

What is a Company?

Suggested Grade & Mastery Level

High School - all levels

Suggested Time

50 minutes

Teacher Background

A company is a business or association usually formed to manufacture or supply products or services for profit. A company can be a partnership, a limited liability partnership (LLP), a corporation or owned by a single individual.

All companies are set up in accordance with government regulations. In a partnership the partners share the profits or losses of the business in which they have all invested; they are personally liable for the company's debt. A limited liability partnership (LLP) transfers much of the firm's personal liability from the partners to the partnership, for example, accounting and law firms are generally set up as limited liability partnerships.

A public corporation is a company with publicly traded shares that anyone can buy in a stock market. A public corporation is also legally separated from the stockholders who own it and the managers who run it. A corporation offers these advantages:

- Stockholders' are not responsible for the company's debt;
- A corporation continues to exist even if its stockholders or managers change;
- Stockholders can easily sell their ownership shares through the stock market.

A private corporation may be owned by an individual or privately sell stock to fund the business. The partners in the company are called shareholders. They receive shares for their contributions to the business. Shareholders have ownership and some decision making power in the company. The company does not sell shares to the public; you cannot buy shares of a private company on the stock market.

Vocabulary

Company: A business or association usually formed to manufacture or supply products or services for profit.

Corporation: A company legally separate from stockholders who own it and the managers who run it.

Entrepreneur: A person who organizes, operates, and assumes the risk for a business venture.

Partnership: A company owned and managed by two or more people who share its profits or losses. A partnership is not separate from its owners, who are liable for the company's debts.

Private corporation: A corporation that doesn't sell shares to the public. You Can't buy shares of a private company in the stock market.

Public corporation: The stock of a public company is owned and traded by individual and institutional investors. In contrast, the stock is held by company founders, employees, and sometimes venture capitalists.

Sole-proprietorship: A company owned and run by one individual who receives its profits or bears its losses. A proprietorship is not separate from its owner, who is liable for the company debts.

Performance Objectives

Students will be able to:

- Identify and describe the terms: company, partnership, and corporation.
- Explain the characteristics, advantages and disadvantages of various types of companies.
- Explain how companies are formed.
- Describe the benefits of forming a business to manufacture and sell a product.

Subject Areas

Economics, Technology, Mathematics, English Language Arts, Business, Social Studies

Materials

- **Activity Sheet 1: P&G - Production & Growth**
- **Activity Sheet 2: Researching a Company**

Springboard Activity

ASK

- What do Martha Stewart, Bill Gates and Donald Trump all have in common?

Elicit answers from students and explain they are all individuals who started famous companies:

- Martha Stewart started Martha Stewart Living Omni Media (NYSE:MSO)
- Donald Trump started Trump Organization
- Bill Gates started Microsoft Corporation (NASDAQ:MSFT).

Each is a company that makes products or provides services to customers. Explain that companies are organized in different ways. Some, like The Trump Organization, are owned by one person; others like Microsoft and Martha Stewart Living Omni Media were founded by one owner but became public corporations.

ASK

- Why do you think a company would change its ownership?
- Why would a private company want to become a public corporation?

Procedure

Distribute **Activity Sheet 1: P&G - Production & Growth** and have students read the history of Proctor and Gamble to determine why different companies are organized differently.

Novice Level:

Have students write their definition of “company” and share it. Then have students read **Activity Sheet 1: P&G - Production & Growth** and answer the “Before Reading Further Questions” 1 and 2.

After students complete the “Before Reading Further Questions,” ask the students to complete the additional questions 3 through 10 with their SMG team.

Review the answers, and as a class refine the students' original definition of a company.

Apprentice Level:

Have students write their definition of “company” and share it with a neighboring student. Then have students read **Activity Sheet 1: P&G - Production & Growth** and complete the “Before Reading Further Questions,” numbers 1 and 2 as a class.

After the “Before Reading Further Questions,” are completed, have the students to complete the additional questions 3 through 10 with SMG teams.

Review answers to the **Activity Sheet 1: P&G - Production & Growth** and have the students refine their definitions of “company.”

Have each SMG team prepare a timeline of Proctor and Gamble - from founding through major changes.

Master and Grand Master Levels:

Have students read **Activity Sheet 1: P&G - Production & Growth**.

Organize students into SMG teams and have each team research and evaluate two companies producing products that they are familiar with. One company should be a public company and the other a privately held company. Use **Activity Sheet 2: Researching a Company**, to organize data.

Have them identify the type of company, the history of the company/product, and the benefits the company has gained from forming this type of business organization.

Assessment

Novice and Apprentice Levels:

Have students explain, orally or in writing, the advantages of changing a partnership or private company into a public corporation.

Master and Grand Master Levels:

Donald Trump owns The Trump Organization, his real estate company. This company is privately held. But Trump Entertainment, which owns his Atlantic City casinos, is a publicly owned corporation.

Have students apply their knowledge of public and private corporations to explain why they believe Trump would have these two different corporate structures.

Application

Novice and Apprentice Levels:

ASK

- How does the company structure impact the stocks you pick in SMG?
- Would you invest in Trump Organization if it “went public”? Why? Why not?

[Master](#) and [Grand Master](#) Levels:

Have students select three famous people who have started companies using <http://www.hoovers.com>.

Have students write summaries of the products or services of these companies including their corporate structures and advise their SMG teammates on whether the team should invest in these companies.

Enrichment Activities

Have students research additional companies.

Assign students to read about the Scotch Tape invention from 3M
<http://inventors.about.com/library/inventors/blscotchtape.htm>
or find another company they would like to know more about on the Internet.

Or print out several inventions from <http://inventors.about.com/library/inventors/html> and have students present these companies to the class in a PowerPoint presentation.