

ACTIVITY: What Type of Business Should This Be?

***Directions: Four clients have described the business they are interested in starting. For each client:***

1. ***Make a recommendation as to what form of business organization you think is best for each client***
2. ***State the reasons for your position***
3. ***There will also be some disadvantages to the business form you choose. Identify at least one negative and suggest how you might minimize it.***

***Assignment is worth 40 points.***

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**Client 1:**

When I was three years old, I started making candy with my grandmother. I am now 10 and I want to sell chocolate candy with a farm theme to my friends and family. My product ideas include Brown Cows (chocolate cows on a stick), Pigs in Mud (marshmallow dipped in caramel, nuts, and chocolate) and Farm Eggs (jellybeans dipped in chocolate). The start-up expenses for my business are pretty small: a few candy molds, candy, and chocolate. My parents have agreed to loan me the money I will need and to let me work in the family kitchen. Schoolwork has to take priority over business so if I have more sales than I can handle, I will probably ask my friends or my older brother to help. My brother is also pretty good at math and computers so he could help me with keeping track of expenses and advertising. I really like the product development and packaging part of the business.

**Client 2:**

After apprenticing for another candy maker, I started my first candy business at age 18. Unfortunately, my first attempt at starting a business (as well as my second) was a failure. After a rocky start, my third try was more successful – I have just received a fortune from the sale of my caramel business. During my world travels, I discovered and decided to buy new equipment that makes chocolate. Today, only the wealthy can afford chocolate. With this new technology, I think I can make a chocolate that everyone can afford. In my mid-thirties, I know very little about making chocolate, but I am willing to take the time to learn. I want my life to center on inventing new candies, building this new business, and laying out a new community that will be a wonderful place for the people I hire to live. I prefer to leave day-to-day operations of the company—handling production, sales, marketing and distribution—to someone else.

**Client 3:**

I have substantial experience working in the candy industry. I helped my father introduce a very popular chocolate bar in the U.S. and have worked in the factories of two of the best chocolate makers in the world. Today, I am a thirty-plus year-old businessperson operating a company I started selling candy and pet foods across Europe. While traveling in Spain recently, I saw a candy-coated chocolate that I think will sell well in the U.S. I would like to create a new American business producing this candy. I have at least 80 percent of the money for getting started but I am concerned about getting the chocolate used in production. There is a war going on and it may be difficult to get this important ingredient without taking on a partner who has connections to a chocolate maker. I like the challenge of building businesses and finding ways to make them operate more efficiently. I also prefer making decisions on my own.

**Client 4:**

I am in my late thirties. I have worked myself up from handling mail to an agent for a well-known entertainment agency. I now represent several famous musicians. People say I am an enthusiastic and tireless promoter. To help my clients get jobs, I use bite-sized chocolate chip cookies as a calling card. My aunt taught me how to bake cookies when I lived with her as a teenager. Before I dropped out of high school and joined the air force, I was getting vocational training in the food trade, but I have never run my own business. Some of my friends in the entertainment industry have encouraged me to open a store that would sell my cookies. They have offered to help finance my venture in exchange for partial ownership. My cookies would look and taste very different from the cookies sold in the grocery stores today.