Business Organizations

Forms of Business Organizations

Sole Proprietorships

* Most common, owned and run by one person
* Form – easiest, can be run in your home
* Advantages – ease of starting up, ease of management, do not share success, no business taxes, psychological satisfaction & ease of getting out.
* Disadvantage – unlimited liability, hard to raise money, size & efficiency, limited managerial experience, hard to get qualified employees, & limited life.

Partnerships

* Jointly owned by tow or more persons
* Least numerous form
* Types of partnerships – general and limited
* Form – easy to start, paper/jobs, how profits are divided etc.
* Advantages – ease of starting, management, lack of taxes, attract more $, larger size & attract talent.
* Disadvantages – responsible for other partner, limited partnership, limited life, conflict bankruptcy

Corporations

Form of business recognized by law as a separate legal entity having rights of an individual.

Forming: permission, charter, stock, stockholders & dividend

Structure: investor = owner, common stock, preferred stock

Advantages – ease of $, professional managers run the firm, limited liability for its owners, unlimited life, ease transferring ownership

Disadvantages – charter, owners have little say in how things work, double taxation & government regulation

Government & Business Regulation

Business Regulation – federal & state, some regulations are being reduced.

Development –entice companies to come to their state = $

Business Growth & Expansion

Growth through Reinvestment

Estimating Cash Flows -

Reinvesting Cash Flows –

Growth through Mergers

Reasons for Merging –

Types of Mergers – horizontal & Vertical

Conglomerates – firm that has at least four businesses, unrelated, none bringing in the most $

Multinationals – corporations that have manufacturing or service operations in a number of different countries.

Other Organizations

Nonprofit organizations

Community and Civic Organizations

Cooperatives – Consumer, Service & Producer

Labor Unions, Professional Associations & Business Associations

Government – Direct role & Indirect role