

Sole proprietor essay



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Advantage

(1) Easy to set up: Exclusive trading concern can be established really rapidly and easy. Anybody who wants to get down a concern can make so. whenever. he likes. In Nepal. merely nominal legal formality of enrollment is necessary. (2) Easy to fade out: Dissolution of exclusive trading concern every bit simple. There are no legal formalities in this respect. Owner can fade out concern whenever he likes to make so. (3) Effective control: In this signifier of concern organisation. owner is responsible for all types of activities. He controls all maps and takes determinations at appropriate clip. So. the concern is controlled in an effectual manner. He controls all maps and takes determinations at appropriate clip. So. the concern is controlled in an effectual manner. (4) Direct motive: The direct relationship between attempt and reward serves as a powerful inducement to the owner to pull off the concern expeditiously. The owner being entitled to the full net incomes of the concern tries to maximise net incomes by using his endowments and activities in the best possible manner.

(5) Personal supervising: The owner is able to oversee every work of the concern himself. This helps to construct up a stopping point and affable relationship with the employees. He can take personal involvement in his clients and he can run into their single and typical demands easy and adequately. It ensures efficaciously and economic system in the operation.

(6) Benefit of Unlimited Liability: The owner can obtain loan on his personal recognition. The liability being limitless. the creditors feel secure in widening recognition. (7) Prompt determination: The proprietor has full control over

his concern. So he is able to take determination quickly without confer withing anybody.

If more than one individual is involved in doing determination so hold is bound to happen. (8) Secrecy: The owner can keep concern secrets. There is no legal ordinance sing the revelation of concern information. So he can keep secretiveness from his rivals. Secrecy is really critical for concern success. (9) Flexible: Exclusive bargainer enjoys the maximal flexibleness in his concern. If any alteration in concern is required. he does no hold to confer with any one and can do the alteration without hold. No legal formalities are required for doing alterations in operations. This gives flexibleness to this type of concern. (10) Social importance: From societal point of view sole trading concern is of import because: – It is a agency for gaining support independently.

– It avoids concentrating wealth in few custodies. – It brings competition among exclusive owners. so they provide goods in cheaper rates to the society. – Qualities like autonomy. assurance. tact and enterprise are developed in this organisation. (11) Net incomes: All the net incomes accrue to the exclusive owner. There is no limitation on the capital employed in the concern. Capital additions inclusion rates are lower for persons than for concern entities. The exclusive owner besides enjoys the normal revenue enhancement discounts and the one-year capital additions exclusion.

Disadvantage

1) Limited Capital: The capital of one owner is normally little. It is limited to his personal nest eggs and borrowing on personal security. Hence. he can

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non set about farther enlargement and development deficiency of extra capital and fails to bask the internal and external economic sciences of graduated table. (2) Limited Management Ability: In the present competitory universe complexnesss of managerial occupations are increasing everyday. One adult male can non be expert in each and every map of the concern. For deficiency of resources he may non be able to utilize the services of experts. So limited managerial ability will impede the growing of the house. (3) Unlimited Liability: The limitless liability of exclusive proprietary is a great disadvantage. A loss in concern may strip the owner of his assets excessively. So large concern houses necessitating more economic hazard are non established under this organisation. (4) Uncertain Life: The success of this type of concern depends on the personal capacity of owner. In instance of his decease concern may be discontinued. The replacements may non hold the same grade of autonomy and ability.

Therefore. there is no uninterrupted being of the house. (5) Dull and Monotonous Work: The owner has the exclusive right on net income of the concern. So he tries to work more to gain more net income. Consequently the work becomes dull and humdrum. His wellness is severely affected and he is deprived of pleasant societal dealingss and affable household life. (6) No Large Economicss and Specialization: A little concern graduated table can non economies in purchases. production and selling. Similarly the benefit of specialisation of service of experts can non be obtained.

(7) Loss in Absence: A exclusive trading has to endure from the long unwellness of the owner. In his absence concern comes to a deadlock. This can take to heavy losings. Employees may non be efficient or they may non

take sincere involvement. (8) Possibility of Incorrect Decision: In exclusive trading a businessman alone makes all the determinations. Hence, determinations may not be ever right and wise. When a considerable figure of people are involved in doing determination procedure a wise and mature determination is possible. – The full value of the concern signifies portion of the exclusive proprietary estate in the event of decease. This could take to estate responsibility being paid. – The concern demands to be shut down on the exclusive owners decease. there is no automatic continuance of the concern on decease. Particular proviso can be made via the will though.

