* 1. **What are the 4 main business types?**

Sole Proprietorship: a business owned by one person

Advantages:

* Easy to start
* Owner is his/her own boss
* Owner keeps all profits

Disadvantages:

* Owner must pay for everything needed for the business
* Difficult to obtain capital needed to start
* Owner might lack business skills
* Unlimited Liability: owner has full responsibility for company’s debts and can lose entire investment as well as personal assets

Partnership: a business owned by two or more people

Advantages:

* Relatively easy to start
* Easier to obtain capital than sole proprietorship
* Partners share skills and talents
* Partners share risks

Disadvantages:

* Partnership agreement is needed to start
* Partners might not get along well
* Partners must share the profits
* Partnership must be reorganized if one partner quits
* Partners share unlimited liability: all partners share the responsibility of a bad decision made by one partner (including debts)

Corporation: a business owned by many people – stockholders, but treated by law as one

person (can own property, pay taxes, make contracts) *Nike, Apple, Google*

Advantages:

* Corporations can raise money by selling stock
* Limited Liability: stock holders can only lose what they have invested
* Corporation continues when stockholders sell stock
* Corporation can always make money by selling more stock

Disadvantages:

* Corporations are taxed on their profits
* Government closely regulates corporation
* More difficult to start a corporation
* Must obtain a corporate charter from the state in which headquarters is located

Franchise: a contractual agreement to sell a company’s products or specific services in a

Specific geographic area (*Taco Bell, Subway, McDonalds)*

Advantages:

* Easy to start
* Franchisee can rely on good name and expertise of the parent company
* Franchisee can get needed guidance in operating the business from franchisor

Disadvantages

* Some franchisors are strict about how the business is run
* Franchise is limited in what products or services can be sold
* Franchise must operate like every other franchise