

Proprietorship, Partnership, and Corporation

Here are some of the major attributes of proprietorships, partnerships, and corporations:

Attribute Present	Proprietorship	Partnership	Corporation
One owner allowed	yes	no	yes
Business taxed	no	no	yes
Limited liability	no*	no*	yes
Business entity	yes	yes	yes
Legal entity	no	no	yes
Unlimited life	no	no	yes

* Proprietorships and partnerships that are set up as LLCs provide limited liability.

Sarbanes–Oxley (SOX)

Congress passed the Sarbanes–Oxley Act to help curb financial abuses at companies that issue their stock to the public. SOX requires that these public companies apply both accounting oversight and stringent internal controls.

The desired results include more transparency, accountability, and truthfulness in reporting transactions.

Company	Alleged Accounting Abuses
Enron	Inflated income, hid debt, and bribed officials
WorldCom	Understated expenses to inflate income and hid debt
Fannie Mae	Inflated income
Adelphia Communications	Understated expenses to inflate income and hid debt
AOL Time Warner.....	Inflated revenues and income
Xerox.....	Inflated income
Bristol-Myers Squibb.....	Inflated revenues and income
Nortel Networks	Understated expenses to inflate income
Global Crossing.....	Inflated revenues and income
Tyco	Hid debt, and CEO evaded taxes
Halliburton	Inflated revenues and income
Qwest Communications.....	Inflated revenues and income



Dodd-Frank Wall Street Reform and Consumer Protection Act

This act was designed to:

1. promote accountability and transparency in the financial system,
2. put an end to the notion of “too big to fail,”
3. protect the taxpayer by ending bailouts, and
4. protect consumers from abusive financial services.



01-C5: Business Activities and the Accounting Equation

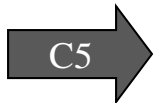
Appendix 1B

Business Activities and the Accounting Equation

Three major types of business activities:

Financing activities provide the means organizations use to pay for resources such as land, buildings, and equipment to carry out plans.

- *Owner financing*—resources contributed by the owner along with any income the owner leaves in the organization.
- *Nonowner financing*—resources contributed by creditors (lenders).
- *Financial management* —the task of planning how to obtain these resources and to set the right mix between owner and creditor financing.



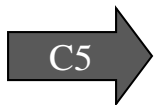
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Three major types of business activities:

Investing activities are the acquiring and disposing of resources (assets) that an organization uses to acquire and sell its products or services.

- *Asset management*—determining the amount and type of assets for operations.
- *Assets*—invested amounts.
- *Liabilities*—creditors' claims.
- *Equity*—owner's claim.



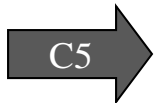
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Business Activities and the Accounting Equation

Three major types of business activities:

Operating activities involve using resources to research, develop, purchase, produce, distribute, and market products and services.

- *Strategic management* —the process of determining the right mix of operating activities for the type of organization, its plans, and its market.



Appendix 1B

Business Activities and the Accounting Equation

