**Sole proprietorships**

1. Definition

: business owned and run by one person.

2. Features

* very small with few employees.
* occupy the most common type of firm in the world, but smallest revenue.
* easy to set up.
* the firm can have only one owner
* owner should be responsible for personal liability
* life of a sole proprietorship = life of the owner

**Partnerships**

1. Definition

: more than one owner compared to sole proprietorship.

2. Feature

* All partners are responsible for the debt.
* partnership ends on the withdrawal of partner. (death, buyout)

3. limited partnership

: two kinds of owner -> general partner & limited partner

1) general partner same rights and priviliege as partner -> liable for debt

2) limited partner has limited liability -> only for investment.

3) private equity funds & venture capital funds

-> general partner control the capital (active)

-> outside investor just monitor how the investments are performed (no active)

**Limited Liability Companies (LLC)**

1. Definition

: limited partnerships with no general partner

2. Feature

owners have limited liability, but can run the business

**Corporations**

1. Definition

: legally defined person or entity are separated from its owner

: a corporation is a legal entity separate and distinct from its owners, it is solely responsible for its own obligations.

2. Features

* Formation : legally formed -> more costly

: corporation is a citizen of the state

* Ownership : no limit how many owners are there.

: owns only a small fraction of the corporation.

: collect the stock shares of corporation.

: shareholders receive a dividend according to amount of amount of stock they own

* there is no limitation on who can own its stock. (no need expertise) -> free
* can raise huge capital by selling stocks to investors

**Double Taxation**

1. Definition

: First, the corporation pays tax on its profits

: then when the remaining profits are distributed to the shareholders, the shareholders pay their own personal income tax on this income.

**Agency Problem**

1. Definition

: when managers, despite being hired as the agents of shareholders, put their own self-interest ahead of the interests of shareholders.

-> Because of the separation of ownership and control in a corporation, managers have little incentive to work

**Hostile-Takeover**

: purchase a large fraction of the stock and can replace the board of directors and the CEO.

: As Corporation’s shares are publicly traded, a “market for corporate control” can act in the interests of their stockholders.

Public Company

: whose shares trade on organized markets called stock market.

IPO

: IPO is the process by which a company is screened for listing and discloses important information of the company to recruit shareholders.

: When stocks are listed, they are put on the stock market so that ordinary people can buy the stocks of the company. In order to be listed, the requirements set by the Korea Exchange must be met. At this time, in order to be listed, you must go through an initial public offering (IPO). Initial Public Offering (IPO), you can take it as the meaning of disclosing the information of a company for the first time.

Primary Market

: The place where a corporation issues new shares of stock and sells them to investor.

: Corporations did not issue the stock frequently, therefore the most trade in the stock market arise in the secondary market.