



## ESL Podcast 712 – Types of Business Entities

### GLOSSARY

**tax accountant** – a person who helps many clients record their financial transactions and fill out forms for paying taxes

\* Tax accountants have to work a lot of hours in March and April right before taxes are due, but they have more free time during the rest of the year.

**business entity** – a single business and especially the way it is structured

\* How many new business entities are created each year on average?

**mom-and-pop** – owned by a married couple; referring to a family-owned business

\* Kianka creates graphic designs for mom-and-pop businesses that aren't big enough to hire full-time graphic designers.

**tax implication** – the way that a particular action or decision results in one paying higher or lower taxes

\* Because of the tax implications, it's better to get married in December than in January.

**liability issue** – related to concerns about being sued, having risk, or being blamed for something and having to pay money as a result

\* Any business that works with young children has a lot of liability issues.

**to sue** – to take someone to court and legally demand money from him or her because one believes one has been hurt by something that he or she has done

\* You can be sued if your dog bites someone.

**safeguard** – a precaution; something that one does to protect oneself from something that might happen

\* Should we buy travel insurance as a safeguard in case our flight is canceled?

**lawsuit** – a legal case; the process through which one person legally demands money from another person after being hurt by something he or she has done, where a judge decides whether and how much money should be paid

\* Dorian filed a lawsuit against his employer for not having provided appropriate safety equipment at the factory where he worked.

**to bankrupt** – to make a person or business very poor by taking away all the money

\* Feeding four teenage boys is going to bankrupt us!



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**corporation** – a large company that legally is separate from its owners

\* Twenty years ago, Jodi never imagined that her small business would become such a large corporation.

**LLC** – limited liability company; a type of business entity that has some characteristics of a corporation and some characteristics of a partnership

\* We decided to form an LLC so that if the company were ever sued, at least we wouldn't lose our home and personal savings accounts.

**sole proprietor** – a person who is the only owner of a business and receives all the profits, but is also responsible for all the debts and liabilities

\* Do you work as a sole proprietor, or are you on the company's payroll?

**to go into business with (someone)** – to open a business with another person; to start a business by sharing the costs (and future profits) with another person

\* They met in college and always talked about how much fun it would be to go into business together.

**partner** – a person with whom one works closely, especially a person who shares ownership of a business or project

\* Your proposal sounds interesting, but I can't agree to it before speaking with my partner.

**transferring of interests** – the process of giving away or selling one's partial ownership of something to another person

\* They were best friends while they owned the business together, but when Marlah decided she wanted to do something else, they started fighting over the transferring of interests.

**duration** – how long something lasts; the period of time when something exists or is active or applicable

\* They've agreed to provide free technical support for the duration of the contract.

**lawyer** – attorney; a person who has studied the law and received a license and whose job is to advise other people about the law, write contracts, and more

\* When Gregory was arrested, the first thing he did was hire a lawyer.



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### COMPREHENSION QUESTIONS

1. According to Ron, what's the main reason to choose the right business entity?
    - a) The business owner can pay lower taxes.
    - b) The business owner can avoid going bankrupt.
    - c) The business owner can expand more easily.
  2. Which of these business entities is *not* an option for Marcela?
    - a) A corporation.
    - b) An LLC.
    - c) A sole proprietorship.
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### WHAT ELSE DOES IT MEAN?

#### to sue

The verb “to sue,” in this podcast, means to take someone to court and legally demand money from him or her because one believes one has been hurt by something that he or she has done: “Harvey is going to sue his former employer for firing him unfairly.” The phrase “to sue for damages” emphasizes that one is taking someone to court in order to receive money: “I know you’re upset that your home was destroyed, but you can’t sue the city for damages just because it wasn’t able to warn you a hurricane was coming.” Finally, the phrase “to sue for libel” means to take someone to court and demand money because that person wrote things that were untrue about oneself: “How can those tabloid newspapers print those kinds of stories? You’d think the celebrities would sue them for libel.”

#### interests

In this podcast, the phrase “the transferring of interests” means the process of giving away or selling one’s partial ownership of something to another person: “When Renee and Akish filed for divorce, the lawyers spent a lot of time discussing the transferring of interests in their family-owned business.” The phrase “to take an interest in (something)” means to be interested in something: “I didn’t know you took an interest in karate.” The phrase “to lose interest in (something)” means to no longer be interested in something: “She used to watch the show, but over time she lost interest in it.” Finally, the phrase “to pique (one’s) interest” means to do or say something to attract someone’s attention and make him or her interested in something: “This advertising campaign is designed to pique young men’s interest in cologne.”



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### CULTURE NOTE

#### Common Business Entity Abbreviations

Business names contain many common “abbreviations” (shortened versions of a word). Sometimes they are “omitted” (left out), but other times they are said “aloud” (in a speaking voice) as part of the name.

