


**From the creators of  
CoB Lecture Trilogy**

**After successful broadcasts  
Among CIFS students**

**Comes of one the most  
Expected lecture of season**



# **Business Organization: Forms of Business Ownership**

## **Lecture 4**

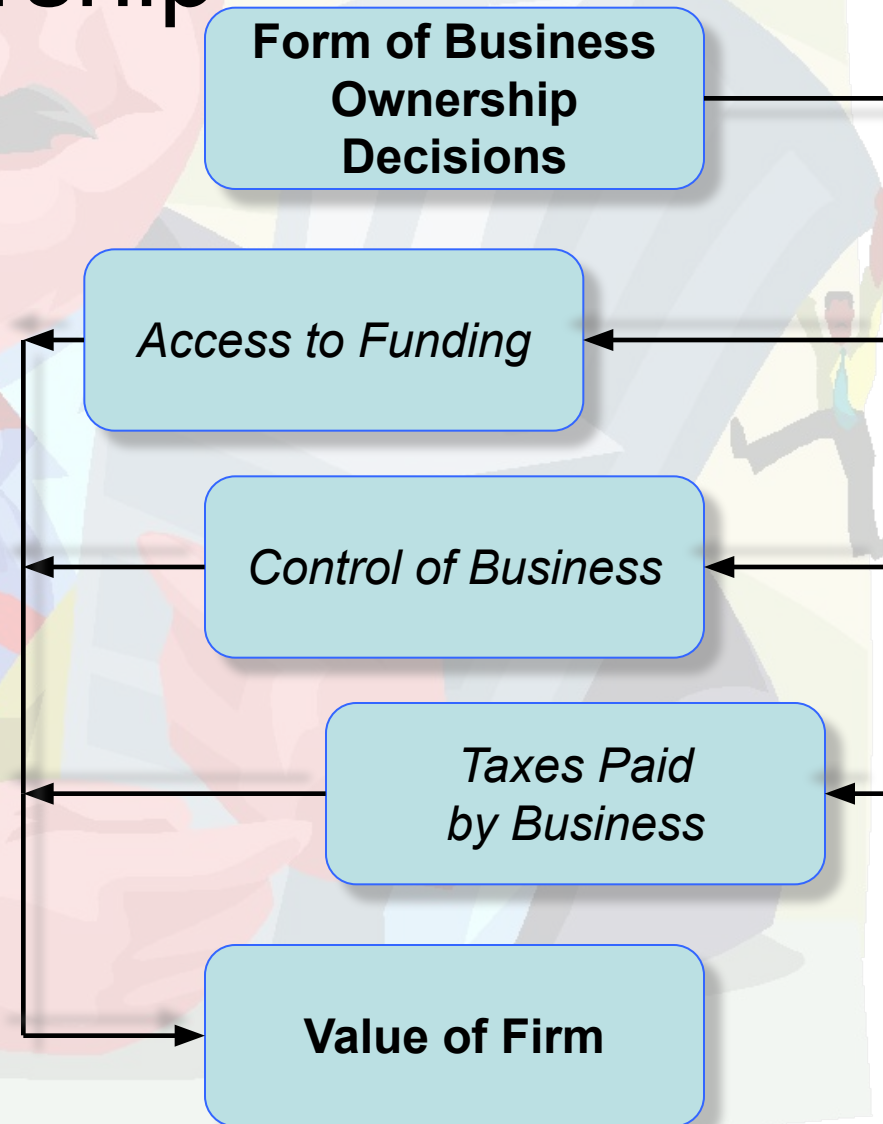




**The only room  
That you would be willing to clean**

# Selecting a Form of Business Ownership

- Sole Proprietorship
- Partnership
  - General Partnership
  - Limited Partnership
- Limited Liability Company
- Corporation
  - Private Limited Company
  - Public Limited Company
- Joint Venture
- Franchise



