|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Organization** | **Give the legal definition of this business entity** | **Give one advantage of this business entity that makes it**  **attractive** | **Give one disadvantage of this business entity that makes it unattractive** | **Who owns your business entity** |
| **Proprietorship** | A sole proprietorship is a business managed by one individual. The sole owner of this business does not pay separate taxes but reports all of his taxes on their individual tax return. The owner is not separate from the business and therefore they remain liable for all the business liabilities and debts  (Anonymous, 2010d) | A sole proprietorship offers many benefits to its owners. One of the major advantages is that this business is since the owner has all control over business operations, they can enjoy all the profits and benefits associated with the business.  (“Sole Proprietorship - Partnership Law,” 2014) | The significant disadvantage of this business entity is that the sole owner of the business is personally liable for all the losses, liabilities, and taxes of the business. This means that the personal property of the business can also be used to pay the losses. Unlike LLC or limited liability partnership, the personal wealth of owned is linked with the business entity.(“Sole Proprietorships | Boundless Business,” n.d.) | The individual who is responsible to take all the business operations and its liabilities, profits and loss, is the owner in the sole proprietorship business. |
| **Partnership** | The partnership is a voluntary contract between two or more parties to place their skills, labor, money and some of all of them in a lawful trade, with the understanding that profits and losses will be shared in equal proportions between them (“What is PARTNERSHIP?,” 2011). Partnership takes many forms such as general, limited liability, and limited partnership. The state laws govern the creation, organization, and dissolution of the partnership. Nevertheless, most of the states have accepted the Uniform Partnership Act.(Staff, 2007b) | The key advantage of partnership business form is collaboration. As the only difference between sole proprietorship and partnership is that partnership allows the business owner to collaborate on resources and skills of the parties involved. Running the whole business on one's own is complex but the availability of partners ensure that there is someone with whom the burden of capital and profits and losses can be shared. Members of the partnership have more time to focus on business innovation and expansion. | The biggest disadvantage of a general partnership is similar to that of a sole proprietorship  Unlimited liability which means that the personal possessions of the partners are at the vulnerable to losses because like the sole proprietorship business, owners and business are not separate from each other in general partnership. Due to this reason, many business persons chose to form a corporation or limited liability partnership which offers limited liability to at least limited partner. These businesses can be a better business choice, if a number of partners are higher, suitable to form a corporation or a limited liability company. | Two or more people who enter into partnership agreement are the owners of business formed under that agreement. |
| **Limited Partnership** | A limited partnership is the form of business entity in which at least one of the partner has limited liability. The general manager has unlimited liability and they are responsible for managing business operations. A limited liability partner is the one who doesn't participate in the business operations and their liability is also limited (Anonymous, 2010c) | A limited partnership is a separate entity from its owners and it protects its owners form the risk of limited liability. It also allows its partners to generate capital by selling interests in the partnership, to obtain a loan and exist independently of its owners' death. | Limited partners have limited voice in decision-making and the general partner’s liability is not limited, which makes this business entity less preferable in various cases. | One partner is the general partner and the other is a limited partner, generally, both own the business, but the liability of one is limited and the other has unlimited liability. |
| **LLP** | A partner enters in this form of business to protect himself or herself from the unlimited liability as an owner for the negligent acts attributed to some other partner in the business.  (“What is LIMITED LIABILITY PARTNERSHIP (LLP)?,” 2012) | Since partners enter this type of business to protect their liability, this is one of the major advantages when it comes to partnership. The personal assets of limited partners protect the personal assets of the limited partners from any loss. LLP's are also a separate entity from its limited owners. | One of the demerits of this business entity is that it needs a general partner so that he/she can be exposed to unlimited liability to protect the liability of a limited partner.  The general partner remains unprivileged in this case. | Both the partners, general and limited partner are the principal owners of LLP. |
| **LLC** | A legal business entity which offers limited liability like a corporation and partnership like tax benefits. The owners in case of LLC are usually mentioned to as "members." The rights and duties of these members are administered by a working agreement. Such a business entity is made by filling out an article of the organization, a document with a state official (Anonymous, 2010b) | Members chose this form of business because it offers limited liability benefit to all of its members, unlike sole proprietorship, partnership and LLP which offers limited liability benefits to only of its limited partners. | LLC is more expensive to form and compare to partnership and proprietorship and it is not easy to transfer ownership with limited life.  (April 19 & 2016, 2016) | The members of LLC are called owners of the company. Each one of them is considered an owner. |