For example, we often see the words “Nike, Inc.” where the “Inc.” “stands for” (is an abbreviation for) “incorporated,” but we rarely say that part. Instead, we just refer to the company as “Nike.” However, you could pronounce the abbreviation as “ink” and people would understand what was meant.

The abbreviation “Corp.” (for “corporation”) sometimes follows business names, and it might be pronounced as “corp” if it isn’t just omitted. However, for business names that end in “Co.” (for “company”), “Co.” is “rarely” (not very often) pronounced, either as “co” or “company.”

However, if a company name ends in “Co., Ltd.,” both words would be pronounced “in full” (without an abbreviation; without shortening). For example, when talking about “Pepsi Co., Ltd.,” most people would probably just say “Pepsi,” but if they wanted to be more formal, they could say “Pepsi Company, Limited.” But you would almost never see that “written out” (put in writing as full words, without abbreviations).

When referring to a limited liability corporation, sometimes you can see the abbreviation “LLC” after the company’s name. “Occasionally” (sometimes) you might hear someone say the letters, “L-L-C” after the name of the company, but you would almost never hear someone say “limited liability company.” The most likely “scenario” (situation) would be to hear only the name of the company, without “LLC.”

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Comprehension Questions Correct Answers: 1 – b; 2 – c



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### COMPLETE TRANSCRIPT

Welcome to English as a Second Language Podcast number 712: Types of Business Entities.

This is English as a Second Language Podcast episode 712. I'm your host, Dr. Jeff McQuillan, coming to you from the Center for Educational Development in beautiful Los Angeles, California.

Our website is eslpod.com. Support this podcast by becoming an ESL Podcast member. When you do, you'll get our Learning Guide for each episode that will help you improve your English even faster.

This episode is a dialogue between Ron and Marcela. It is about the kinds of business organizations – the legal ways of organizing your business in the United States, what we call “business entities.” Let's get started.

[start of dialogue]

Ron: I'm only your tax accountant, but let me give you a piece of advice. If you're planning to start a business, you'll want to carefully consider what type of business entity you want to do business under.

Marcela: Is that important? My parents ran a mom-and-pop store for 40 years and they never had to think about stuff like that.

Ron: I don't know about your parents' business, but opening a store these days means having to think about the tax implications and liability issues.

Marcela: Liability issues?

Ron: Yes. What if somebody sues you? Without proper safeguards, a lawsuit could bankrupt you and your business.

Marcela: I'd never thought of that.

Ron: You'll probably want to consider forming a corporation or an LLC. You'll be a sole proprietor, right? You're not going into business with someone else, are you?

Marcela: I'll have two partners actually.



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Ron: In that case, you'll also want to think about things like the transferring of interests and the duration of the entity.

Marcela: Wow, starting a business is a lot more complicated than I thought.

Ron: My advice? Get a lawyer, and the sooner the better!

[end of dialogue]

Ron begins by saying to Marcela, "I'm only your tax accountant, but let me give you a piece of advice." An "accountant" is someone takes care of your financial records, who makes sure that you are keeping track of what you spend and what you make. Usually accountants prepare tax returns – tax forms for the government for your business. He, Ron, is a "tax accountant." It's a person who specializes in looking at the tax situation for a business. He's going to give Marcela a piece of advice. A "piece of advice" is really the same as a sentence or one statement of advice – one idea. He says, "If you're planning to start a business (if you plan to start a business), you'll want to carefully consider what type of business entity you want to do business under." "Business entity" is the way the business is structured legally, the way that it is recognized legally, usually requiring some sort of registration with the government but not always.

Marcela says, "Is that important? My parents ran a mom-and-pop store for 40 years and they never had to think about stuff like that." "Mom and pop" stands for mother and father. "Pop" is an informal way of referring to your father – your dad. "Mom-and-pop" businesses are owned by a married couple – a husband and a wife. Often, the term is used to describe family-owned businesses, businesses that perhaps the parents own and the children work in, for example. Marcela says that her parents had a mom-and-pop store and they never thought about business entities.

Ron says, "I don't know about your parents' business, but opening a store these days (meaning nowadays; today) means having to think about the tax implications and liability issues." The way you organize your business has two important consequences. One is tax implications. "Implication" is really another name for consequences, what will happen as a result of what you do. "Tax" refers to the money you have to pay the government for the money that you make – the profits that you make. "Liability" has to do with whether something goes wrong, and if it does who's going to pay for it. If a customer is in your store and they fall and hurt themselves, you, as the owner of the store, might be liable; you might have to pay for their injury. They may sue you, they may go to court –



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to the legal system and try to get money from you. All of these things are related to the general concept of liability, who's responsible.

