**BBI2O1 - Business Fundamentals**

**Types of Businesses and Ownership**

**FIVE TYPES OF BUSINESS OWNERSHIP**

1. A **sole proprietorship** is one owner

What is meant by unlimited liability?

Responsibility for claims against the business that goes beyond the amount invested in the business and extends to one’s personal assets

1. A **partnership** is 2 or more owners (written partnership agreement)

Examples:

* A&W, M&M’s, Proctor & Gamble

What are general partners?

* Combined have 100% ownership involved in the business
* Most common
* All partners have unlimited liability (each partner is responsible for the other partners debt)

What is mutual agency?

* Mutual agency is like a marriage (binds each partner to one another, for better or for worse)
* If one fails, everyone fails

What are limited/silent partners?

% or not sharing in the actual work of the firm

What is meant by limited liability?

Responsible for paying back the amount they invested in the partnership

1. A **corporation** is many shareholders (one vote per share and a board of directors). It is granted legal status with rights, privileges, and liabilities.

Examples:

GE, Apple, Toyota

What is meant by being highly regulated?

Provincial & federal

How can you tell a corporation by its name?

* Incorporated (Inc.)
* Corporation (Corp.)
* Limited (Ltd.)
* ® - Registered, or Trademarked (not always)

What is a share/stock holder?

Owns shares/stocks which are sold through a stock exchange (become partial owners of the company)

Would you be able to sue a corporation?

yes, BP was sued for their oil spill disaster

What is meant by double taxation?

* Corporate Level: Corporations are considered a separate legal entity from their shareholder
* Corporations pay taxes on their annual earnings just like individuals
* Personal Level: When dividends are paid out by corporations, shareholders are taxed once again
* Double taxation also occurs when items are taxed in 2 different countries

What is a dividend?

A sum of money paid regularly (usually every quarter) by a company to its shareholder out of its profits

What are the differences between a private and public corporation?

Public corporations have shares that can be publicly traded, a private held company can become a public company by conducting an initial public offering (offering shares of the company to the public)

Are all public corporations traded on the TSX (Toronto Stock Exchange)?

Why?

* Has to be a minimum of $7.5 million in net tangible assets
* Acts as a market where stock buyers connect with stock sellers

What is a Crown Corporation (include examples)? owned and regulated by a country’s state or government (not privately owned)

Examples:

Bank of Canada, Canada Post, Via Rail Canada, CATSA, Hydro One (in the process of being partially privatized)

<http://www.tbs-sct.gc.ca/gov-gouv/rc-cr/links-liens-eng.asp>

Crown corporations that have been sold in the past:

Air Canada, Petro Canada, CN Rail, 407 ETR

1. A **co-operative** is formed and owned by members to meet common economic, social, and cultural needs. The motive is for service, and not profit.

Examples:

* C[anadian University Press](https://en.wikipedia.org/wiki/Canadian_University_Press) is a non-profit [co-operative](https://en.wikipedia.org/wiki/Co-operative) and [newswire](https://en.wikipedia.org/wiki/Newswire) service owned by almost 90 [student newspapers](https://en.wikipedia.org/wiki/Student_newspapers) at post-secondary schools in [Canada](https://en.wikipedia.org/wiki/Canada).
* G[ay Lea Foods Co-operative Limited](https://en.wikipedia.org/wiki/Gay_Lea) is a dairy products company in [Canada](https://en.wikipedia.org/wiki/Canada) producing butter, sour cream, cottage cheese, whipped cream and lactose free milk for retail, foodservice, industrial and export markets.
* W[aterloo Co-operative Residence Incorporated](https://en.wikipedia.org/wiki/Waterloo_Co-operative_Residence_Incorporated), also known as WCRI, is a non-profit student [housing co-operative](https://en.wikipedia.org/wiki/Housing_co-operative) located in [Waterloo, Ontario](https://en.wikipedia.org/wiki/Waterloo%2C_Ontario), [Canada](https://en.wikipedia.org/wiki/Canada).
* W[ireless Nomad](https://en.wikipedia.org/wiki/Wireless_Nomad) was a [non-profit](https://en.wikipedia.org/wiki/Non-profit) [cooperative](https://en.wikipedia.org/wiki/Cooperative) based in [Toronto](https://en.wikipedia.org/wiki/Toronto), [Canada](https://en.wikipedia.org/wiki/Canada) providing subscriber-owned home and business internet along with free [Wi-Fi](https://en.wikipedia.org/wiki/Wi-Fi) wireless Internet access the 70+ nodes, making it one of the largest free Wi-Fi networks in the country at the time.
1. A **franchise** is hybrid type of ownership in which the owners, or "franchisors", sell the rights to their business logo, name, and model to third party retail outlets, owned by independent, third party operators

Examples:

McDonald’s, 7 Eleven, Kumon, Tim Hortons

<http://www.franchisedirect.com/top100globalfranchises/rankings/>

What is a franchisor?

The parent company who grants the franchise and provides goods and/or services to the franchisees

What is a franchisee?

A person who runs a franchise operation and is under contract, or licensing agreement, with the franchiser

What are 5 things that may be included in a franchise agreement?

1. Franchise/royalty fees
2. Market area
3. Ownership transfer
4. Changes in management
5. Liquidated damages (franchisor collects $ on early termination)

What is the most common type of ownership sole proprietorship

Why?

Simplest and cheapest way to start a business

383,686 small businesses, 1003 large businesses (500+ people) in 2011

Which type of ownership generally has the highest total sales?

Corporations rank first in total sales revenue

Why?

Most are publicly traded, many are large in size