

## PROS AND CONS

### BUSINESS FORM AND MANAGEMENT OF THE BUSINESS

<u>Type of Management</u>	<u>PROS</u>	<u>CONS</u>
<p><b>Sole Proprietorship</b> – The sole proprietor usually manages all aspects of the business.</p>	<p>The sole proprietor has complete autonomy in running the business.</p>	<p>If the sole proprietor is away from the business, an employee or some other person may be authorized to make decisions, but whoever makes decisions in lieu of the owner will not have the same interest in the business as the owner. If no one is authorized to make decisions, the business may suffer lost opportunities.</p>
<p><b>General Partnership</b> – Subject to partnership agreement, all partners have equal rights in the management of the partnership.</p>	<p>A partnership may designate particular partners with particular skills to make decisions in that area and reserve the more important decisions to the partnership as a whole.</p>	<p>Each partner has rights in management and may contractually bind the partnership. Each partner is responsible for the contracts that the other partners execute and the liabilities that they incur. The possibility of disagreement and deadlock exists.</p>
<p><b>Limited Partnership</b> – At least one general partner is responsible for the management of the limited partnership. A limited partner may not participate in the management of the business or the limited partner runs the risk of becoming personally liable for the debts and obligations of the limited partnership.</p>	<p>A general partner may vote on matters related to the business of the limited partnership provided such matters are subject to the approval of the limited partners. This must be spelled out in the limited partnership agreement.</p>	<p>An individual may be reluctant to invest in a limited partnership because of the limits on a limited partner's participation in the business. As a result, a limited partnership may experience difficulty raising capital.</p>

<p><b>Corporation</b> – Directors and officers manage the affairs of the corporation.</p>	<p>Highly skilled business people usually manage corporations. An elected Board of Directors manages the corporation’s business affairs; the officers execute the Board’s directives and run day-to-day operations. Shareholders receive reports regarding the financial status of the corporation and receive dividends without having to provide any labor or input.</p>	<p>Only shareholders who are also officers or directors have any role in management of the corporation. If shareholders dislike the direction the corporation is taking, it is very difficult to have any impact on changing that direction.</p>
<p><b>Limited Liability Company</b> – The members of a limited liability company either manage the business affairs of the company themselves or appoint a manager to operate the company</p>	<p>No group of individuals stand between the members and the managers (like a Board of Directors). There is a great deal of flexibility in determining a management structure for the company; and the members can adopt a structure best suited to the particular needs of the company.</p>	<p>Subject to agreement, each member has rights in management and may contractually bind the company. The possibility of disagreement and deadlock exists.</p>