Marcela says, "Liability issues?" Ron says, "Yes. What if," or imagine – "What if somebody sues you?" "To sue" (sue), as I mentioned, is to take someone to court, to the legal system and demand that they give you money because they did something wrong to you. The word "sue" has other meanings in English; take a look at our Learning Guide for some additional explanations. Ron says, "Without proper safeguards, a lawsuit could bankrupt you and your business." A "safeguard" (safeguard – one word) is something that you do to protect yourself in case something bad happens. We might also call it a "precaution." For example, I buy trip insurance – I buy travel insurance before I go on a long vacation. In case there's problem with the plane or something goes wrong, the insurance will pay me for the money I have lost. That is an example of a safeguard. Ron says, "Without proper (or correct) safeguards, a lawsuit could bankrupt you." A "lawsuit" (lawsuit – one word) is the legal process of suing you, of taking you to court, to the legal system and demanding money. That whole process is called a lawsuit. "To bankrupt (someone)" means to have the business or the person go to the government and say, "I don't have any more money," and this gives you a certain protection against people who are asking or demanding money from you. However, normally the term "bankrupt," in the context that we're hearing it here, refers to a failure of your business, that your business will lose money and that you will lose your business in effect. It has a legal term – a legal definition, rather, but more generally to bankrupt something or someone means that they are financially ruined. It's a disaster for them; they may lose their business, and so forth.

Marcela said, "I'd never thought of that." Ron says, "You'll probably want to consider forming a corporation or an LLC." So, there are different types of business entities that are popular or common in the United States. One of the most common is a corporation. A "corporation" is a company that is legally separated from its owners in a way that protects the owners in case there's a problem in the business. Technically, the corporation is like another person legally, and typically in a corporation you have people who own parts of the corporation, what we call "shareholders," they own a part of the corporation. Sometimes the corporation is public and you can buy a part of the company; anyone can buy a part of the company. Big companies like Google and Apple and Microsoft are what we call "public" corporations; anyone can be part owner by buying what are called "shares," or stock in the company. If the company – the corporation gets sued, the personal wealth of the people who are part owners are not at risk. That is, let's say you have a company that has 100,000 dollars, and each of the shareholders has 200,000 dollars in their bank account. Well, if





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you sue the corporation, the corporation only has to pay from the 100,000 dollars. It doesn't affect the individual shareholders – the individual owners; their 200,000 dollars in the bank is not something that you can get from the company. So, the corporation separates the financial interests – the financial matters of the business from the financial matters of the individual person.

A kind of corporation is called "limited liability corporation," that's what an "LLC" is. Normally, we use the abbreviation "LLC." An LLC is a kind of business that is like a corporation, but it's also alike another kind of business entity, a partnership. A "partnership" is when two people or a small group of people get together and decide that each person will own part of the business, but a partnership doesn't have the same legal protections as a corporation does. So, the LLC is sort of a combination of a corporation and a partnership.

Ron says, "You'll be a sole proprietor, right?" A "sole proprietor" is someone who owns the business, but doesn't have any separate legal organization for the business, so that if there's a problem both his or her personal finances as well as the business finances can be at risk; you could sue them. There's no protection for what we would call your personal "assets," the money and other valuable things that you own personally. So, proprietorships do not have the same protections as corporations and LLCs.

Ron says, "You're not going into business with someone else, are you?" "To go into business with" means to open a business with someone else. Marcela says, "I'll have two partners actually." Once again, a "partner" is someone who agrees to work with you on the business and own the business with you. Ron says, "In that case (in that situation), you'll also want to think about things like the transferring of interests and the duration of the entity." "To transfer interests" is to give or sell your ownership in something to another person. So let's say you have two partners, and they start a business together, and then one says, "Eh, I don't really like this business; I want to leave." You need to have some process – some agreement about how that person can sell their interests in the company. Their "interests" are the things that they have invested, the money that they have in the company. "Duration" has to do with how long something lasts. So the duration of a partnership would be determined by the agreement; you might decide we're going to be partners for five years and then we'll decide what to do then.

Marcela says, "Wow, starting a business is a lot more complicated than I thought." Ron says, "My advice? Get a lawyer, and the sooner the better!" A "lawyer" is another word for an attorney, someone who has legal expertise – someone who's a legal expert. He says, "Get a lawyer, and the sooner the





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better!” meaning the faster that you get the lawyer the better it will be for you; don’t wait, get one as soon as possible.

So that’s a little bit about business entities in the United States. Now let’s listen to the dialogue at a normal rate of speed.

[start of dialogue]

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Marcela: Wow, starting a business is a lot more complicated than I thought.

Ron: My advice? Get a lawyer, and the sooner the better!

[end of dialogue]

The duration of our dialogues is usually just a minute or two, and they’re all written by the wonderful Dr. Lucy Tse.



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From Los Angeles, California, I'm Jeff McQuillan. Thank you for listening. Come back and listen to us again here on ESL Podcast.

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