Types of business organization in the private sector economics essay

Consist of privately owned business firm or organization, which are formed when entrepreneurs decide to form a firm for the purpose of producing goods and services. Although the entrepreneur (assuming one person) is the owner is not the same entity. The firm (i. e. company or business organization) has its own legal identity that is separate from its owner or owners. The firm actually is an “ artificial person”, and can make contracts, sue and sued, besides owning property and hiring employees; this legal identity is acquired when the firm becomes an incorporated association. The firm may have only one owner (sole proprietorship) or many owners (e. g. “ unlimited” number of shareholders owning a public limited/ listed company),

Sole Trader or Sole Proprietorship

It is a form business organization in which a person simply sets up to provide goods or services at a profit. In a proprietorship, the proprietor, or owner, is the firm. The assets and liabilities of the firm are the owner’s assets and liabilities without limit. Business is one where a single individual uses his own funds to start and operate the business. As such, he is entitled to all the profits generated by the business, while at the same time is also responsible for all the losses that may occurs. The Sole Trader is often responsible for the day-to-day management of the business. No legal obligation to be made available to the public(i. e. publish) the financial accounts of a sole trading business is not incorporated business entity and as such the owner is liable for all debts of the sole proprietorship.

Example: Sole Trader Business are:

hairdressers

storekeepers

plumbers

electricians

PC technicians

News agent

Neighborhood and groceries etc.

Partnership

Partnership is unincorporated associations whose membership may range from two to twenty members. Partnerships do not have a separate legal entity. All partners provide the necessary finances for the business and will enjoy both profits and losses in agreed percentages, depending on the contribution of each individual into the partnership. Partnerships have unlimited liability and each partner is jointly liable with the other members for any debt incurred by the business.

A partnership agreement is usually drawn up by a lawyer (or legal council), which details the contribution of each part(in cash or in kind), the role and responsibilities of each partner, conditions under which the partnership may be terminated, distribution or compensation in the event of withdrawal of one partner (termination of partnership) and options for handling intra-partner disputes. Personal names or trade names can be used as business names, and the Application of Business Name form must be filled in before a business can be registered.

4.) Private Limited Companies

Private Limited Company: Private limited companies are small- to medium-sized businesses that are often run by a family or small group of owners. Most unlimited companies range from being small and medium sized. Most of the time they are run by family members and closed friends. Usually refers to privately owned firms and organizations with limited liabilities. Private Limited Companies are those shares (to represent shares/ percentage of ownership) held privately by individuals who are usually family members or a small group of acquaintances. The general public cannot subscribe (buy) shares in private companies through the open market (i. e. Stock Exchange). Private Limited Companies is restricted t by law and by the company's rules. In contrast anyone may buy shares in a public limited company.

Can be found in most countries, although the detailed rules governing them vary widely. It is also common for a distinction to be made between the publicly tradable companies. A company that does not have share capital, but is guaranteed by its members who agree to pay a fixed amount in the event of the company's liquidation. Charitable organizations often incorporate using this form of limited liability.

Private Limited Companies is flexible form of enterprises that blends elements of partnership and corporate structures. The firm of organizations must work a legal framework which governs what they can or cannot do. The law requires for any new limited liability company to provide two documents:

Articles of Association provide details on the internal rules of the company. Although the nature of association between members may vary, the Articles of Association must always contains information;

the nominal capital

when / how shareholders' meeting are to be conducted.

Voting rights of the shareholders.

name of directors.

how the directors are appointed.

extent and nature of directors' authority.

how profits and losses will be distributed.

Memorandum of Association provides details on the external rules and relations of the company by defining the constitution and authority of the company. Memorandum must always contain the:

company name (must include the words " limited").

address of the registered office.

statement of company's aims(must be legal & proper).

scope of its activities.

amount of capital the company wants to raise.

statement that the shareholders’ liability is limited.

Private Corporations Companies registered under the Companies Act and Incorporation most common method that firms used to establish themselves a s a separate legal entity, i. e. only incorporated companies have a separate legal identity.

