



Sole Proprietorship



What is it?

- A sole proprietorship is a business owned and managed by a single individual.

General Characteristics

- Earn modest incomes
- Run their businesses part-time
- Tends to be really small
- Not governed by any special act or ordinance. The sole owner can set up or close the business whenever he chooses.
- Easy to end or dissolve the business.

Advantages

Ease of Start- Up:

With a small amount of paperwork and legal expenses, just about anyone can start a sole proprietorship

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Relatively Few Regulations:

A proprietorship is the least regulated form of business organization.

Sole Receiver of Profit:

The owner of sole proprietorship keeps all profits after paying taxes.

Full control:

Owners can run their businesses as they wish.

Easy to discontinue:

To stop doing business, only legal obligations such as paying off taxes and debt have to be met.

Disadvantages

Limited access to resources such as physical capital, sometimes even human capital.

Lack permanence. The business ceases to exist when an owner closes shop due to an illness, retirement, etc.

Biggest disadvantage is unlimited personal liability. (Liability is the legally bound obligation to pay debts.)

Personal Statement

- We would not choose to run a sole proprietorship because the business would have to remain small if owned by a single individual. This would not leave room for growth of the business. It's very hard to run a business without the help of others.