The Organisation of Business

Business Organization:

- A business is an enterprise which ***distributes or provides services*** where other members of the community need and are able and willing to pay for it.

Purpose of Business Organization:

- People need to ***work together to accomplish goals.***
- Goals are too large, too complex, too expensive to be achieved without ***cooperation.***
- By working together, people can ***produce more & better good and services.***

Types of Business Organization:

- A business organization is classified in to two types.
  1. ***Individualistic institutions***
  2. ***Government institutions***

1. Sole Proprietorship:

- 'A sole proprietorship is a form of legal organization in which the ***owner maintains sole and complete control over the business*** and is personally liable for business debts'.
- Unlimited liability of proprietor.
- The person who contributes capital and manages the business called as ***sole proprietor.***

1. **Sole Proprietorship:**

Characteristics:

- One man ownership
- Unlimited liability
- Enjoyment of entire profit
- No separate legal entity
- Simplicity
- Self employment
- Secrecy

1. Sole Proprietorship:

Advantages:

- ***Low start-up*** costs.
- ***Freedom*** from most regulations.
- Owner has ***direct control.***
- All ***profits*** go to owner.
- ***Easy to exit*** business.
- Hence ***efforts and rewards*** are directly related.
- Owner's interest and care ***directly affects*** the profit of the business.

1. Sole Proprietorship:

Disadvantages:

- ***Unlimited liability*** – Owner is entirely responsible for all the liabilities.
- ***Death or illness*** endangers business
- ***Total responsibility***
- More ***difficult to raise finance*** for business
- Growth ***limited to personal energies***
- ***Personal affairs*** easily mixed or confused

2. Partnership:

- A partnership is a form of legal organization in which ***two or more business owners share the management***, profit and risk of the business.

2. Partnership:

Characteristics:

- Agreement
- Lawful business
- Sharing of profits
- Contractual relations
- Common management
- Multiplicity of business

2. Partnership:

Advantages:

- ***Ease*** of formation
- ***Group*** talent
- Wide resources
- Easier ***access to finance***
- ***Sharing*** of Risk
- ***No*** corporate ***income tax***

2. Partnership:

Disadvantages:

- Unlimited personal liability
- ***Divided authority*** and decisions
- Potential for ***conflict***
- Continuity of ***transfer of ownership.***
- Lack of harmony
- Difficult to get rid of bad partner
- Death, withdrawal, or bankruptcy of one partner

2. Partnership:

Types of partners:

- ***Active Partners*** – Authorize to manage the business.
- ***Sleeping or Dormant Partners*** – Just an investor.
- ***Nominal Partners*** – Only lend his name for uplifting the image.
- ***Partners by estoppels*** – Behaviour makes other to believe as a partner.
- ***Secret partner*** – Name not disclosed to outsiders.
- ***Minor as a partner*** – Less than 18.

Thanks for Attention!