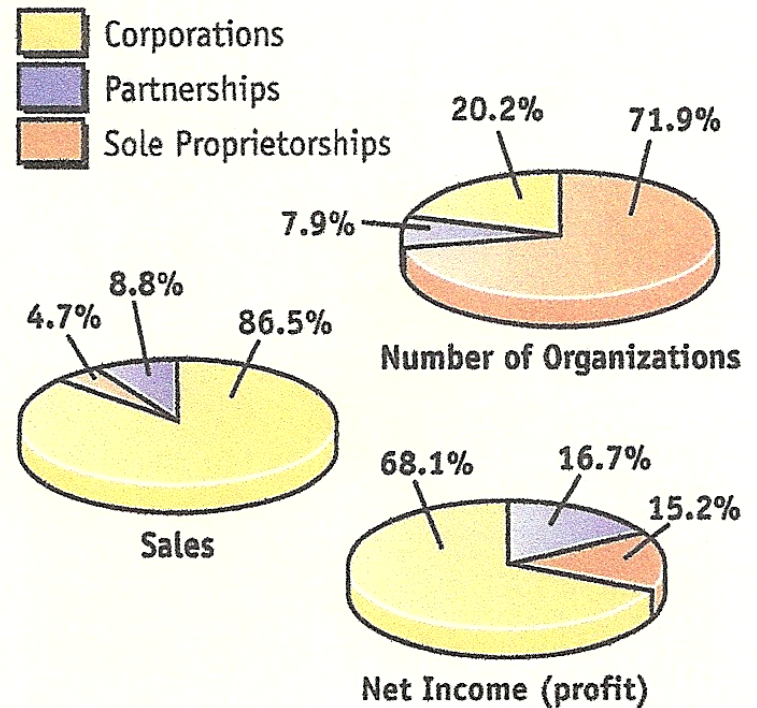


Business Organizations

Forms of Business Organization

- Sole Proprietorship
- Partnership
- Corporation

Corporations, Partnerships, and Sole Proprietorships



Source: 2002 Statistical Abstract of the United States

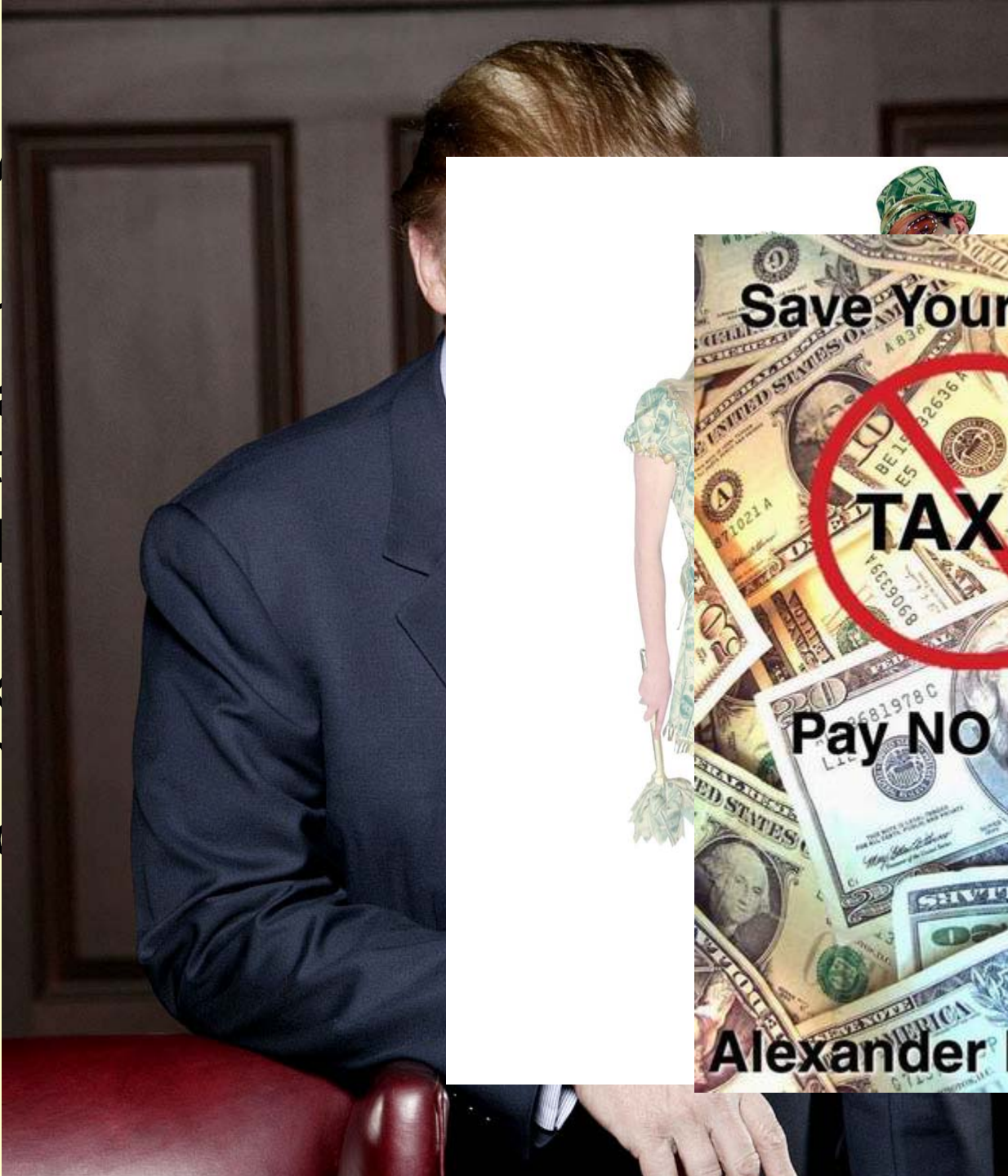
Sole Proprietorship

A business owned and run by one
person

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A collage of various US dollar bills, including \$100, \$50, and \$20 bills, scattered across the frame. A red prohibition sign (a circle with a diagonal slash) is superimposed over the word "TAXES" in large, bold, black capital letters. Above the sign, the text "Save Your Money" is written in bold black font. Below the sign, the text "Pay NO Taxes" is written in bold black font. At the bottom of the collage, the name "Alexander Hamilton" is written in bold black font. A small, green, cartoonish character is visible at the top center of the collage.

Disadvantages of Proprietorships

- You assume unlimited liability.
- The amount of investment capital you can raise is limited.
- You need to be a generalist. Retaining high-caliber employees and maximum inventory is difficult.
- The life of the business is limited and dependent on the owner's.

Partnership

A business jointly owned by two or more people

Types of Partnerships

- General
 - Most common
- Limited
 - At least one partner not active in daily operations

Forming a Partnership

- Articles of Partnership specify legal arrangements
- Dewey, Cheetam, and Howe



Advantages of a Partnership

- Two heads are better than one.
- It's easy to get started.
- Ease of Management
 - Efficiency
- More investment capital is available.
- Partners pay only personal income tax.
- High-caliber employees can be made partners.

Disadvantages of a Partnership

- Partners have unlimited liability.
- Partners must share all profits.
- The partners may disagree.
- The life of the business is limited.

