer people who know about a secret process or operation, the better the chance of its remaining a secret. Businesses whose operation depends upon secret methods are frequently organized as sole proprietorships as a means of protecting such information.

High Personal Incentive. Being in business for oneself is the goal of many employed workers. It implies proper rewards for a person's efforts, higher social position, and great personal satisfaction with the
TABLE 3-2
PROPRIETORSHIPS—NUMBER, RECEIPTS, AND NET PROFIT, BY INDUSTRY AND SIZE OF BUSINESS RECEIPTS: 1959

(Number in thousands; money figures in millions of dollars.)

<table>
<thead>
<tr>
<th>Item</th>
<th>Proprietors 1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Under $50,000 50,000-99,999 $100,000 or more</td>
</tr>
<tr>
<td>All industrial divisions: 2</td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>8,303</td>
</tr>
<tr>
<td>Business receipts</td>
<td>70,222</td>
</tr>
<tr>
<td>Net profit 3</td>
<td>17,142</td>
</tr>
<tr>
<td>Agr., forestry, fisheries: Number</td>
<td>3,124</td>
</tr>
<tr>
<td>Business receipts</td>
<td>24,588</td>
</tr>
<tr>
<td>Mining: Number</td>
<td>53</td>
</tr>
<tr>
<td>Business receipts</td>
<td>327</td>
</tr>
<tr>
<td>Construction: Number</td>
<td>521</td>
</tr>
<tr>
<td>Business receipts</td>
<td>6,546</td>
</tr>
<tr>
<td>Manufacturing: Number</td>
<td>1,39</td>
</tr>
<tr>
<td>Business receipts</td>
<td>1,599</td>
</tr>
<tr>
<td>Trans., comm., electric, gas, sanitary services: Number</td>
<td>263</td>
</tr>
<tr>
<td>Business receipts</td>
<td>3,008</td>
</tr>
<tr>
<td>Wholesale and retail trade: Number</td>
<td>3,31</td>
</tr>
<tr>
<td>Business receipts</td>
<td>19,211</td>
</tr>
<tr>
<td>Finance, ins., real estate: Number</td>
<td>487</td>
</tr>
<tr>
<td>Business receipts</td>
<td>4,243</td>
</tr>
<tr>
<td>Services: Number</td>
<td>2,712</td>
</tr>
<tr>
<td>Business receipts</td>
<td>19,639</td>
</tr>
</tbody>
</table>

1 Individually owned businesses and firms.
2 Includes businesses without receipts.
3 Includes business not allocable to individual industries.
4 Less loss.

70 business' success. Employees who work a leisurely forty hours for a boss are often pleased to work a frenzied sixty-hour week for themselves. After all, any profits made are theirs, and if losses are sustained, they are theirs as well. It is easier for a worker to be devoted to his own business than to that of his boss.

75 Ease of Dissolution. The same simplicity that is found in setting up a sole proprietorship also applies to its dissolution. The owner of a retail store has only to sell his assets and pay his creditors, and he is out of business. In contrast, a corporation, in addition to liquidating its business, must undergo certain legal expenses to meet governmental requirements.

80 Good Credit Standing. Because the sole proprietorship and the individual owning it are one and the same, the business' credit line is not limited to the assets owned by the enterprise. A lender considering the amount of credit to give to a sole proprietor would take into account the assets owned by the proprietor that are not involved in his business enterprise. This is not the case with a corporation, whose credit line would be limited to the assets it owns.

85 DISADVANTAGES OF SOLE PROPRIETORSHIPS

Although the advantages of a sole proprietorship are many, there are disadvantages as well. Many are so important that they rule out this form of business for many enterprises. Among the disadvantages of sole proprietorships are the following.

Unlimited Liability. Because there is no difference in the eyes of the law between a sole proprietor's business and nonbusiness assets, they are both available to settle the claims of any creditor. This is the other side of the coin of the advantage, mentioned above, of a sole proprietorship in getting a favorable credit line. It is a very serious defect and one that keeps many people from selecting this form of business. In other words, a wealthy man wishing to risk $10,000 in a business venture had better not put it into a sole proprietorship. A failure in that form of business could jeopardize his whole fortune. A sole proprietor cannot limit his liability to his investment. Every year in the United States, thousands of sole proprietorships go out of business. When the business assets are insufficient to pay creditor claims, personal assets are used for that purpose.

100 Difficulty in Raising Capital. The capital of a sole proprietorship consists of the investment of an individual's personal assets plus the amounts he can borrow from outside sources. In general this is severely limited and can never reach the millions of dollars required by a major business organization. Even when a business has been operating successfully for a long period of time, it is unusual for profits generated through operations to be sufficient for major expansion. Sole proprietorships that need large sums of money for major expansion generally raise such funds by changing their form of business and, in effect, selling part of their ownership.

105 The limitation in raising capital is often the characteristic of a sole
Proprietorship that turns many people away from this form of organization.

