

Class 11

Business Studies

Chapter - 2

Forms of Business Organisation

Forms of Private Sector Undertakings

Sole Proprietorship



Joint Hindu Family Business

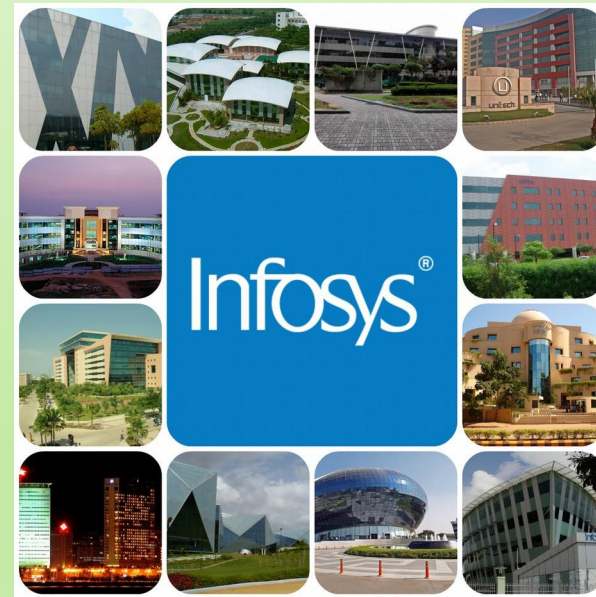
Partnership



Co-operative Societies



Joint Stock Companies



Sole Proprietorship

Sole proprietorship refers to a form of business organisation which is owned, managed and controlled by an individual who is the recipient of all profits and bearer of all risks.



It is also called Individual Proprietorship. A sole proprietor is the one who is the only owner of a business.

Features of Sole Proprietorship



Formation and closure is easy



- No separate law that governs sole proprietorship.
- Very less legal formalities are required to start a sole proprietary business,
- Closure of the business can also be done easily.

Features of Sole Proprietorship



Unlimited Liability



- Sole proprietors have unlimited liability.
- Even the personal properties are held liable to meet the liabilities of the firm in case the assets of the business are not sufficient to meet all the debts.

Features of Sole Proprietorship



Sole risk bearer and profit recipient



- All the risk of failure of business is borne solely by the sole proprietor.
- If the business is successful, the proprietor enjoys all the benefits. He receives all the business profits which become a direct reward for his risk bearing.

Features of Sole Proprietorship



Control



- Complete control of business is held with the proprietor himself
- He can carry out his plans without any interference from others.

Features of Sole Proprietorship



No separate entity for the business from the businessman

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- In the eyes of the law, no distinction is made between the sole trader and his business.
- The owner is held liable for all the activities of the business.

Features of Sole Proprietorship



Lack of Business continuity



- Since the business and owner are one and the same entity, his/her death, insanity imprisonment, physical ailment or bankruptcy etc. will affect the existence of the business and may even cause closure of the business.

Merits of Sole Proprietorship



Merits of Sole Proprietorship



Quick decision making



No need for the sole proprietor to consult others.

This leads to timely capturing of market opportunities as and when they arise.

Merits of Sole Proprietorship



Confidentiality of information



Secrecy can be maintained
A sole trader is also not bound
by law to publish firm's accounts.

Merits of Sole Proprietorship



Direct incentive



- All the profit goes to the sole proprietor
- This provides maximum incentive to the sole trader to work hard.

Merits of Sole Proprietorship



Sense of accomplishment



Personal satisfaction by working for himself also instils in the individual a sense of accomplishment and confidence in one's abilities.

Merits of Sole Proprietorship

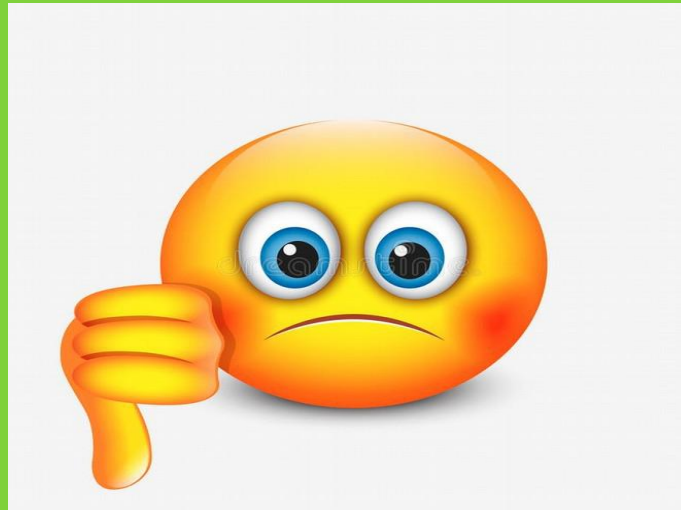


Ease of formation and closure



- There is no separate law that governs sole proprietorship.
- It is easy to start and close the business as per the wish of the owner.

Limitations of Sole Proprietorship



Limitations of Sole Proprietorship



Limited resources



- Capital is limited and the size of business is small
- Lack of resources is one of the major reasons why the size of the business rarely grows much and generally remains small.

Limitations of Sole Proprietorship



Limited life of a business concern



The sole proprietorship business is owned and controlled by one person, so death, insanity, imprisonment, physical ailment or bankruptcy of a proprietor affects the business and can lead to its closure.

Limitations of Sole Proprietorship



Unlimited liability



liability of owner is unlimited which means if the business fails, the creditors can recover their dues not merely from the business assets, but also from the personal assets of the proprietor.

Limitations of Sole Proprietorship



Limited managerial ability



The proprietor may not be efficient in all managerial functions.

Also, due to limited resources, sole proprietor may not be able to employ and retain talented and ambitious employees. Thus decision making may not be balanced

Now you can revise the topic using the link given below

<https://youtu.be/3hcv6q1Q0js>