

UNIT 02 / 06 · LEARN & TRY

Choosing a form of organisation

Name: _____ Date: _____

Goal: Compare ownership forms and justify an organisational choice using business needs.

Learn

The form of organisation determines who owns a business, how decisions are made and who bears its obligations. A sole proprietor controls the enterprise and retains its profit, but normally has unlimited liability and limited personal resources. Partnership combines owners' skills and capital; mutual agency means a partner may bind the firm through authorised business acts. A written agreement clarifies matters such as contributions, profit sharing and duties. A company has a separate legal identity and continuity beyond changes in shareholders; members generally enjoy limited liability, although formation and compliance are more demanding. A cooperative emphasises members' common needs and democratic control rather than control purely through invested capital. No form is universally best. Compare the capital required, desired control, continuity, liability, managerial skills and purpose of the proposed enterprise. A recommendation should connect these criteria to the facts and acknowledge a relevant limitation.

Worked example

Two designers want to pool skills and modest capital while actively managing a studio. Partnership can suit this purpose. A deed should specify their contributions, profit ratio and responsibilities. They must consider mutual agency and liability rather than assume sharing ownership removes risk.