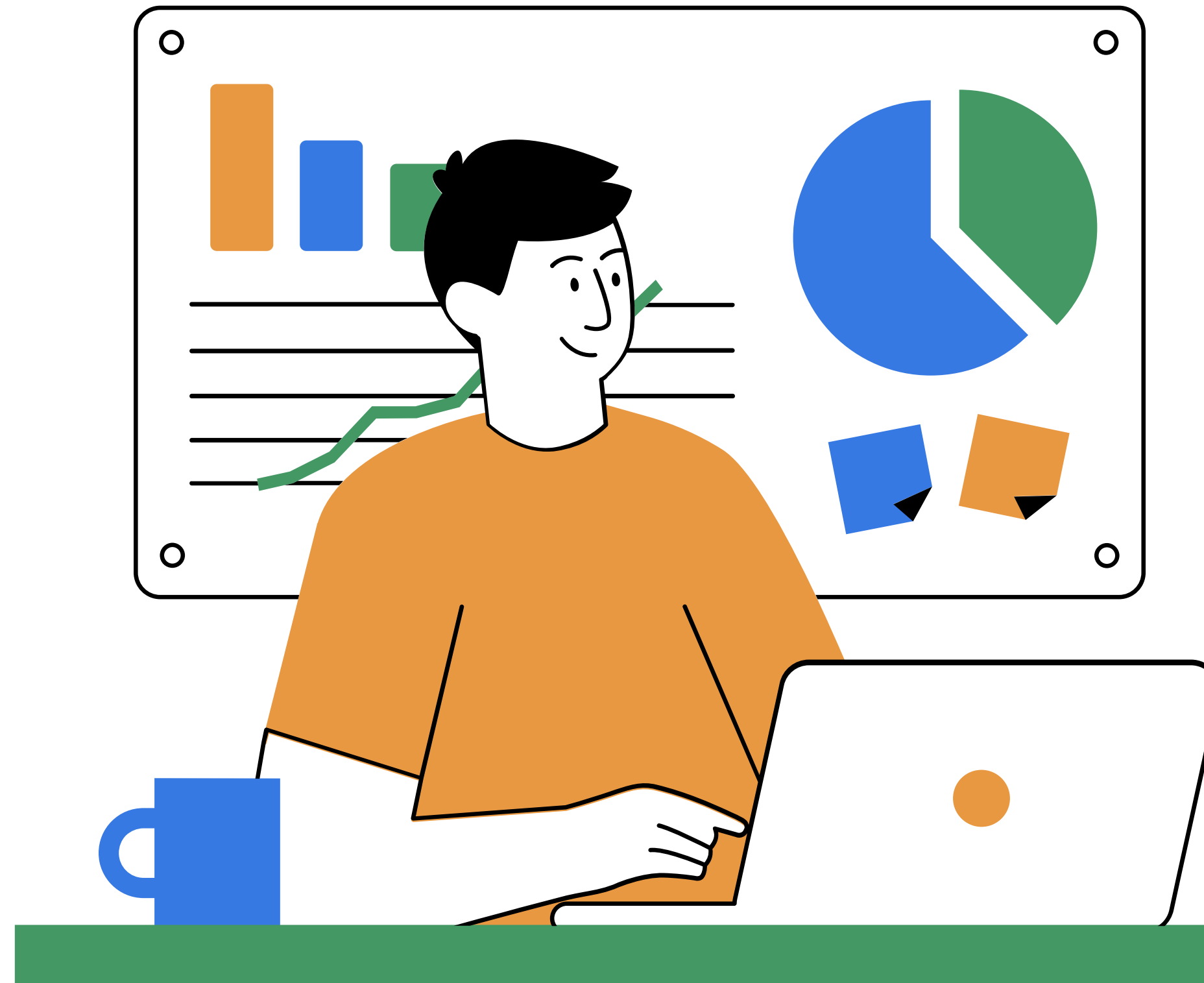


Chapter 4:

FORMS OF BUSINESS ORGANIZATIONS

“Fundamentals Of Accountancy, Business, And
Management 1” By: Joselito G. Florendo



What a Business Organization Is?

A business organization is a group of people working together to carry out commercial activities with the purpose of earning profit and serving customers.

Main Forms of Business Organizations

There are three basic forms of business ownership, each with its own characteristics, advantages, and disadvantages.

1. Sole Proprietorship – A business owned and managed by one person.

Key Features

- One owner makes all decisions.
- Owner provides capital and keeps all profits.
- Business and owner are not legally separate.

Advantages

- Easy to form and operate.
- Owner gets all profits.
- Less government regulation.



