

[5.3] Corporations



[5.3] Corporations

Learning Objectives

- limited liability corporations
- horizontal merger,
- vertical merger,
- conglomerate.
- multinational corporations

- **Key Terms**

corporation

- stock,
- closely held corporations.
- publicly held corporation,
- bond
- certificate of incorporation,
- dividends.
- limited liability corporations
- horizontal merger,
- vertical merger,
- conglomerate.
- multinational corporations

The Characteristics of Corporations

Every day you use goods and services provided by a variety of businesses, both large and small. Did the bread you ate today come from a local bakery or a huge multinational food producer? Some goods can be provided by either. But what about the car or bus you took to school? Some products can be produced only by big businesses.



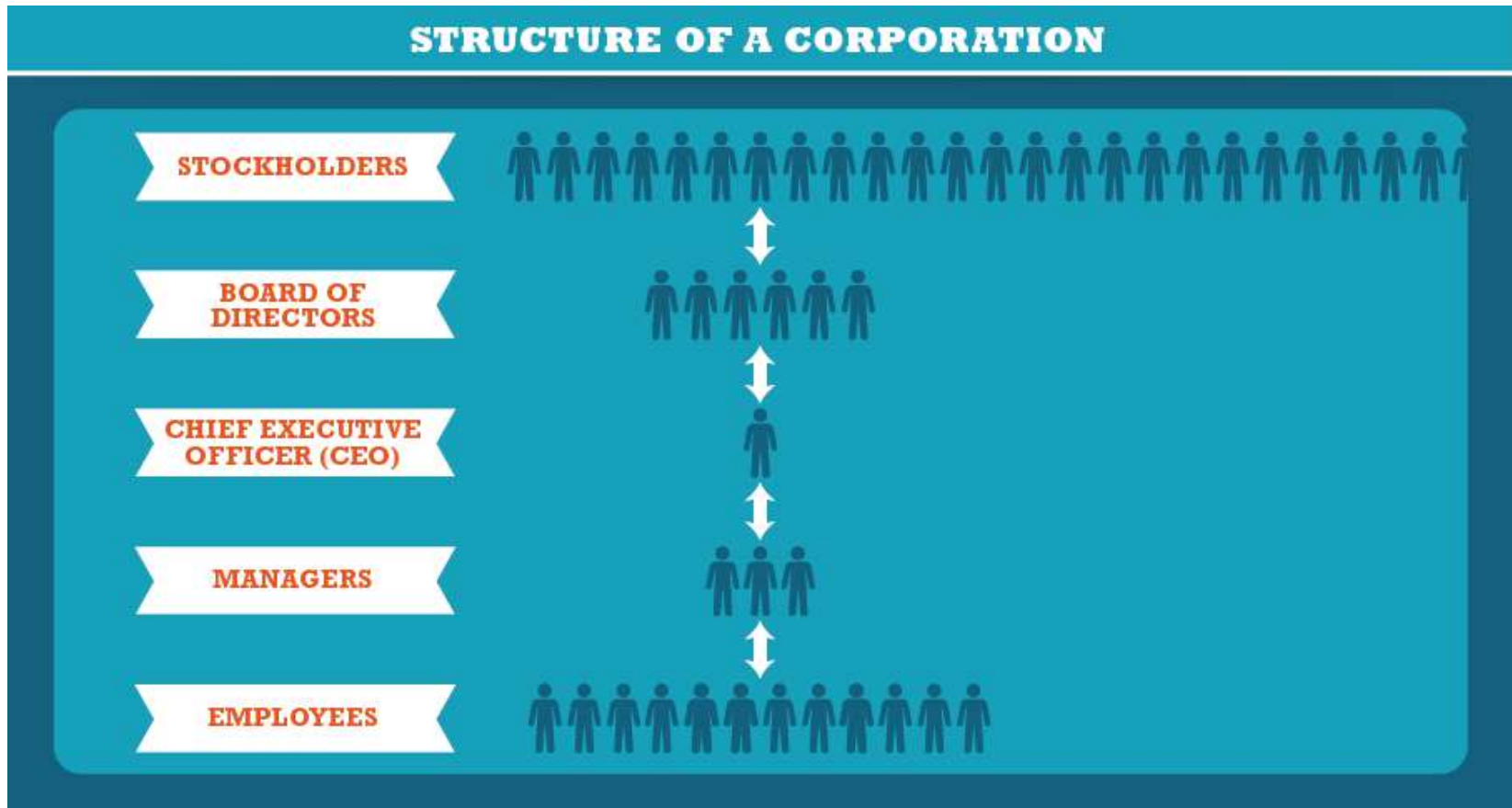
The Characteristics of Corporations

- Types of Corporations
- Corporate Structure



A large corporation has the capital to build factories and hire many workers. As a result, it can produce and sell goods on a large scale.

