Sole proprietorship

Business, Company

Sole Proprietorship is the easiest type of business ownership as it does not require a huge capital cost, when compared to other forms of ownership. Only negligible paperwork is needed to startup such a company since there is no registration with the State involved. Moreover, a company owned by a sole proprietor can be dissolved at will, if the circumstances demand the owner of the company to do so. These factors encourage upcoming entrepreneurs to float their own company, which is good for any economy. In a company that functions under the sole proprietorship, all the investments are made by the proprietor.

The profits generated by the organization are owned by the proprietor since the functioning of the business is his/her responsibility; all the decisions pertaining to the organization are made by the sole proprietor. The profits generated by company will not completely cover the proprietor’s employee benefits (“ Forms of Business Ownership”). The losses incurred by the company are also liabilities of the proprietor. Also, legal liabilities will also have to be borne by the proprietor as he/she is responsible for the company’s actions.

The law will not distinguish between the proprietor and the company, which essentially means that the proprietor’s personal assets will be at risk in case of debt. During a financial crisis, the proprietor will have not many options at hand to raise funds but to divert his/her own personal funds. Hence, a business which is liable to be being sued frequently would not consider sole proprietorship as its ownership model. A company which is solely owned by a single owner will not be able to make its employees as shareholders at any point of time, which may eventually deprive the company of quality manpower.