

## CHAPTER 02

### Forms of Business Ownership



**“When Somebody tells you that something can’t  
be done, all it really means is that it hasn’t been  
done before”**

**By Ben Cohen,  
Cofounder of Ben & Jerry’s Ice Cream**

- 1. Capital Requirements**
- 2. Risk**
- 3. Control**
- 4. Managerial Abilities**
- 5. Time Requirements**
- 6. Tax Liability**

## **Factors Require for Owning a Business**

# Forms of Business Ownership in Bangladesh

Mainly-

1. Sole Proprietorships
2. Partnerships
3. Corporation/Company

- Cooperative and
- State Ownership

### Example :

D & D Café in Engle's Nest, New Mexico is owned by a sole proprietor, Gary Thompson.

He is the person in charge, responsible and accountable. There are 12 million other sole proprietors like Mr. Thompson operating their own businesses in the United States.

### In Bangladesh-

Almost 85% businesses in Bangladesh are operated as sole **Proprietorship**

## Sole Proprietorship

A business owned and managed by one individual



# Advantages & Disadvantages

## Advantages of Sole Proprietorship

1. Ease of Starting
2. Control
3. Sole Participation in Profits and Losses
4. Use of Owner's Abilities
5. Tax Breaks
6. Secrecy
7. Ease of Dissolving

## Disadvantages of Sole Proprietorship

1. Unlimited Liability
2. Difficulty in Raising Capital
3. Limitations in Managerial Ability
4. Lack of Stability
5. Demands on Time
6. Difficulty in hiring and keeping high achievement Employees

# Partnership

A business owned by two or more people





## Types of Partnerships

1. **General Partnership** – A partnership in which at least one partner has unlimited liability; a general partner has authority to act and make binding decisions as an owner.
2. **Limited Partnership** – A partnership with at least one general partner and one or more limited partners who are liable for loss only up to the amount of their investment.
3. **Master Limited Partnership (MLP)** – A partnership that sells units traded on a recognized stock exchange.



# Main Features of a Partnership Contract



1. Name of the Business Partnership
2. Types of Business
3. Location of the Business
4. Expected life of the partnership
5. Names of the partners and the amount of each one's investment
6. Procedures for distributing profits and covering losses
7. Amounts that partners will withdraw for services
8. Procedure for withdrawal of funds
9. Duties of each partner
10. Procedures for dissolving the Partnership

# Advantages & Disadvantages

## Advantages of a Partnership

1. More Capital
2. Combined Managerial Skills
3. Ease of starting
4. Clear legal status
5. Tax advantages

## Disadvantages of a Partnership

1. Unlimited Liability
2. Potential Disagreements
3. Investment Withdrawal Difficulty
4. Limited Capital Availability
5. Instability

## **Syndicate**

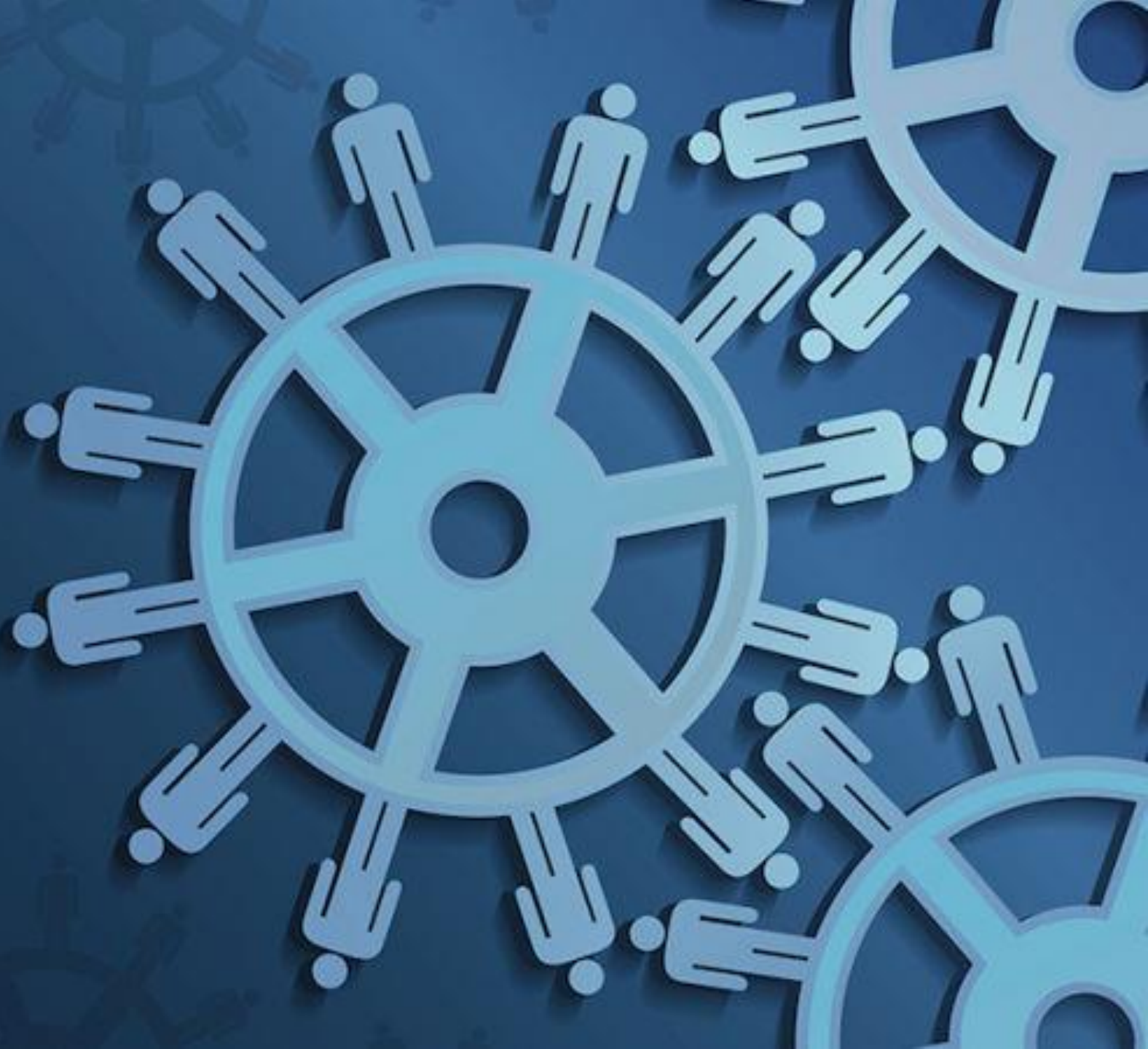
Two or more businesses joined together to accomplish specific business goals; a popular form in underwriting large amounts of corporation stocks