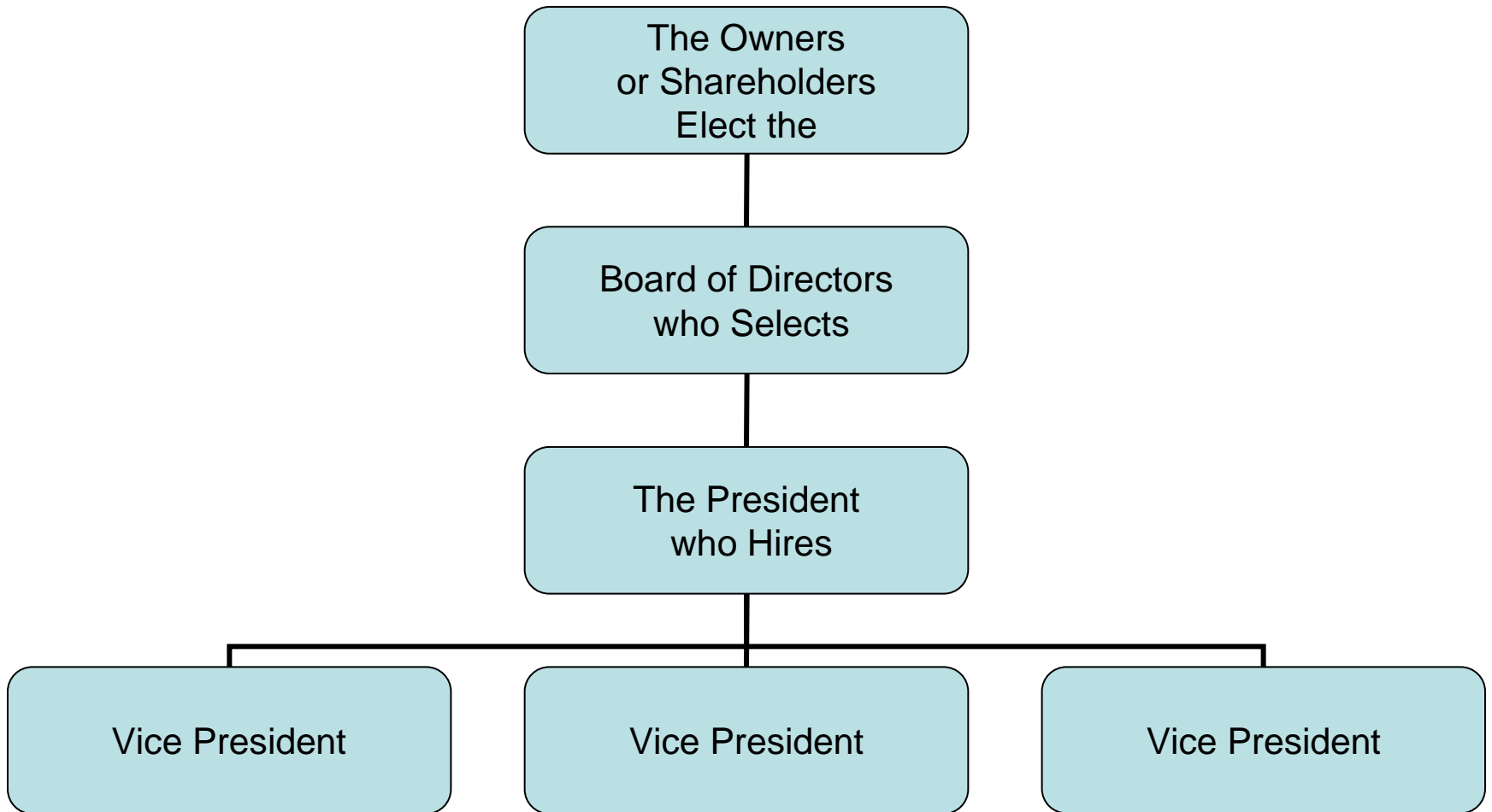


A nighttime photograph of a city street, likely Times Square in New York City. The scene is filled with tall buildings, some with lit-up windows and signs. A yellow taxi is visible in the lower left corner. The overall atmosphere is urban and brightly lit by city lights.

Corporation

A form of business organization
recognized by law as a separate legal
entity having all the rights of an
individual

A Typical Corporation



The background of the slide is a collage of various US dollar bills, including \$100, \$50, and \$20 bills, scattered across the white background. The bills are shown in different orientations and some are partially overlapping.

Advantages of a Corporation

- Stockholders have limited liability.
- Corporations can raise the most investment capital.
 - Stocks
 - Bonds
 - Principal and interest
- Corporations have unlimited life.
- Ownership is easily transferable.
- Corporations utilize specialists