| **S Corporation** | S Corporations is the one that qualifies itself and is selected be S corporation under Internal Revenue Code.  One factor that makes this business entity different from others is that it does not pay taxes to the Federal Government. Instead, they are taxed indirectly through shareholders of S corporation. Given that S corporation has a small number of shareholders, the statutory term, “small business corporation” is often used for it. "(Litvin, 2009) | Pass through taxation is considered as one of the major benefits of S corporation. An S corporation need not pay federal taxes at the corporate level and federal laws are followed by most of the states. Any business loss or profit is "passed through" to shareholders, which is later reported on shareholder's personal income tax return. This factor is very helpful for the beginner businesspersons as business losses can be balance other income on shareholder's tax returns. | The major shortcoming of this business entity is its formation and ongoing expenses. Incorporation of business is an essential element in S corporation formation by filling the Articles of Incorporation with the choice of a state of incorporation. It also involves a registered agent and incorporation fees as well. Many states also ask for continuing fees such as annual report or franchise tax fee. Sole proprietors and partners are free of such costs and business expenses. However, they are not very high but they increase business expenses. | The shareholders of the company are known as owners of S Corporation. |
| **Corporation** | A corporation is a legal business entity and an artificial person which is formed under the authority of states laws, composed in some rare examples of a person and his successors being the official holders of a particular ancestry but generally comprising of number of individuals who exist as a body politic under special denomination, which is stated in law as different from its members or owners And based upon the same mandate, it is endowed with the ability of continuous succession, regardless of any membership changes, either for a limited time period or in continuity. Similarly, in the matters relating to the association’s shared purpose, whether it is a single individual or a group acting as a unit, they have to act within the scope of authorities and powers granted to them by law (“What is CORPORATION?,” 2011)  (“What is CORPORATION?,” 2011) | A corporation has one significant benefit over all the business entities, that is, it can raise a considerable amount of finances and capital to commence and manage business operations. Corporations raise their capital by selling bonds and issuing shares to the general public. | Corporations have several disadvantages as well and the most significant one is the factor of double taxation. Based on its type a corporation might pay taxes on its income and then owners also pay tax on the profit they receive in the form of a dividend, so corporation income is taxed twice. | Shareholders of a corporation are ultimate owners. They have all the rights to elect directors and can vote on major corporate actions. |
| **Franchise** | A legal entity or a business relationship in which a business organization, called a franchisor, permits a new business called as franchisee to function under the franchisor’s trademark and name and also allows to offer franchisor’s goods and services in exchange for a fee and according to the franchisor’s guidance and direction (Anonymous, 2010a). | Franchise business offers many benefits to franchisor as well as a franchisee. There is no need of business experience to run a franchise because franchisor offers guidance and pieces of training to operate a franchise, in addition, it enables a business organization to expands its operations on a wide scale (Employment, 2011). | Franchisees have the demerit of authority and control over their business by the franchisor.  Franchise agreements command the way in which a franchise has to be run, hence offering no room for creativity  (Employment, 2011) | The franchisor is the owner of the entire business, however, the franchisee is the owner of his/her own franchise. |
| **Licensing** | Licensing is a permission in the law of contracts in that is accorded by an authority permit to perform an act which would be illegal otherwise or it would be considered as trespass or a tort. (“What is LICENSE? definition of LICENSE (Black’s Law Dictionary),” n.d.). | Licensing is a quick and easy way to enter an international or a foreign market and removes all the barriers of the tariff. The licensor also has the opportunity to expand its operations in other foreign markets via offering licenses (“Licensing arrangements – the pros and cons | TCii Strategic and Management Consultants,” 2012) | A licensee has to abide by the rules and terms and conditions of the contract while licensor has a low level of control over the business operations. There is also a likelihood that the licensee may become a competitor of the licensor. | The licensor is the owner of the brand who grants a license to a third party. |
| **Joint Venture** | A joint venture is the form of a legal business entity which can be defined as a short-term partnership for the mutual benefit of both the parties. In this form of business, both parties jointly commence a transaction and normally each backs assets and are equal partners in case of loss. It can involve any type of business deal, like the partnership business, and the parties involved can be groups or more than one business entities and individuals as well (Staff, 2007a). | Joint Venture can be a great opportunity for smaller business firms having limited finances and management expertise. It is an effective method for such business organizations to obtain necessary resources required and capture a new market. | One of the major drawbacks of the joint venture is that, they are very difficult to assimilate in a global strategy which involves considerable cross-border trading and business transactions. | The parties involved are the owners of a joint venture who share risks, profits and returns. |

