

A globe of Earth is shown on the left side of the slide, set against a blue, textured background that resembles water or a similar surface. The globe displays continents and oceans. The background has a subtle pattern of light and dark blue tones, suggesting a vast, open space or a deep sea.

Essential Standard 2.00

Understand the nature of business.

A globe of Earth is positioned in the upper left quadrant of the slide. The globe shows continents in brown and green and oceans in blue. The background is a deep blue with a fine, pebbled texture. A bright light source from the top right creates a strong shadow of the globe onto the background, extending towards the bottom right.

Objective 2.01

Understand the types of business ownership.

Types of Business Ownership

- Sole Proprietorship
- Partnership
- Corporation
- Specialized partnership
- Specialized corporations
- Cooperative
- Franchise

Sole Proprietorship

- How many people are considered for ownership?
- Who may manage a sole proprietorship?
- Formation may vary by states

Sole Proprietorship Advantages

For owner

- Easy to form
- Complete control of business
- Recipient of 100% of the profit
- One time taxation

Sole Proprietorship Disadvantages

- Limited capital
 - What are liabilities?
 - Unlimited liability
 - Types of liabilities
 - Employment
 - » Example: Firing of an employing that missed significant days from work
 - Accidents and injuries on premises
 - » Example: Customer breaks a leg while on business property
 - Company vehicle-related
 - » Example: Driver runs into a building while driving company's car
 - Product-related
 - » Example: Toys easily injure toddlers
 - Errors and omissions
 - » Example: Employee accidentally damages a customer's property
 - Limited to the lifetime of owner

Sole Proprietorship continued

- Termination
 - How is a sole proprietorship terminated?
- What are some sources that may be used for investment?
- What are some local examples?

Partnership

- How many people are considered for a partnership ownership?
 - Association of two or more people to carry on as co-owners of a business for profit.
- Who may manage a partnership?
- Determined by partnership agreement
- Formation varies by each state

Partnership Advantages

- More capital and credit available
- Work load more evenly shared
- Losses are also shared

Partnership Disadvantages

- Profits are shared
- Decisions are made jointly

Partnership Disadvantages continued

- Unlimited liability depending on type of partnership
 - Types of liabilities
 - Employment
 - » Example: Firing of an employing that missed significant days from work
 - Accidents and injuries on premises
 - » Example: Customer breaks a leg while on business property
 - Company vehicle-related
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 - Product-related
 - » Example: Toys easily injure toddlers
 - Errors and omissions
 - » Example: Employee accidentally damages a

Partnership continued

- Partnerships are formed by an agreement to the conditions of partnership of agreement
- Partnerships are terminated by actions of the partners, bankruptcy, death and/or court order
- What are some sources possible for investment?
- What are some examples?

Types of Partners

Type of Partner	Participation in the Business	Relationship to the Public	Degree of Liability
Dormant	Not active	Unknown	Unlimited
General	Active	Known	Unlimited
Limited	Not active	Known	Limited
Secret	Active	Unknown	Unlimited
Silent	Not active	Known	Unlimited

Corporation

- An entity with the legal authority to act as a single person
- Who may manage a corporation?
- How are corporations formed?

Corporation continued

- Ownership
 - Determined by purchase of stock
 - A stockholder, or shareholder, owns a 'piece' of the company
 - One share of common stock equals one vote

Corporation continued

- Advantages
 - Capital easy to obtain
 - Limited liability for shareholders
 - Possibility of unlimited lifetime of business

Corporation continued

- Disadvantages
 - Double taxation: profits and earnings
 - Government regulations
 - Operations controlled by shareholders and board of directors instead of original owner(s)
Example: 10 years after founding Apple, Steve Jobs was fired by the board of directors.

Corporation continued

- Disadvantages

- Types of liabilities

- Employment

- Example: Firing of an employing that missed significant days from work

- Accidents and injuries on premises

- Example: Customer breaks a leg while on business property

- Company vehicle-related

- Example: Driver runs into a building while driving company's car

- Product-related

- Example: Toys easily injure toddlers

- Errors and omissions

- Example: Employee accidentally damages a customer's property

- Directors and officers

- Example: One ingredient intentionally omitted from packages

Corporation continued

- How is the life of a corporation terminated?
- What is the source of investment for corporations?

Specialized Corporations

- S-Corporation, also known as Subchapter “S”, treats partners as individuals by taxing them once.
- Limited liability company (LLC)
 - Why do small businesses operate as LLCs?
- Nonprofit Corporation
 - Who benefits from services of nonprofit corporation?

Types of Corporations

- Domestic - chartered in a specific state
Examples located in North Carolina:
 - Bank of America Corporation
 - Lowe's Home Improvement Store
- Foreign - chartered in one state, but doing business in another state
- Alien - chartered in another nation, but doing business in a state

Types of Corporations continued

- Public-established for a governmental purposes

Examples

- National Science Foundation
- Export-Import Bank of the United States

- Private-established by individuals for business or charitable purposes.

Examples

- Enterprise Rent-A-Car
- American Cancer Society

Cooperatives

- Cooperatives
 - Formed by a group of individuals or businesses to serve their needs in order to gain bargaining power against bigger businesses
 - What are some examples?

Franchises

- What is a franchise?
- Franchise grants permission to sell products and services to another business
- Two main formats:
 - Business-format
 - Requires franchisee to sell products or service in a specific format
 - What are some examples of business-format franchise?
 - Product trade-name
 - Allows franchisee to sell specific products. This format is usually formed by automobile, appliance, and petroleum product
- What are some examples of franchises?