Chapter 8:1 Business Organizations
WHAT: Explain the characteristics of sole proprietorships.

WHAT: Explain the advantages of a sole proprietorship.

WHAT: Explain the disadvantages of a sole proprietorship.

WHY: ECN.4.2
Demonstrate understanding of basic concepts (Business Organizations)
Eze_14:14 Though these three men, Noah, Daniel, and Job, were in it, they should deliver but their own souls by their righteousness, saith the Lord GOD.
Sole proprietorship:

- Is a business owned and managed by a single individual.
- The lone entrepreneur earns all of the firm’s profits and is responsible for all its debts.
- This type of company is by far the most popular in the U.S.
- According to the IRS more than 70 percent of all businesses are organized as sole proprietorships.
Advantages of a Sole Proprietorship:

- Easy start-up is the main advantage of the sole proprietorship.
- Owners get all the profits and has total control.
Disadvantages of Sole Proprietorships:

- Unlimited Personal Liability.
- They are fully and personally responsible for all business debts.
- IF the business fails, the owner may have to sell personal property such as a car or home to cover any outstanding obligations.
- If the owner dies or retires, the business or corporation dies or retires with it (lack of Permanence).
- Difficulty finding employees and extra help.
Discussion Question

• Group activity, in groups find real life sole proprietorships in your neighborhood and develop a list and share it on the white board.

• If you are a sole proprietor, what type of business would you start? Explain why you would choose that business.
Chapter 8:2 Partnership and Franchises:
• **WHAT:** Explain the characteristics of partnerships.
• **WHY:** ECN.4.2 Demonstrate understanding of basic concepts (Business Organizations)
Ecc_4:9 Two are better than one; because they have a good reward for their labour.
Partnership

- Is a business organization owned by two or more persons.
- Who agree on a specific division of responsibilities and profits.
- Partnerships are a good choice if owners are willing to share both the responsibility of running the business and the profit it earns.
- And join partners that get along well and have skills that complement each other.
Partnership: Three Categories

1. General partnerships,
2. Limited partnerships,
3. Limited liability partnerships.

• Each divide responsibility and liability differently.
General Partnership:

• It is the most common partnership.
• In this type, all partners share equally in both responsibility and liability.
• Examples include doctor, dentist, and law offices.
Limited Partnerships:

- Only one partner is required to be a general partner who has unlimited personal liability on the firm’s actions.
- The remaining partner or partners contribute only money.
- If the business fails they can lose only the amount of their initial investment.
Limited Liability Partnerships:

- This partnership is a newer type of partnership recognized by many states.
- All partners are limited partners.
- An LLP functions like a general partnership except all partners have limited personal liability in certain situations for another partner’s mistakes.
Advantages of Partnerships:

• It is easy to start up and inexpensive to establish.
• The law does not require a written partnership agreement.
• It is suggested to hire an attorney to draft a legal document.
Advantages of Partnerships:

• Is subject to little government regulation.
• The government does not dictate how partnerships conduct business.
Advantages of Partnerships:

- It offers advantages to employees as well.
- They can attract and keep talented employees.
- They are not subject to special taxes.
- Partners pay taxes on their share of the income that the partnership generates.
- The business itself does not have to pay taxes.
Disadvantages of Partnerships:

• Have potential for conflict.
• Unless the partnership is an LLP at least one partner has unlimited liability.
• Limited partners can lose only their investment and not lose everything including personal property to pay firm’s debts like a sole proprietorships.
Disadvantages of Partnerships:

- Each general partner is bound by the acts of all other general partners.
- If one partner’s actions cause the firm losses.
- Then all of the general partners suffer.
- For example, one doctor sued all doctors stand to lose.
- This problem is not present in limited liability partnership.
Disadvantages of Partnerships:

- Partners need to ensure that they agree on matters such as work habit, management styles, ethics, and general business philosophies.
- Friction between partners often rises and can be difficult to resolve.
- Many partnerships dissolve because of interpersonal conflicts.
- Conflict resolution and communication is key.
Disadvantages of Partnerships:

• If a partner dies or decides to leave the partnership might cease to exist.
• Unless the articles of partnership state that business can continue.
• And have the remaining partner or partners have the needed resources (Lack of Permanence).
ACTIVITY

• What are characteristics important to you in finding a good business partner?

• Relay: Student will run to the board and write one quality they are looking for and then pass it to the next student. Whatever group has the longest list wins a prize.
Pair up with someone that you do not know very well. Someone you might say hi to but nothing beyond small talk.

