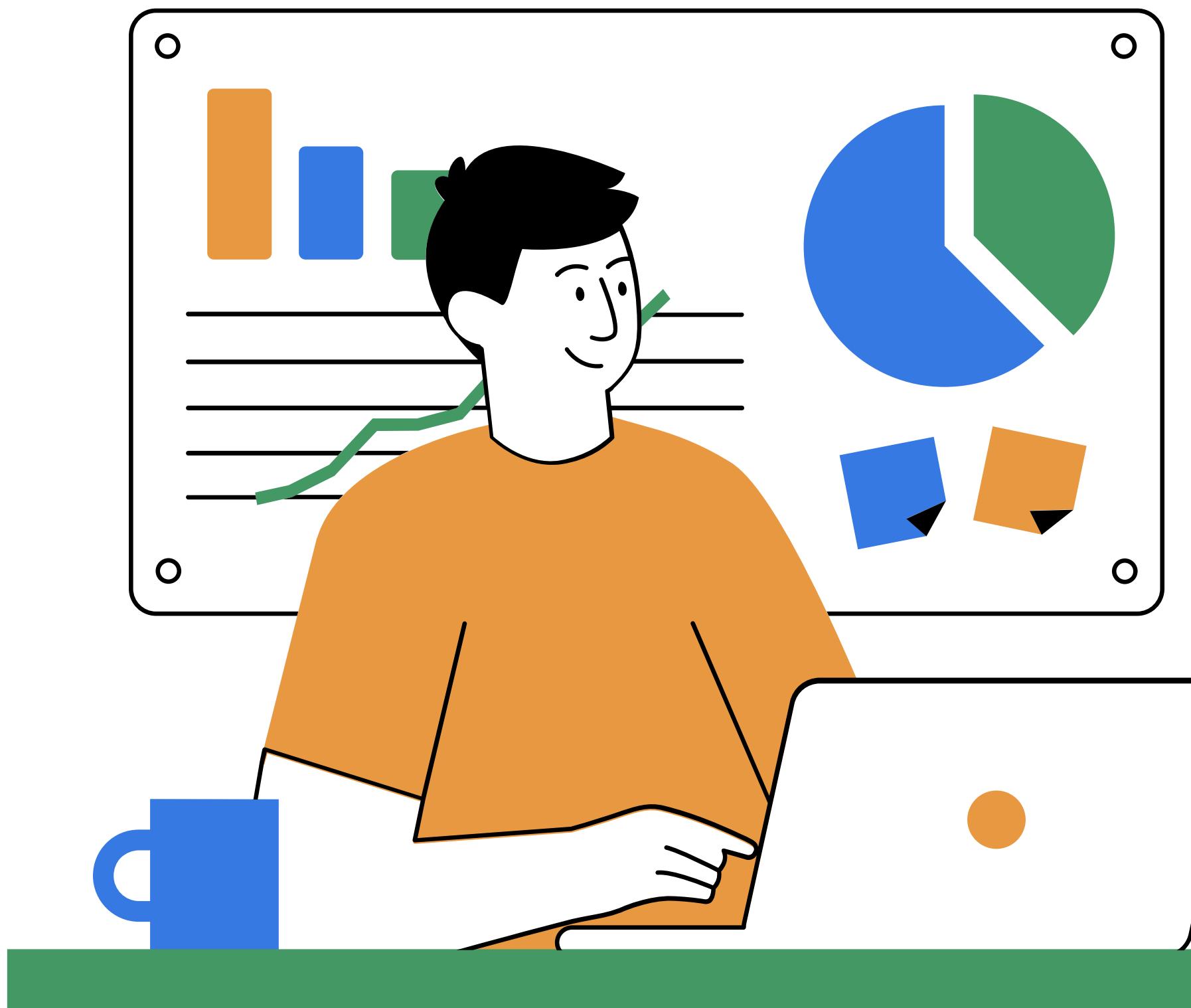


Chapter 4:

