Business structures

Finance

Business Structures Business Structures Sole proprietorships are those business entities that are owned and controlled by a single owner who is responsible for each and every transaction of the business (Kaplan, 2010). The benefits of this business structure are that the owner of the business has the freedom to make all decisions regarding the business. Furthermore the owner of the business has the right to keep all the profits to himself. The business is not liable to pay any corporate taxes and there are very few legal requirements in starting a business based on this business structure. The disadvantages associated with this business structure is that the owner of the business is solely liable for paying of all the debts and if the business goes bankrupt then the assets owned by the owner are liquidated to repay those who have provided loan to the business. Furthermore, the owner of the business has to take all the decisions and he/she may not have the required expertise to look after all the technicalities of a business.

Partnerships are those businesses that are owned and controlled by a small group of individuals who join hands together to form a business (Kaplan, 2010). The maximum number of partners involved in such a business is 20 individuals and such businesses are mostly operated by family members. The benefits of such a business structure are that more people are there to look after the business which helps in indulging more brains in a business. The partners of the business can add more money to the business for its expansion and operations. This form of business provides the business with tax savings since the profits are distributed amongst partners. The disadvantages associated with this form of the business is that if the business goes bankrupt then all the assets owned by all the partners are liquidated to pay of the of the money owed by the business. Disagreements can take place between partners that may lead to disbandment of the business. One partner cannot quite the business or a new partner cannot be added to the partnership without the agreement of other partners. Corporations are large organizations that are registered with the securities and exchange commission of a region and this allows them to be publically listed on a stock exchange (Kaplan, 2010). The benefits of such a business structure are that the owners of the business experience limited liability. This means that if the business experiences bankruptcy, then the only assets they lose is the amount of money they have invested in the business. Another benefit is that such organizations find it easier to raise huge amount of money without borrowing money from external source such as banks. In this form of business structure it is easy to transfer ownership from one owner to another and there are no barriers to enter or exit ownership. The disadvantages associated with this form of business structure are that there are immense legal requirements that need to be fulfilled. The decision making as well as the profit sharing is shared and reaching consensus in decisions may be a problem.

References

Kaplan, J. M., & Warren, A. C. (2010). Patterns of entrepreneurship management. Hoboken, N. J: Wiley.