

business structures advice essay sample

[Business](#), [Company](#)



John, business structures research is imperative when starting a business in order to ensure the best structure needed for your company. There are various one needs to take into consideration because the structure of a business affects, legal and financial liability, taxation and as well as decision-making authority. I will advise you on your options, the advantages and disadvantages of each entity and the tax consequences which is connected with each of the entity. There are different types of business structures and they are sole proprietorship, partnership and Corporation.

So therefore when starting a business one has several options in the type of business structure they can use. A sole proprietorship is known to be one of the simplest structure there is and is inexpensive to start off. It is about 75 percent of all business in the United States. The owner has full control over the business and is has sole rights of the profit the business acquire. All business decision-making is the owners responsibility and do not needs to have defer to partners for decision approvals (Parrino, Kidwell, & Bates, 2012). According SBA (2015), “ Because you and your business are one and the same, the business itself is not taxed separately-the sole proprietorship income is your income”. Advantages:

- Easy tax preparation,
- Complete control
- Easy and inexpensive to form.

The disadvantages:

- Unlimited personal liability because no legal separation between the owner and the business.
- Hard to raise money; challenges the sole owner will face because it is difficult to raise money.
- Heavy burden: because tall the

ultimate responsible for the business success and failure of the business.

Partnership consist of two or more persons who comes together to manage the business. In the United States it compromises of 10 percent of all business. This business can be formed agreements has to be entered by the partners and also how decision will be made and how the profits will be divided. For tax purposes the business has to be registered with the IRS and also local revenue agencies and obtain tax identification number. SBA stated,

“ A partnership must file an annual information return to report the income, deductions, gains and losses from the business’s operations, but the business itself does not pay income tax”(pg. 1). Advantages:

- Easy and inexpensive
- Financial Commitment are shared
- Complementary Skills
- Employees Partnership Incentives

Disadvantages:

- Individual and joint liability
- Shared Profit
- Partners Disagreements

Corporation this is one of the largest business structures. According to Parrino, Kidwell, & Bates, 2012, “ A corporation is a legal entity authorized under a state charter. Corporations can sue and be sued, enter into contracts, issue debt, borrow money, and own assets, such as real estate”. This business structure is more complex than the over business structure. It

has costly administrative fees and also legal requirement and complicated tax. To form a corporate the business has to be registered with documentation such as Article of incorporation with the Secretary of State office. Advantages:

- Limited Liability
- Ability to Generate Capital
- Corporate Tax treatment
- Attractive to Potential employees

Disadvantages:

- Double taxing
- Additional paperwork
- Time and money

This is the summary I have created in other for you to look over and decide which business suits your needs before making any final decisions.

Respectfully Consultant

Reference:

U. S small Business Administration (2015). Sole Proprietorship. Retrieved on February 23, 2015 from <https://www.sba.gov/content/sole-proprietorship-0>

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