# FORMS OF BUSINESS ORGANIZATIONS

“Fundamentals Of Accountancy, Business, And  
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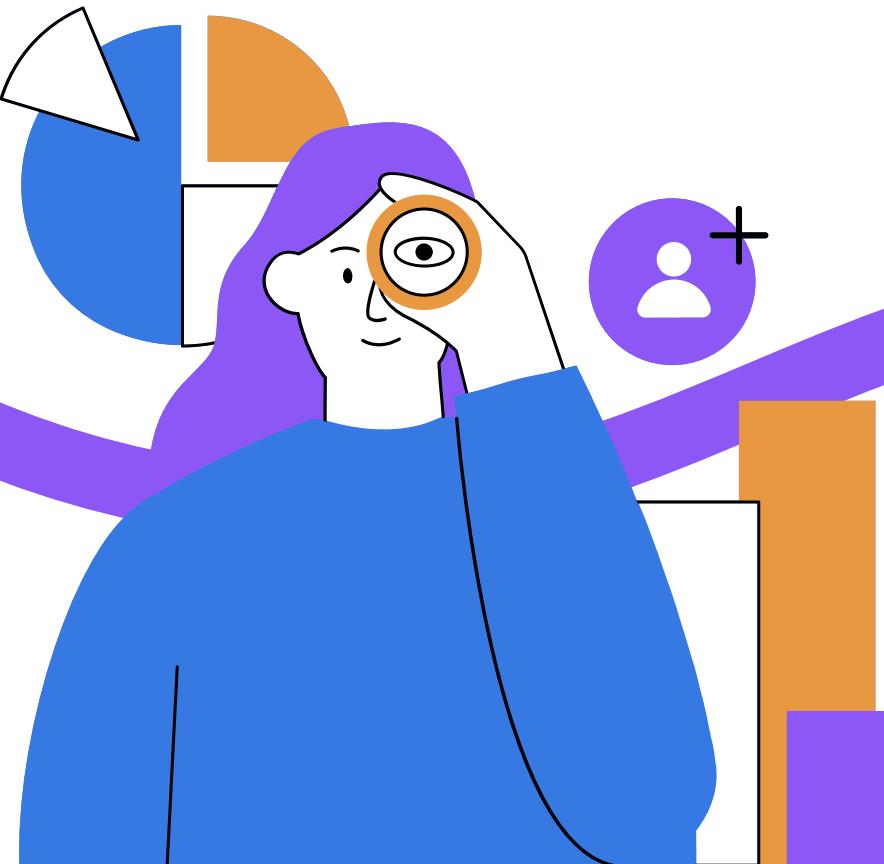
# What a Business Organization Is?

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.