You are a partnership and you are in conflict, you have five minutes to come up with ways to resolve your conflict.

How will you resolve your conflict.

Please write them down on a piece of paper and write your names.

Some of you will be called on to share what you have.
“Conversation has been protracted for hours between the parties concerned, and not only has their time been wasted, but the servants of God are held to listen to them, when the hearts of both parties are unsubdued by grace. If pride and selfishness were laid aside, five minutes would remove most difficulties.” Ellen White
Biblical Model for Conflict Resolution

- Ecc_4:9  Two are better than one; because they have a good reward for their labour.
- Pro_11:14  Where no counsel is, the people fall: but in the multitude of counsellors there is safety.
Biblical Model for Conflict Resolution

- “A soft answer turneth away wrath: but grievous words stir up anger.” Proverbs 15:1
- Cool down your emotions before you talk it out.
- “Let nothing be done through strife or vainglory; but in lowliness of mind let each esteem other better than themselves.” Philippians 2:3.
- Have the other parties best interest in mind.
Biblical Model for Conflict Resolution

- “Confess your faults one to another, and pray one for another, that ye may be healed. The effectual fervent prayer of a righteous man availeth much.” James 5:16

- Be willing to admit your mistakes.
Biblical Model for Conflict Resolution

- “Moreover if thy brother shall trespass against thee, go and tell him his fault between thee and him alone: if he shall hear thee, thou hast gained thy brother. But if he will not hear thee, then take with thee one or two more, that in the mouth of two or three witnesses every word may be established. And if he shall neglect to hear them, tell it unto the church: but if he neglect to hear the church, let him be unto thee as an heathen man and a publican.” Matthew 18:15-17.

- Attempt to resolve it one on one first. IF that does not work, agree to have mediators to help you resolve your conflict.
Biblical Model for Conflict Resolution

- “Let all bitterness, and wrath, and anger, and clamour, and evil speaking, be put away from you, with all malice: And be ye kind one to another, tenderhearted, forgiving one another, even as God for Christ's sake hath forgiven you.” Ephesians 4:31-32.

- Have a mindset to forgive and work it out.
• WHAT: Explain how franchises operate.
• WHY: ECN.4.2 Demonstrate understanding of basic concepts (Business Organizations)
Business Franchises:

• A business franchise is a semi-independent business that pays fees to a parent company.
• In return, the business is granted the exclusive right to sell a certain product or service in a given area.
• Franchises offer a wide array of goods and services from fast food restaurants to stores that sell diamonds.
• Franchisers is the parent company and franchisee is the local ownership.
Advantages of Franchises:

- Franchise comes with a built-in reputation.
- Consumers may already be familiar with the product and brand.
- Other benefits make the running the business easier.
- Consistent quality.
- Help for advertising.
Disadvantages of Franchises:

- Owner must sacrifice some freedom in return for the parent company’s guidance.
- High Franchising fees and royalties.
- Dependent on the parent company for new products.
Reflection:

• If you had a choice what type of franchise would you choose as a business and explain why.
POP QUIZ!!!!!!!!!!!
This is a business owned and managed by a single individual. The lone entrepreneur earns all of the firm’s profits and is responsible for all its debts.
Advantages of a Sole Proprietorship is that:

A - Owner receives all the profits
B - Owner has total control
C - Both A and B
D - None of the Above
It has limited life. If the owner simply dies or retires, the business simply cease to exist.

A - Lack of Power
B - Mortality
C - Both A and B
D - Lack of Permanence
This is a business organization owned by two or more persons who agree on a specific division of responsibilities and profits.

A - Partnership
B - Marriage
C - Franchise
D - Sole Owner
In this type of partnership, all partners share equally in both responsibility and liability.

A- General Partnership
B- Limited Partnership
C- Franchise
D- Sole Owner
Only one partner is required to be a general partner. That is only one partner has unlimited personal liability of the firm’s actions.

A - General Partnership
B - Limited Partnership
C - Franchise
D - Sole Owner
This functions like a general partnership except all partners have limited personal liability in certain situations for another partner’s mistakes.

A- General Partnership
B- Limited Partnership
C- Limited Liability Partnership
D- Sole Owner
This is a semi-independent business that pays fees to a parent company. In return, the business is granted the exclusive right to sell a certain product or service in a given area.