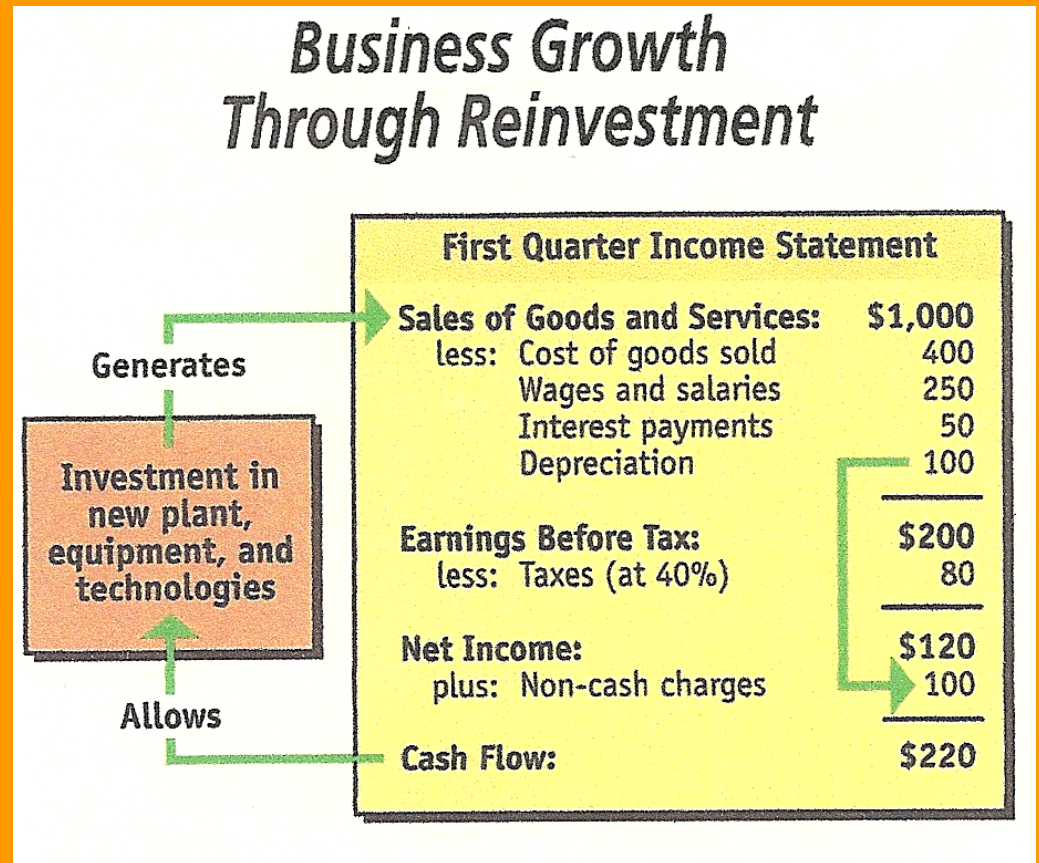
Disadvantages of a Corporation

- Corporations are taxed twice.
 - Double Taxation
- Shareholders have little say after choosing directors.
- Starting a corporation is expensive.
 - Getting a Charter
- Corporations are closely regulated by government agencies.

Business Growth and Expansion

Growth Through Reinvestment

- Net Income
- Depreciation
 - Non-cash Charge
- Cash Flow



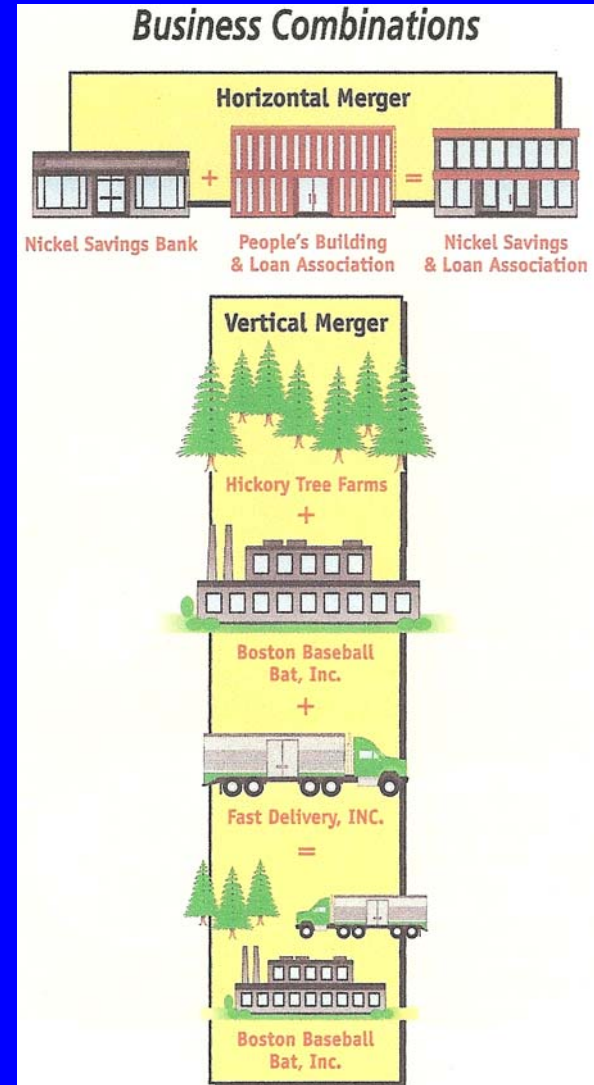
Growth Through Mergers

Reasons for Mergers

- Growth
- Efficiency
- Need to Acquire New Product lines
- Catch Up With or Eliminate Rivals
- Lose a Negative Corporate Identity

Types of Mergers

- Horizontal
- Vertical



Conglomerate

Firm with four or more businesses making unrelated products, with no single business responsible for a majority of the sales

Multinational

A very large firm with a head office in one country and several branches operating overseas.

Advantages of Multinationals

- Investment by multinationals creates jobs for the host country.
- The multinational will introduce new production techniques and managerial skills.
- New or better goods may now become available in the host country.
- Ability to move resources, goods, services, and financial capital across national borders
- Widespread market opportunities
- Help spread new technology worldwide
- Generate new jobs in areas where jobs are needed
- Produce tax revenues for the host country
- Help to improve the economies of developing nations

Disadvantages of Multinationals

- Profits are returned to the overseas head office.
- The multinational may operate against the interest of the host country.
- The multinational may force its overseas branches to buy supplies from the head office.
- Because they are large and wealthy, they may influence the political life of a host nation
- May exploit the economy of the host nation by paying low wages to workers, by exporting scarce natural resources or by adversely interfering with the development of local businesses
- Workers in major industrialized nations argue that building a plant abroad takes away jobs at home

Other Organizations

Community and Civic (Nonprofit) Organizations

Cooperatives

- Consumer
- Service
- Producer

Labor, Professional, and Business Organizations

- Labor Unions
 - Collective Bargaining
- Professional Organizations
- Business Associations
 - Chamber of Commerce
 - Trade Associations
 - Better Business Bureau

Government