References

Anonymous. (2010a, August 19). Franchise. Retrieved April 6, 2019, from LII / Legal Information Institute website: https://www.law.cornell.edu/wex/franchise

Anonymous. (2010b, August 19). Limited liability company (LLC). Retrieved April 6, 2019, from LII / Legal Information Institute website: https://www.law.cornell.edu/wex/limited\_liability\_company\_%28llc%29

Anonymous. (2010c, August 19). Limited partnership. Retrieved April 6, 2019, from LII / Legal Information Institute website: https://www.law.cornell.edu/wex/limited\_partnership

Anonymous. (2010d, August 19). Sole proprietorship. Retrieved April 6, 2019, from LII / Legal Information Institute website: https://www.law.cornell.edu/wex/sole\_proprietorship

April 19, & 2016. (2016, May 9). Limited Liability Company: Advantages & Disadvantages. Retrieved April 6, 2019, from https://greaterknoxville.score.org/news/limited-liability-company-advantages-disadvantages

Employment, S. B. and T. (2011, May 13). Advantages and disadvantages of buying a franchise [Collection; Text]. Retrieved April 6, 2019, from https://www.business.qld.gov.au/starting-business/buying-business/buying-franchise/advantages-disadvantages

Licensing arrangements – the pros and cons | TCii Strategic and Management Consultants. (2012, October 26). Retrieved April 6, 2019, from TCii website: https://www.tcii.co.uk/2012/10/26/licensing-arrangements-the-pros-and-cons/

Litvin, M. (2009, September 9). S corporation. Retrieved April 6, 2019, from LII / Legal Information Institute website: https://www.law.cornell.edu/wex/s\_corporation

Sole Proprietorships | Boundless Business. (n.d.). Retrieved April 6, 2019, from https://courses.lumenlearning.com/boundless-business/chapter/sole-proprietorships/

Staff, L. I. I. (2007a, August 6). Joint venture. Retrieved April 6, 2019, from LII / Legal Information Institute website: https://www.law.cornell.edu/wex/joint\_venture

Staff, L. I. I. (2007b, August 6). Partnership. Retrieved April 6, 2019, from LII / Legal Information Institute website: https://www.law.cornell.edu/wex/partnership

What is a CORPORATION? definition of CORPORATION (Black’s Law Dictionary). (2011, November 4). Retrieved April 6, 2019, from The Law Dictionary website: https://thelawdictionary.org/corporation/

What is LICENSE? definition of LICENSE (Black’s Law Dictionary). (n.d.). Retrieved April 7, 2019, from https://thelawdictionary.org/license/

What is LIMITED LIABILITY PARTNERSHIP (LLP)? definition of LIMITED LIABILITY PARTNERSHIP (LLP) (Black’s Law Dictionary). (2012, October 19). Retrieved April 6, 2019, from The Law Dictionary website: https://thelawdictionary.org/limited-liability-partnership-llp/

What is PARTNERSHIP? definition of PARTNERSHIP (Black’s Law Dictionary). (2011, November 4). Retrieved April 6, 2019, from The Law Dictionary website: https://thelawdictionary.org/partnership/