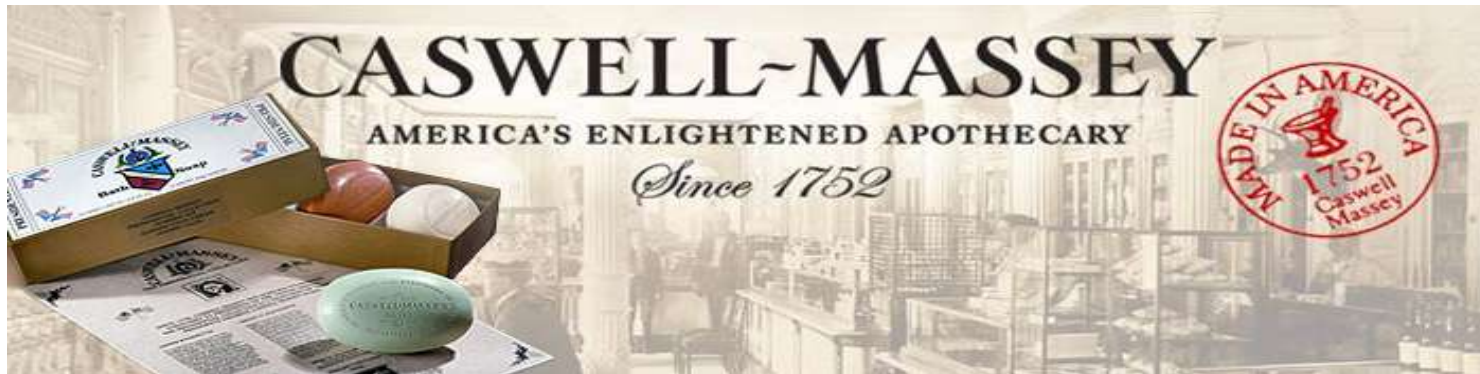
The Characteristics of Corporations



Categorize In a corporation, who chooses the board of directors, and who chooses the chief executive officer?

