

Characteristics of Different Forms of Business

Business Form	Number of Owners	Are Owners Liable for the Firm's Debts?	Do Owners Manage the Firm?	Does an Ownership Change Dissolve the Firm?	Access to Capital	Taxation
Sole Proprietorship	One	Yes	Yes	Yes	Very limited	Personal Taxes
Partnership	Unlimited	Yes; each partner has unlimited liability	Yes	Yes	Very limited	Personal Taxes
Limited Partnership (with General Partners (GPs) and Limited Partners (LPs))	At least one GP, but no limit on LPs	GPs—unlimited liability LPs—limited liability	GPs—manage the firm LPs—no role in management	GPs—Yes LPs—No, can change ¹	Limited	Personal Taxes
Limited Liability Company	Unlimited	No	Yes	No	Dependent upon size	Personal Taxes
Corporation	Unlimited	No	No—although managers generally have an ownership stake ²	No	Very easy access	Double Taxation: Earnings taxed at corporate level Dividends taxed at personal level

¹It is common for LLCs to require approval from the other partners before a partner's ownership can be transferred.

²Owners are not prohibited from managing the corporation.

Figure 1-3 The Influence of Accounting, Economics and Financial Theory on Financial Management

FIGURE 1-3 The Influence of Accounting, Economics, and Financial Theory on Financial Management

