Week 4 DQ 2 Types of Business Organizations

Once you decide to start your own business you will have to determine what business structure or form of organization suits your needs. The structure of your business will depend on whether you want to run your business yourself or with a partner or associates. From a legal point of view there are four types of business structures: sole proprietorship; partnership; corporation; and cooperative. Each legal ownership structure is different and has advantages and disadvantages.

Number one is sole proprietorship. With this type of business organization you would be fully responsible for all debts and obligations related to your business and all profits would be yours alone to keep. A creditor can make a claim against your personal or business assets to pay off any debt. This is known as unlimited liability and is considered as the main disadvantage of this business structure. The advantages of this form of organization are mainly less paperwork and a low cost to start.

Number two is partnership. A partnership is an agreement in which two or more persons combine their resources in a business in order to establish the terms of the business and to protect partners in the event of the disagreement or dissolution of the business. A partnership agreement should be drawn up. As partners you would share the profits of your business according to the terms of your agreement. A partnership has similar advantages and disadvantages as a sole proprietorship.

Number three is Corporation. A corporation is a legal entity that is separate from its owners, the shareholders. The main advantage of this business structure is the limited liability. No shareholder of a corporation is personally liable for the debts, obligations, or acts of the corporation. The main disadvantage is that a corporation is closely regulated and much more expensive to incorporate.

The last is cooperative. A cooperative is a corporation owned by an association of members. The business is organized and controlled by its members. This is the least common form of business but can be appropriate in situations where a group of persons or businesses decide to pool their resources to provide access to common needs such as the delivery of products or services, the sale of products or services, employment, and more. For more information on the types of organizations, if you wish to register your business, or for general start-up information in Saskatchewan contact square one toll-free at 1triple 8-576 4444 or visit our website at square one Saskdot.com

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