A - General Partnership
B - Limited Partnership
C - Limited Liability Partnership
D - Franchises
The parent company in a franchise. It develops the products and systems to produce it efficiently and reliably and works with local franchise owners to help them produce and sell their products.

A - Franchiser
B - Franchisee
C - Limited Liability Partnership
D - Franchises
Each owner of a franchise is called this name. They receive support from the parent company and is given the rights to sell the products of the parent company.

A - Franchiser
B - Franchisee
C - Limited Liability Partnership
D - Franchises
Chapter 8:3 Corporations
• **WHAT: Explain** the characteristics of corporations.

• **WHAT: Describe** the role of multinational corporations.

• **WHY: ECN.4.2** Demonstrate understanding of basic concepts (Business Organizations)
Eph_1:10  That in the dispensation of the fulness of times he might gather together in one all things in Christ, both which are in heaven, and which are on earth; even in him:
Corporations:

- The most complex form of business organization.
- It is a legal entity being owned by the individual stock holders who have certificate of ownership in a corporation.
Types of Corporations:

• Some corporations issue stock to only a few people, often family members.
• These stockholders rarely trade their stock, but pass it on, typically within the family.
• Such corporations are called closely held corporations.
Corporate Structure:

- All corporations have the same basic structure.
- The stockholders (owners) elect a board of directors.
- The board of directors make all the major decisions of the corporation.
- It appoints corporate officers, such as the chief executive officer or president.
- These officers run the corporation and oversee its operations.
- Corporate officers in turn hire managers and employees, who work the various day to day operations of the corporation.
ACTIVITY

- Corporations.
- Pick volunteers to be stock holders.
- Board of Directors
- CEO and corporate officers.
Disadvantages of Incorporation:

• The law considers corporations legal entities separate from their owners (Double Taxation)
• Corporations, therefore must pay taxes on their income.
• Corporate earnings are taxed a second time as well.
Corporate Combinations:

- Corporations can grow very large.
- One way to grow is to raise money by selling stocks or bonds.
- Corporations may also grow by merging, or combining with another corporation.
that breaking news the blockbuster
Corporate Combinations: (Horizontal Mergers):

• Joining of two or more firms competing in the same market with the same goods and service.
• For example: Cingular and AT & T.
Vertical Mergers:

• Joining of two or more firms involved in different stages of producing the same good or service.

• Can allow a firm to operate more efficiently.

• A vertically combined firm can control all phases of production, rather than relying on the goods or services of outside suppliers.
ACTIVITY

• Get in groups and create skits on Vertical and horizontal mergers.
Conglomerates:

• Where a combination of three or more unrelated businesses are involved.
• Such as a company that produces smartphones, ships, amusement parks, entertainment.
Corporate Combinations:

- Multinational corporations buy and sell their goods in more than one country.
- MNCs usually have headquarters in one country and branches in other countries.
- Multinationals must obey laws and pay taxes in each country where they operate.
- A criticism of multinational corporations is that it exploits poorer workers in poorer countries.
CONSOLIDATION

1983
In 1983, 90% of American media was owned by 50 companies

2011
In 2011, that same 90% is controlled by 6 companies

THESE SIX COMPANIES ARE:

GE
Notable Properties: COMCAST, NBC, UNIVERSAL PICTURES, FOCUS FEATURES

NEWS-CORP
Notable Properties: FOX, WALL STREET JOURNAL, NEW YORK POST

DISNEY
Notable Properties: ABC, ESPN, Pixar, Marvel Studios

VIACOM
Notable Properties: MTV, Nick Jr, BET, CMT, Paramount Pictures

TIME WARNER
Notable Properties: CNN, HBO, TIME, WARNER BROS

CBS
Notable Properties: SHOWTIME, SMITHSONIAN CHANNEL, NFL.COM, JEOPARDY, 60 MINUTES
ACTIVITY

• Go online give five examples of conglomerates and five examples of multinational corporations and create a powerpoint or PDF describing them. Showbie assignment will be posted.
• “The centralizing of wealth and power; the vast combinations for the enriching of the few at the expense of the many; the combinations of the poorer classes for the defense of their interests and claims; the spirit of unrest, of riot and bloodshed; the world-wide dissemination of the same teachings that led to the French Revolution--all are tending to involve the whole world in a struggle similar to that which convulsed France.” {Ed 228.2}
More Americans are seeing a significant rift between rich and poor people, with most people saying there is a strong or very strong conflict between those who are wealthy and those who are not. A survey released Wednesday by Pew Social & Demographic Trends finds that 66 percent of Americans see strong or very strong conflicts between rich and poor people. That’s a 19 percentage point increase over 2009.... The strife between rich and poor people is now seen as a bigger issue than other social conflicts, including conflict between immigrants and native-born Americans and tension between black and white Americans, according to the Pew study.
Discussion Questions

• Do you think Multi-National Corporations are beneficial to society or do you think that government should make laws to restrict the power of these businesses?