Disadvantages

- Owner has unlimited liability (responsible for debts personally).
- Limited capital resources.
- Business can end if the owner dies or quits.

2. Partnership- A business owned by two or more persons who share profits, losses, and management.

Key Features

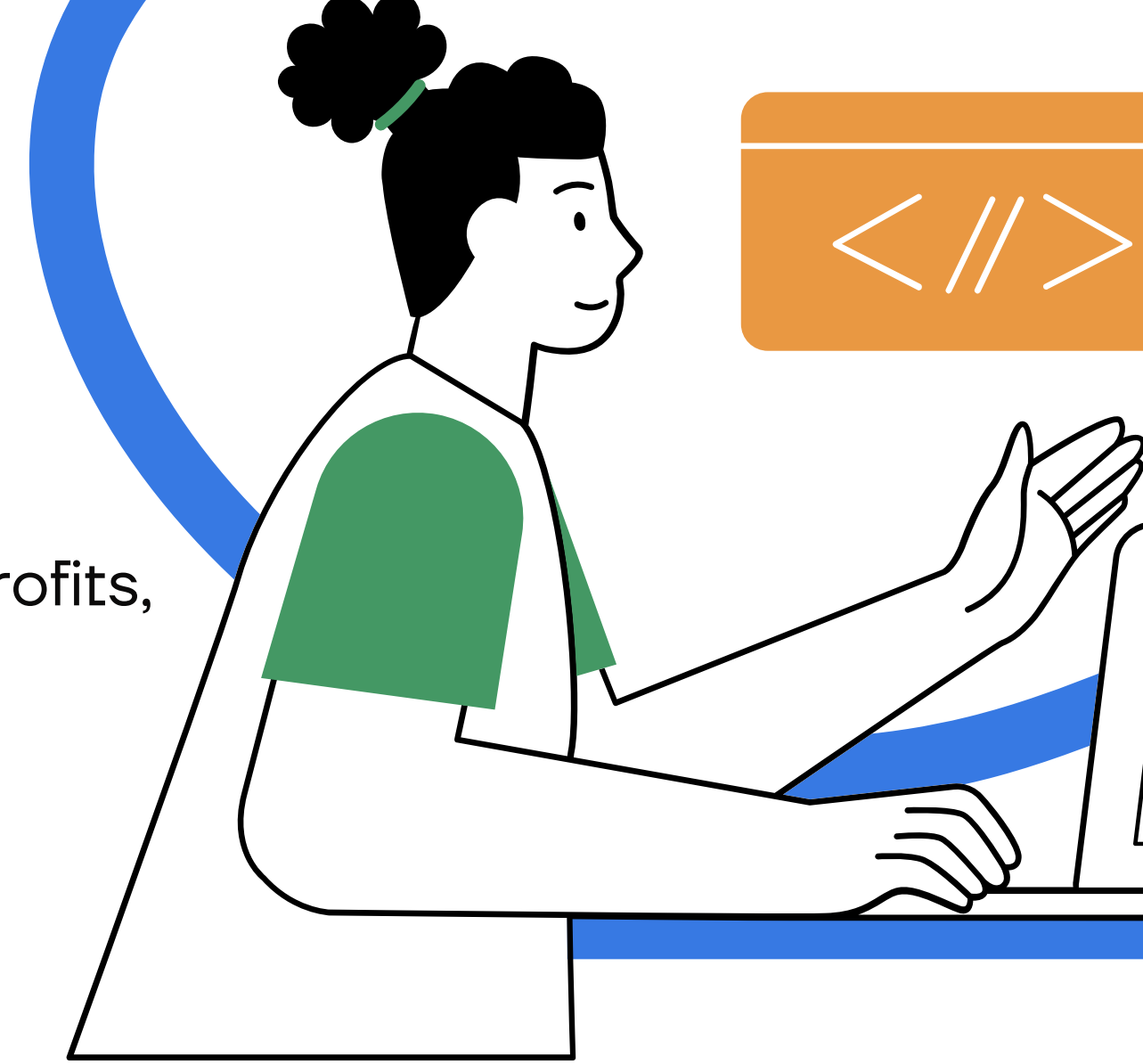
- Partners contribute capital and agree on profit sharing.
- Usually governed by a partnership agreement.
- Partners are jointly responsible for liabilities.

Advantages

- More capital available than sole proprietorship.
- Shared skills and management responsibilities.
- Easier to attract investors than sole proprietorship.

Disadvantages

- Partners may have disagreements.
- Each partner has unlimited liability for business debts.
- Profit must be shared.