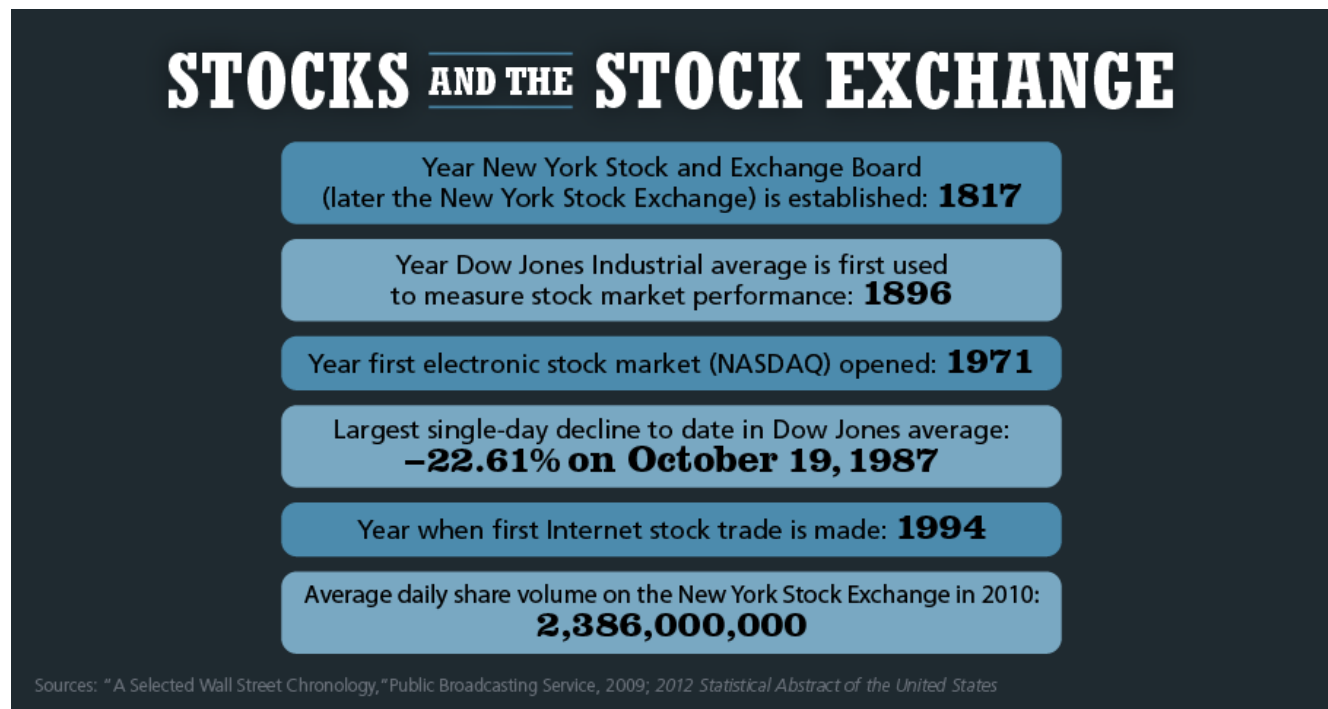
Advantages of Incorporation

Incorporation, or forming a corporation, offers advantages to both stockholders and the corporation itself. These advantages include limited liability for owners, transferable ownership, ability to attract capital, and long life.



- **Advantages of Incorporation**

- Advantages for Stockholders
- Advantages for Corporations



Infer Before the introduction of modern technology, stocks were traded in person. What effect do you think Internet trading has had on the stock market?

Disadvantages of Incorporation

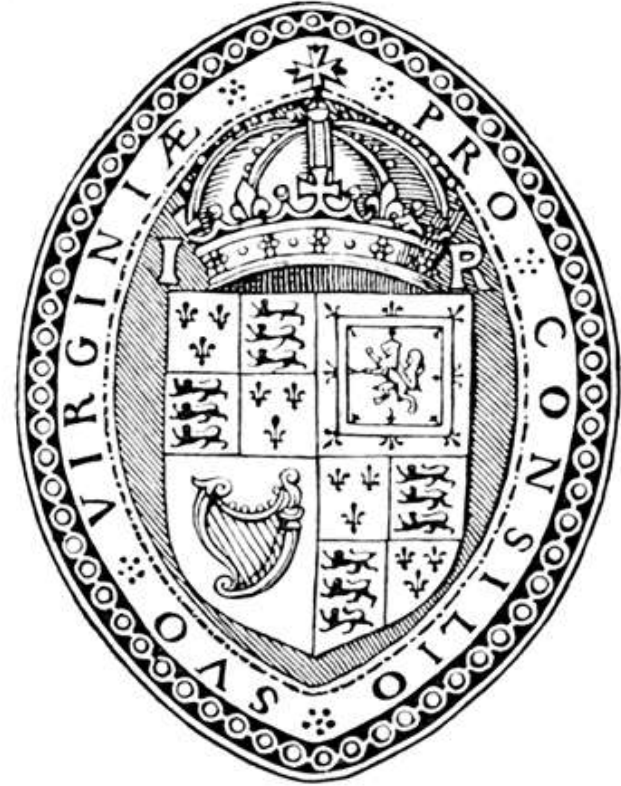
Corporations do have some disadvantages, including expense and difficulty of start-up, double taxation, potential loss of control by the founders, and more legal requirements and regulations.

- Difficulty and Expense of Start-Up
- Double Taxation
- Loss of Control
- More Regulation

Disadvantages of Incorporation

- *Difficulty and Expense of Start-Up*
- *Double Taxation*
- *Loss of Control*
- *More Regulation*

Disadvantages of Incorporation



Corporations are not recent inventions. This image shows the seal of the English Virginia Company, a joint-stock company that established the first English settlement in Jamestown, Virginia.

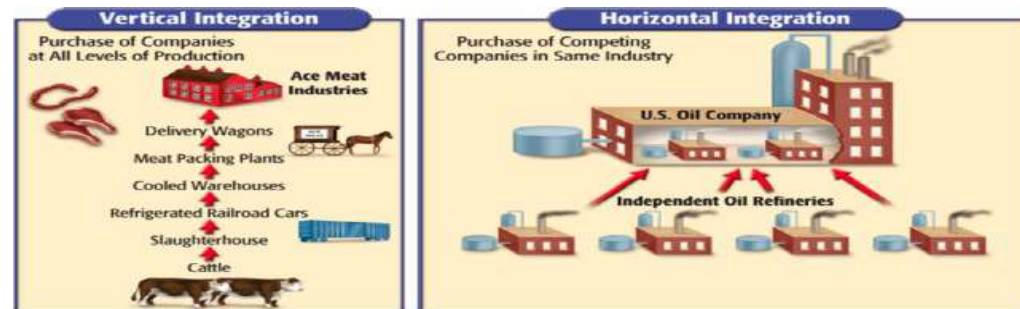
Corporate Mergers

- Corporations can grow very large. One way to grow is to raise money by selling stocks or bonds. Corporations may also grow by merging, or combining, with another corporation. The three kinds of mergers are horizontal mergers, vertical mergers, and conglomerates.

