



Due Feb 26, 11:59 PM

Types of Business Ownership

100 points 



Mindy Pierce Feb 25

I had planned to go over the presentation below on the Smart Board, but it's not working right now. Instead, first go through the attached Google Slides presentation carefully, make sure you understand as you go. There is also a video at the end you will need headphones for to listen or you can read it in closed caption. When you've completed reviewing the Slides presentation complete the attached Google Doc notes page. You may work with a partner to find your answers, but each person needs to complete one and turn it in. This needs to be completed by the end of the day Wednesday. Thursday we will review in class.



The Different Types of Busin...

Google Slides



Types of Business Ownershi...

Google Docs

Class comments



THE DIFFERENT TYPES OF BUSINESS OWNERSHIP

The Google logo, featuring the word "Google" in its characteristic multi-colored font.The Walmart logo, consisting of the word "Walmart" in blue and a yellow six-pointed starburst icon.

Most of the famous companies in the world started out small and changed their ownership structure as they

The Disney logo, featuring the word "Disney" in its signature script font.

grew.



WHY LEARN ABOUT BUSINESS OWNERSHIP?

- You might own your own business someday, and you need to know which ownership options best suit your needs and meet your goals.
- You can classify the different types of businesses you visit based on their ownership.

KNOW YOUR OPTIONS

- Business Ownership Options Include:
 - Sole Proprietorship
 - Partnership
 - Corporation
 - Hybrid
 - Franchise



KNOW YOUR OPTIONS

- Know the advantages and disadvantages of each form of ownership.
- Your choice of ownership can affect taxation and government involvement.

SOLE PROPRIETORSHIP

- A business owned and operated by one person.

Proprietorship



- The owner is responsible for all operations of the business and assumes all the risk.

ADVANTAGES OF A SOLE PROPRIETORSHIP

- Owner makes all decisions
- Owner is her or her own boss
- Owner keeps all the profits
- All financial information can be kept secret
- This type of business is easy to start or close
- Flexibility
- Tax Advantages
- Ability to act quickly and make decisions



DISADVANTAGES OF A SOLE PROPRIETORSHIP

- Owner has responsibility for all debts
- Costs and time commitment can be high
- Funding can be difficult to obtain
- Owner is responsible for all aspects of the business
- Owner doesn't have fringe benefits provided

HOW TO START

- **Sole Proprietorship**-no special forms to file other than obtaining local business license & permits

PARTNERSHIP

- A form of business organization in which two or more people own and operate the business together



ADVANTAGES OF A PARTNERSHIP

- Partners co-own the business
- Combined resources
- They share responsibilities
- They may have greater financial resources than sole proprietors
- They share business losses
- They share time commitment
- Tax advantages
- Decreased competition



DISADVANTAGES OF A PARTNERSHIP

- Partners have unlimited personal liability for all the other partners
- Partners may have conflicts
- Profits are shared
- Partnerships are more difficult to close down than sole proprietorships
- Uncertain life/transferability
- If one partner makes a mistake, all partners are responsible

HOW TO START

- **Partnership**-obtain proper business licenses & draw up a partnership agreement that includes the following:
 - Capital contributions
 - Responsibilities of each partner
 - Decision making process procedures
 - Shares of profits/losses
 - Departure of partners
 - Addition of partners

CORPORATION

- A legal entity that exists independently of its owners
- Owners are called shareholders



ADVANTAGES OF A CORPORATION

- The owners are shareholders. They have limited liability for the debts of the corporation and share the profits
- Usually shareholders do not operate the company – they hire employees to do so
- Corporations can usually raise funds more easily than sole proprietors or partners

ADVANTAGES OF A CORPORATION

- Corporations usually have a lower tax rate than private owners
- A corporation can continue to exist after the death of its owners
- Easy to transfer ownership to another party

DISADVANTAGES OF A CORPORATION

- More difficult to form and operate
- More government involvement
- Corporations have more complicated structures than sole proprietorships or partnerships
- Employees who are not owners may not be committed to the business
- Separate owners and managers

DISADVANTAGES OF A CORPORATION

- Dual taxation
- Corporations must publish annual reports, which could give away important secrets to competitors
- The value of company shares can change depending on changes in the stock market

HOW TO START

- Corporation- must file *Articles of Incorporation* with the state in which they are organized and operate by the laws of that state (help from an attorney is a wise choice!)
 - *Articles of Incorporation* is a legal document that defines ownership and operating procedures and conditions for the business
 - Business must create *corporate bylaws* (operating procedures)
 - Business must name a *board of directors* (people who make the major policy and financial decisions for the business.)

FRANCHISE

- A business in which a *franchisor* sells to another person, called the *franchisee*, the rights to use the business name and to sell a product or service in a given territory



ADVANTAGES OF A FRANCHISE

- Franchisees buy a business with a good reputation
- Franchisors supply training and financial knowledge
- Franchisors usually provide packaging, advertising, and equipment to the franchisee

DISADVANTAGES OF A FRANCHISE

- Franchises can be expensive to buy
- Franchisees may have to follow a lot of rules laid down by the franchisors
- If a franchisor's business fails, so will the franchisee's business

HOW TO START

- Generally franchisor will interview the franchisee and there will be an application process. Not every application gets approved!
- Sign the franchise agreement and make your investment.
- Typically franchise agreements last 5-10 years and must be renewed if the franchisee wants to continue running the franchise.

HOW DO YOU DECIDE WHICH FORM IS BEST FOR YOU?

- <https://www.youtube.com/watch?v=A-Up-JUkaj0>

ON YOUR OWN...

