

11th Standard -Business Studies

Forms of Business Organisation

Sole Proprietorship-Meaning,Features, Merits & Limitations.

Sole Proprietorship

—> **Features of sole proprietorship:**

1. Formation and closure.
2. Liability.
3. Sole risk bearer and profit recipient.
4. Control.
5. No separate entity.
6. Lack of business continuity.
7. Small Size Business.

—> **Advantages of sole proprietorship :**

1. Quick decision making.
2. Confidentiality of information.
3. Direct incentive.
4. Sense of accomplishment.
5. Ease of formation and closure.

—> **Limitations of sole proprietorship :**

1. Limited resources.
2. Limited life of a business concern.
3. Unlimited liability.
4. Limited managerial ability.

Know the Terms—

-> **Sole Proprietorship:** It is a form of business organisation which is owned, managed and controlled by an individual who is the recipient of all profit and bearer of all risks.

-> **Liability :** Sole proprietors have unlimited liability. This implies that the owner is personally responsible for payment of debts in case the assets of the business are not sufficient to meet all the debts.

-> **Sole risk bearer and Profit recipient:** The risk of failure of business is borne all alone by the sole proprietor.

-> **Unlimited liability:** When the owner is personally liable for payment of debts in case the assets of the business are not sufficient to meet all the debts.

-> **Limited liability:** When the personal assets of the owners are not used to repay business debt, and then liability is limited only to their capital contribution in business.