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COURSE: ACC 103 (INTRODUCTION TO BUSINESS)

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TOPIC: FORMS OF OWNERSHIP

The following are to be considered when dealing with the various forms of business ownership.

1. Capital
2. Registration and Regulation
3. Continuity
4. Profit sharing
5. Control
6. Liability
7. Capacity.

SOLE PROPRIETORSHIP: This is the oldest and simplest form of business ownership.

FEATURES:

1. The initiative of the owner dominates;
2. Risk bearing;
3. Management and control;
4. Unlimited liability;
5. Secrecy;
6. Minimum government regulation.

ADVANTAGES

1. It is easy to form;
2. Relative to a small scale operation;
3. Inexpensive Management;
4. Better control.

DISADVANTAGES

1. Lack of continuity;
2. Limitation in size;
3. Slow technological progress;
4. Limited ability to attract and retain capable employees;
5. Limited access to capital (the major sources of capital for a sole proprietorship are personal savings and capital from families and friends);
6. Limitation of Management skills.

The skills required of a sole proprietor are;

~Analytical Skills (ability to analyze information);

- ~Technical Skills (expertise in areas that will give the business an advantage over other similar businesses);
- ~Conceptual Skills (ability to generate ideas to make the business progress);
- ~Managerial Skills (Management is a process of planning, organizing, coordinating and controlling resources for the purpose of achieving organizational goals and objectives).

PARTNERSHIP: This form of business is derived from the word "Partner" i.e. more than one person is involved. A partnership is therefore a relationship that subsists between two or more people.

Partnership occurs when there is an arrangement between two or more individuals coming together to form and operate an enterprise for the purpose of making profit.

A partnership agreement will state clearly what the partners in the partnership business are to do in terms of capital contribution, sharing of profits, at what point to withdraw or make a withdrawal from the business, and so on, they must also make provision for when the partnership relationship can be renewed.

FEATURES

1. It is based on agreement;
2. Profit and loss sharing;
3. Agency relationship;
4. Unlimited liability;
5. Common management;
6. Restriction in the transferability of shares.

TYPES OF PARTNERS

- **General Partner:** A general partner has unlimited liability for all actions of the business. He takes active part in the management of the business and is in the forefront of the business.
- **Limited Partner:** A limited partner, in some cases, is similar to a sleeping (dormant) partner who only contributes capital and do not take active part in the business.

INFORMATION THAT WILL CONSTITUTE THE LEGAL FRAMEWORK OF THE PARTNERSHIP

1. Description of the partners:
 - Names;
 - Responsibilities of the partners;
 - Initial investment of the partners:

- Salary or remuneration of the partners;
 - Proportion of the profit entitled to each partner.
2. Description of the business:
 - The business name;
 - Location of the business;
 - Type of business.
 3. Description of business practices:
 - Fiscal and accounting period;
 - The amount of fund that any partner can withdraw.
 4. Provision of changes in the partnership:
 - Duration of the partnership;
 - Renewal of the partnership;
 - Admission of new partners;
 - Treatment of partnership upon withdrawal or death of partner;
 - Signature of the partners.

ADVANTAGES OF PARTNERSHIP

1. More managerial skills are available;
2. Pooling together of financial resources.

DISADVANTAGES OF PARTNERSHIP

1. Unlimited liability;
2. Limited life;
3. Likelihood of disagreement among partners;
4. Difficulties in withdrawing from the firm.

DISSOLUTION OF PARTENRSHIP: A partnership business can be dissolved due to any of the following reasons:

1. On court order;
2. Technical Insolvency;
3. Mutual agreement;
4. Completion of the assignment or task for which the partnership is established;
5. Death of a partner.

CORPORATION: This is also referred to as a company. A company is a legal entity i.e. different from the owners. It is recognized before the law as an artificial body. A company is either a private or a public limited company.

The agency responsible for the registering of companies is the Corporate Affairs Commission (CAC). Most often, the Private Limited Company has the word "Limited (LTD)" at the end of the registered name, while a Public Company has the word "PLC" at the end of its registered name. Private and Public Limited companies are usually guided by a Charter.

Before registering a Limited Liability Company, provisions have to be made for:

1. Articles of Association.
2. Memorandum of Association.
3. Certificate of Incorporation.

ARTICLES OF ASSOCIATION: This document contains rules and regulations of the company. It includes the following items;

- Appointment and termination of directors;
- Procedure for issue and transfer of shares;
- Rights and responsibilities of shareholders;
- Procedure for auditing and accounting.

MEMORANDUM OF ASSOCIATION: This document contains the guidelines for the company and its members. Companies that are quoted and also private limited companies must ensure that this information is provided for and is taken care of. The items include;

- The name of the company (defining whether the company is private (Ltd) or public (Plc));
- The address and location of the business;
- Type of business;
- A statement indicating the liability of the corporate members;
- Number of shares into which the company capital is divided.

CERTIFICATE OF INCORPORATION: Upon the submission of the Articles of Association and the Memorandum of Association and payment of the required fee, the company is issued a certificate of incorporation. This confers on the company the authorization to commence operation.