3. Corporation- A legal entity separate from its owners (shareholders) created by law.

Key Features

- Ownership is represented by shares of stock.
- Managed by a board of directors.
- Legal rights and liabilities are separate from owners.

Advantages

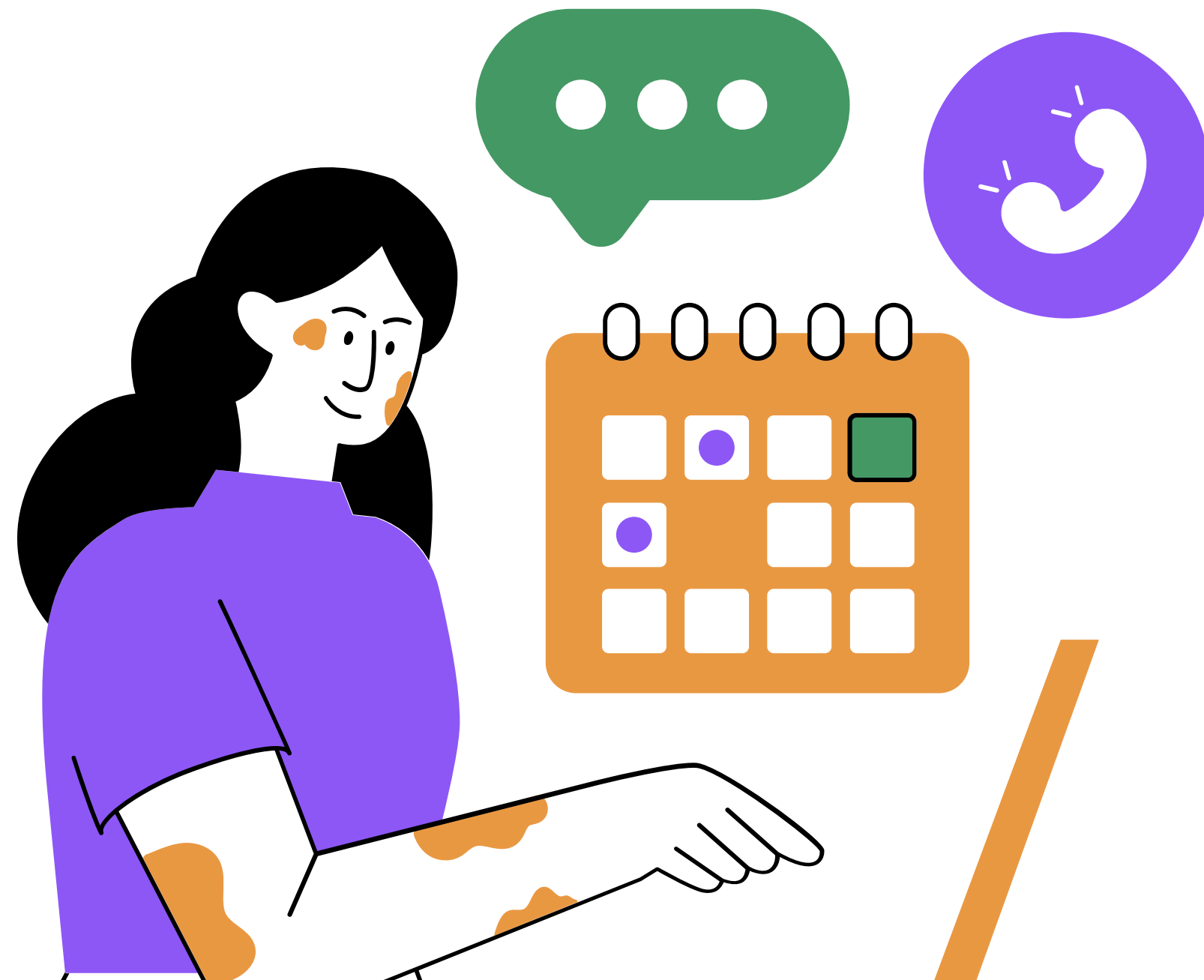
- Owners (shareholders) have limited liability.
- Easier to raise capital by selling shares.
- Business continues regardless of changes in ownership.

Disadvantages

- More complex and costly to establish.
- Must follow strict government regulations.
- Profits may be taxed twice (corporate and dividends tax).



Chapter Summary



Chapter 4 explains the three primary forms of business organization — sole proprietorship, partnership, and corporation. It covers their definitions, features, advantages, disadvantages, and how they differ in terms of ownership, liability, capital, continuity, and regulation.

Thank you so much!

Prepared by: AccounThink

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