

VISUAL 1

BENEFITS AND COSTS OF DIFFERENT BUSINESS ORGANIZATIONS

Sole Proprietorship	
Advantages (Benefits)	Disadvantages (Costs)
<ul style="list-style-type: none"> • All business decisions are the owner's • Low start-up costs • All profits go to the owner • Greater freedom • Very little government control • Income taxes once 	<ul style="list-style-type: none"> • Unlimited liability • Long working hours • Difficult to obtain financial capital • All business decisions are the owner's • Limited life span

Partnership	
Advantages (Benefits)	Disadvantages (Costs)
<ul style="list-style-type: none"> • Easy to form • Low start-up costs • Divided liability • Easier to obtain financial capital • Opportunity to gain complementary skills • Income taxes once 	<ul style="list-style-type: none"> • Unlimited liability (in a general partnership) • Divided authority • Divided profits • Can be difficult to find the right partner • Potential disagreements among partners • Limited life span

VISUAL 1, CONTINUED

BENEFITS AND COSTS OF DIFFERENT BUSINESS ORGANIZATIONS

Corporation	
Advantages (Benefits)	Disadvantages (Costs)
<ul style="list-style-type: none"> • Limited liability • Specialized managerial functions • Easier to raise financial capital • Perpetual existence • Freely transferable shares of stock 	<ul style="list-style-type: none"> • Greater government regulation • Expensive to organize • Double taxation • Not easily dissolved • A lot of paperwork • Extra costs for lawyers, fees, etc.

Franchise	
Advantages (Benefits)	Disadvantages (Costs)
<ul style="list-style-type: none"> • Proven idea • Brand name • Support from franchisor • Exclusive rights • Established relationships with suppliers • Financing may be easier than starting from scratch 	<ul style="list-style-type: none"> • Restrictions from franchisor • Royalty fees on sales • May be expensive to own and operate • Stiff penalties from franchisor if business is sold or closed • Added costs for legal and accounting services • Loss of individuality