Difficulty of Managerial Control. The one-man rule of a sole proprietorship can be a serious defect. The sole proprietor, as boss, is forced to make decisions in every area of the business. He is at once the buyer, chief salesperson, credit manager, advertising director, and every other specialist that is required. This lack of specialization can be crippling, because it is unlikely that the proprietor can be expert in all fields. It is not unusual to find that some of the operating functions of sole proprietorships are neglected or poorly managed. This is particularly true because high-quality, specialized employees prefer not to take jobs in firms in which the opportunities for advancement are limited.

Limited Opportunity for Employees. One of the principal pressures that force sole proprietorships to change to other forms of ownership is the insistence of talented employees upon a share in the ownership of the business. A proprietor who insists upon retaining full ownership of his organization has trouble keeping his more talented employees. The limited opportunity for advancement of such people into a position of ownership forces them to look for better opportunities and frequently into setting up competing proprietorships of their own.

Limited Life. One serious defect in the sole proprietorship form of business ownership is its relatively short life span. The death, insanity, imprisonment, or bankruptcy of the owner legally causes the termination of his sole proprietorship. Even if termination was not a matter of law, the nature of this form of ownership limits its life. A proprietorship is so much a "one-man show" that it is incapable of operation without its star. The limitation of the life of the enterprise to the working life of its proprietor reduces its expansion possibilities; and it is rare to find a business that grows to giant size in one generation.

The preceding discussion indicates that the sole proprietorship form of business ownership is useful when
1. The capital needs are small
2. Management is uncomplicated and operable by one person
3. Direct relationship between the owner and customers are important

In other words, most small new businesses begin operation as sole proprietorships.

It should be emphasized that the form of business ownership is far from permanent. Many large corporations were originally organized as proprietorships. Then, with growth, capital needs and managerial responsibilities increased, the form of business ownership was changed to meet these new challenges.

Partnerships

The Uniform Partnership Act defines a partnership as "an association of two or more persons to carry on as co-owners of a business for a profit." The partnership came into being as an evolutionary outgrowth of the proprietorship by correcting some of the disadvantages of that ownership form. Partnerships are sometimes referred to as co-partnerships. There are several kinds of partnerships. The most common type is called a general partnership.

The formation of a partnership is relatively simple, but because it involves two or more people, it must be based upon an understanding between the partners. In other words, a contract is required. Although the contract can be oral, it is wiser to have a written or document drawn up by an attorney. A contract of this sort is called the Articles of Co-partnership. The content of the Articles of Co-partnership vary, but the following information should be included in all such agreements:

1. Firm name and location
2. Names and addresses of partners
3. Nature of the business
4. Length of time the contract will be in force
5. Each partner's investment
6. Each partner's salary or drawing
7. Method of distributing profits and losses
8. Procedure for withdrawing from partnership
9. Procedure for admitting new partners
10. Duties and responsibilities of each partner
11. Accounting procedures to be followed

Advantages of a Partnership

Simple to organize and dissolve

Although not as simple to organize as a sole proprietorship because Articles of Co-partnership are required, partnerships are simpler and less expensive to form than corporations. Similarly, the dissolution of a partnership poses no special legal problems.

Good credit standing

The credit standing of a partnership is supported by the personal assets of both partners rather than merely those of the sole proprietor.

Less government control

As is the case with sole proprietorships, partnerships are not controlled by the same federal and state laws as are corporations.
TABLE 2-3
PARTNERSHIPS—NUMBER, RECEIPTS, AND NET PROFIT,
BY INDUSTRY AND SIZE OF BUSINESS RECEIPTS: 1969
(Number in thousands, money figures in millions of dollars.)

<table>
<thead>
<tr>
<th>Item</th>
<th>Active Partnerships</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Under $100,000</td>
</tr>
<tr>
<td>All industrial divisions:</td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>738</td>
</tr>
<tr>
<td>Business receipts</td>
<td>16,469</td>
</tr>
<tr>
<td>Net profit*</td>
<td>2,080</td>
</tr>
<tr>
<td>Agr., forestry, fisheries:</td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>106</td>
</tr>
<tr>
<td>Business receipts</td>
<td>2,351</td>
</tr>
<tr>
<td>Mining:</td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>10</td>
</tr>
<tr>
<td>Business receipts</td>
<td>150</td>
</tr>
<tr>
<td>Construction:</td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>38</td>
</tr>
<tr>
<td>Business receipts</td>
<td>1,239</td>
</tr>
<tr>
<td>Manufacturing:</td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>21</td>
</tr>
<tr>
<td>Business receipts</td>
<td>645</td>
</tr>
<tr>
<td>Trans., comm., electric, gas, sanitary services:</td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>12</td>
</tr>
<tr>
<td>Business receipts</td>
<td>821</td>
</tr>
<tr>
<td>Wholesale and retail trade:</td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>129</td>
</tr>
<tr>
<td>Business receipts</td>
<td>4,824</td>
</tr>
<tr>
<td>Finance, ins., real estate:</td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>298</td>
</tr>
<tr>
<td>Business receipts</td>
<td>3,870</td>
</tr>
<tr>
<td>Services:</td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>152</td>
</tr>
<tr>
<td>Business receipts</td>
<td>3,061</td>
</tr>
</tbody>
</table>

* Includes businesses with receipts.
* Includes business not allocable to individual industries.
* Less loss.


