

Forms of business

Business



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Of the three structures of business, sole-proprietorship is the easiest and inexpensive to form. Only one person runs the entire operation. The manager is also the owner who controls all assets and properties as well as profits. The capital infused comes mostly from personal wealth or as credits from financial institutions. The individual is liable for all the obligations of the business like contracts and debt payments. The sole-proprietor can hire employees at the same time can sell the business to others. The income derived from the business becomes his/her personal income. The owner/manager is required to register the business and obtain all necessary licenses before operating the company.

Partnership is a business form that is managed and owned by more than one person. Though not legally required, it is suggested that partners sign a contract detailing their ownership and responsibilities as well as their rights and share of profits. These partners have joint authority and liability in running the business. Both share their resources (financial, assets, and properties) in managing the company. The business ends when a co-owner decides to dissolve the partnership. Partners pay taxes individually according to their share of profits and specify in the registration and licenses that the business is a partnership.

A Corporation is controlled by many individuals. A board of directors is appointed, who will make policy and decisions. Articles of incorporation must be filed detailing the corporation. Then, bylaws must be drafted to lay out the internal rules and operation guidelines of the corporation. Furthermore, shares of stock must be issued to distribute ownership interests in the

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company. But before a corporation can issue stocks, it has to be registered with the Securities and Exchange Commission. Finally, the corporation must obtain the needed licenses and permits like tax registration certificate and employer identification number.

Reference

FindLaw for Small Business. (2007). Types of Ownership Structures. Incorporation & Legal Structures. Retrieved February 26, 2007, from <http://smallbusiness.findlaw.com/business-structures/>