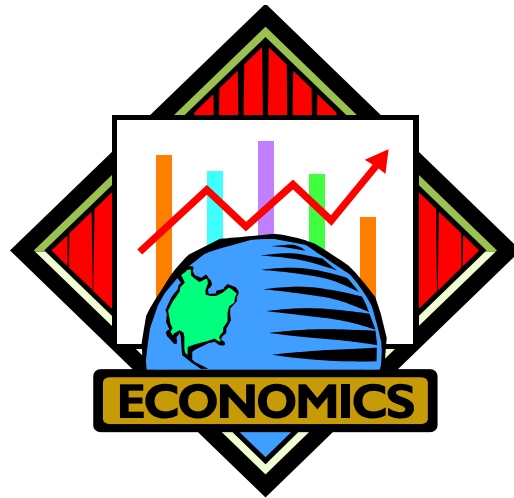


CHAPTER 8

Business Organizations





SOLE PROPRIETORSHIPS

- **A sole proprietorship is a business run by one person. It is the smallest type of business organization in size, yet the most numerous and profitable.**





SOLE PROPRIETORSHIPS

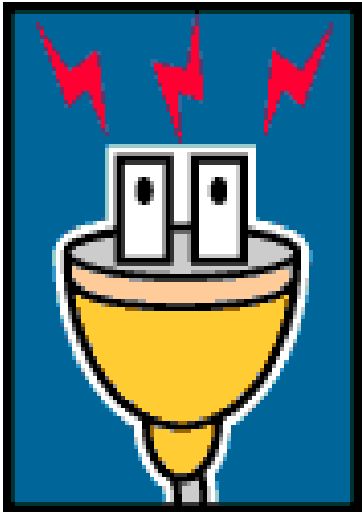
(continued)

- **The advantages of sole proprietorships are: ease of start-up; ease of management; owner gets all of the profits; business itself pays no income taxes; taxes paid only on the owner's personal income; ease of closing the business.**





Mr. William Whitner



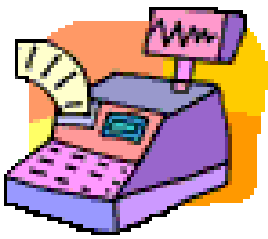


SOLE PROPRIETORSHIPS

(continued)

- **The disadvantages to sole proprietorships are: the owner has unlimited liability; it is hard to raise financial capital; owner may not be able to hire enough personnel or stock enough inventory to operate efficiently; owner may have limited life and managerial experience; business has limited life and legally stops existing when the owner dies or sells the business.**





PARTNERSHIPS

- **A partnership is a business jointly owned by two or more persons. It is the least numerous among business organizations and has the second smallest proportion of sales and net income.**



PARTNERSHIPS

(continued)



- General partnerships are a type of business in which all partners are involved in the management and finances.
- In a limited partnership, at least one partner is not involved in management. This partner may have helped to finance the business.







PARTNERSHIPS

(continued)

- The advantages of partnerships are: the ease of start-up; ease of management; no special taxes on a partnership; easier to raise capital through bank loans or new partner; larger size aids efficient operations; easier to attract skilled employees.



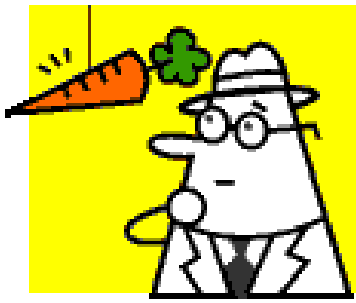




CORPORATIONS

- **A corporation is a business organization recognized by law as a separate legal entity with all the rights of an individual.**





CORPORATIONS (continued)

- Corporations receive a charter, or government permission to create a corporation, which includes details about stock ownership.
- Investors who buy common or preferred stock in a corporation become owners of the firm.





Senator Timothy Scott



CORPORATIONS

(continued)



- **The advantages of corporations are: ease of raising capital; professionals may run the firm instead of the owners (*shareholders*); owners have limited liability; business's life is unlimited; easy to transfer ownership.**





CORPORATIONS

(continued)

- **The disadvantages of corporations are: a charter is expensive; ownership and management are separated so shareholders have little say in running the business; corporate income is taxed twice; subject to government regulation.**







GOVERNMENT AND BUSINESS REGULATION

- *Federal and state governments* regulate interest rates and utility rates.
- *State governments* may offer industrial development bonds to help industries relocate or tax credits to draw investments.





