

Sole Ownership Vs Partnership

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Sole Ownership

In sole ownership, an individual has complete control over his or her business. He or she is authorized to take all important decisions that are related to the activities of the company. Therefore, in this type of ownership, the individual will get all the income for the business. Though the sole partnership is comprised of a large number of employees, it can also be started on a small scale. It is believed that sole ownership is the simplest form of business ownership and that it is easier to start compared to other types of ownership.

Characteristics of Sole Ownership

In this type of business ownership, the profits are taxed at the marginal tax rate of the sole proprietor. The rate can be lower than the tax rate of a limited or corporate company. Due to this, it is important for sole proprietors to show their specific financial information for the business on the tax returns of their income. Furthermore, it is also important to make a tax payment to the government. Also, losses in business may be balanced against the income of the other proprietor (Johnson & Greening, 2009).

A sole proprietor has complete freedom to make decisions about the operation of the Firm without waiting or asking for anyone's approval. A sole proprietor can change the timings of the store, move the location and make other decisions. All profits of the company or institutions are the personal earnings of the owner. Therefore, the owner has a strong will to get success. It is also believed that sole proprietor also gets proud of their achievements, and he or she needs to be. On the other hand, if the business fails, the sole proprietor is responsible for that failure.

Furthermore, unlimited liability is a legal concept is concept according to which an owner of the business is particularly responsible for all types of debts. Legally, there is no difference between business debts and debts of the proprietor. Lack of continuity is another characteristic of the sole proprietor. If the owner dies, retires or becomes legally incompetent, then business starts to cease (Johnson & Greening, 2009).

Partnership

It is a business that is owned by two or more two people. Most partnership-owned businesses are small, while some are quite big. It is believed that establishing a partnership business is more difficult as compared to a sole partnership. However, it is inexpensive and easy. The cost of this type of

business varies according to the complexity and size. It is possible to establish a simple partnership without the help of an accountant and lawyer. Although, it is always good to get professional advice.

Characteristics of Partnership Ownership

In this type of ownership, more capital is available than in sole partnerships because of the pool of funds. The additional capital, along with more partners, can motivate bankers to extend the larger loan and their support in favour of business.

It is necessary for all business partners to prepare an agreement for the partnership. It must contain all provisions related to the control of management affairs, disputes regarding policies and sharing of profit. Therefore, many experts recommend that a lawyer be appointed to prepare an agreement.

In an insole partnership, all profits go to the single owner, while in a partnership, financial rewards are shared among all partners, which motivates them to perform well. However, the partnership pays no income taxes. It is expected for the Internal Revenue Services to file yearly information returns that include the names of all partners along with their addresses. The return should also contain information about the distributions, expenses, and income of all partners that are involved in the business. Eventually, the share of each partner of the profit in the same way as the sole owner is taxed (Cooper & Dunkelberg, 2006).

In this type of ownership, the weakness of one partner is masked by the strength of another partner. Besides this, sharing decisions and obtaining consent from each other will relieve the pressure on one individual. Most individuals feel resistant to entering into a partnership because it has unlimited liability. There are several types of businesses that permit owners to limit their liability. Several laws are there that allow the owners to establish a "limited partnership." It has two types that include a single general partner who is accountable for all the liabilities faced by the company and who runs the whole business. Limited partners who have limited involvement in the business, their losses are limited to the amount of money that they had invested in the business.

Legally, the partnership will be ended if any of the partners dies or the business becomes bankrupt unless the agreement has some provisions related to it. Moreover, the transfer of an interest in the business to new or existing partners is carried out according to the agreement of partnerships or any other agreement related to that provision which all partners sign. In a real setting, there is a small space for the transfer of an interest in a partnership to a public investor (Cooper & Dunkelberg, 2006).

My Opinion

I believe that partnership is better than sole ownership. Firstly, it brings individuals from different backgrounds who share the responsibility to run the business. Besides this, it also makes financing easier. The business can draw on some individuals and financial resources. The business partners

cannot only contribute funds to the business but also secure bank loans by using their resources. Lastly, in this type of situation, continuity is not an issue because partners can legally agree to permit the partnership to continue, even if one or more than one partner dies or faces other problems.

References

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