• Are you willing to pay more for prices of products you purchase that are made overseas so workers could have better conditions?
Chapter 8:4 Non Profit Corporations:
• **WHAT:** Identify different types of cooperative organizations.

• **WHAT:** Explain the purpose of nonprofit organizations, including professional and business organizations.

• **WHY:** **ECN.4.2**
  Demonstrate understanding of basic concepts (Business Organizations)
• 1Co_10:33 Even as I please all men in all things, not seeking mine own profit, but the profit of many, that they may be saved.
Cooperatives:

• Is a business organized owned and operated by a group of individuals for their shared benefit.

• It works together, the individuals help one another.
• Act 2:46 And they, continuing daily with one accord in the temple, and breaking bread from house to house, did eat their meat with gladness and singleness of heart.

• And all that believed were together, and had all things common; And sold their possessions and goods, and parted them to all men, as every man had need. Acts 2:44-45
Cooperatives (Based On):

- Voluntary and open membership
- Control of the organization by its members.
- Sharing of contributions and benefits by members.
Now there are diversities of gifts, but the same Spirit. And there are differences of administrations, but the same Lord. And there are diversities of operations, but it is the same God which worketh all in all. 1 Corinthians 12:4-6
Consumer Cooperatives:

- Retail outlets owned and operated by consumers are called consumer cooperatives or purchasing cooperatives.
- They sell merchandise to their members at reduced prices.
- By purchasing goods in large quantities, these cooperatives can obtain goods at lower cost.
- They then pass their savings on to members by setting prices low.
Service Cooperatives:

- Cooperatives that provide a service, rather than goods.
- Discounted insurances
- Health Care
- Legal Help
- Credit Unions
Producer Cooperatives:

- Agricultural marketing cooperatives help member producers sell their products.
- These co-ops allow members to focus their attention on growing their crops or raising their livestock.
- The co-ops meanwhile market these goods for the highest price possible.
Nonprofits

- Some institutions function much like business organizations, but do not operate for the purpose of generating profit.
- Nonprofit organizations are usually in the business of benefitting the public such as charities and religious organizations.
Nonprofits

- The government exempts nonprofit organizations from income taxes.
- Must meet certain requirements to qualify for this tax exempt status.
- They cannot issue stock so profits cannot be distributed to share holders.
Professional Organizations

- Work to improve the image, working conditions and skill levels of people in particular occupations.
- Such examples include the American Medical Association, American Bar Association, etc.
Trade Associations:

- Nonprofit organizations that promote the interest of a particular industry is called trade associations.
- Many of these groups hire lobbyists to work with state legislature and the American congress to try to influence laws that affect their industry.
- Labor Unions: Is an organized group of workers whose aim is to improve working conditions, hours, wages, and fringe benefits for its members.
Discussion Questions

• What do you think of the growing trend from popular celebrities and politicians that want churches and religious groups to pay taxes?
POP QUIZ!!!!!!!!!!
What type of businesses are these?

A - Sole Proprietorship
B - Partnership
C - Franchise
D - Corporation
What type of businesses are these?

A - Sole Proprietorship
B - Partnership
C - Franchise
D - Corporation
What type of business is this?

A - Sole Proprietorship
B - Partnership
C - Franchise
D - Corporation
What type of business is this?

A - Sole Proprietorship
B - Partnership
C - Franchise
D - Corporation
What type of business is this?

A - Sole Proprietorship
B - Partnership
C - Franchise
D - Non Profit Corporation
What type of business is this?

A - Sole Proprietorship
B - Partnership
C - Conglomerates
D - Non Profit Corporation
What type of business is this?

A - Sole Proprietorship
B - Partnership
C - Multinational Corporation
D - Non Profit Corporation
What type of business is this?

A - Consumer Cooperative
B - Partnership
C - Franchise
D - Non Profit Corporation
What type of business is this?

A - Consumer Cooperative
B - Partnership
C - Professional Organizations
D - Non Profit Corporation