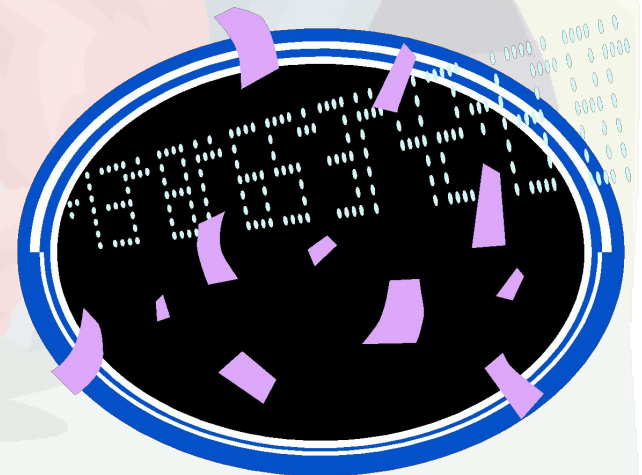
# Concepts of Business Ownership

- **Unlimited Liability** – no limit on the debts for which the owner is liable/responsible
- **Limited Liability** – responsibility only for the amount of money invested into business
- **Legal Personality** – legal identity separate from its owner



# Concepts of Business Ownership

- **Continuity** – death of an owner does not stop the business from running
- **Going Public** – the act of initially issuing stock to the public





# Sole Proprietorship



- Owned by a single owner
- The owner – sole proprietor, sole trader
- Full control by the owner
- Limited access to funds
- The business is likely to remain very small
- The owner has unlimited liability
- Only Personal Income of the owner is taxed

# Sole Proprietorship

## *Advantages vs. Disadvantages*

“+”

- Easy to set up
- Complete control
- Owner keeps all profit
- Low taxes

“-”

- Owner incurs all losses
- Unlimited liability
- Hard to raise funds
- Limited skills
- No continuity



# Partnership

## *General Partnership*

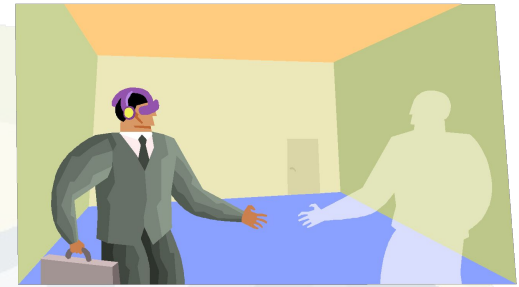
- Co-owned by two or more people
- Extra skills / specialization areas
- Partners have unlimited liabilities
- More funds:
  - Additional capital injected by each partner
  - Easier access to funds through creditors
- Shared decision making
- Shared profit and losses



# Partnership

## *Limited Partnership*

- Limited partner(s) + at least one general partner
- **Limited partner**
  - Liability is limited to the cash or property they contributed to the partnership
  - Does not take part in decision making
- **General partner**
  - Manages the business
  - Receives a salary
  - Shares the profits or losses of business
  - Has unlimited liability



# Partnership

## *Advantages vs. Disadvantages*

“+”

- Additional capital
- Shared decision making
- More specialization areas
- Losses are shared

“-”

- Unlimited liability\*
- Profits are shared
- Shared control
- No continuity



***\*With some exceptions and in certain cases***

# Limited Liability Company (LLC.)

- Similar to partnership
  - Has all the advantages of partnership
- All partners have limited liability
- Precise rules on liability protection vary from one region/state to another
- Added complexity, compared to partnership
- Have become popular in recent years



# Ooo! Bonus!

Har shanba  
va yakshanba  
hisobni to'ldiring!  
**Tushgan  
mablag'ning yarmi  
- sizga sovg'a!**



**"0!" tarifiga ulaning!**

**3G**

Batafsil ma'lumot: ☎06062 | [www.beeline.uz](http://www.beeline.uz)

Bonus (sovga) 50% lik chegirma tarzida bo'lib, aloqa xizmatlari, ya'ni, aynan tarmoq ichidagi qo'ng'iroqlar, SMS va internet uchun amal qiladi. Agar abonent hisobini 10\$ dan ko'p bo'lgan mablag'ga to'ldirsa, bonus qat'iy va u 5\$ ga teng. Bonus shanba va yakshanba kunlari taqdim etilib, SMS va Internet paketlari uchun amal qilmaydi. Kunning oxirigacha sarflanmagan bonusli mablag' bekor qilinadi. Aksiya 30-iyungacha amal qiladi.

