

The business environment



There are three primary forms of business organization. These are the sole proprietorship, the partnership, and the corporation. Find an example of each in your community or on the internet. Describe and compare these businesses. Discuss how each benefits from its specific organizational structure.

The forms of business organizations have developed and evolved hand in hand with the internal and external factors affecting them (Thomson and Strickland 2002). Sole proprietorship, partnership, and the corporation are the primary forms of business organizations in today's business arena.

Sole proprietorship which is also called single proprietorship is the simplest form of a business organization (Horgren et al 2000). In this set up, an individual establishes an organization and run it alone. A married couple who opts to open a small store can also be considered as a sole proprietorship. This type of business organization is seen to be the easiest to establish because it lacks the legal formality and other arrangements since there is only one owner. In terms of accounting, sole proprietorship also requires the simplest procedures. No corporate taxes are paid but the taxes on income are considered personal taxes. However, sole proprietorship is exposed to the difficulty of raising capital from other individuals and financial intermediaries. Also, the owner shoulder all the risks associated in the operations.

Partnership is the form of business organization where two or more partners share in the profit which is usually determined by the amount of resources and assets that they share in starting the business (Keown et al 2005). In this set up, the business organization is benefited through the number of people which shares knowledge and skills in running the company. Income

taxes are also deducted in the personal taxes paid by each of the partners. However, the number of owners can also become a problem especially in terms of decision making and profit sharing.

Corporation is a business organization which has numerous owners all of which are separate entities to the business organization (Fraser and Orniston 2004). It should be noted that owners are insulated from the liabilities of the corporation since they are only liable for the amount that they invested. This form of business organization enjoys the benefit of having more individuals to fund the company's projects and activities through selling of stocks. Also, stockholders are not necessarily managers of the company which delegates the responsibility to more efficient and capable managers. However, corporations are taxed twice—first on the entity and second on the personal taxes of stockholders.

Bibliography

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