Partnership

Advantage

(1) Easy to organize and Dissolve: A simple understanding among spouses is sufficient to register a partnership. No other formal papers and legal formalities are required. It is every bit easy and cheap to fade out a partnership. (2) More Resources: Partnership is a combination of several individuals. So more capitals can be collected and advantages of large-scale concern may be obtained. More spouses can be added if capital demands are big. (3) Harmonization of Different Abilities: In partnership house, there is a harmonisation of different abilities of different spouses. The endowment, expertness and cognition of spouses in different fields can be used for the public assistance of the concern. So, there is more opportunity for the promotion of concern. (4) Credit Facility: The ability of spouses being limitless they will be able to borrow more capital. As compared to sole trading concern, partnership has more recognition worthiness. A partnership

house to the finance establishments and other creditors can supply more securities. (5) Appropriate Decisions: In spouses determinations are taken by consensus of all spouses.

So they take appropriate determinations and there is less opportunity of incorrectness. Fear of limitless liability encourages cautiousness and attention. therefore. puts a brake on headlong and foolhardy determinations.

(6) More Inspiration: There is more inspiration to work because spouses think that the consequence of their difficult work will be rewarded in the signifier of more net incomes to them. (7) Close Supervision: The spouses themselves look after the concern. so they avoid wastage. They have direct entree to employees and can promote them for more production. (8) Secrecy: The concern personal businesss and histories of the partnership do non necessitate promotion by jurisprudence as in companies. So. spouses can maintain concern secrets within themselves. (9) Flexible: In partnership house. there can be any alteration in managerial set-up. capital. and graduated table of production.

These alterations can be made by the common understanding between spouses. Therefore. it enjoys flexibleness. (10) Protection of Minority Interests: Every spouse has a right to take part in the direction of the concern. All-important determinations are taken by the consent of all spouses. In event of disagreement minority may even Veto a declaration. Hence. it protects the involvement of minor spouses. (11) Reduced Hazard: all spouses will portion the losingss incurred by the house. So loss of each spouse will be less in comparing to sole trading concern. – There are no formal demands for the creative activity of a partnership. – There are no

formal demands for the running of the concern. This makes partnerships an cheap concern entity to run. – Partners are taxed in their ain capacities.

which could take to lower revenue enhancement. depending on the degree of income of the person.

Disadvantage

(1) Uncertain Being: The partnership house suffers from the unsure being because it can be dissolved at the clip of decease of insolvency of spouse. Therefore. the life. of the house is dependent on the life of the spouses. In the same manner a concern may end due to dishonesty of a spouse or struggle among spouses. (2) Unlimited Liability: The liability of spouses is limitless. The spouses are jointly and individually apt for the debts of the house. So they try to avoid hazards and curtail the enlargement and growing of the concern. (3) Trouble in Prompt Decisions: All-important determinations are taken by the consent of all spouses. So determinations doing procedure becomes clip devouring and loss of concern chances due to detain in decision-making. Normally in concern. the self-generated determinations can merely enable the house to bask higher net incomes. which is non possible in partnership. (4) Danger of Disputes: Many individuals are proprietors of a partnership house. Every spouse wants to demo his importance. Misunderstanding and covetous inclinations are the common failings of the human existences.

So there is ever a danger difference among them. which may take concern to an terminal. (5) Trouble on Transfer of Shares: A spouse can non reassign his or go forth the house portions without the consent of all other

spouses. The consent of all other spouses is mandatory. So people do not desire to put money in a partnership concern. (6) Hazard of Implied Authority: A dishonest or unqualified spouse may take the house in troubles. The other spouses will hold to run into the duties incurred by the spouse. The proviso of implied authorization may make jobs for the concern. (7) Lack of Public Confidence: The populace does not hold much assurance in a partnership concern.

This is because personal businesses of a partnership concern are not unfastened to public examination. Its histories are not required to print. There is not much governmental control over the operations of a partnership. (8) Limited Resources: Modern concern demands big sum of capital. But in partnership the resources are limited to the personal finances of the spouses. Borrowing capacity of spouses is besides limited. Even though the capital is more in partnership than in instance of exclusive trading, but still is not sufficient for the smooth behavior and operation of large-scale concern.

- Not a separate legal entity and therefore spouses are apt for the partnership debts in their own capacity. The personal, single assets of the spouse may be attached for the liabilities of the partnership under certain fortunes.
- The partnership terminates on the decease of a spouse. Unless there are sufficient finances available to purchase the asleep partner's portion or to pay his portion in hard currency, the assets of the partnership will hold to be sold.
- A spouse may not be a member of a pension/provident fund, as there is no employee/employer relationship between the partnership and its spouses.

Joint stock company

Advantages

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(1) Huge Financial Resources: A company can roll up big amount of money from big figure of stockholders. There is no bound on the figure of stockholders in a public company. Since its capital is divided into portions of little value even a individual of little agencies can lend to its capital by merely buying its portions. It installations the mobilisation of nest eggs of 1000000s for the productive intents. In add-on, a company can borrow from Bankss to a big extent and besides issue unsecured bonds to public. (2)

Limited Liability: The liability of stockholders in a company is limited to the face value of the portions they have purchased. The limited liability encourages many people to put in portions of joint stock companies. If the financers of a company are deficient to fulfill the claims of the creditors, no members can be called to pay anything more than the value of portions held by them.