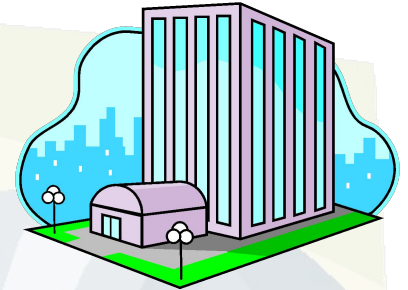
Xizmatlar litsenziyanlangan. O'zbekiston Respublikasi hududida xizmatlar "Unitel" MChJitomonidan taqdim etiladi.  
Boshqaruv tizimi sertifikatlashtirilgan - ISO 9001:2008.



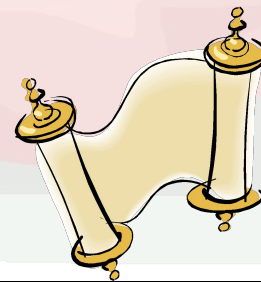
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# Corporation



- A state-chartered entity that pays taxes and is legally distinct from its owners
- **Corporate Charter** – a document used to incorporate a business (describing important aspects of corp.: name, stocks issued, operations, etc.)
- **Corporate Bylaws** – general guidelines for managing the firm





# Corporation

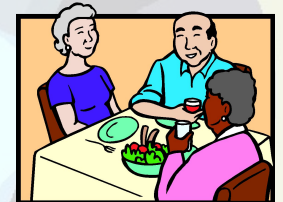
- Limited liability for owners
- Separate legal identity
  - This leads to **double taxation** (how?)
- Shareholders elect Board of Directors
- Board of Directors establish general policies, elect/replace Officers (CEO, CFO), etc.
- Shareholders receive dividends



# Corporation

## *Privately Held vs. Publicly Held*

- **Privately Held Corporation (Ltd., Pte.)** – restricted to a small group of investors (original owner, friends, relatives, employees, etc.)
  - Shares cannot be sold on the open market
  - Control often remains in hands of the original owner(s)
- **Publicly Held Corporation (Plc., Inc.)** – shares can be easily purchased or sold by investors
  - Issue stock to public (go public)
  - Simplicity and flexibility in buying/selling stock
  - Higher degree of “divorce between ownership and control”
  - Agency problems and short-termism



# Corporation

## *Advantages vs. Disadvantages*



“+”

- Limited liability
- Access to funds
- Easy to transfer ownership (sell shares)
- Separate legal personality
- Continuity

“-”

- Legal formalities in business formation
- Fluctuating share prices
- Financial disclosure to public / inspection
- Risk of takeover
- Agency problems



CARRS

Best Western

ALLSUP'S

Coors

Dr Pepper

SONIC

Walmart

FedEx

Denny's

Coca-Cola

HOOTERS

Aol.

Bank of America

HERSHEY'S

Wendy's

verizon

LEXMARK

CAT

Cummins

MAYTAG

Cabela's

GARMIN

TACO JOHN'S

Sinclair

Zappos.com

Super 8

Albertsons

Great Harvest Bread Co.

Bobcat

Pillsbury

MOTOR HARLEY-DAVIDSON COMPANY

GM

L.L.Bean

ACE Hardware

Timberland

Gillette

GEICO

Comcast

AT&T

Verizon

Bank of America

Denny's

Coca-Cola

Hooters

Dr Pepper

Walmart

Sonic

Allsup's

Best Western

Coors

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Maytag

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# Joint Venture

- Two businesses working together on one project
  - Producing in one country and selling in another
  - Producing different parts (automobile industry)
- Not a merger, but can lead to one
- Costs and risks are shared
- Different strengths and experiences
- Access to different markets whenever this is the case
- Culture and management styles may be different
- Potential conflicts over the errors
- Failure of one business will put the joint venture at risk



**GM UZBEKISTAN**





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*Mobile Edition*



# Franchise

- An arrangement whereby a business owner allows others to use its trademark, trade name, or copyright, under specific conditions
  - E.g. McDonald's, Body Shop, Pizza Hut, etc.
- Styles of management and production provided by franchisor
- Already recognized name
- Some financial support
- Profit is shared with franchisor
- Less control





**SUBWAY**  
eat fresh.



# Summary

- Sole Proprietorship
- Partnership
  - General Partnership
  - Limited Partnership
- Limited Liability Company
- Corporation
  - Privately Limited Corporation
  - Publicly Limited Corporation
- Joint Venture
- Franchise



Which one is best?

# Obtaining Funds for Your Business



<b>Informal</b>	<b>Formal</b>
Personal Savings	Banks
Parents	Investment groups
Friends and Relatives	Venture Capitalists

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