MC READY JUNE 11, 2018

DIG DEEP GO PRO

MC READY

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TODAY'S AGENDA

1) THINGS IN PLAY
2) TEST 1
3) TODAY'S LECTURE

THINGS IN PLAY

DIG DEEP

- TOOLS, CERTS, OJL'S
- WEDNESDAY LAST DAY @ LMN
- MC READY TEAM & FAMILY DINNER ?

TODAY'S BENCHMARK PROJECT

Objectives

- Identify the different forms of business ownership.
- Explain the advantages and disadvantages of each type of business ownership.
- Justify choosing one form of business ownership over a

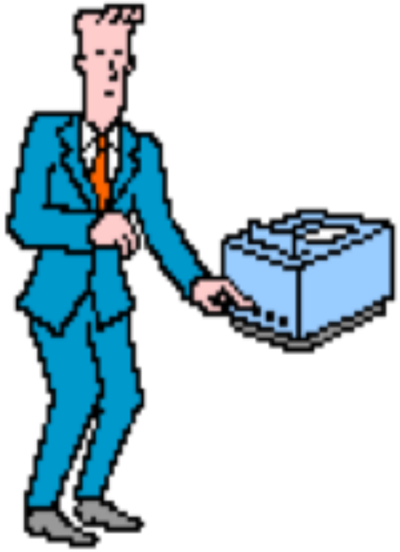
Introduction

- Business ownership is influenced by several legal factors:
  - Business Taxation
  - Degree of Owner Liability
  - Scope of Operation
  - Financial Structure desired

- The legal factors and other considerations affect the choice in which business ownership structure is selected.

Four Forms of Ownership

1. Sole Proprietorship
2. Partnership
3. Corporation
4. Limited Liability Corporation - **LLC**



Sole Proprietorship

- **Sole Proprietorship** is an individual who owns and manages the company.
  - It is the simplest form of business ownership.
  - The owner takes full responsibility for the company's assets, debts, obligations and profits.
    - Provides the necessary equipment and property.
  - The size of the business maybe limited to the owner's personal financial state.

Advantages

- Owner pays no business taxes, due to the fact the business is not recognized as an entity.
  - Taxes are paid by the owner in the form of personal income tax on the earnings of the business.
- Full control of the business.
  - By having full control of the business the owner has the ability to manage the business and if done effectively and efficiently he/she will ensure **success and profit**!
- Ease of formation and termination.
  - It is not as extensive in formation and termination as other forms of business ownership.

Disadvantages

- Pay taxes in the form of personal income tax.
  - The owner must make sure he/she has set aside funds to pay for taxes through their personal income tax.
- All the Owner's assets are at stake.
  - Any liability issues allows the owner's assets to become part of the business – home, car, etc..
- Business success or failure depends solely on the Owner.
  - The Owner is responsible for the management of the business for it to succeed or fail.
- Sole Proprietorship will not continue in the event of the Owner's death.

Partnership

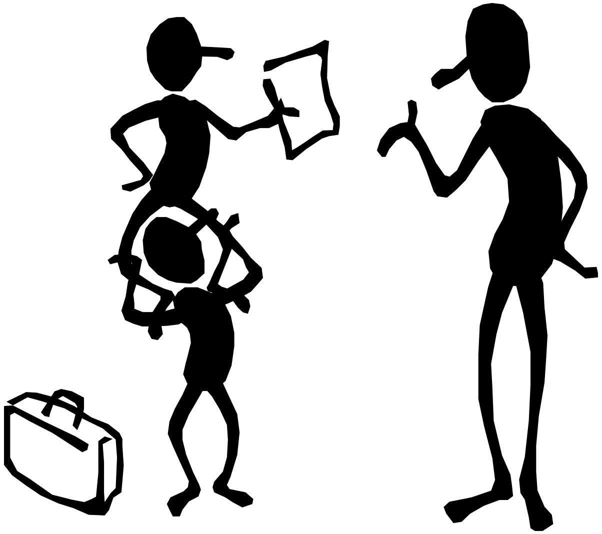
- A **partnership** is the association of two or more persons, by mutual agreement, are co-owners of a business.
  - The benefits gained by forming a partnership is the **pooling** of the partners:
  - Assets
  - Personal Credit
  - Equipment
  - Facilities
  - Talent

Partnership

- Depending on the specifics of the partnership agreements, each partner maybe responsible for the actions of the organization.
- Partnerships are not formed as a legal entity, therefore they pay no taxes.
  - The Partners are therefore subject to personal taxation of their allocated share of the profits.

Partnership

- Partnerships can be formed under one of the following categories:
  1. General Partnership
  2. Limited Partnership
  3. Joint Venture Partnership



General Partnership

- A **general partnership** consists of one or more persons who co-own a business by contributing capital, equipment of property.
  - The pooling of the financial resources can result in the partnership an increased bonding capacity of the business.
  - The profits or losses are distribute to the owners based on the contributions made.

General Partnership

- Each partner is recognized as an agent in the partnership and can bind the other partner in the normal course of business without express authority of the other partner.
  - Each partner can be liable to a creditor for the debts and is responsible for the acts and obligations of the other partner.
  - If one of the partners is unable to pay their share of the companies liabilities, the creditor can force the remaining partners to pay the share of the partner this is not able to.

General Partnership

- If for some reason a partner want to leave the partnership, he/she still remains personally liable for the partnership obligations outstanding as of the date of withdrawal.
  - To protect themselves from future partnership debt, the retiring partner should do the following:
    - Give personal notice to firms they are doing business with.
    - Publish public notice of his/her departure from the partnership.

