


Slide 1

1.2 Forms of business organization

- Objectives
 - Types of business organizations
 - Advantages and Disadvantages of each



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Forms of business organization

- Sole proprietorship
 - Business owned by one person
- Partnership
 - Business owned by two or more people
- Corporation
 - Business organized as a separate legal entity owned by a group of people called stockholders



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Forms of business organization

- LLC – Limited Liability Corporation
 - A business with corporation and partnership characteristics. A LLC provides protection from personal liabilities like a corporation and the tax advantages of a partnership

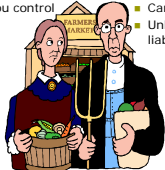


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Advantages & Disadvantages

<p>□ Sole Proprietorship Advantages</p> <ul style="list-style-type: none"> ■ Easy to form ■ Gives you control 	<p>□ Sole Proprietorship Disadvantages</p> <ul style="list-style-type: none"> ■ Limited Life ■ Can be hard to exit ■ Unlimited personal liability
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Advantages & Disadvantages

<p>□ Partnership Advantages</p> <ul style="list-style-type: none"> ■ Easy to form ■ Partners bring unique skills or resources 	<p>□ Partnership Disadvantages</p> <ul style="list-style-type: none"> ■ Limited life – partnership ceases to exist when... <ul style="list-style-type: none"> □ Death or withdrawal □ Bankruptcy of partner □ Admission of new partner □ Retirement of partner □ Completion of a project ■ Unlimited Personal Liability
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Advantages & Disadvantages

<p>□ Corporation Advantages</p> <ul style="list-style-type: none"> ■ Limited Liability ■ Easy transfer of ownership ■ Easier to raise large amounts of capital for expansion 	<p>□ Corporation Disadvantages</p> <ul style="list-style-type: none"> ■ Close government regulations ■ Double taxation
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Advantages & Disadvantages

- LLC Advantages
 - Limited Liability
 - Taxed only once on profits
- LLC Disadvantages
 - Members must pay social security and Medicare taxes on profits
 - Limited life in some states



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