

Checkpoint 19.1

1. List eight different ways an entrepreneur can exit a business.

Answer: 1. Pass the business on to children. 2. Sell shares to partners. 3. Develop a harvest strategy. 4. Take the company public. 5. Merge with or be acquired by another company. 6. End a brand that you created. 7. Lose some locations. 8. Liquidate the business.

2. How does an outright sale differ from a gradual sale?

Answer: In an outright sale, ownership is transferred immediately. In a gradual sale, ownership is transferred over an agreed on period of time, usually after the previous owner has been paid in full.

3. Name three benefits of using an employee stock option plan as an exit strategy.

Answer: 1. An owner can exit the business without dissolving the corporation. 2. It can motivate and reward employees. 3. Take advantage of incentives to borrow money using pretax dollars.

4. What is the difference between a merger and an acquisition?

Answer: A merger is combining two companies into one new company. An acquisition is the outright purchase of one business by another business.

5. Under what circumstances might an entrepreneur choose to liquidate his or her business?

Answer: He or she wants to retire, sales are down and the business can no longer pay its expenses, or the owner wishes to pursue another opportunity.

Checkpoint 19.2

1. List seven actions an entrepreneur should take when closing a business.

Answer: 1. Obtain advice from experts. 2. File, change, or cancel appropriate business documents. 3. Follow labor and employment laws. 4. Pay your taxes. 5. Pay your creditors. 6. Collect debts owed to you. 7. Close company accounts.

2. Which professionals can help you with an exit strategy?

Answer: Lawyers, accountants, business brokers, auctioneers, bankers, and the IRS.

3. What is a debtor?

Answer: Debtors are individuals or businesses that owe a person or business money.

4. How long do experts suggest company documents should be kept?

Answer: Three to seven years, depending on the type of document.

5. What are dissolution documents?

Answer: Dissolution documents are documents filed in a court notifying everyone that you plan to end your business.