

# Consumer Studies 1202



## Chapter 2: Types of Businesses

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## Chapter Two: Types of Businesses

### Words to know:

- Sole Proprietorship
- Limited Liability
- Partnership
- Social Responsibility
- Public Corporation
- Crown Corporation
- Co-operative
- Franchise
- Small Business
- Ethics
- Unlimited Liability
- Shareholders
- Private Corporation
  - a) Profit
  - b) Non-Profit
- Home Based Business
- Globalization



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# Types of Business Ownership

Sole Proprietorship



Partnership



Public Corporation



Cooperative



Franchise



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## Sole Proprietorship

**Sole Proprietorship:** a type of business entity that is owned and run by one individual or one legal person and in which there is no legal distinction between the owner and the business.

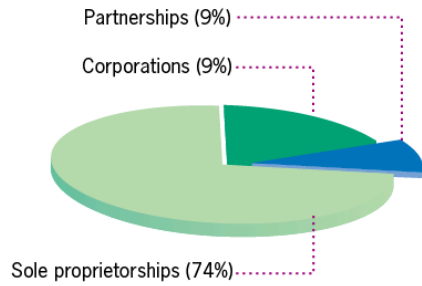
Advantages	Disadvantages
<ul style="list-style-type: none"> <li>- Owner makes all the decisions, own boss</li> <li>- Owner keeps all the profits</li> <li>- All financial information can be kept secret</li> <li>- Easy to start or close</li> </ul>	<ul style="list-style-type: none"> <li>- Cost and time commitment</li> <li>- Owner has responsibility for all debt</li> <li>- Funding difficult to obtain</li> <li>- Responsibilities for all aspects of the business</li> <li>- Doesn't have fringe benefits</li> </ul>

**Fringe benefits:** Various types of non-wage compensation provided to employees in addition to their normal wages or salaries

Examples of Sole Proprietorship in our town?

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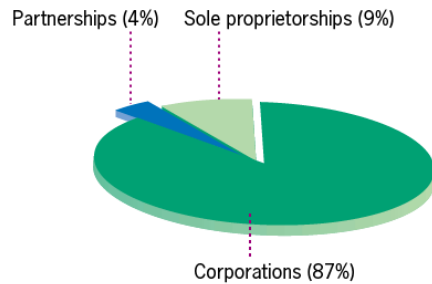
### Which Type of Business is Most Common



Sole Proprietorships are the most common form of business ownership in Canada

### Which Type of Business has the Largest Sales Volume

Sole Proprietorships only have 9% of the sales volume



What conclusions could you draw about the relative sales and profits of sole proprietorships and corporations?

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## Partnership

**Partnership:** a form of business organization in which two or more people own and operate the business together

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>- Co-own the business</li> <li>- Share responsibilities</li> <li>- Have greater financial resources</li> <li>- Share business losses</li> <li>- Share time commitment</li> </ul>	<ul style="list-style-type: none"> <li>- Unlimited <b>personal liability</b></li> <li>- May have conflicts</li> <li>- Profits are shared</li> <li>- More difficult to close down than sole proprietorship</li> </ul>

**Personal Liability:** a financial obligation for which an individual is responsible and which may be satisfied out of his or her assets.

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# Partnership

Because there are two or more people involved, certain agreements must be made.

Partners MUST agree on:	Partners must sign a partnership agreement:
<ul style="list-style-type: none"> <li>- Time and money each partner will invest</li> <li>- How profits will be shared</li> <li>- Who will manage employees</li> <li>- How partnership might end</li> </ul>	<ul style="list-style-type: none"> <li>- Name and location of business</li> <li>- Amount of partners' investment</li> <li>- Way profits and losses will be divided</li> <li>- Duties and responsibilities of each partner</li> <li>- Procedures for ending partnership</li> </ul>

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# Corporations - Four Groups

1) **Private Corporation:** Can have up to 50 shareholders (not offered to the public) but may have only 1 shareholder (incorporated)

Ex. Eaton's Department Store

2) **Public Corporation:** does not have any restrictions on the number of shareholders

- shares can be sold to the general public (bought and sold on stock exchanges)

Ex. McGraw-Hill Ryerson Ltd.