General Partnership

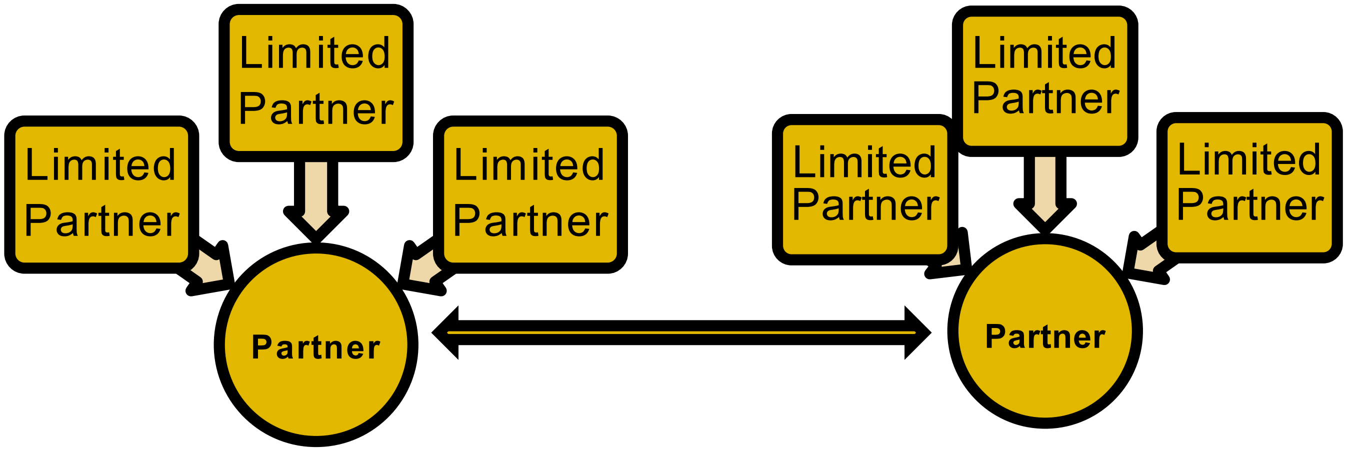
- General Partnership's are automatically dissolved upon the death of one of the partners.
  - The only way for the partnership to continue is to have it is stipulated in the partnership agreement.
  - The remaining partners must purchase the deceased partner's interest.

Limited Partnership

- **Limited Partnership** is a co-owner's liabilities and profits are limited to and equal to the amount of capital and property they have invested in the company.
  - The liability of a limited partnership does not extend to a partner's personal assets.
  - A limited partnership does not provide:
    - Services to the business
    - Have a voice or vote in the management of the business.

Limited Partnership

- The limited partner is an owner of a share of the profits and losses.
  - Under the limited partnership, one partner must be a general partner, thus assuming the legal responsibilities of the partnership.



Joint Venture Partnership

- **Joint Venture Partnership** is a form of a business that is for a special purpose.
  - It is a relationship between two or more companies who are uniting forces temporarily to complete a job or a project.
  - The joint venture creates an entity that is bigger and stronger than any of the parts acting alone.
  - The joint venture offers advantages of combining resources, assets and facilities.
  - Each partner in the joint venture shares in the profits and losses and carries individual liability for venture debts and performance.

Joint Venture Partnership

Joint Venture Partnerships can be a:

- Sole proprietorship
- Partnership
- Corporation

Corporation

- **Corporations** is a legal entity comprising of one group under a corporate name.
- Corporate classifications include:
    - Public or Private
    - Profit or nonprofit
    - Foreign or domestic

Corporation

- Corporations have the same rights and liabilities as an individual, but they are regarded by law as a separate and distinct from their Owners.
- The corporation is entitled to do business, have debt, own property, sue and be sued.
- The advantage of this type of a organization is:
  - Limited liability of its owners.
  - Ease of raising capital
  - Provisions for multiply ownership
  - Economic benefit that owners only pay taxes on profit received.

Corporation

- Corporations – Private have the rights and liabilities as an individual but are regarded by law as separate from the owners.
  - Stockholders own the corporation.
  - Ownership may be limited to individuals within the company or is open to the public.

Corporation

- Corporations are the most difficult and costly to form of all business types.
  - The charter for the corporation includes a set of bylaws and other governing articles that empower and guide the corporation.
  - The operating body is known as the Board of Directors that is elected by stockholders.
  - Directors are responsible for conducting business per the corporate bylaws and establishing policies.

Corporation

- Corporate officers handle the day to day administrative and management operations of the organizations.
- The board of directors appoint the corporate officers.
- The corporations are taxed on its profits and is subject to both federal and state corporate taxes.

Corporation

- Corporations are taxed on its profits and is subject to both the federal and state taxes.
  - The corporation may elect to reinvest some or all of the after-tax profits in the corporation or distribute the profits among the stockholders of the corporation in the form of dividends.
  - Stockholders that receive dividends are taxed individually on their personal income tax returns.

Corporation

- Advantages of Corporations:
  - The limited liability of the owners
  - Extended financial resources through selling stock
  - Perpetual life of the company.

Corporation

- Disadvantages of Corporations:
  - The double taxation of the companies profits.
  - Corporations are subject to Governmental regulations.

Subchapter “S” Corporation

- The Subchapter “S” Corporation is a corporation that is chartered so that it is taxed as if it were a general partnership.
  - Certain criteria must be met in order to qualify for the Subchapter Corporation eligibility to form this type of a business.
  - The corporate statue of the organization transfers the corporate tax liability to the individual stockholders.

Limited Liability Company

- The Limited Liability Company or better known as a LLC is another type of business ownership.
  - Owners must report profits and losses on their personal income tax returns.
  - Limited Liability Company is not a separate taxable.
  - Under the LLC only the assets of the business are at risk.

QUESTIONS?

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