

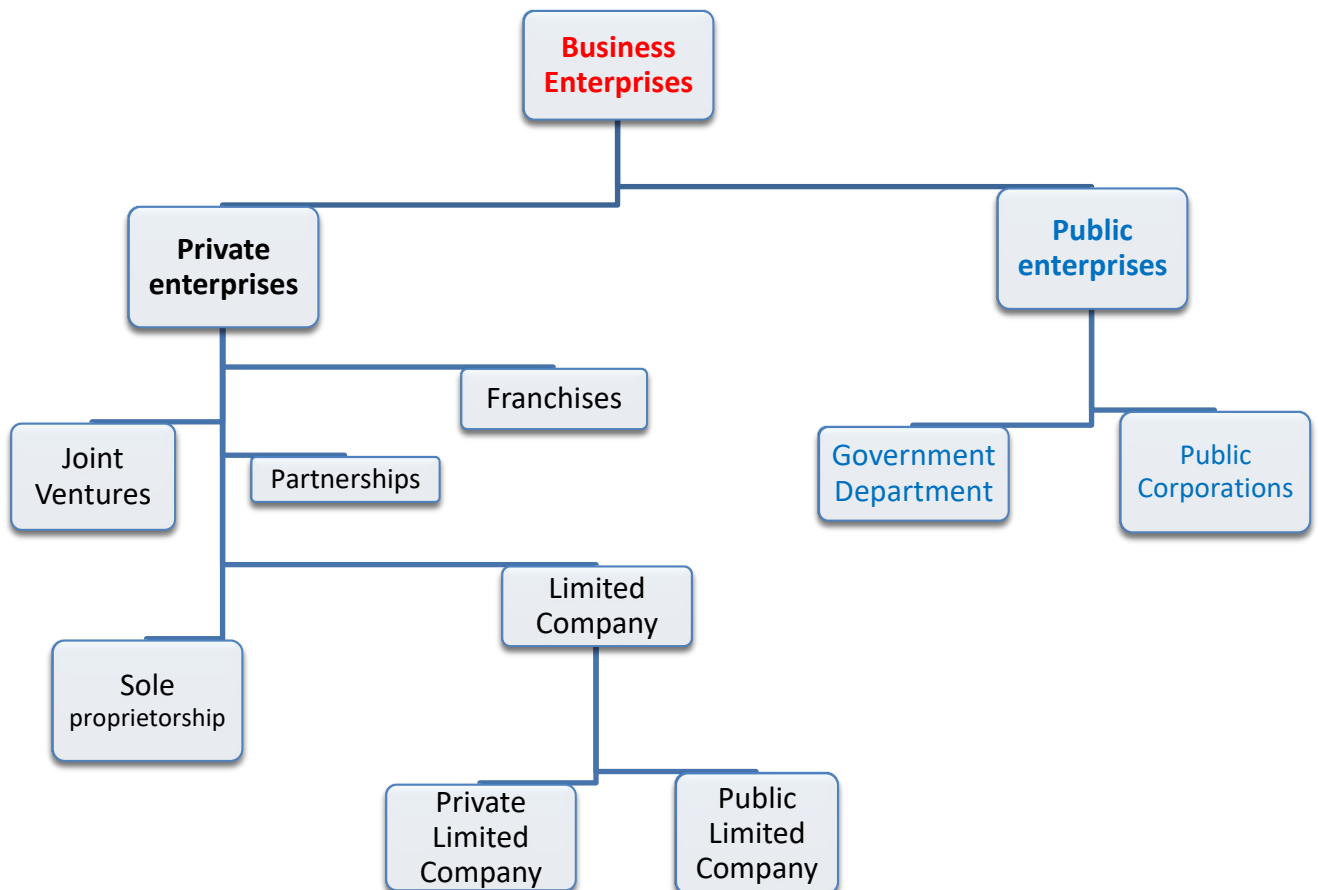
Forms of business Ownership

An enterprise produces or provides goods or services.

Two major types of business ownership are

- (i) Private enterprises owned by private individuals and
- (ii) Public enterprises owned by the government.

Different forms of business enterprises are outlined as follows:



Sole proprietorship

A sole proprietorship is a business owned by **one** person.

Characteristics of a sole proprietorship

Owned by one person:

It is **solely** owned by one person. The owner alone puts **money** into the business and has complete **responsibility** for running the business. Any **profit** or **loss** that results is the owner's.

Unlimited liability:

A sole proprietorship is not a **legal entity**. This means the firm has no separate legal existence from its owner. The **liability** of a sole proprietor is **unlimited**. If the business fails, the owner is responsible for paying off all the **debts**. As a result, the owner may lose not only the business, but also his personal **possessions** such as cash, cars and houses if the business fails.

Small scale of business:

Since it is difficult for a sole proprietor to raise **capital**, the scale of business of a sole proprietorship is usually small. To save on **costs**, a sole proprietor does not usually have many **employees** and he often works in the business,

Managed by the owner:

It is often managed by the owner. He may be assisted by **family** members. Besides supervising the workers, the owner has to perform various **tasks** such as **planning**, **selling** products and **accounting**. Therefore the owner makes all the business **decisions** and works long **hours**.

A person may consider establishing a sole proprietorship for business if

- This is the **first** time he has **operated** a business;
- He is thinking of setting up a **small** business
- He wants to make things **simple** and avoid complicated **formalities**
- He has adequate **financing** to operate the business
- The business is not **risky**.