Introduction to Contemporary Business

Partnerships have more than one owner. As a result, their resources for raising capital are considerably increased in comparison with proprietorships.

Specialized managerial skills

By increasing the number of active owners, the partnership is able to split up the managerial responsibilities. In a sole proprietorship, the owner assumes all responsibilities, which generally results in areas of weakness. Partners are able to split up managerial duties, with each partner assuming the responsibilities he is best suited for. Many partnerships are set up to take advantage of this. For example, a salesman and a production expert may form a partnership, with each man assuming the responsibility for which he is best suited and trained.

High personal incentive

Because the partnership business is carried on by working owners, this form of business ownership retains the high incentive of the sole proprietorship. The partners are working for themselves, and consequently are rewarded for extra effort.

Disadvantages of a Partnership

Although many of the advantages of a proprietorship are carried over into partnership, many of its disadvantages are as well.

Unlimited liability

Like the sole proprietorship, partnerships have the disadvantage of unlimited liability. This means that in the case of the bankruptcy of the business, both partner's personal assets must be used to settle partnership debts. A partner's personal liability in such cases is determined from the amount of his investment and the method of distributing losses that is spelled out in the partnership agreement. However, when one partner's investment plus his personal assets are insufficient to meet his share of the creditor's claims, these debts must be settled by the remaining partner(s).

Difficulty in raising money

As the number of owners of a business increases, the potential for raising huge sums of capital increases as well. As a method of raising capital, the partnership, with more owners, is an improvement over the sole proprietorship but still far behind the capital-raising capacity of the corporation.

Tax savings

There is no legal distinction between the partners and the partnership. Unlike corporations, partnerships are not legal entities. Partnerships, therefore, do not have special taxes levied on them.
Limited life

Like sole proprietorships, partnerships are dissolved upon the death, incapacity, or withdrawal of a partner. This makes them less permanent than proprietorships because there are more owners involved. Upon the death of a partner, the remaining partners can buy up the share of the deceased and form a new partnership to continue the business. Unfortunately, the finances required to buy out the partner are not always available. The impermanence of partnerships makes it difficult for outsiders to make long-term commitments to this form of ownership.

Disagreements among partners

A very important reason for partnership failure is disagreement among the partners. The partnership form of ownership permits the various partners to take over specialized areas of responsibility. This does not, however, mean that they will always be in agreement. Friction among partners is one of the most important reasons for partnership dissolution.

When to use a partnership

Many successful partnerships have grown to great size before incorporating. Montgomery Ward, Procter & Gamble, and the brokerage firm of Merrill Lynch Pierce Fenner & Smith are typical of this. However, the most common partnerships are found in the professions. Accountants, doctors, lawyers, and architects do well as partners. The possible liabilities for such firms is small and the partnership form permits considerable savings in office and other overhead expenses.

Other forms of partnership

The form of partnership previously discussed is that of a general partnership. There are other forms of partnership available to businessmen which have specific advantages or overcome specific disadvantages of the general partnership.

LIMITED PARTNERSHIP

The capital-raising ability of a partnership is seriously hampered by the unlimited liability of the partners. A limited partnership is one in which the liability of one or more of the partners is limited to the amount invested by him. A limited partnership must have at least one general partner whose liability is unlimited. If the limited partner takes any part in the firm's activities he loses his limited status and becomes a general partner with unlimited liability.

Limited partnerships take advantage of the tax savings available to partnerships while maintaining some of the capital-raising resources available to corporations. Lawrence Wien Associates of New York City have raised many millions of dollars for the purchase of real estate by organizing limited partnerships.

Some of the disadvantages of limited partnerships are that they are legally complicated and expensive to set up; further, any activity by a limited partner may result in the loss of his limited status (and his limited liability), and they are not permitted to do business in all states.

JOINT VENTURES

A joint venture is a partnership that has been set up for one specific undertaking. Upon completion of the undertaking, the joint venture is dissolved. Unlike a general partnership, the joint venture is not a continuing business. A typical joint venture might be the purchase of a tract of land by a group of businessmen for the purpose of subdivision and sale. Joint ventures are usually of short duration. However, this need not be the case. The prime characteristic is its limitation to one specific venture.

SYNDICATES

A syndicate is similar to a joint venture in that it has a singleness of purpose. Syndicates are almost always confined to financial transactions. A typical syndicate might be a group of investment banking houses working together to sell the new issue of securities of a giant corporation. Such syndicates are usually ongoing and will underwrite other securities as well.
2. C. Below are two types of businesses. Briefly explain which form of business ownership you would choose for each business, taking into consideration factors mentioned in the passage.

2.C.1. a restaurant

2.C.2. a housing development company

(5 points)