

Analyze the advantages and disadvantages of incorporating a business., and conce...



The three main forms of creating a business are sole ownership, partnership, and corporations. Corporations are one of the most popular forms of structuring a business due to a variety of advantages associated with this arrangement. One of the greatest virtues of the corporate arrangement is that it provides its owners limited liability. Limited liability means that if the business goes six feet under and fails the owners of the corporation are not personally liable for the debt that is left behind (Allbusiness, 2011). Under other business structures such as sole ownership the owners have to pay for the entire debt that the business leaves behind. The reason that corporations are able to offer limited liability is because a corporation is considered a separate legal entity (Weygand & Kieso & Kimmel, 2002). Choosing the corporation over other types of business structures has other advantages. The corporation is the best business structure for entrepreneurs that are looking to raise capital. The way that the corporation allows its owners to raise large sums of capital in short amounts of time is through the sale of common stocks. In order for a corporation to sell common stocks it must become a public corporation registered in the Securities and Exchange Commission (SEC). Once a corporation becomes public its common stocks become a very liquid asset that is traded in open markets such as the New York Stock Exchange (NYSE) or in the over the counter market known as NASDAQ. Choosing the corporate form can also help managers obtain better benefits from governmental institutions in the form of incentives. One of the main disadvantages of the corporate form is double taxation. References Allbusiness. com (2011). Advantages and Disadvantages of Owning a Corporation. Retrieved June 28, 2011 from <http://www.allbusiness.com/business-planning/business-structures-corporations/686-1.html>

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