Module 1: The Entrepreneurial Mindset & Foundation

Topic 3: Types of Business Ownership

When starting a venture, an entrepreneur must decide on the legal structure of the business. This decision affects how much tax is paid, the level of personal risk, and the ability to raise money.

1. Sole Proprietorship

This is the simplest and most common form of business, owned and operated by a single individual.

- **Advantages:** Easy to set up, full control over decisions, and the owner keeps all the profits.
- **Disadvantages: Unlimited Liability** (the owner is personally responsible for all business debts). If the business fails, the owner can lose their house or car. It is also harder to raise large amounts of capital.

2. Partnership

A partnership involves two or more people (usually up to 20) who agree to contribute resources and share profits and losses.

- **General Partnership:** All partners share equal responsibility and unlimited liability.
- **Limited Partnership:** Some partners only invest money and have limited liability (they only lose what they invested), but they usually have less say in daily operations.
- **Advantages:** More capital available, shared workload, and diverse skills.
- **Disadvantages:** Potential for disagreements between partners and shared liability.

3. Limited Liability Company (LLC) / Private Limited Company

In many regions, this is a popular choice for growing businesses. It is a legal entity separate from its owners.

- **Key Feature: Limited Liability.** The owners (shareholders) are not personally responsible for the company's debts. Their risk is limited to the amount they invested in the company.
- **Advantages:** Easier to raise money by selling shares; the business continues even if an owner leaves or passes away.
- **Disadvantages:** More expensive to register, more paperwork, and stricter government regulations.

4. Cooperatives

A cooperative is a business owned and run by its members, who use its services. The primary goal is to provide a service to members rather than just maximizing profit for outside investors.

- **Example:** A Farmers' Cooperative that buys fertilizer in bulk to sell to its members at a lower price.
- **Key Principle:** "One member, one vote," regardless of how much money they put in.

5. Public Limited Company (PLC)

This is a large company that offers its shares to the general public on the stock exchange.

- **Advantages:** Can raise massive amounts of capital from thousands of investors.
- **Disadvantages:** High level of transparency required; anyone can buy a piece of the company, meaning the original founders might lose control.

Summary Comparison Table

Feature	Sole Proprietorship	Partnership	Limited Company (LTD)
Number of Owners	1	2 to 20	1 to Unlimited
Liability	Unlimited	Mostly Unlimited	Limited
Decision Making	Fast (Owner only)	Shared (Consultation)	Formal (Board of Directors)
Capital Source	Personal savings/Loans	Partners' contributions	Selling Shares