

**THIRD TERM E-LEARNING NOTE**

**SUBJECT: COMMERCE**

**CLASS: SS1**

**SCHEME OF WORK**

<b>WEEKS</b>	<b>TOPICS</b>
1	Business Organizations – Sole Proprietorship
2	Partnership
3	Partnership
4	Money
5	Central Bank
6	Commercial Bank
7-8	The Cheque System
9	Negotiable Instruments – Bills of Exchange etc.
10	Other Financial Institutions
11	Revision

**WEEK 1**

**Date:.....**

**TOPIC: FORMS OF BUSINESS UNITS**

**CONTENTS**

1. Definition
2. Types (forms) of business units
3. Sole proprietorship

**FORMS OF BUSINESS UNITS**

Business units can be divided into two broad classes namely, the private sector or private enterprise and the public sector or public enterprise. The private sector or enterprise is made up of all the business enterprises owned and controlled by private individuals whereas the public sector or enterprise covers all enterprises owned and controlled by the government.

There are five main forms of business units under the private sector or enterprise, namely:

1. The sole proprietorship – i.e. the sole Trader or One-man business
2. The Partnership
3. The Private Limited Liability Company
4. The Public Limited Liability Company
5. The Co-operative Society

Public enterprises (also called Public Corporations or Statutory Corporations) as mentioned earlier are owned, controlled and financed by the government.

**FACTORS INFLUENCING THE FORM A BUSINESS UNIT WILL TAKE**

1. The amount of capital available for setting up the business
2. Personal ability or experience/skill of the entrepreneur
3. Type or nature of the business
4. Size or extent of the market (i.e. the demand for the products of the business)
5. Degree of risk or uncertainty involved in the business
6. Personal interest/motive/objective of the entrepreneur
7. Government policies – i.e. the economic legal social and industrial policies of the government.

**SOLE PROPRIETORSHIP**

This is a business established and being controlled by a person who provides all the capital. It is a type of business unit in which one person provides the capital bears the risks and takes full responsibility for the firm. Sole proprietorship is the oldest and simplest form of business organization.

**FEATURES OR CHARACTERISTICS OF SOLE PROPRIETORSHIP**

1. Ownership, management and control is by one person

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2. Unlimited liability: the liability of a owner of one-man business is unlimited. It extends to even their private property.
3. Not a legal entity: Legally, the business is not separate from the owner i.e. the business is not a separate entity
4. There is no perpetual existence: The sole proprietorships existence lacks continuity since the death or retirement of its owner may lead to the folding up of the business
5. Capital is provided by the owner
6. The owner bears all the risks alone
7. There is usually no formal procedures for its formation except in business like pharmacy, bars etc. where license is required
8. The owner enjoys all the profits alone
9. It is common in small retail businesses and artisanship
10. The motive of its formation is to make profit

#### **ADVANTAGES OF SOLE PROPRIETORSHIP**

1. It is easy to set up
2. It requires small capital
3. It is easy to run or manage
4. The decision making process is fast i.e. the owner can make quick business decision
5. Flexibility in business operations
6. The owner takes (enjoys) the profits alone
7. The owner enjoys privacy in his business activities
8. Pride of ownership is enhanced i.e. The owner enjoy a feeling of independence
9. There is close and cordial relationship with workers and customers

#### **REVIEW QUESTIONS**

1. Explain five characteristics of sole proprietorship
2. What are the advantages of a sole trade business

#### **DISADVANTAGES OF SOLE PROPRIETORSHIP**

1. Inability to raise enough capital or finance
2. Unlimited liability of the owner
3. It is not a separate legal entity
4. The owner bears all the risks and losses alone
5. Limited scope for...