

Forms of Business Organization / Types of Ownerships

Def: It is the right of an individual or a group of individuals to acquire legal title to assets for the purpose of controlling them and to enjoy the gains or profits from such possession and use.

Chief forms of ownership organization are:

- Sole proprietorship
- Partnership
- Joint stock company

Sole proprietorship

- It is a form of business organization in which an individual introduces his own capital, uses his own skill and intelligence in the management of its affairs and is solely responsible for the results of its operations.

Features

- Single ownership
- One man control
- Undivided risk
- Unlimited liability
- No government regulation
- No separate entity of the firm

Merits

- Ease of formation and dissolution
- Direct Motivation
- Facility of co-ordination
- Promptness in decision making
- Flexibility in management
- Secrecy
- Credit standing
- Freedom from Government regulation

Limitations

- Limited Finances
- Limited managerial skill
- Unlimited liability
- Uncertainty in duration