- What are sole proprietorships and partnerships?

Sole Proprietor

- Sole- single
- Proprietor- Owner of a business
- Sole proprietorship-business owned and operated by one person
- By far the most common type of business in the world

Partnerships-

- Partnerships- Business that two or more individuals own and operate

Vocabulary

Liability- Someone being held responsible

Unlimited liability- requirement that an owner is a personally and fully responsible for all losses and debts of a business

Assets- all items to which a business or house hold has legal claim.

Sole proprietorship -Advantages listed First, then disadvantage

- Profits and losses-
  - Proprietor receives all the profits because they take all the risk.
  - Losses are not shared
- Liability
  - None
  - Proprietor has unlimited liability
- Management
  - Decisions on starting and running the business can be made quickly, fewer government regulations,
  - Must handle all decisions

- Taxes
  - Taxes are lower because the proprietor only pays income tax
  - None
- Personal satisfaction
  - Proprietor has high satisfaction in being his or her own boss
  - Demanding and time consuming,
- Financing growth
  - Can obtain credit easily.
  - Lenders know they can take over the assets of the proprietor if the loan is not paid back.

Partnerships

- Profits and losses
  - Losses are shared, partners may survive a loss that might bankrupt a sole proprietor
  - Because partner share the risks they are share the profit
- Liability
  - None
  - Partners have unlimited liability for debts incurred in business
- Management
  - Partners are usually more efficient, Each partner works in areas they know best
  - Decisions are slow

- Taxes
  - Taxes are usually low because partners pay only personal income taxes on their share of profits
  - None
- Personal Satisfaction
  - Partner feel pride in owning and company
  - Arguments may result if partners do not get along with each other
- Financing growth
  - Partnerships combine capital, making more funds available to operate a larger more profitable business, Creditors are often willing to lend more money to partners.
  - Credit is shared both good and bad

Writing assignment

- Find 3 ways these 2 business structures are the same and 3 ways there are different.
- Then write a 6 sentence paragraph explaining which is a better structure and why