

Name _____

S Corporations: Unveiling the Secrets of Small Business Superheroes

Multiple Choice Questions

1. What is an S Corporation?
 - a) A business structure that can have unlimited shareholders
 - b) A business structure that pays federal income taxes itself
 - c) A business structure where shareholders are personally responsible for debts
 - d) A business structure designed for smaller businesses with special tax treatment

2. What is one advantage of an S Corporation?
 - a) Double taxation
 - b) Limited liability for shareholders
 - c) No need to follow strict rules
 - d) Ability to have more than 100 shareholders

3. How does pass-through taxation benefit an S Corporation?
 - a) It allows the corporation to avoid paying taxes
 - b) It ensures shareholders pay taxes twice on their income
 - c) It helps the S Corp avoid double taxation, with profits and losses passing through to shareholders' individual tax returns
 - d) It exempts the S Corp from all taxation

4. What is one disadvantage of S Corporations?
 - a) They have unlimited ownership
 - b) They don't have to follow strict rules
 - c) They may have limited ability to raise capital due to restrictions on the number of shareholders and classes of stock
 - d) They pay lower taxes than other business structures

5. Why might some businesses not qualify to become S Corporations?
 - a) They want to have unlimited shareholders
 - b) They prefer to pay federal income taxes at the corporate level
 - c) They don't want limited liability for shareholders
 - d) They don't meet specific eligibility requirements

