



Module III. Business

Entrepreneurial
Finance

Topic 1. Forms of Business
Organisations

Lesson 1. General Forms of
Business Organization



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This topic...

Emphasizes the importance of forms of business organizations.



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Once the topic is completed and approved, learners will be able to...



Apply received knowledge about the different forms of Business Organizations.



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*In this lesson, we
will learn...*

- ✓ What kind of forms of business organization exist?



When you are making this decision about business form of your business, you need to consider the following factors:

1. Organization costs
2. Reporting requirements
3. Tax consequences
4. Influences on succession planning or future sale of the company



Sole Proprietorships

Qualified Joint Venture

Partnerships

Corporations

Limited Liability
Companies



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Sole Proprietorships

This is the simplest form of business organization.



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Qualified Joint Venture

- Members of the joint venture are spouses (husband and wife)
- Both spouses materially participate in the business
- Both spouses choose to be treated as husband and wife, not a partnership



Partnership

- General partnership
- Limited partnership



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General partnership

- All partners actively participate in the operation of the business.
- The main disadvantage of a general partnership is unlimited liability.





Limited Partnership

- Limited partners have limited liability.
- Their losses are limited by investing in a partnership.
- Their personal wealth is protected from business creditors.



The agreement should cover the following things:

- ✓ The amount of capital invested by each partner,
- ✓ Distribution of profits and losses among partners,
- ✓ Voting rights of each partner,
- ✓ Responsibilities of each partner,
- ✓ Allocation of assets after cessation of operations,
- ✓ Succession and exit plan



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Corporations

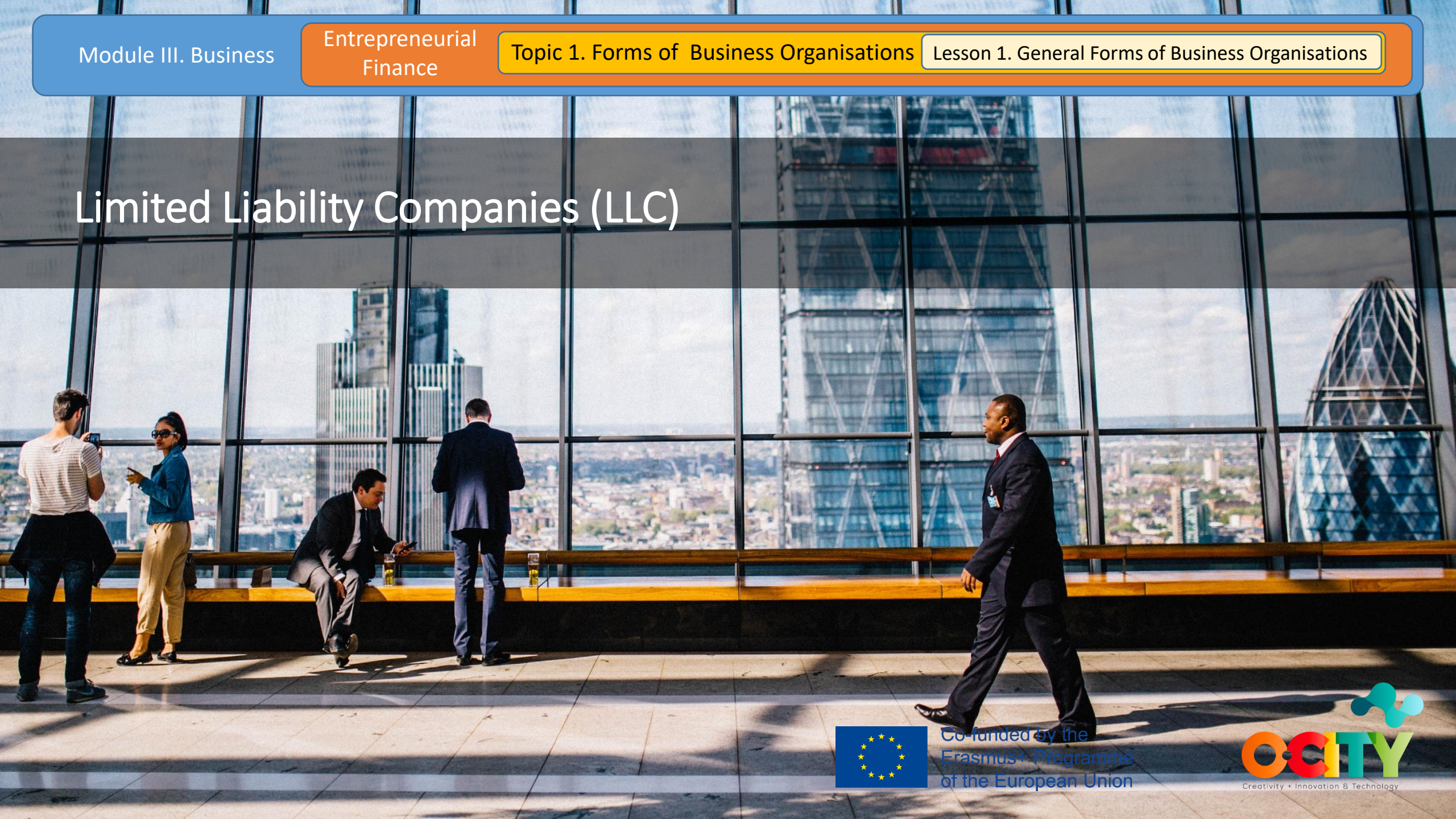
By definition, a corporation is a legal entity that is separate and distinct from its owners.



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Limited Liability Companies (LLC)



Conclusions

Many factors can influence the choice of the organizational form that is most appropriate. That is why it is necessary to **choose the one that best suits your needs.**



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