

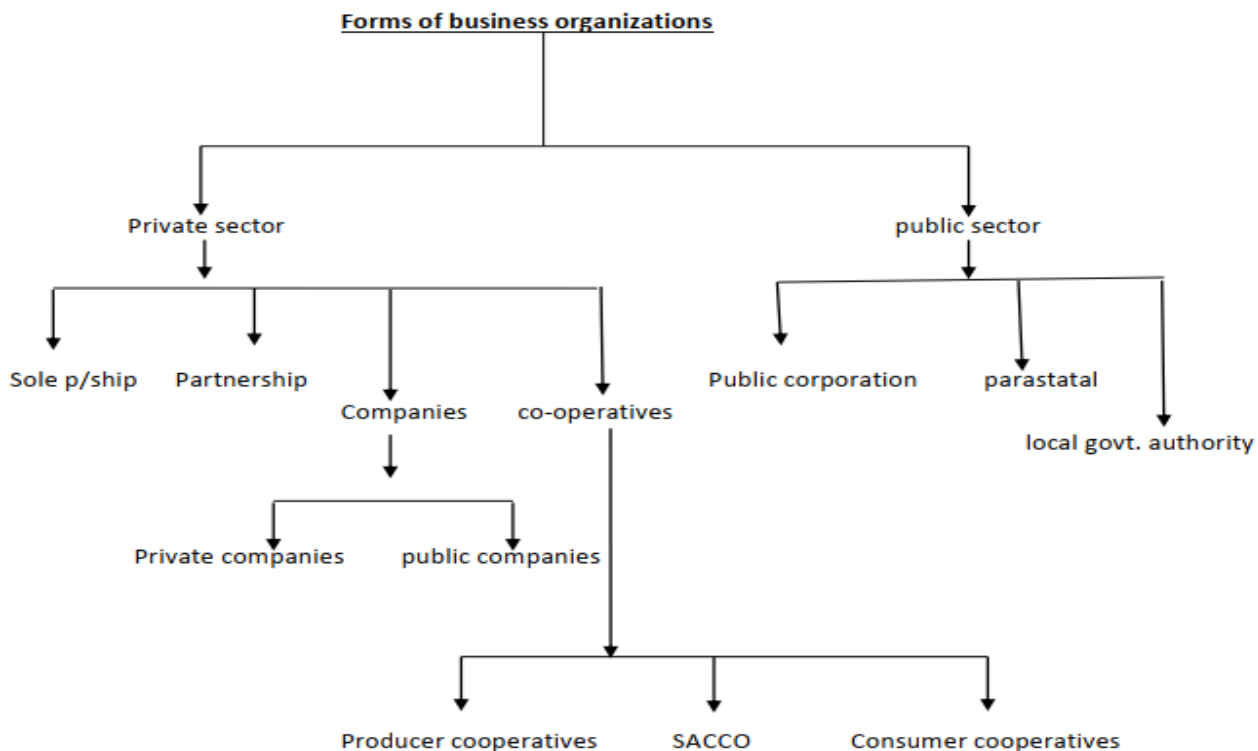
## Forms of Business Units - Business Studies Form 2 Notes

- [Business Units](#)
  - [Sole Proprietorship](#)
  - [Partnership](#)
  - [Incorporated Forms of Business Units](#)
- [Types of Companies](#)
  - [Private Limited Company](#)
  - [Public Limited Company](#)
  - [Dissolution of a Company](#)
- [The Role of Stock Exchange as A Market for Securities](#)
  - [Definitions](#)
  - [Roles of the Stock Exchange Market](#)
- [Public Corporations \(State Corporations\)](#)
  - [Characteristics/Features of Public Corporations](#)
  - [Formation](#)
  - [Management](#)
  - [Sources of Capital](#)
  - [Advantages of Public Corporations](#)
  - [Disadvantages of Public Corporations](#)
  - [Dissolution of Public Corporations](#)
- [Trends in Forms of Business Units](#)

### [Business Units](#)

- A business unit is an organization formed by one or more people with a view of engaging in a profitable activity.
- Business units are generally classified into private or public sector business units' i.e.
 

**Note:** Private sector comprises of business organizations owned by private individuals while the public sector comprises business organizations owned by the government.



## Sole Proprietorship

- This is a business enterprise owned by one person who is called a sole trader or a sole proprietor. It is the most common form of business unit and usually found in retail trade e.g. in small shops, kiosks, agriculture e.t.c and for direct services e.g. cobblers saloons e.t.c

### **Characteristics/Features**

- The business is owned by one person
- The capital is contributed by the owner and is usually small. The main source is from his savings and other sources can be from friends, bank or getting an inheritance
- The owner enjoys all the profits alone and also suffers the losses alone
- The owner is personally responsible for the management of the business and sometimes he is assisted by members of his family or a few employees. He remains responsible for the success or failure of his/her business.
- The sole proprietor has unlimited liability meaning that in case of failure to meet debts, his creditor can claim his personal property
- There are very few legal requirements to start the business unit.
- Sole proprietorship is flexible; it is very easy to change the location or the nature of business.

### **Formation**

- The formation of a sole proprietorship is very simple. Few legal formalities are required i.e. to start a sole proprietorship, one need only to raise the capital required and then apply for a trading license to operate the business small fee is paid and the trade license issued.

### **Sources of Capital**

- The amount of capital required to start a sole proprietorship is small compared to other forms of business organizations. The main source of capital is the Owners savings. Additional capital may however be raised from the following;
  - Borrowing from friends, banks and other money lending institutions such as industries and commercial Development corporation(ICDC)and Kenya industrial estates
  - Inheritance
  - Personal savings
  - Getting goods on credit
  - Getting goods on hire purchase
  - Leasing or renting out one's properties
  - Donations from friends and relatives
  - Ploughing back profit.

### **Management**

- The management of this kind of a business is under one person. The owner may however employ other people or get assistance from family members to run the business.
- Some sole proprietorship may be big business organizations with several departments and quite a number of employees. However, the sole proprietor remains solely responsible for the success or failure of the business

### **Advantages of Sole Proprietorship**

1. The capital required to start the business is small hence anybody who can spare small amounts of money can start one.