

Legal Forms of Business Organization

This explains the various legal forms of business organization, including sole proprietorship, partnership, and corporation. **Sole proprietorship offers low organizational costs and control, but unlimited liabilities.** Partnership offers joint ownership and limited liability, but also has transferability issues. A corporation has a separate legal entity, limited liabilities, and can own assets, but is more complicated to establish and requires compliance with many regulations.

In this section, we discuss the legal forms of business organization, specifically sole proprietorship, and partnership. A sole proprietorship has no legal status, and the owner and business are not separated, meaning the owner is the business and anything that happens, good or bad, affects the owner directly. **The advantages of a sole proprietorship include low organizational costs and maintaining control. The disadvantages include unlimited liabilities and the owner being the sole responsible party for all aspects of the business.** A partnership is the next form of business organization discussed, where there are 2-20 owners with unlimited liabilities and joint ownership of assets. The types of partnership include general, limited, and limited liability company.

Now, we will discuss the partnership and corporation legal forms of business organization. The partnership has advantages such as **raising more funds and being relatively easy to form and dissolve, and the limited partnership offers limited liability to some of the partners.** However, partnerships have **disadvantages such as unlimited liabilities and transferability issues.** Corporations have separate legal entities, and the owners have limited liabilities for the debts of the company. Shareholders own the corporation and can have perpetual succession, and corporations are managed by the Board of Directors. Additionally, **corporations can own assets, sue or be sued under law**, and borrow money from the banks. In summary, corporations have advantages such as limited liability and separate legal entities, but they require more regulation and are more complex to establish.

The advantages and disadvantages of a corporation as a form of business organization. **One key advantage is that owners have limited liabilities, and the business can continue even if the founder passes away.** Corporations can raise capital from the public and ownership transfer is easy. However, forming a corporation is complicated and incurs high organizational costs. Corporations also must comply with many regulations and lack secrecy, making it hard to keep trade secrets.