GROWTH THROUGH REINVESTMENT

- **Business revenue can be used to invest in factories, machinery, or new technologies.**
- **Before reinvesting, a business must estimate its cash flow. The business first records its total sales and then subtracts all expenses, taxes, and depreciation. The result is the business' net income.**





GROWTH THROUGH REINVESTMENT (continued)

- **Depreciation is added back to net income to get cash flow, or the bottom line – the real measure of business profit.**
- **Business owners then decide whether part of the cash flow should be reinvested in the business to generate additional sales and more profits.**





GROWTH THROUGH MERGERS



- **When firms merge, one gives up its separate legal identity.**
- **A company may merge with another to grow faster; become more efficient; acquire or deliver a better product; eliminate a rival; or change its image.**



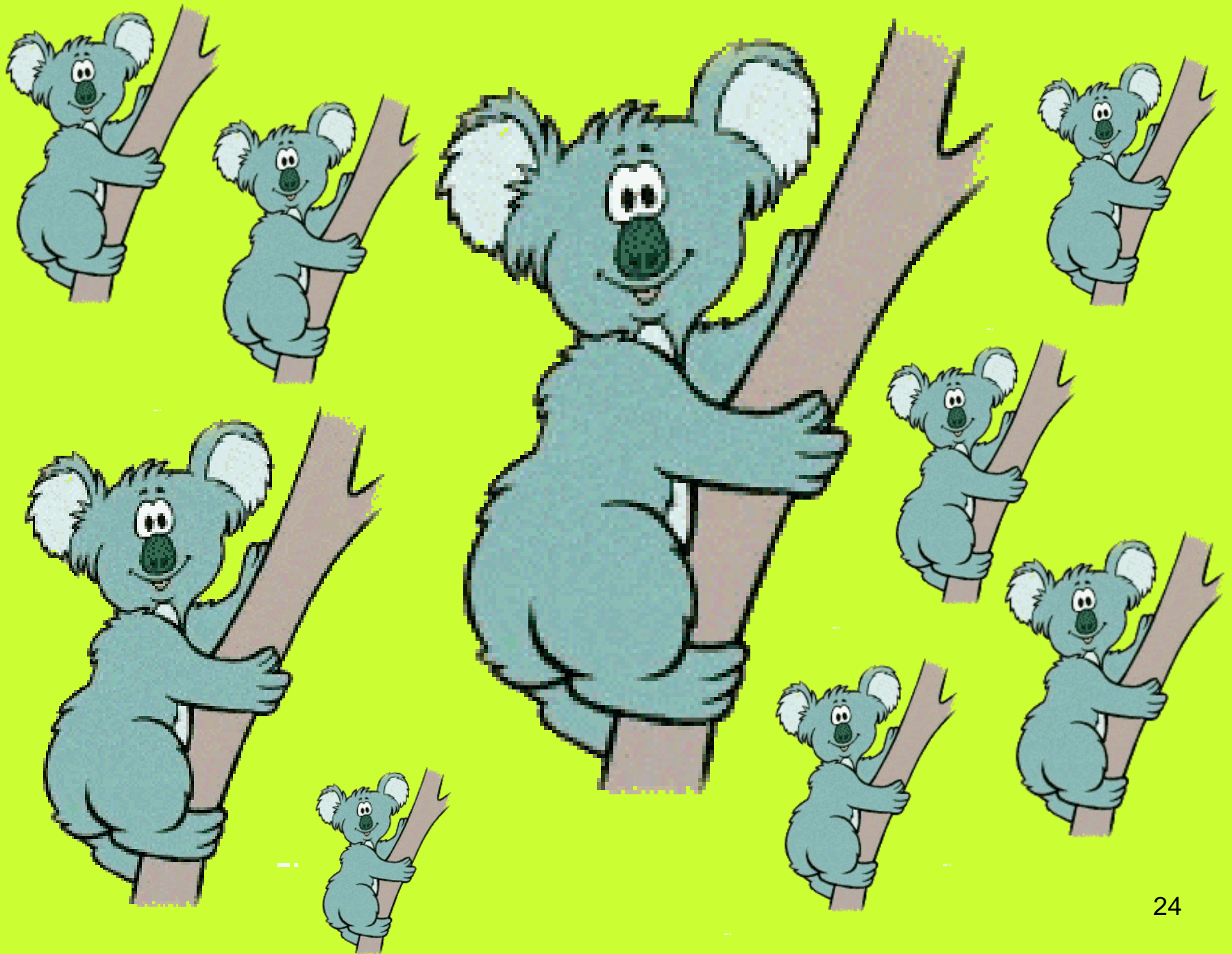
GROWTH THROUGH MERGERS

(continued)



- A horizontal merger is the joining of firms that make the same product.
- A vertical merger is the joining of firms involved in different stages of manufacturing or marketing.