5.) Public Limited Companies

Public Limited Company: Most unlimited companies range from being small and medium sized. Most of the time they are run by family members and closed friends . They are only liable for the business up to the amount they have invested in the company, and are not liable for the debts incurred by the company unless signing a personal guarantee. And those that are listed on the Stock Exchange and members of the general public can but and sell shares of such companies. Owners of shares (shareholders) in such companies are true owner of the business. Whose operations involves many different business sectors (e. g. several sectors health care, construction, property development, plantation, manufacturing, tourism, education, etc.) become a conglomerate and if such operation/subsidiaries are located in many different countries, then they become Multi National Companies. As their names implied means that the personal liability of the owners (shareholders) is restricted to the amount of money the individuals owner has invested into the company.

6.) Unlimited Companies

Unlimited Companies Unlimited Company is where there is no limit to the member’s liabilities. It is a hybrid company incorporated either with or without a share capital (and similar to its limited company counterpart) but where the liability of the members or shareholders is not limited – that is, its members or shareholders have a joint, several and unlimited obligation to meet any insufficiency in the assets of the company in the event of the company's formal liquidation. Companies that do not have any restriction on the personal liability of the owner. In the even of company making loss, then the owners will be liable for all debts. This may hence require them to sell off their private property and/ or possessions (house, land, cars, furniture, jewelry, etc.) to repay their portion of the debt.

A corporation structure that permits a company to be incorporated and flew all profits and losses to share holders, an unlimited company shelters shareholders from liability in most circumstances except upon liquidation of the company. Shareholders or past shareholders that despots of their shares less than one year before liquidation become liable for the debts of the company.

7.) Multinational Companies

Multinational Companies is essentially a holding company that owns shares in many subsidiary companies located in many different countries. Each subsidiary companies within the holding company will be subjected to the company law of the host country in which the subsidiary is located. They are usually connected by share ownership as well as managerial control. Examples of multinational includes: Shell, Citibank, Siemens, Nestle, IBM, Philips, etc. Multinational companies providing overseas subsidiaries, access turnover (Net Sales), produce of world output.

Suppliers and the leading company in the wholesale distribution market and service industry. Do bring some benefits to developing countries. They provide jobs and increase the wealth of local people. Country gains some wealth by way taxes. However, there is some problem as well. The jobs all often low- skilled and poorly paid. Much of profit will go out the country, and the company may pull out to relocate in a country, where it can make greater profits. Primarily interested in making profits for their shareholders. Paying wages is an expense that the company will try to reduce to as low a level as possible.

8.) Conglomerates

A holding company, which owns substantial shareholding in companies (subsidiaries), involved in different sectors. Like examples sun way groups: civil engineering & construction, building materials, trading & manufacturing.

Conglomerates are strictly diversified business interest in producing a varied and wide range of different products. And it is a corporation whose multiple business units operate in different, often unrelated, areas, management umbrella. In some, but not all, cases, the formerly independent elements conglomerates retain their brand identities, though they are responsible to the conglomerates management. . In reality, conglomerates are very useful to the public because support for the agricultural, manufacturing, and industrial and or services. For examples, the Rank organization own subsidiary companies trading.

Question 1

Economic Growth is an increase of capital gross domestic of per capital product (GDP) other measure of aggregate income, typically reported as the annual rate of change in real G. D. P. Economics Growth driven by improvement in productivity , involve producing more goods and services with the same input of labor, capital, energy and materials. (Mankiw 2007). Economist draw a distinction between economics stabilization and long term economics growth. Economics Growth is primarily concerned with long-run, short -run variation of economics growth is termed the business cycle.

Economics Growth also occurs when a society acquires or when society learns to produce more with existing resources. New resources may mean a larger labor force or increased capital stocks. The production and use of new machinery and equipment (capital) increases the productivity of workers. Improved productivity also comes from technological change and innovation.

