

## COMMERCE SS1

### BUSINESS ORGANISATIONS

Business organizations are organizations set up principally for the production and distribution of goods and services. They are established to carry out economic activities.

Types of business organizations are sole proprietorship, partnership, private company, public company, public corporation and co-operative societies.

### SOLE PROPRIETORSHIP

Sole proprietorship is a form of business enterprise owned, financed and managed by one person with the primary aim of maximizing profit. It is also referred to as one-man business.

#### FEATURES OR CHARACTERISTICS OF SOLE PROPRIETORSHIP.

1. It is owned and managed by one person.
2. The objective of the business is to make profit.
3. The sole proprietor provides the capital for establishing and running the business.
4. It has unlimited liability.
5. It is not a legal entity as the owner cannot be separated from the business.
6. It does not have a perpetual existence. The business can fold up at anytime.

#### ADVANTAGES OF SOLE PROPRIETORSHIP.

1. It requires very small capital to set up.
2. It is easy to establish: It does not require much procedures to establish.
3. Quick and easy decisions are taken by the owner without the consent of the other workers.
4. There is privacy in conducting the business: The owner does not need to submit his statement of accounts to the registrar of companies.
5. There is close relationship and personal contact with customers.
6. The owner enjoys the profit of the business alone.
7. The mode of operation is simple and flexible. Changes can be made at anytime.

#### DISADVANTAGES OF OF SOLE PROPRIETORSHIP.

1. Problem of continuity: The death or retirement of the owner can lead to the end of the business.
2. The owner bears all the risk alone. He does not share loss with anybody.
3. He has unlimited liability: In the event of debt, the owner may have to sell his personal assets.
4. It is not a separate legal entity: The business cannot Sue or be sued in its own name.
5. Possibility of expansion is limited since the owner may not be able to get external finance.
6. Lacks management ability: Better management arising from combination of skills is lacking.