

CW

B

D

2nd 1st Paper

30/11/25

Ch-3 different types of business organization

Sole Proprietorship Business  
Different types of Business organization  
based on ownership

1. Sole Proprietorship
2. Partnership
3. Joint Stock Company
4. Cooperative Society
5. State enterprise
6. Joint Venture
7. Public Private Partnership (PPP)
8. Business combination / cartel / syndicate.

### Joint Venture

A Joint venture is a strategic business arrangement where two or more parties pool their resources and expertise for a specific <sup>business</sup> project on business goal - sharing in the profits, losses and risks,

## Public Private Partnership

A Public Private Partnership is a cooperative arrangement between a government (private sector), public sector and priv. company to finance, build and operate projects.

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### Ch. B

#### Business combination

Business combination is the process in which 2 or more business units join together to achieve common objectives.

Such as: Reducing competition, increasing efficiency, expanding market share or increasing profit.

#### Characteristics of Sole Proprietorship

##### Business

1. Single Ownership and control.
2. Unlimited Liability.
3. Single entity.
4. Easy formation
5. Single risk
6. Quick decision making
7. Maintaining business secrecy
8. Uncertain stability
9. Less Capital

10. Direct communication.

11. Small in size.

12. Flexibility in operation.

### Unlimited liability

Unlimited liability means that the owner of the business is personally responsible for all the debts of the business. If the business cannot pay its debts the creditors claim the personal assets.

• limited liability

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Chapter - 3

### Importance of Sole-Proprietorship Business

1. Help in large scale business
2. Opportunity of self-employment
3. Maximum utilization of resources.
4. Works as training field
5. Creating entrepreneurs.
6. Development of production and distribution system.
7. Creation of market
8. Cope with the changing situation.

Chapter 3Suitable fields of Sole ProprietorshipBusiness

1. Business of small size.
2. Business of small capital.
3. Business of perishable goods.
4. Business of minimum risk.
5. Business of limited demand goods.
6. Retail Business.
7. Business of direct services.
8. Business of personal skill.
9. Professional business.
10. Mobile business.
11. Rapid decision based business.

\* causes of survival of Sole-Proprietorship business

1. Easy formation

2. No legal complexities.

3. Small capital required to start business.

4. Freedom in operation and control.

5. Maintaining secrecy.

6. Associate of large-scale business.

7. Opportunity of flexibility.

8. Limited Risk.

9. Field of training.

\* What is trade license?

\* Why Sole Proprietorship Business easily dissolve?

\* Why is the liability of sole prop. bus. unlimited?

\* Why is sole prop. bus. so popular?

\* Why is the stability of sol. prop. bus. uncertain?

### 1. What is trade license?

Ans: The approval or registration document which is to be collected from the local government before starting a sole proprietorship business is known as trade license.

To start a sole proprietorship business a trade license is mandatory. In city corporation & municipal areas, a trade license is legally required to operate this kind of business.

Except this case, there are no other legal complexities in this kind of business.

### 2. Why Sole Proprietorship business easily dissolves?

Ans: As there is only one single owner and the owner and the business are the same, sole proprietorship business easily dissolves.

The business depends totally on the owner - the business can be dissolved any time due to any reason such as death of owner, sickness or insolvency. The owner may also close the business by his will. This is why sole proprietorship business dissolves easily.

### 3. Why is the liability of sole proprietorship business unlimited?

Ans: The business to which is formed, operated by and controlled by one single owner solely is known as sole proprietorship business.

Liability of the owner in a sole proprietorship business is unlimited.

Because in certain cases, personal property of the owner is liable for business debt. If the owner cannot meet the debt with invested capital, he has to sell his personal assets to pay the debt.

4. Why is sole proprietorship so popular?

Thus, the business which is formed, operated and controlled by one owner is called sole proprietorship business.

This business is the most ancient business organization. This business can be formed easily. There is no legal complexity.

Any one can form this with less capital.

This is why this kind of business is so popular.

B. Why is the stability of sole proprietorship business uncertain?

Thus:

1. Involvement of owner in business decisions leads to uncertainty. The owner may leave the business.

2. Defects in planning.

3. Inability to attract investors.

4. Inability to obtain capital.

5. Sometimes the death of owner leads to uncertainty.

6. Death & illness of individual.

7. Bad management.

8. Inability to attract customers.

9. Defects in management.

10. Defects in management.