Inflation is the increase in the general level of prices of product and services over a specified period of time. Inflation rate can be estimated by measuring the percentage change in the consumer price index, which indicates the price on wide variety of consumer products such as grocery product, housing, gasoline, medical services and electricity. Inflation can effect a firm’s operating expenses from producing products by increasing the cost of supplies and materials, wages can also be affected by inflation. A higher level of inflation will case a higher increase in a firm’s operating expenses. A firm’s revenue may also be high during periods of high inflation because may firm change higher price to compensate for higher expenses.(N. Gregory Mankiw 2007)

Productivity is a measure of output from production process, per unit of input, like labor productivity typically also measured as a ratio of output an input. And also conserve of as a metric of the technical or engineering efficiency of production. In nations where workers are less productive, most people endure a more meager existence. Similarly, growth rate of a nation's productivity determines the growth rate of it's of average income. Productivity the average labor or output of a single worker is important to determine the standard of living. Most country facing a slow economics growth is: Former China, Greece and some Eastern Europe countries.

Economic problems of every country are:

Price Stability

One of the key economics growth is to ensure that the price levels within the country is maintained with minimal fluctuations. Fluctuating price levels will create uncertainty, causing a " wait- and see" attitude among:

consumers, who are ensure of buying now or to wait for the price to fall. Instead of falling, price levels may increase and consumers may then be force to forego consumption.

firms, who are unsure of investing now since it is possible for the price of capital goods to also fall in the near future. Again, the price level may rise instead of falling thus causing firm to postpone investment since the cost is now higher than expected.

Buying or investing at the " wrong" time may therefore create frustration and dissatisfaction among consumers and firms. On the other hand, continues increase in price levels although more consistent (i. e. everyone is expecting the price to increase) will lead to inflation and its related problems will then surface.

Economics Growth faster than Population Growth

Economics growth slow needed to spur the people and to improve their standard of living, which is determined by the ratio between economic growth over population growth. If a country's population grows faster than its economy, then there will be a decline in living standards and this will lead to many social and other economic problems. The same amount of wealth is now distributed over more people, hence everyone gets lesser than before.

Standard of living will also decline if the economic growth is slower than the rate of inflation. This means that the people will need to pay more for a similar basket (combination) of goods and services. Therefore, people with fixed incomes can buy lesser (or enjoy a smaller basket of goods and services) as inflation continues.

c) Low Unemployment of Resources

This is important to ensure that available resources (especially labor) are fully employed to produce more goods and service. When labor, land and capital are fully employed, more income will be earned (i. e. wages, rental and interest) resulting in higher expenditures among the owners of the factors of production (labor, land and capital respectively). Excess production may also be exported to other countries to earn foreign exchange, making a country economically stronger, in relation to the rest of the world.

Countries with high unemployment will tend to have more economic and social problems, such as the following:

higher crime rates and corruption activities (since people may resort to illegal means to get more money).

health problems and malnutrition (since some people will not eat enough to eat or to have proper diets).

D) Equitable Distribution of Income and Wealth

It is important for a country to have a “ fair” distribution of income and wealth among its people. The gap between the rich and poor must not be too great. The government must therefore practice an equitable resource allocation system deciding:

what to produce?

how much to product?

for whom to product?

Disparity in wealth ownership and distribution will also create various and economics problems. This problem results in low demand for products and services which can reduce a firm’s revenue. Even the firm’s that provide basic products or services are adversely affected by a slow economic because customers tend to reduce their demand. The potential impact of slow economic growth is reflected some company expect to experience significant fluctuations in future performance due to general economics growth. When economics is negative for two consecutive quarters, the period is referred to as a recession. When Europe is weak. Worker as laid off by firm's and therefore have money that they can used to buy product or services.

If economics growth slows the impact economic condition can spread quickly across all business. When condition weak some businesses are more affected more other than others. Nevertheless, most business are adversely affected by economic condition because the demand for product in almost all industrial declined(Markin 2007).

Conclusion

Introduction to Business is a subject in which a little knowledge goes a long way. By now i realize that all countries in the world have a government entrusted with the responsibility to achieve. Economics goals such as attaining price stability, economic growth, low unemployment and equitable distribution of income and wealth. Government today practice mixed economics system as it attempt to solve the economics problem that resulted from their inability to achieve the desire economics goals. Therefore capitalistic in nature with different degree of government intervention. As such, all countries have both a public sector and private sector.