

# [Business structure advice](https://assignbuster.com/business-structure-advice/)

[Finance](https://assignbuster.com/essay-subjects/finance/)

BUSINESS STRUCTURE ADVICE Starting any business requires prior proper arrangements. It needs fiscal preparations and efficient supervision for the enterprise to succeed. A number of issues need to be considered even as one initiates the business. The owner should do a business that is authorized by the state or government (Kurtz, & Boone, 2011). The business accreditation certificate is of great importance, in this case. All your dealings should be done in an environment that is suitable for your clients. You should study the needs of your consumers and know the potential competitors in the sector. A market survey can also give you valuable information on how to overcome the challenges, spot the present and the future troubles in the business and discover other opportunities.
Financing a business that is just starting is always very difficult. The person in business should know the amount of cash that is actually required to begin and drive the business. You can start a business with the individual money or capital obtained from acquaintances, and relatives (Kurtz, & Boone, 2011). The individual investments show your obligation to the business and also give you a chance to request support from the government subsidy. This subsidy may be a loan for which you are expected to pay back the principal amount including the interest. These business loans are either short term or long term hence it will depend on the size of the business you want to venture in.
There are different business structures or forms. You should consider what business form is efficient for your needs depending on whether you want to conduct the business by yourself, or you want to do it with a colleague. According to Pride, Hughes, and Kapoor (2012), an appropriate business form is determined by monetary, individual, law and duty issues. The following types may be suitable for a new business venture: Sole proprietorship: This is a business owned by a single person. The owner is entirely in charge of all its operations. All the earnings from the business are for the sole proprietor. It is possible for the owner to use own assets to remove the debts. Sole proprietorship is advantageous because: it is easy to start, the starting fee is moderately low, the management load is small, the owner is fully in charge and can make his choices in the business, and all the income goes directly to the owner. However, this form of activity has open problems, for instance, if you have debts, the individual resources will be used to remove the debts. There is also no stability in business in case of death of the owner. It is not easy to raise resources alone.
Partnership: This form of business involves two or more people. The resources are pooled and put in the business. The partners share the profits of the business according to the agreement between the partners. A partnership is easy to start. The other advantages of the partnership include: the initial capital is shared equally among partners, the earnings, resources and supervisory roles are shared equally among the partners. This form of business also has a lot of problems involving debt settlement just like the sole proprietorship (Pride, Hughes, & Kapoor, 2012). The other limitations it has may include: it is hard to find a suitable partner and a possible wrangle development between partners. You are also held accountable for any business choices made especially when the deal becomes sour.
Apparently, sole proprietorship and partnership have different tax consequences for the owners. Kurtz and Boone (2011) argue that in sole proprietorship, the owners can take away the losses from their individual returns. The levies can be filed as an individual instead of paying company tax rates. On the other hand, a partnership has a tax advantage in that if income from the partnership is low or you lose money, the partners include the shares of their partnership in their individual tax return.
In conclusion, I would confidently advise any person intending to initiate a business to start a sole proprietorship bravely because it is easy to start and manage, and any decisions will lie with the owner. If adequate preparations are made prior to its opening, then the chances of succeeding are higher instead of initiating a partnership and getting a suitable partner is difficult.
References
Kurtz, D. L., & Boone, L. E. (2011). Contemporary Business. Hoboken, N. J: Wiley.
Pride, W. M., Hughes, R. J., & Kapoor, J. R. (2012). Introduction to Business. Australia: South-Western Cengage Learning.