VDUKI
UŽSIENIO KALBŲ INSTITUTAS

Worksheet 1

TYPES OF BUSINESS ORGANIZATIONS

SOLE PROPRIETORSHIP / SOLE TRADER
(INDIVIDUALI ĮMONĖ)

The **sole proprietorship** is a business owned and run by person. Although the most numerous of all business organizations, sole proprietorships generally are the smallest in size. However, sometimes they are relatively the most profitable. The sole proprietorship is the easiest from of business to start. No single way exists for setting up a sole proprietorship: it may include licenses and fees required by government agencies. A sole proprietorship can be run out of home or from an office space in a professional building. Sole proprietorships represent many different types of businesses.

Economic strengths

The **first** strength of a sole proprietorship is the ease with which it may be started. If someone has an idea or an opportunity to make a profit, he or she has only to decide to go into business and then do it. The **second** strength is the relative ease in managing a sole proprietorship. Decisions may be made quickly, without having to consult a co-owner, boss or someone „higher". This gives the owner considerable flexibility, which is very important in some kinds of economic activity. If a problem comes up, the owner can make an immediate decision. The **third** strength is that the owner may enjoy the profits of good management without having to share them with owners. The possibility of suffering a loss exists, but the lure of profits makes people willing to take risks. **Fourth**, the sole proprietorship usually includes low income taxes or even none, depending on the tax system in different countries. The **fifth** strength of sole proprietorship is psychological. Many proprietors feel a certain amount of personal freedom by being their own boss. They also feel their satisfaction is worth more than a higher salary they might earn working for someone else. The **sixth** strength is the ease of getting out of business if the owner decides to do so.

Economic weaknesses

One of the **main** weakness of a sole proprietorship is that owner has <u>unlimited liability</u>. This means that the owner is personally and fully responsible for all the losses and debts of the business. The **second** weakness of a sole proprietorship is the difficulty in raising the financial capital. The **third** weakness concerns size and efficiency. A business usually needs to be a certain size before it can efficiently. The **fourth** weakness is that the proprietor often has limited managerial experience. The **fifth** weakness is the difficulty of attracting qualified employees. Because proprietorships tend to be small, employees have to be skilled to be skilled in several areas. The sixth weakness of the sole proprietorship is <u>limited life</u>. This means that when the owner dies, quits or sells the business, the firm itself legally stops to exist.

PARTNERSHIPS
(ŪKINĖ BENDRIJA)

A **partnership** is a business jointly owned by two or more people. It shares many of the same strengths and weaknesses of a sole proprietor-ship. The most common form of partnership is a general partnership, one in which all partners are responsible for the management and financial obligations of the business. In a **limited partnership**, at least one partner is not active in the daily running of the business. Like a proprietorship, a partnership is relatively easy to start. Because more than one owner is involved, formal legal papers called articles of partnership usually are drawn to specify arrangements between partners. Although not always required, these papers state ahead of time how profits or losses are divided.

Economic strengths

Like the sole proprietorship, the first strength of the partnership is its ease of establishment. Ease of management is the second strength. Generally, each partner brings different ideas and areas of expertise to the business. Partnerships can usually attract financial capital more easily than proprietorships. They generally are bigger and have a better chance at getting a bank loan. Many partnerships find it easier to attract talented people into their organizations. Because most partnerships today offer specialized services, talented people seek out the more prestigious firms to apply their acquired skills in different fields.

Economic weaknesses

The main weakness of a **general partnership** is that each partner is fully responsible for the acts of all other partners. In the case of a **limited partnership**, the limited partner is not fully liable for the losses and debts of the business. The principle is known as limited liability and means that the investor‘s responsibility for the debts of the business is limited by the size of his/her investment into the firm. The second weakness of the partnership is that it has limited life. As with sole proprietorships, when a partner dies, quits or a new partner is added, the original firm legally ceases to exist. The third weakness is the potential conflict between the partners. Sometimes partners discover that they do not get along, and they either have to work together or leave the business.

CORPORATION
(UŽDAROJI AKCINĖ BENDROVĖ)

A **corporation** is a form of business organization recognized by law as a separate legal entity having all the rights of an individual. A corporation has the right to buy and sell property, enter into legal contracts, sue and be sued. Unlike a sole proprietorship or partnership, a corporation is very formal and legal arrangement. People, who would like to **incorporate** or form a corporation, must file for permission from the national government where the business will have its headquarters. If approved, a **charter** – a government document that gives permission to create a corporation – is granted. The charter states the name of the company, address, purpose of business, and other features of the business. The charter also specifies the number **of shares of stock**, or ownership parts of the firm. These shares are certificates of ownership and are sold to investors called **stockholders** or **shareholders**. The money is then used to setup p the corporation. If the corporation is profitable, it may eventually issue a **dividend** – apportion of the corporate earnings or profits – to each stockholder.

Another name for a corporation is **Private Limited Company** (Ltd).

OTHER TYPES

Depending on the laws of a particular country, different other types of businesses may exist: **Joint Stock Company** (liet. – Akcinė bendrovė), **Public Limited Company**, **Public Corporation** and others. Also, a person may acquire a **license** (liet. – patentas) and be **self-employed**.

CONCLUSIONS

Many different forms of businesses exist side by side.
At one end of the scale there are giant corporations with hundreds or thousands of employees; at the other end there is „one man‘‘ business. The various forms and types of business reflect the diversity of present-day world.