

Business organizations can be classified in a variety of ways depending on its size, sector, legal status etc. These classifications differ from one firm from another. Legal status has an important bearing on the environment in which the business operates. It is important to have a comprehensive knowledge of the advantages and disadvantages of the several legal forms so that managers and directors can decide which legal form their firm should adopt.

The sole trader is the simplest business to develop and has very little legal formalities, obligations or constraints. A sole trader or sole proprietor is one who individually runs business with personal funds. Remaining as a sole trader has many advantages, mainly being that you are able to give a more personal service to your customers and you are able to make changes within your business very quickly due to there is little or no bureaucracy there being only one person to make the final decision. Other advantages include having complete control over the business and its profits. However, as the expansion of the business depends on the amount of capital you are personally able to inject, one may find investing in the growth of my business very difficult, as capital is often difficult to find. Thus competitors have greater access to investment and are able to adapt more quickly to market demands. A sole trader is also fully liable financially and thus losses may lead to bankruptcy or loss of personal possessions.

A partnership is an unincorporated business that is carried on by two or more people who intend to share the business profits. There are two main advantages to forming a partnership. First, a partnership allows two or more people to work together and bring different skills and resources to the business. Second, if the partnership suffers a loss but the partners have other employment income, the loss can be used to reduce their taxable income, thereby lowering the income tax payable by the partner. There are also two main disadvantages to forming a partnership. Firstly, because a partnership is based on the individual partners, and it is not a separate legal entity, if one of the partners dies, the partnership ends. Secondly, although the resolution of disagreements amongst partners is generally covered under a partnership agreement or case law, it usually is very difficult. There is no Act that exists which sets out rules for settling partnership disputes.

Limited companies branch into private limited companies and public limited companies (PLC). A private limited company is one that restricts the right to transfer its shares and limits the number of its members. A public limited company is basically the same as private limited company the chief difference is that shares of Plcs may be offered to the public for subscription. The company may apply to the Stock Exchange for permission for its shares to be listed, thus, providing an effective market for such shares. One of the major advantages of a limited company is that the shareholders are not liable for the company's debts beyond the amount of share capital they have subscribed. Another

advantage of such a company is that it is easy to transfer the ownership, either wholly or partially, through the selling of all or part of its total shares. But the cost involved in forming a limited company is high. This includes the cost of capital such as duty on authorized share capitals, the cost of formation expenses such as professional fees, printing of articles of association, etc.

Co-operative is an enterprise, or business, owned by an association of persons seeking to satisfy common needs. This association includes one or more kinds of users or stakeholders in the enterprise, such as consumers who use the enterprise to acquire products or services, producers who use the enterprise to process and market the goods or services they have produced, or and workers who use the enterprise to secure their employment and control their working conditions. Its pros are that it is owned and controlled by members and the co-operative's start-up capital usually comes from co-operative shares purchased by members. Each member's liability is limited to the amount of his or her share in the capital. Each member has only one vote regardless of his or her capital contribution. Profit distribution to members in proportion to use of service. Its cons are that there is a possibility of development of conflict between members, plus longer decision-making process and less incentive to invest additional capital.

Franchising has grown significantly in recent years. It is a situation when one party (the franchiser) sells the rights to another party (the franchisee) to market its products. In a franchisee one can seek profits without direct foreign investment also it reducing competition by reducing competition by sharing technology. But it could be frustrating to work in a place where one has to operate it in accordance with systems and standards laid down by the franchiser. Also finding out about a franchise is a costly and time-consuming business. Therefore franchising is a complex area with many sources of potential conflict between the franchiser and franchisee, particularly regarding the terms of the franchise agreement. Leasing and joint ventures are other two legal forms similar to franchising. Licensing is when one country (the licensor) authorizes a firm in another country (the licensee) to use its intellectual property. Joint venture describes a jointly owned business venture involving more than one organization.

Therefore when choosing a desired legal form firms need to realize the degree of personal liability as in sole trader, the willingness to share decisions as in partnership, the legal requirements required in limited companies and the need for separate identity as in a franchisee. In the end whatever legal status a firm undertakes it is ultimately the environment the business entity functions in that influences the decision of the manager or director about which legal form to choose and implement in their organization.