

Business scenario essay

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



Capital is essential for any business organization and must be provided. In the case of joint-stock company, the capital is raised through issuing stock certificates of ownership. It entails selling of the company's shares to willing investors. Percentage of the profit realized is shared in a consensual manner. Selling of shares is undertaken to spread the risk and ownership. It allows investors to share, and hence reduces the risks of investing in individual trading ventures. However, situations where the company fails to offset the debts, the shared profit and wealth of all of a company's stockholders is used to pay its debts.

A limited liability company arises from a joint venture company. Here, the company's shares are sold to willing investors and profit and loss is shared, just like in a joint venture company. However, a legal system preventing creditors from using the personal assets of a company's shareholders to pay company's debts is enacted. Investors' profits and wealth cannot be used to settle company debts. In essence, it helps protect the assets of the business. Debt is offset by the money invested.

Skilled professionals may harmoniously pool their talent and resources together through the establishment of a company in which they are the only stockholders and owners. Each partner is entitled to a given percentage of the stock based on his contribution, skills and experience. The profit realized is divided as per the ratio of stock ownership of each partner. This type of business ownership is known as a partnership.

Nevertheless, business may be fully non-incorporated. This characterizes sole proprietorship. The business is owned and run by one person, usually the owner. The liabilities are the owner's personal liabilities. The owner

enjoys the profits alone and assumes all the financial risks associated with the business. The business has no existence apart from the owner.

Reference

Gareth R. Jones. (2007). Introduction to Business: How Companies Create Value for People. McGraw-Hill.