

Business structure advice

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Business Formations affiliation Business Formations The decision to start a business venture should be considerate of numerous factors. One should consider capital generation, type of business and willingness to include or exclude partners. Consideration of these factors should provide enough to enable a person to write a successful business plan. However, the physical processes present a challenge in putting into practice the theory contained in the business plan.

Firstly, one has to choose a form of business they would prefer. There are different types of business formation one may choose from. They include sole proprietorship, partnerships, and Company. Companies are large corporations with a huge composition of members and partners. They have complex legal requirements and not suitable first time ventures. In addition, their creation requires large financial resources and is exposed to numerous business risks (Besley & Brigham, 2008). This makes it a bad business venture for an amateur business creation.

Sole proprietorships are less complex corporations. Their formation requires only the existence of the owner. In this form of business, the owner may receive aid from family members. This form of business is preferred for a first venture if the owner has enough resources or can receive financial aid enough to create a business venture (Besley & Brigham, 2008). In regards to taxation, a sole proprietorship is only taxed on the business venture. A person's personal properties are not liable for taxation. However, the business venture is mandated to pay an annual tax for its operations (Besley & Brigham, 2008).

Partnerships, on the other hand, are business ventures created with the collaboration of two or more persons. They are referred to as partners. They <https://assignbuster.com/business-structure-advice-essay-samples-2/>

are easy to create as a person may seek a partnership from a person or persons who share similar business incentives (Besley & Brigham, 2008). The main advantage of this business form is that the capital contribution is shared among partners. In addition, operations are divided among the partners. This makes it easy to operate. In a situation where a person lacks enough capital and business knowledge, a partnership is the most appropriate business venture (Besley & Brigham, 2008). Taxation in partnerships is only liable on the business. However, the tax to be paid by the business is shared among the partners. In addition, personal properties are not taxed on the behalf of the business.

In regards to capital generation, a business may have numerous options to consider. One possible way of capital generation is seeking financial loans from financial institutions. A business may be presented to the financial institution accompanied with collateral. The bank would then consider a loan application and aid may be provided (Besley & Brigham, 2008). However, the business plan should be logic and practical for one to qualify for a business loan. Another source of capital is through personal contributions. This is appropriate when one had decided to venture into a sole proprietorship. In addition, this form of business can obtain financial resources from family and friends. Personal contributions can also be merged with contributions from partners in a situation when prefers a partnership from of business (Besley & Brigham, 2008). Access to capital is mandatory the towards business creation.

Reference

Besley, S. & Brigham, E. (2008). Principles of Finance. New York: Cengage Learning.

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