

29. **LO.2, 3, 4, 5, 6** Using the legend provided, indicate which form of business entity each of the following characteristics describes. Some of the characteristics may apply to more than one form of business entity.

Legend

- SP = Applies to sole proprietorship
P = Applies to partnership
S = Applies to S corporation
C = Applies to C corporation
N = Applies to none
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- a. Has limited liability.
 - b. Greatest ability to raise capital.
 - c. Subject to double taxation.
 - d. Not subject to double taxation.
 - e. Could be subject to accumulated earnings tax.
 - f. Limit on types and number of shareholders.
 - g. Has unlimited liability.
 - h. Sale of the business can be subject to double taxation.
 - i. Profits and losses affect the basis for an ownership interest.
 - j. Entity liabilities affect the basis for an ownership interest.
 - k. Distributions of earnings are taxed as dividend income to the owners.
 - l. Total invested capital cannot exceed \$1 million.
 - m. AAA is an account that relates to this entity.
 - n. Is directly subject to the NIIT if has high income and NII.
30. **LO.5** Using the legend provided, indicate which form of business entity each of the following characteristics describes. Some of the characteristics may apply to more than one form of business entity.

Legend

- P = Applies to partnership
S = Applies to S corporation
C = Applies to C corporation
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The basis for an ownership interest is:

- a. Increased by an investment by the owner.
- b. Decreased by a distribution to the owner.
- c. Increased by entity profits.
- d. Decreased by entity losses.
- e. Increased as the entity's liabilities increase.
- f. Decreased as the entity's liabilities decrease.