GROWTH THROUGH MERGERS



(continued)

- **A conglomerate is composed of four or more businesses, each making unrelated products, none of which is responsible for a majority of its sales.**



GROWTH THROUGH MERGERS

(continued)



- **A multinational is a corporation with manufacturing and service operations in several countries, which are subjected to each nation's business regulations.**





UNIVERSITY OF GEORGIA

Founded in 1785, the University of Georgia is the oldest public university in the United States. It was established by the Georgia General Assembly in 1785 as the first public university in the United States. The university was founded in 1785 as the first public university in the United States.

The first students and faculty of the university were from the state of Georgia. The university was founded in 1785 as the first public university in the United States.

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COMMUNITY AND CIVIC ORGANIZATIONS

- **A nonprofit organization is in business to promote its members' collective interests, not to seek financial gain.**
- **Many nonprofit organizations incorporate to take advantage of a corporation's unlimited life and limited liability.**





COOPERATIVES

- **A cooperative is a voluntary association of people who carry on an economic activity that benefits its members.**
- **Consumer cooperatives buy food and other necessities in bulk. Members donate time to the co-op, and members pay lower prices for goods.**





COOPERATIVES (continued)



- **Service cooperatives, such as credit unions, offer services to its members at lower rates.**
- **Producer cooperatives help members, such as farmers, promote or sell their products.**



Senator Lindsey Graham



LABOR, PROFESSIONAL, AND BUSINESS ORGANIZATIONS

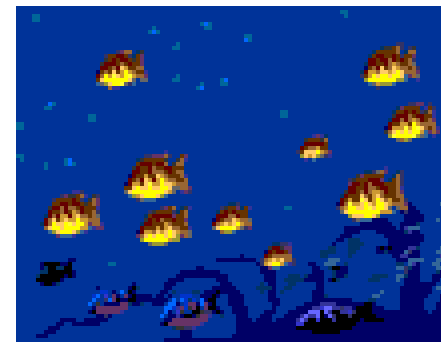
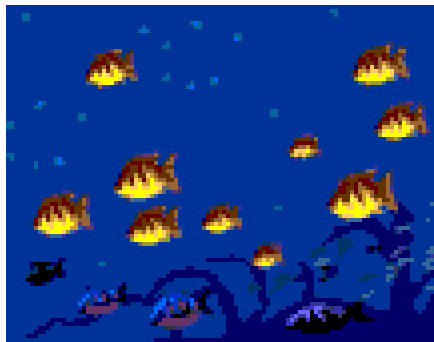
- **Labor unions represent workers' interests and negotiate with management through collective bargaining.**



LABOR, PROFESSIONAL, AND BUSINESS ORGANIZATIONS

(continued)

- **Professional associations set standards for those in the profession and influence government policies on issues concerning members' interests.**

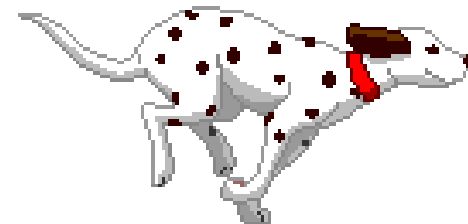


LABOR, PROFESSIONAL, AND BUSINESS ORGANIZATIONS



(continued)

- **Business associations are industries or trade associations that represent specific kinds of businesses.**
- **Some business associations, such as the Better Business Bureau, help protect the consumer.**



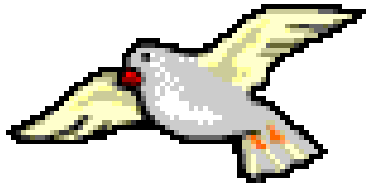




GOVERNMENT

- **Government plays a direct role in the economy when its agencies produce and distribute goods and services to consumers such as the Tennessee Valley Authority (*electricity*) and the U.S. Postal Service (*stamps and mail delivery*).**





GOVERNMENT (continued)



- **Government corporations have boards of directors, but Congress' money rather than investors' money supports their work.**





**Mayor Terence Roberts
of Anderson**



GOVERNMENT

(continued)

- **Government plays an indirect role when it regulates public utilities or when it grants money to people in the form of Social Security and student financial aid.**

