Sweet Opportunities Teacher's Guide

Directions: Review the student recommendations. Ask each group if they want to guess which company is their client. Debrief the activity with questions on page 3.

Client 1

Client 1: Elise MacMillan and her brother Evan co-founded The Chocolate Farm in Englewood, Colorado, in the late 1990s.

Sole Proprietorship
- Easy and inexpensive to organize given limited monetary resources.
- Owner has complete control over business operations and receives all profit; friends and family can be hired to help during busy times. They might also help with tasks they do better than the owner.
- Taxes are not a major consideration given the age of the owner and size of the business.
- Debt liability is not a major concern because there will be no debt.

Partnership
- Easy to organize.
- Shared ownership would provide an incentive to others to help grow the business. Friends and the brother are potential partners.
- Taxes are not a major consideration given the age of the owner and size of the business. Debt liability is not a major concern because there will be no debt.

Client 2

Client 2: Milton Hershey broke ground for his chocolate factory near Lancaster, PA in 1903. It was the beginning of what would become the Hershey Foods Corporation.

Sole Proprietorship
- Easy and least expensive to organize.
- Owner has complete control over business operations and receives all profit. The owner can choose to focus on creative activities and hire others to do the rest.
- Business will not be subject to corporate taxes.
- Liability for debt is not a major concern since the businessperson has the money to purchase what is needed to start the business at the present time.

Partnership
- Easier and less expensive way to share ownership than a corporation.
- A partner who is good at handling day-to-day operations would give the person with the idea the time to focus on other ideas. Some of these ideas could make the business more successful.
- Shared ownership may make it easier to find the right people to help run the business and

provide an incentive for them to help make the business successful.
- The business will not be subject to corporate taxes.
- Liability for debt is not a major concern since the businessperson has the money to purchase what is needed to start the business at the present time.

Corporation
- Shared ownership and profits are incentives to others to help make the business successful.
- Funds for expansion can be raised through the sale of equity (stocks) as well as debt (bank loans, corporate bonds).
- The corporation may deduct the cost of benefits it provides to officers and employees.
- If the founder dies, a structure exists to insure the business continues to operate without disruption.
- Liability for the debt that may later be needed to expand the company is limited to what the shareholders have invested in the business.

Client 3

Client 3: Forest Mars invited Bruce Murrie, an investment banker and son of the Hershey company president, to be his partner in M&M Ltd. The M&Ms we still eat today were first sold to the public in 1941. The letters in "M&M" stand for Mars & Murrie. Eventually, Murrie left the business but Forest Mars became the owner of Mars, Inc.

Partnership
- A partnership is an easier and less expensive way to share ownership than a corporation.
- Shared ownership would provide the remaining capital needed to get started and to expand the business.
- Offering a partnership can help insure the business gets the chocolate needed to operate.
- A partnership with shared profits offers an incentive for others to help make the business successful.
- With the right partner(s), the entrepreneur can focus on the parts of operating a business he or she enjoys and is best at – letting the partner(s) do the rest. The company may be more successful.
- Since the entrepreneur likes to make decisions on his or her own, it may be easier to deal with just one or two partners versus a corporate board of directors.
- The business will not be subject to corporate taxes.

Corporation
- Shared ownership provides the remaining capital needed to get started and to expand the company.
- Funds for expansion can be raised through the sale of equity (stocks) as well as debt (bank loans, corporate bonds).
- Offering a share of ownership can help insure the business gets the chocolate needed to operate.
- Shared ownership and profits are incentives to others to help make the business successful.

- By keeping the majority of the shares, the person with the idea can control business decisions.
- Liability for the debt needed to expand the company is limited to what the shareholders have invested in the business.
- The corporation may deduct the cost of benefits it provides to officers and employees.
- If a shareholder dies, the business can continue without disruption.
- Shareholders have the option to sell their stock if they wish to leave the venture.

Client 4

Client 4: Wally Amos launched the Famous Amos Cookie Company in a Hollywood, CA storefront on Sunset Boulevard in 1975.

Partnership
- A partnership is an easier and less expensive way to share ownership than a corporation.
- Shared ownership would provide the capital needed to get started and to expand the business.
- A person is needed who has skills starting and managing a business. Offering a partnership may be needed to attract a person with these skills.
- A partnership with shared profits offers an incentive for others to help make the business successful.
- The business will not be subject to corporate taxes.

Corporation
- Shared ownership would provide the capital needed to get started and to expand the company.
- Funds can be raised to expand the business through the sale of equity (stocks) as well as debt (bank loans, corporate bonds).
- Shared ownership and profits are incentives to others to help make the business successful.
- Liability for the debt needed to expand the company is limited to what the shareholders have invested in the business.
- The corporation may deduct the cost of benefits it provides to officers and employees.
- If a shareholder dies, the business can continue without disruption.
- Shareholders have the option to sell their stock if they wish to leave the venture.

Three Types of Business Organizations

Directions: Debrief this activity using the following questions.

- What accounts for the differences in your recommendations?
  The weight advisors and clients give to various decision factors varies; also, with most problems there is more than one solution.

- What are the negatives you identified and what are your solutions for dealing with them?
  Answers will vary.

- Why do you think most new businesses are sole proprietorships and partnerships?
  These forms of ownership are easier and less expensive to start.

- What do you see as the biggest disadvantages of sole proprietorships and partnerships in the long term?
  Disruptions caused by the death/disability of an owner; potential for disagreements over operations; difficulty transferring ownership; acquisition of resources for expansion are limited to owner assets, income and debt.

- Why might a business operating as a sole proprietorship or partnership decide to incorporate?
  Potential answers include: when a company wants to ensure there is no disruption to business if an owner dies; to reduce liability; to offer shares to raise money for expansion or motivational incentive for employees.

- What is the difference between a publicly-held company and a privately-held company?
  Publicly-held corporations are traded over a stock exchange; a privately-held company is not.

- What are the advantages of a privately-held company?
  Less government paperwork such as filings with the Securities and Exchange Commission; the ability to keep business plans and financial status information from competitors.