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Types of business entity

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Content

- Non-profit organization
- State (unitary) enterprise
- Sole proprietorship
- Limited liability company (LLC)
- Public limited company
- Cooperative
- Limited company
- Partnership

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Non-profit organization

- Examples:
- Fund autonomous nonprofit organization,
- Institutions,
- Political parties,
- Religious organizations,
- Public associations

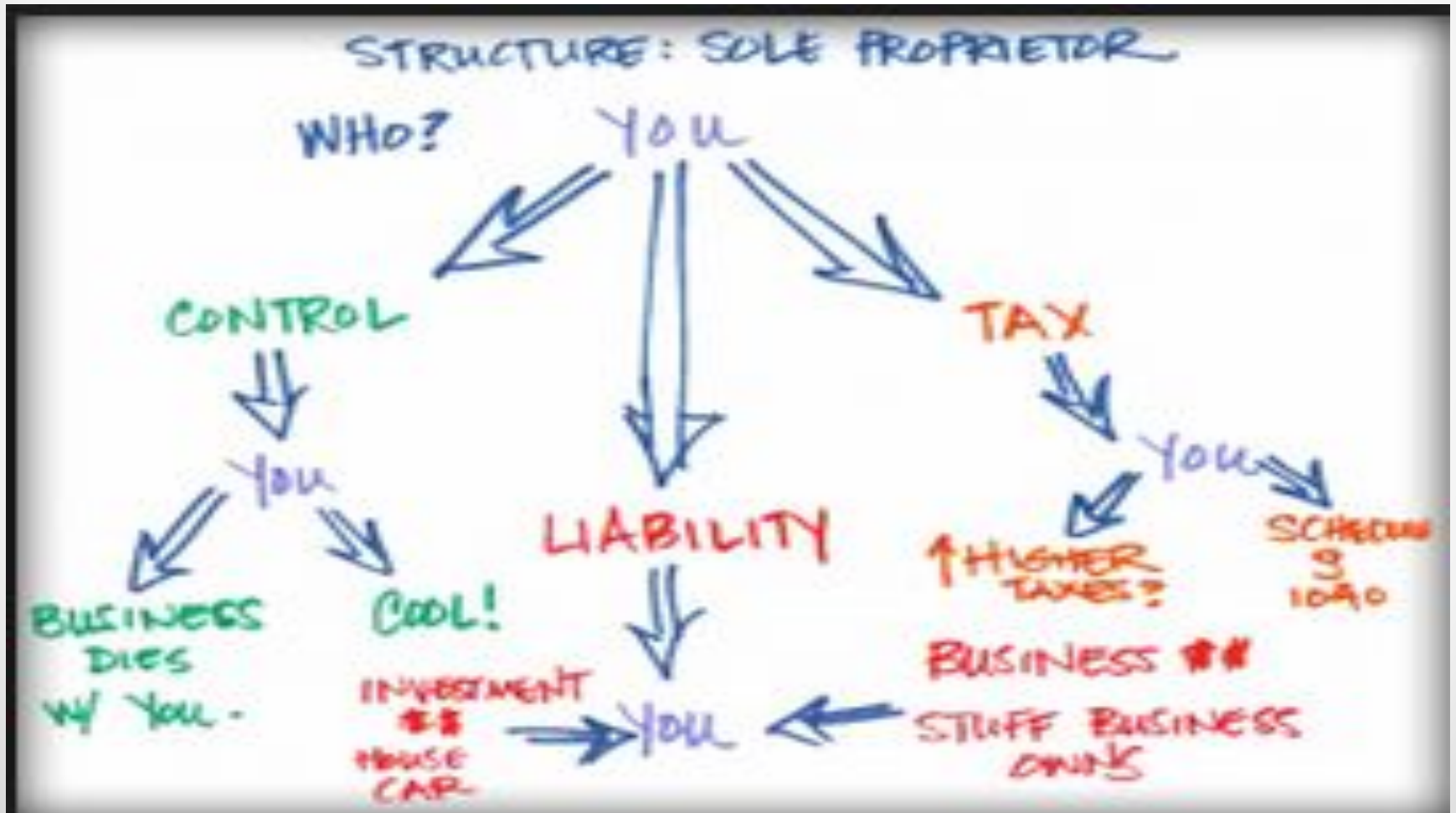
Non-profit organization

- NPOs have a wide diversity of structures and purposes. For legal classification, there are, nevertheless, some elements of importance:
- Economic activity.
- Supervision and management provisions.
- Representation.
- Accountability and auditing provisions.
- Provisions for the amendment of the statutes or articles of incorporation.
- Provisions for the dissolution of the entity.
- Tax status of corporate and private donors.
- Tax status of the foundation.