- Do your own research to see what information you can find about the following hybrid forms of business ownership!
- -Hybrid=means a mix of more than one form
 - Limited Liability Corporation (LLC)
 - S Corporation
 - Limited Liability Partnership

DISCUSSION QUESTION

- Why are LLC's, S Corps, and LLP's considered hybrid forms of business ownership? What do they combine from each form?

Types of Business Ownership Guided Note Taking Chart

List some of the factors to consider when starting a business:

**What is a Sole
Proprietorship?**

**Advantages of sole
proprietorship:**

**Disadvantages of sole
proprietorship:**

**How to start a sole
proprietorship**

What is a partnership?	Advantages of a partnership	Disadvantages of a partnership	How to start a partnership
What is a corporation?	Advantages of a corporation	Disadvantages of a corporation	How to start a corporation

What is a franchise?	Advantages of a franchise:	Disadvantages of a franchise:	How to start a franchise?
What is a Limited Liability Corporation (LLC)?	What is an S-Corporation (S-Corp)?		What is a Limited Liability Partnership (LLP)?

Types of Business Ownership Guided Note Taking Chart

List some of the factors to consider when starting a business:
Amount of money you have and what works best for you.

<p style="text-align: center;">What is a Sole Proprietorship?</p>	<p style="text-align: center;">Advantages of sole proprietorship:</p>	<p style="text-align: center;">Disadvantages of sole proprietorship:</p>	<p style="text-align: center;">How to start a sole proprietorship</p>
<p style="text-align: center;">A business owned and operated by one person.</p> <p style="text-align: center;">The owner is responsible for all operations of the business and assumes all the risk.</p>	<p style="text-align: center;">Owner makes all decisions Owner is her or her own boss Owner keeps all the profits All financial information can be kept secret This type of business is easy to start or close Flexibility Tax Advantages Ability to act quickly and make decisions</p>	<p style="text-align: center;">Owner has responsibility for all debts Costs and time commitment can be high Funding can be difficult to obtain Owner is responsible for all aspects of the business Owner doesn't have fringe benefits provided</p>	<p style="text-align: center;">no special forms to file other than obtaining local business license & permits</p>

<p>What is a partnership?</p> <p>A form of business organization in which two or more people own and operate the business together</p>	<p>Advantages of a partnership</p> <p>Partners co-own the business Combined resources They share responsibilities They may have greater financial resources than sole proprietors They share business losses They share time commitment Tax advantages Decreased competition</p>	<p>Disadvantages of a partnership</p> <p>Partners have unlimited personal liability for all the other partners Partners may have conflicts Profits are shared Partnerships are more difficult to close down than sole proprietorships Uncertain life/transferability If one partner makes a mistake, all partners are responsible</p>	<p>How to start a partnership</p> <p>obtain proper business licenses & draw up a partnership agreement that includes the following: Capital contributions Responsibilities of each partner Decision making process procedures Shares of profits/losses Departure of partners Addition of partners</p>
<p>What is a corporation?</p> <p>A legal entity that exists independently of its owners Owners are called shareholders</p>	<p>Advantages of a corporation</p> <p>The owners are shareholders. They have limited liability for the debts of the corporation and share the profits Usually shareholders do not operate the company – they hire employees to do so</p>	<p>Disadvantages of a corporation</p> <p>More difficult to form and operate More government involvement Corporations have more complicated structures than sole proprietorships or partnerships Employees who are not owners may not be committed to the business</p>	<p>How to start a corporation</p> <p>Corporation- must file Articles of Incorporation with the state in which they are organized and operate by the laws of that state (help from an attorney is a wise choice!) Articles of Incorporation is a legal document that defines ownership and operating procedures and conditions for the business</p>

	<p>Corporations can usually raise funds more easily than sole proprietors or partners</p> <p>Corporations usually have a lower tax rate than private owners</p> <p>A corporation can continue to exist after the death of its owners</p> <p>Easy to transfer ownership to another party</p>	<p>Separate owners and managers</p> <p>Dual taxation</p> <p>Corporations must publish annual reports, which could give away important secrets to competitors</p> <p>The value of company shares can change depending on changes in the stock market</p>	<p>Business must create corporate bylaws (operating procedures)</p> <p>Business must name a board of directors (people who make the major policy and financial decisions for the business.)</p>
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<p>What is a franchise?</p> <p>A business in which a franchisor sells to another person, called the franchisee, the rights to use the business name and to sell a product or service in a given territory</p>	<p>Advantages of a franchise:</p> <p>Franchisees buy a business with a good reputation</p> <p>Franchisors supply training and financial knowledge</p> <p>Franchisors usually provide packaging, advertising, and equipment to the franchisee</p>	<p>Disadvantages of a franchise:</p> <p>Franchises can be expensive to buy</p> <p>Franchisees may have to follow a lot of rules laid down by the franchisors</p> <p>If a franchisor's business fails, so will the franchisee's business</p>	<p>How to start a franchise?</p> <p>Generally franchisor will interview the franchisee and there will be an application process. Not every application gets approved!</p> <p>Sign the franchise agreement and make your investment.</p> <p>Typically franchise agreements last 5-10 years and must be renewed if the franchisee wants to continue running the franchise.</p>
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A limited liability company is the US-specific form of a private limited company. It is a business structure that can combine the pass-through taxation of a partnership or sole proprietorship with the limited liability of a corporation.

An S corporation, for United States federal income tax, is a closely held corporation that makes a valid election to be taxed under Subchapter S of Chapter 1 of the Internal Revenue Code. In general, S corporations do not pay any income taxes.

A limited liability partnership is a partnership in which some or all partners have limited liabilities. It therefore can exhibit elements of partnerships and corporations.

Files

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Destini Cole - Type...



Grade

100/100



Private comments



Mindy Pierce

Mar 2, 1:57 PM

Great job Destini!

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