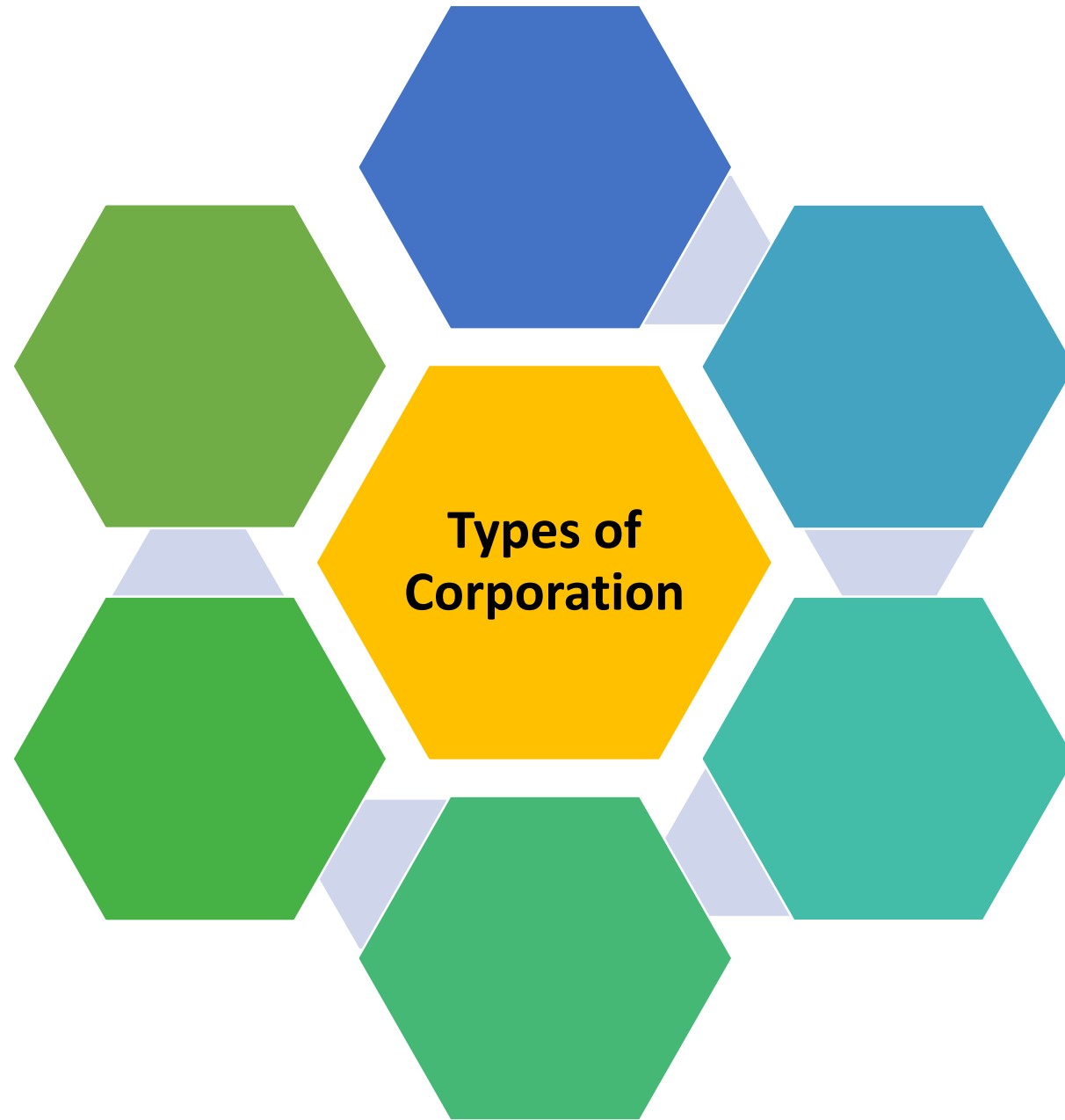
## **Business Trusts**

A Business used to hold securities for investors; allows the transfer of legal title to a property of one person for the use and benefit of another.

# Corporation

A business that is a legal entity separate from its owners.





## **Advantages of a Corporation**

1. Limited Liability
2. Skilled Management Team
3. Transfer of Ownership
4. Greater Capital Base
5. Stability
6. Legal – Entity Status

## **Disadvantages of a Corporation**

1. Difficulty and expense of starting
2. Lack of Control
3. Multiple Taxation
4. Government Involvement
5. Lack of Secrecy
6. Lack of Personal Interest
7. Credit Limitations