

Forms of Business Organization

One of the first decisions you'll make as a business owners is **how your business will be structured**. You need to know the advantages and disadvantages of each of the **different forms of business organization** to make sure you make the right decision for your new business.

All businesses must adopt some **legal configuration that defines the rights and liabilities** of participants in the business's **ownership, control, personal liability, lifespan and financial structure**. The form of business determines **the company's and owner's legal liabilities**

To form a new business, we should account for the following:

- vision regarding the size and nature of business

- The level of control

- The level of “structure”

- Tax implications of the different organizational structures

- Expected profit (or loss) of the business

Now let's discuss the different forms of business organization.

Sole proprietorship

The vast majority of small businesses start out as sole proprietorships. These businesses usually are owned by one person, the individual who has day-to-day responsibility for running the business. Sole proprietors

can be independent contractors, freelancers or home-based businesses.

Partnerships

In a partnership, two or more people share ownership of a single business. Like proprietorships, the law does not distinguish between the business and its owners. The partners should have a legal agreement that establishes how decisions will be made, how profits will be shared, how disputes will be resolved, how future partners will be admitted to the partnership, how partners can be bought out or what steps will be taken to dissolve the partnership when needed.