- Horizontal Mergers-

- Vertical Mergers-

- Conglomerates-

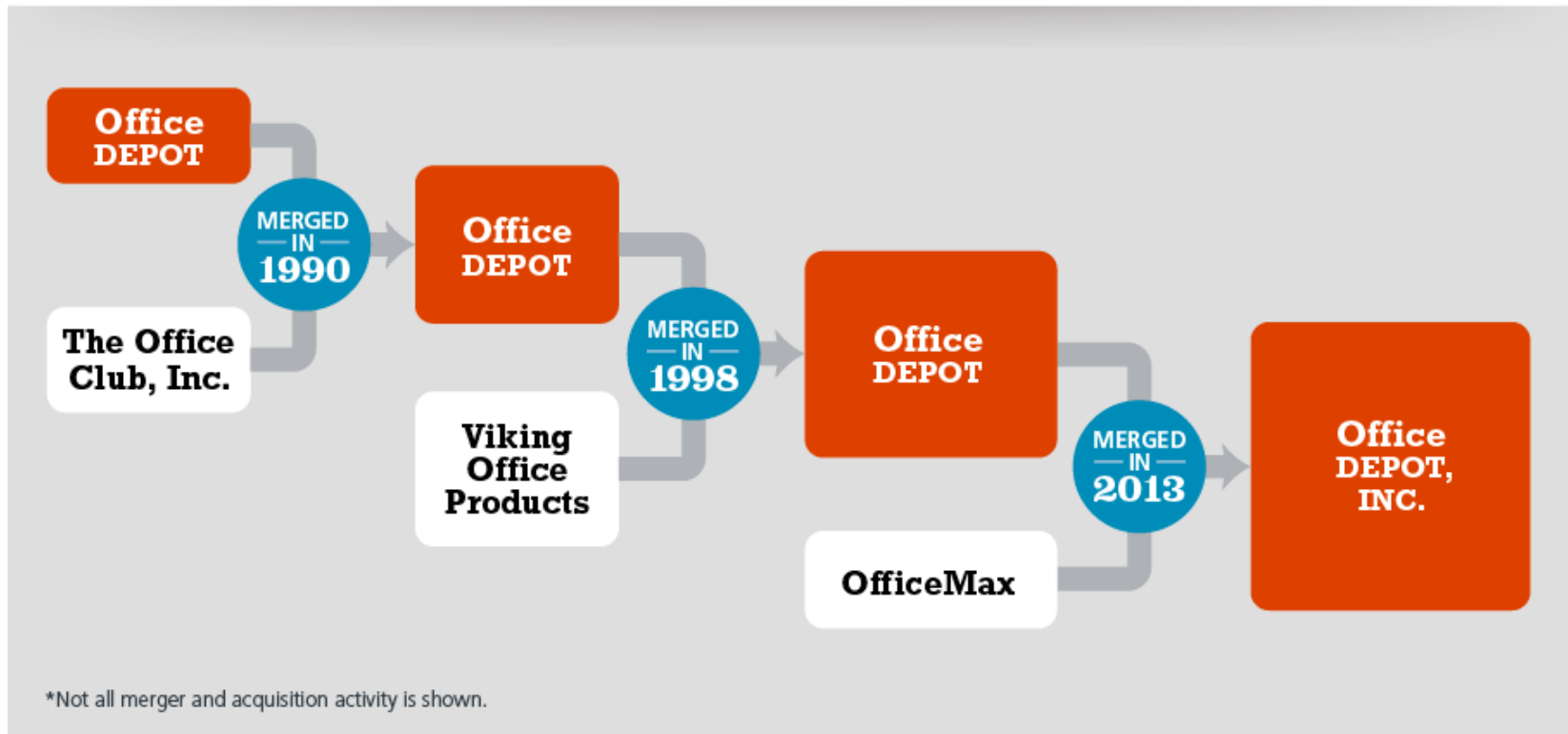


What is a conglomerate?

A **conglomerate** is a combination of companies that are made up of different divisions, each with distinct identities operating in different sectors of the market – and possibly different industries altogether. They are often formed through mergers or acquisitions.

Corporate Mergers

A TYPICAL CORPORATE MERGER



Draw Conclusions How do you think that Office Depot's three horizontal mergers over 23 years may have benefited the company?

Multinational Corporations

The world's largest corporations produce and sell their goods and services in more than one country. They are called multinational corporations (MNCs). MNCs usually have headquarters in one country and branches in other countries. Multinationals must obey laws and pay taxes in each country in which they operate.

Multinational Corporations



Disney is a multinational corporation with stores and theme parks all over the world. This photo shows the entrance to Disneyland in Paris, France.