3) **Crown Corporations:** owned by federal, provincial, or municipal governments

- provides special service to the public

Ex. Bank of Canada, Canada Post

4) **Non-Profit Corporations:** purpose is to undertake fundraising, research, lobby for a particular cause

Ex. The United Way, Children with Diabetes

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# Structure of a Large Public Corporation



**Figure 2-9** This diagram illustrates the structure of a large public corporation. Why would a corporation like Bombardier or Telus Corporation need such a complex structure to keep it running smoothly?

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## Public Corporation

**Public Corporation:** does not have any restrictions on the number of shareholders

- shares can be sold to the general public (bought and sold on stock exchanges)

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>- Owners are shareholders</li> <li>- Employees are hired to run the company</li> <li>- Can usually raise funds easier</li> <li>- Have a lower tax rate</li> <li>- Can continue to operate after the death of owners</li> </ul>	<ul style="list-style-type: none"> <li>- More complicated structures</li> <li>- Employees may not be committed to the business</li> <li>- Annual reports have to be published - secrets divulged</li> <li>- Value of company shares may change depending on the stock market</li> </ul>

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# Cooperative

**Cooperatives:** also called co-ops, are businesses owned and operated by a group of people with a strong common interest

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>- Own and control business</li> <li>- Share start up costs and running of the business</li> <li>- Share financial risk</li> <li>- May pay less for goods and services and get more for those they sell</li> </ul>	<ul style="list-style-type: none"> <li>- Members may not want to invest money for expansion</li> <li>- Making decisions may be difficult due to number of members</li> <li>- Members can have conflicts</li> </ul>

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# Franchise

**Franchising** is one of the fastest-growing forms of business ownership. A franchisor sells to another person (the franchisee) the rights to use the business name and to sell a product or service

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>- Buy a business with a good reputation</li> <li>- Franchisers supply training and financial knowledge</li> <li>- Franchisers usually provide packaging, advertising and equipment</li> </ul>	<ul style="list-style-type: none"> <li>- Can be expensive to buy</li> <li>- May have to follow a lot of rules laid down by the franchisers</li> <li>- If franchisor's business fails, so will the franchisee's business</li> </ul>

Discuss the franchises that are in your area. Are there any franchises that you think would work here? Why or why not?

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## Growth in Canadian Business

Changes that have helped businesses grow:

- 1) Advances in technology (information technology)
- 2) Increase in global business connections
- 3) Growth of small business and service sectors
- 4) Greater emphasis on natural environment
- 5) Focus on business ethics and social responsibility

We are in the middle of a **technological revolution** - new technologies change the way businesses produce, buy, and sell goods and services, the way they communicate with each other, and the way they obtain financial and other resources



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## The Information Age

One thing that gives companies a competitive edge is information. Today, technologies such as laptops, tablets, and cell phones give employees fast access to information, which helps a business operate efficiently and quickly

Thanks to Internet, businesses can search the world to find the best quality and price for production materials and other resources

Financing may be done from New York or Tokyo, production arrangements may be made with a company in Brazil or China... AND customers can live anywhere on the planet



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## Increased Globalization

**Globalization:** doing business globally, it gives businesses a chance to increase their profits

Globalization has also increased competition for markets because more businesses try to get the same customers and because of technology businesses have had to become more efficient

Governments have also recognized these competitions and have established **trading blocs** - encourage trade between member countries



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## Growth of Small Businesses

**Small business:** one that is independently operated, not dominant in its field, and meets certain size limits in terms of employees and annual sales

In all sectors other than manufacturing - **less than 50 employees**

In manufacturing - **less than 100 employees**

### Home Based Small Businesses

**Home-based businesses are the fastest growing form of small business** due to the following factors:

- 1) growth of information technologies
- 2) growth of service business
- 3) disappearance of many traditional jobs
- 4) people wanting to be their own boss/  
Change their lifestyle
- 5) appeal to women who have found their  
careers blocked because of sexual  
discrimination

**50% (9% of total work force) of self-employed Canadians work from their home.**



Many home based business **have only 1 employee**

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## Growth of the Service Sector

27% of new businesses are in the business and service sectors

Over 75% of all jobs in Canada are in the service sector

Reason for growth:

- Canadians have more money and less time than they had 50 years ago
- People are willing to pay others to care for their children, plan a trip, clean their homes, etc.

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Read Page 57-58 and do #1-3

Chapter Review



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