

BCH SEM IV
ENTREPRENEURSHIP
UNIT-5
FORMS OF BUSINESS

INTRODUCTION

A business can be organized in one of several ways, and the form its owners choose will affect the company's and owners' legal liability and income tax treatment. Here we'll discuss the most common options and their major defining characteristics.

TYPES

Sole Proprietorship

Partnership (General & Limited)

Corporation

Limited Liability Company (LLC)

Forms of Enterprise

Sole Proprietorship

Joint Family Firm

Partnership
Firm

Cooperative Firm

Joint stock Firm

Sole Proprietorship

- A **sole trader** is a person who carries on a business exclusively on his own account and at his own risk
- “It is a form of business which is owned, managed and **controlled by an individual**. It is the simplest form of business, established with the limited resources, ability and capital of the individual known as **sole trader** “

– *James Stephens*



Features of Sole Proprietorship

- ❖ Single ownership
- ❖ No separate Entity
- ❖ Capital
- ❖ Formation
- ❖ Risk bearing
- ❖ Unlimited liability
- ❖ Management and Control
- ❖ Continuity



A green rectangular sign with white text that reads "Sole Proprietorship". The sign is mounted on a black post. The background of the slide features a white background with a black horizontal line under the title and a green grass border at the bottom.

Merits of Sole Tradership

- ❖ Ease of Formation and closure
- ❖ Flexibility
- ❖ Quick Decision making
- ❖ Secrecy of Information
- ❖ Direct Incentive
- ❖ Sense of Accomplishment
- ❖ Personal Touch
- ❖ Low Overhead Costs
- ❖ Minimum Government Regulations
- ❖ Social Importance



Demerits Of Sole Proprietorship

- ❖ Limited capital
- ❖ Uncertain Life
- ❖ Unlimited Liability
- ❖ Limited Managerial Ability
- ❖ Unsound Business Decisions
- ❖ Non-availability of Economies of Large Scale



Partnership

“**P**artnership may be defined as the relation between persons who agree to share the profits of a business carried on by all or any of them acting for all.” -*L.H. Haney*



Partnership

A partnership is an arrangement where two or more individuals cooperate to advance their interests, share management and profits, and work together as partners working or acting between individuals.



Features of Partnership

- ❖ Has two or more members.
- ❖ Lawful Business
- ❖ Risk-bearing and Sharing of Profits
- ❖ Mutual agency
- ❖ Unlimited Liability
- ❖ Restriction on transfer of Share
- ❖ Agreement



Merits of Partnership

- ❖ Ease of Formation and Closure
- ❖ Large Financial Resources
- ❖ Better Management
- ❖ Better decision making
- ❖ Sharing of Risks
- ❖ Secrecy
- ❖ Flexibility.
- ❖ Impact of unlimited Liability.



Demerits of Partnership

- ❖ Less capital as compared to a company
- ❖ Unlimited liability
- ❖ Conflict between partners
- ❖ Slow decision making
- ❖ Non-transferability of interest
- ❖ Uncertain life of the firm
- ❖ Less public confidence



The Demerit Badge



Types of Partnership

- ❖ Partnership at Will
- ❖ Partnership for a Fixed period
- ❖ Particular Partnership



Types of Partners

- **Active Partners**
- **Dormant Partners**
- **Silent Partners**
- **Secret Partners**
- **Nominal Partner**
- **Estoppel**
- **Partner in Profits only**



Formation of a Partnership

A partnership is formed on the basis of the following:

- **Partnership Deed**
- **Registration of Partnership**



Partnership Deed

- It is a written Agreement between the partners in a firm. It contains several clauses regarding name and address of partners, nature of business, capital, profit sharing ratio, etc.



To be continued.....