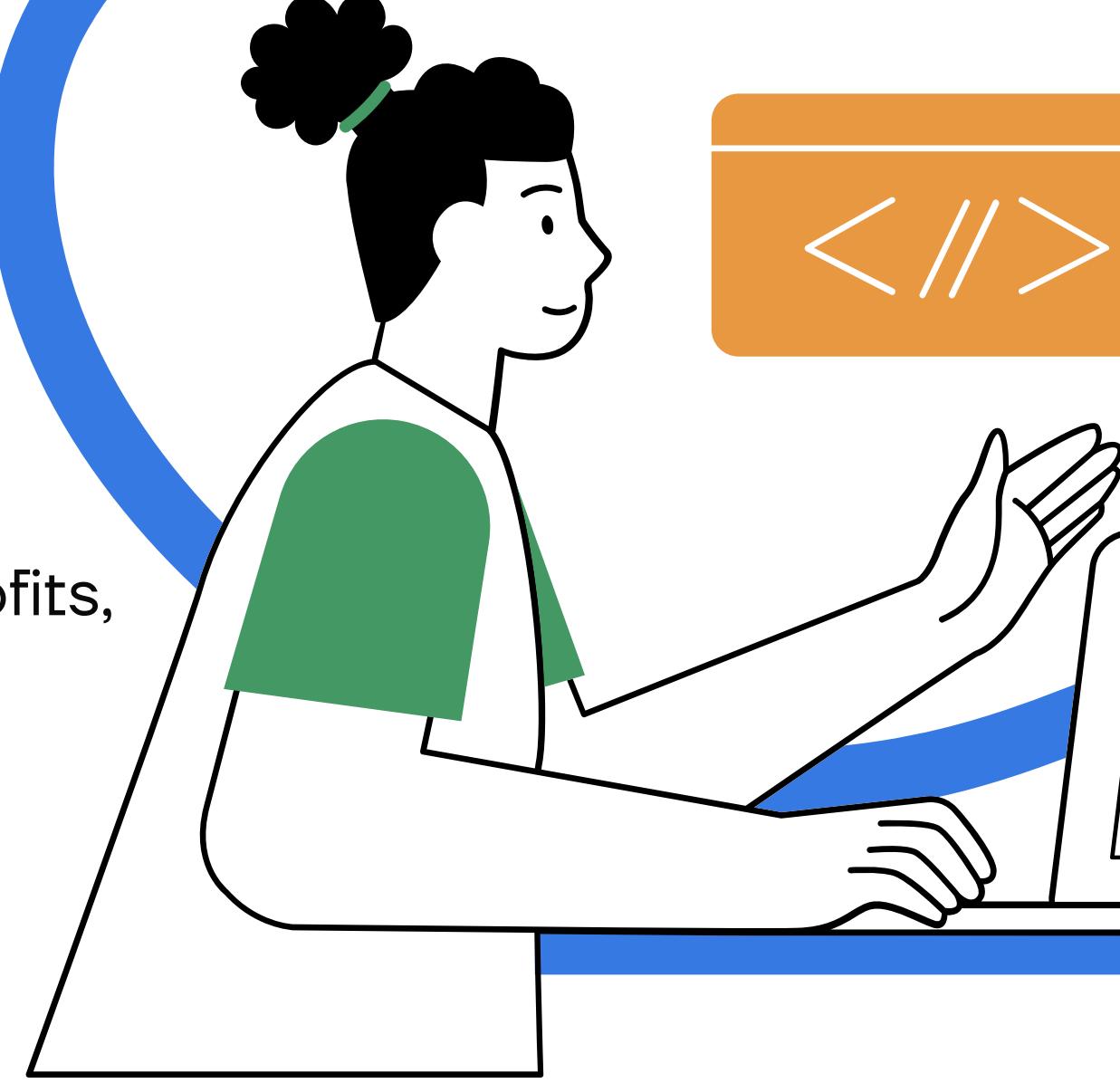


### Key Features

- 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**

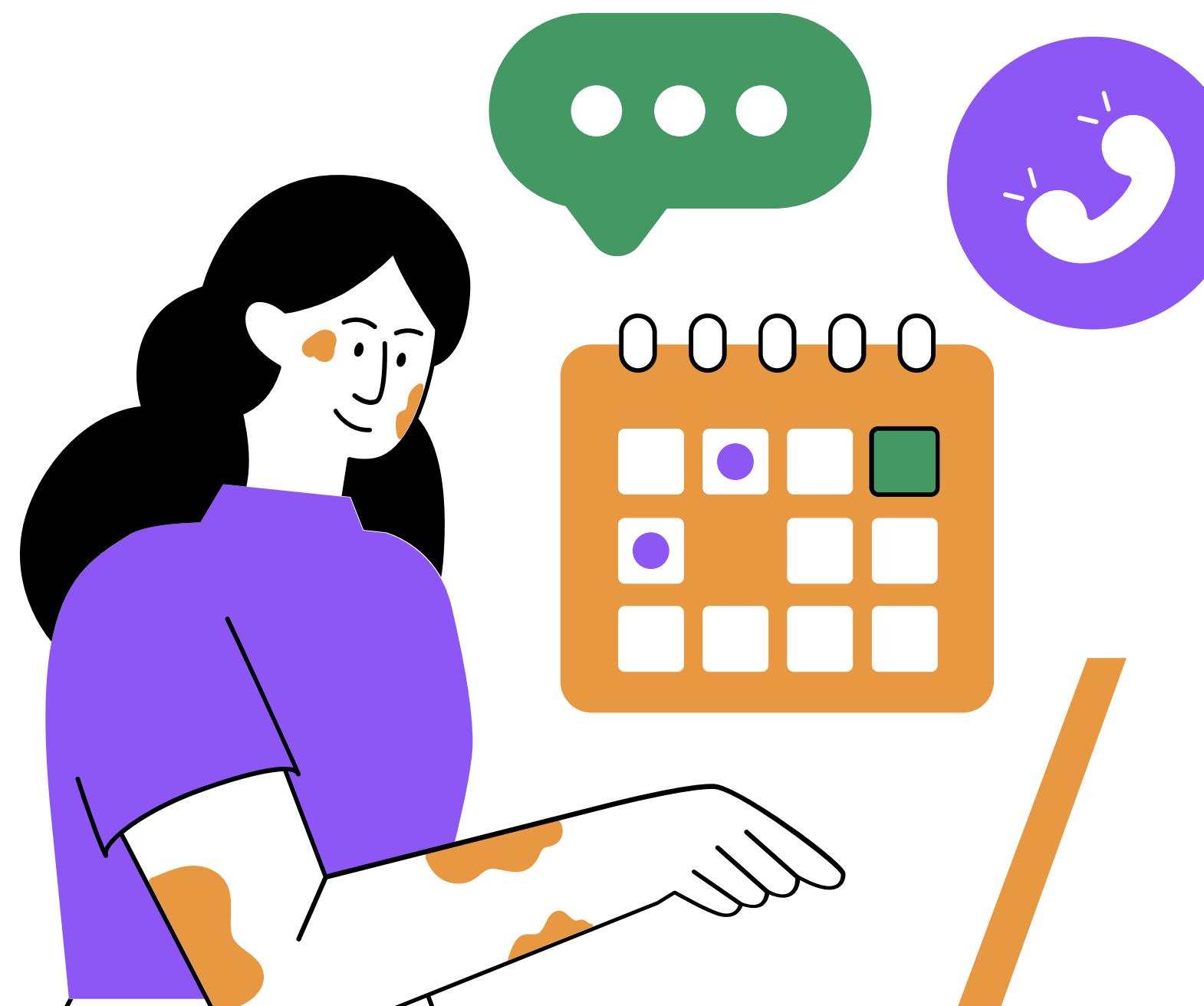
- Owners (shareholders) have limited liability.
- Easier to raise capital by selling shares.
- Business continues regardless of changes in ownership.

## **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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