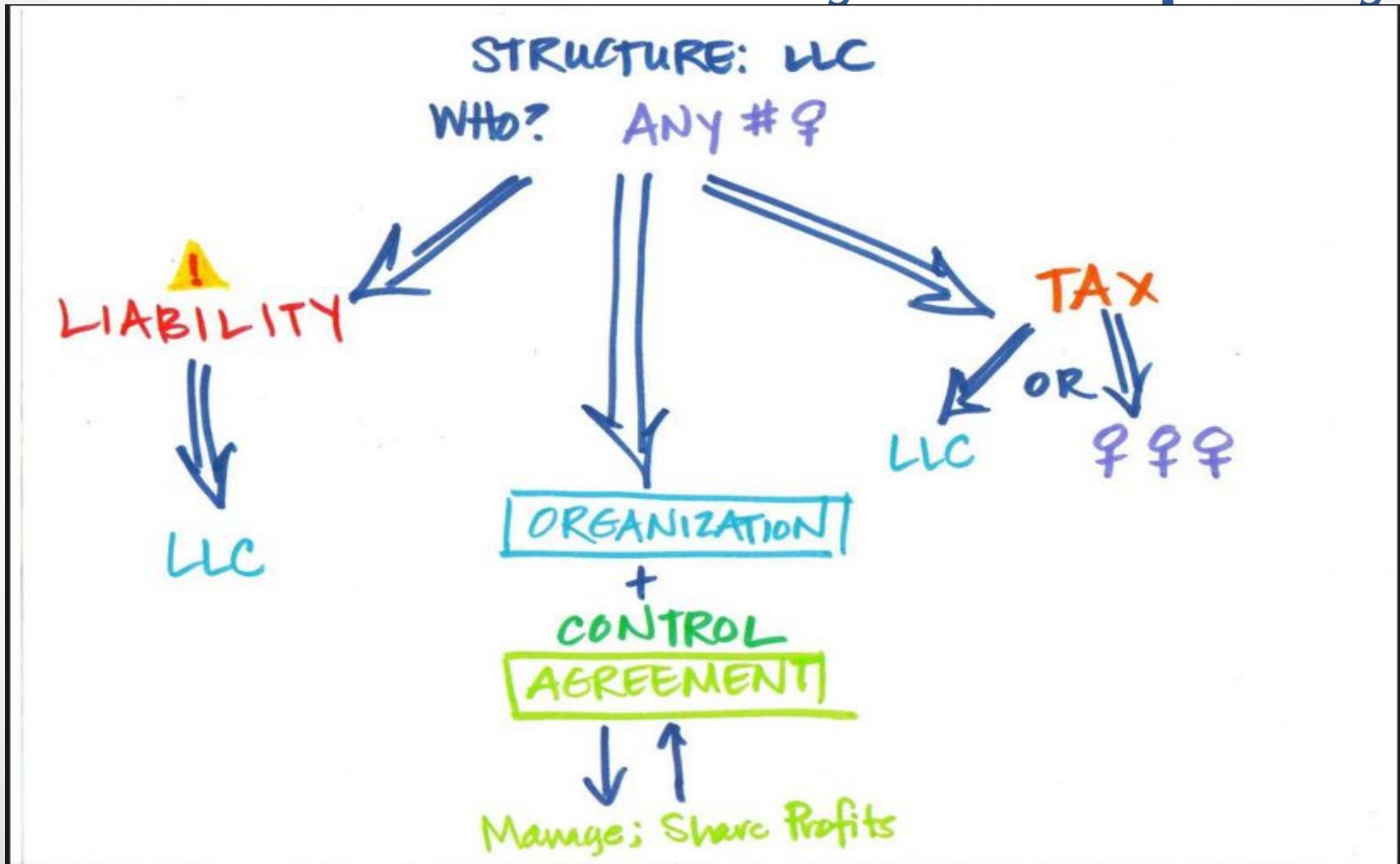
State (unitary) enterprise



Sole proprietorship



Limited liability company



Private limited companies

- Owned by those who own shares in the firm
 - Owners known as shareholders
 - A share is a 'piece' of ownership
 - Part-ownership
- Shareholders appoint board of directors
 - Board manages the business
 - Usually majority shareholders
- Business is a separate legal unit



Private limited companies

ADVANTAGES

- Shares can be sold
 - Not advertised
 - Friends and family likely shareholders
- More capital available
 - Allows for expansion
- Limited liability for shareholders
 - Not liable for business failure
- Owners might retain control of the business
- Continuity of the business

DISADVANTAGES

- Legal requirements
 - Add costs
 - Time-consuming
- Shareholders to approve if a shareholder sells shares
 - Less flexibility
- Less secrecy over finances
 - Accounts inspected
- Shares cannot be advertised or listed on a stock exchange
 - Limits investment

Cooperative



Limited company





Partnership

- Greater possible capital availability
- Greater resources for decision making, support, creative activity
- Unlimited liability in general partnerships
- Divided authority-having to divide the authority for making decisions among the partners can delay the decision-making process and occasionally lead to disagreement



Partnerships

ADVANTAGES

- More capital
 - Expansion
- Shared responsibilities
 - New expertise
- Profits and losses shared

DISADVANTAGES

- Unlimited liability
- No continuity
- Potential partnership disagreement
 - Time-consuming
- Risk of ineffective partners
- Growth is limited
 - Legislation in different countries