**EPS 228 AOC theory summary**

Entrepreneurship is the creation or extraction of economic value.

An Entrepreneur is a person who sets up a business or businesses, taking on financial risks in the hope of profit.

**Characteristics of an Entrepreneur**

They have a strong desire to achieve a higher goal and fulfil his dreams.

They are fully absorbed in their goal an course of action.

They take calculated risks which is exciting bu has fair chance of success.

**Forms of Businesses**

**Sole proprietorship**

These firms are owned by one person, usually the individual who has day-to-day responsibility for running the business.

**Advantages of a Sole Proprietorship**

Easiest and least expensive form of ownership to organize.

Sole proprietors are in complete control, and within the parameters of the law, may make decisions as they see fit.

Profits from the business flow-through directly to the owner’s personal tax return.

The business is easy to dissolve, if desired.

**Disadvantages of a Sole Proprietorship**

Sole proprietors have unlimited liability and are legally responsible for all debts against the business.

Their business and personal assets are at risk.

May be at a disadvantage in raising funds and are often limited to using funds from personal savings or consumer loans.

May have a hard time attracting high-caliber employees, or those that are motivated by the opportunity to own a part of the business.

Some employee benefits such as owner’s medical insurance premiums are not directly deductible from business income (only partially as an adjustment to income).

**Partner Ship**

In a Partnership, two or more people share ownership of a single business.

**Advantages of a Partnership**

Partnerships are relatively easy to establish; however time should be invested in developing the partnership agreement.

With more than one owner, the ability to raise funds may be increased.

The profits from the business flow directly through to the partners’ personal tax return.

Prospective employees may be attracted to the business if given the incentive to become a partner.

The business usually will benefit from partners who have complementary skills.

**Disadvantages of a Partnership**

Partners are jointly and individually liable for the actions of the other partners.

Profits must be shared with others.

Since decisions are shared, disagreements can occur.

Some employee benefits are not deductible from business income on tax returns.

The partnership may have a limited life; it may end upon the withdrawal or death of a partner.

**Types of Partnerships that Should Be Considered:**

1. **General partnership**

Partners divide responsibility for management and liability, as well as the shares of profit or loss according to their internal agreement.  Equal shares are assumed unless there is a written agreement that states differently.

2. **Limited partnership and partnership with limited liability**

“Limited” means that most of the partners have limited liability (to the extent of their investment) as well as limited input regarding management decisions, which generally encourages investors for short term projects, or for investing in capital assets.  This form of ownership is not often used for operating retail or service businesses.  Forming a limited partnership is more complex and formal than that of a general partnership.

3. **Joint venture**

Acts like a general partnership, but is clearly for a limited period of time or a single project.  If the partners in a joint venture repeat the activity, they will be recognized as an ongoing partnership and will have to file as such, and distribute accumulated partnership assets upon dissolution of the entity.

**Schools of thoughts**

**The great person School of Thought**

This theory leans heavily on the Max Weber which associates entreprenuership with the charismatic leadership.

**The Psychodynamic School of Thought**

This theory is the product of Freud's psychoanalytic theory of personality, which considers individuals as having instinctive drives.

**The Classical School of Thought**

According to Tende(2011), entrepreneurship can also be conceived as "alertness" to profit opportunities, availability of profit opportunities stimulate entreprenuership.

**The Management School of Thought**

This school of thought believes that entrepreneurs cannot only be born but can also be made(taught).

**The leadership School of Thought**

This school of thought says entrepreneurship is a non-technical side of the management theory, which suggests that the entrepreneur needs to be skillful.

**The Intrapreneurship School of Thought**

This theory evolved as a response to lack of innovativeness and competitiveness within the organisation.