(3) Ageless Being: Due to its separate legal being, it has ageless being. The life of company is non dependent dice or go insolvent. The members of a company may travel on a company. The stableness of concern is of great importance to the society every bit good as to the state.

(4) Transferability of Shares: The portions if a public company are freely movable. This transferability of portions brings about liquidness of investing. It encourages many people to put. It besides helps a company in tapping more resources.

(5) Diffusion of Hazard: In exclusive proprietary and in partnership concern, few individuals portion the hazard. But in company, the figure of stockholders is big, so many individuals portion hazard. Therefore, the load

of hazard upon any person is non immense. This attracts many investors. It enables companies to take up new ventures.

(6) Efficient Management: In company ownership is separate from direction. A company has adequate resources to use the services of experts and directors who may be extremely specialized in different fields of direction. It can pull gifted individuals by offering them higher wages and better calling chances. The efficient direction will assist the company to take balanced determinations and can direct the personal business of the company in the best possible mode. It besides helps to spread out and diversify the activities of the company.

(7) Economies of Large Scale Production: Large-scale production of modern years is the consequence of company signifier of organisation. This consequences in economic sciences in production. purchase. selling and direction. These economic systems will assist company to supply quality goods at lower cost to the consumers.

(8) Democratic Management: the elective representatives of stockholders called the ‘ directors’ manage The Company. Directors are responsible and accountable to the general organic structure of stockholders. Decisions are taken by a bulk of ballots wholly based upon democratic rules. This prevents in misdirection of a company.

(9) Public Assurance: A company enjoys a greater public assurance and repute in the market due to legal control. promotion of histories and ageless being. Audit of Joint Stock Company is mandatory. A company’s fiscal histories and statements are published. circulated and are unfastened to

public review. Therefore public have enough religion in it. So. it can acquire loan from different fiscal establishments.

(10) Social Importance: The company provides chance to mobilise scattered nest eggs of the community. It besides creates employment chances. Due to large-scale production consumers get cheaper goods. The society is supplied with adequate measure of goods. Government gets income in the signifier of revenue enhancements. Disadvantages

(1) Trouble in Formation: A company is non easy to organize and set up. A figure of individuals should be ready to tie in for acquiring a company incorporated. It requires a batch of legal formalities to be performed. The portions will hold to be sold during the prescribed clip. It is both expensive and hazardous.

(2) Lack of Secrecy: A company has to detect many legal formalities. Most of the concern activities are decided through meetings. Net income and Loss Accounts and Balance Sheet are required to be published. So trade secrets can non be maintained.

(3) Delay in Decisions: In company determinations doing procedure is clip devouring. Either Board of Directors or by General Annual Meetings makes all important determinations. So many chances may be lost due to detain in determination devising.

(4) Separation of Ownership and Management: A company is owned by stockholders but managed by managers. The stockholders play an undistinguished function in the working of the company. Though managers

are proprietors of some making portions merely. yet the consequence of their activities is to be borne by all stockholders. The net income of the company belongs to stockholders and the Board of Directors is paid merely on a committee. There is no direct relationship between attempts and wages. So the direction does not take personal involvement in the workings of company. Hence, they may work against the involvement of huge bulk of stockholders.

(5) **Guess in portions:** The Joint Stock Companies facilitate guess in the portions at stock exchanges. It has been found that even the managers and the directors of the company indulge in pull stringsing the value of portions to their advantage. When they want to buy the portions they lower the rate of dividend and when they want to dispose of the portions they declare dividends at a higher rate.

(6) **Oligarchic Management:** The stockholders who are the existent proprietors do not hold much voice in the direction. A smattering of stockholders, who besides manage the personal businesss of the company, are able to hold control over it. Theoretically the company is democratic, but in pattern it is largely a instance of oligarchy (Rule by few) . A few individuals hold power and control and seek to work the bulk. Therefore, it does not advance the involvement of the stockholders in general.

(7) **Excessive Regulation:** A company has to detect inordinate ordinances imposed by the jurisprudence of the state. The inordinate ordinances are made with a position to protect the involvement of the stockholders and the populace but in pattern they put obstructions in their normal and effectual

working. A batch of cherished clip. attempts. and fiscal resources are wasted in following with statutory demands.

(8) Conflict of Interest: In a company there are many parties whose involvement may collide and the consequence may be struggle of involvements. The direction. the stockholders. the employees. the creditors and the authorities may hold their ain single involvements. Therefore. a lasting type of struggle of involvements may go on to be in the companies. These struggles by and large lead to inefficiency in the direction and cut down employee morale.

(9) Disregard of Minority: the stockholders holding bulk of them decide all major issues in company. Majority group ever dominate over the minority group whose involvement are ne'er represented in the direction. The company act provides steps against subjugation of minority. but the steps are non really effectual.