Business organizations

Business Organizations The paper examines the advantages and disadvantages of the main forms of business organization, takes into consideration the overall role of financial manager in corporation and defines the financial objectives for it. The objective of the paper is to analyze key components of the financial system. It is a matter of fact that there are three main forms of business organization: sole proprietorship, corporation and partnership.

Sole proprietorship is the simplest way to set and run business, because a sole proprietor is the only responsible person for all company's debts and obligations. It is known that a creditor who has a claim against a sole proprietor has all rights to receive all his personal and business assets. It is called unlimited liability. The sole proprietor is allowed to run his business under his own name without any other words.

Advantages: all profits are received by sole proprietor, relatively low start-up costs and capital, the greatest freedom from regulation, minimal working capital, tax advantages to owner of the business, owner has the direct control over the decision-making process. Disadvantages: unlimited liability, difficulties in raising capital and lack of continuity in sole proprietorship if the owner is absent for a long time. (Lucas 2002)

Partnership is an agreement when two or more sides (persons) are going to combine their available resources in one business. Partnership agreement has to be signed with the assistance of lawyers, because in case of dissolution or disagreement the business should protect its shareholders or other partners. According to the agreement terms partners has to share in all the profits. There are two forms of partnerships: general partnership (all partners are personally liable for all debts and obligations) and limited

partnership (some members are responsible for debts). (Adelson 2002)
Advantages: easy formation, relatively low start-up costs, additional available resources of investments, possible tax advantages, limited regulation and broader base of management. Disadvantages: divided authority, unlimited liability, lack of continuity, difficulty in raising capital and finding suitable partners, possible conflicts between the partners. (Adelson 2002)

Corporation is known to be a legal entity " that is separate from its owners, the shareholders". Shareholders are not personally responsible for debts and obligations and acts taken. Corporation can be either private or public. Private corporation can formed by one or more persons and it is not allowed to share securities to the general public. Public corporation issues securities and shares for public distribution.

Advantages: limited liability, specialized management, continuous existence, separate legal entity, possible tax advantages, easy raising of capital and ownership is transferable. Disadvantages: close regulation, the most expensive form of organization, charter restrictions, double taxation of dividends, conflicts between shareholders and executives, extensive record keeping. (Hamilton 2005)

The next step is to define the overall role of financial managers in corporation. It is a matter of fact that he is responsible for financial transactions and good performance of the corporation. That is why financial managers is responsible for: maximizing operating income, maximizing the number of outstanding shares, minimizing the risk of operating cash flows, etc. it is evident that financial manager is one of the most responsible and important persons I corporation, because financial performance depends closely on his skillfulness. Finally it is necessary to point out main financial objectives of corporation. They are: to maintain high profit margins, to continue to leverage the strength of the brand names, to maximize new management opportunities, to reduce costs of capital, to improve profitability, etc. I agree that such objectives are important for corporation, because they will assist in further development and they aim at maximizing corporation's profits. What is more important is that such objectives ensure good performance of the corporation in the market. (Klein 2002)

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