

ADVANTAGES AND DISADVANTAGES OF SOLE PROPRIETORSHIP

Vinnitsia National Technical University

Abstract

The article presents a classification of the main forms of the business dealing, in particular sole ownership. Its advantages and disadvantages.

Keywords: *sole proprietorship, advantages, disadvantages, owner, liabilities.*

A sole proprietorship is the simplest and most common structure chosen to start a business. It is an unincorporated business owned and run by one individual with no distinction between the business and you, the owner. You are entitled to all profits and are responsible for all your business's debts, losses and liabilities.

Forming a Sole Proprietorship

You do not have to take any formal action to form a sole proprietorship. As long as you are the only owner, this status automatically comes from your business activities. In fact, you may already own one without knowing it. If you are a freelance writer, for example, you are a sole proprietor.

But like all businesses, you need to obtain the necessary licenses. Regulations vary by industry, state and locality.

If you choose to operate under a name different than your own, you will most likely have to file a fictitious name (also known as an assumed name, trade name, or DBA name, short for "doing business as"). You must choose an original name; it cannot already be claimed by another business.

The most common and simplest form of business is a sole proprietorship. Many small businesses operating in the United States are sole proprietorships. An individual proprietor owns and manages the business and is responsible for all business transactions. The owner is also personally responsible for all debts and liabilities incurred by the business.

In this type of business, there are no specific business taxes paid by the company. The owner pays taxes on income from the business as part of his or her personal income tax payments.

To assist sole proprietors, there are business grants available from the Federal Government or private organizations, providing certain criteria are met. To qualify for Federal grants,[6] small businesses must comply with determined business size and income standards.

Advantages of a Sole Proprietorship

A sole proprietor has complete control and decision-making power over the business.

Sale or transfer can take place at the discretion of the sole proprietor.

No corporate tax payments.

Minimal legal costs to forming a sole proprietorship.

Few formal business requirements.

Disadvantages of a Sole Proprietorship

The sole proprietor of the business can be held personally liable for the debts and obligations of the business. Additionally, this risk extends to any liabilities incurred as a result of acts committed by employees of the company.

All responsibilities and business decisions fall on the shoulders of the sole proprietor.

Investors won't usually invest in sole proprietorship. If the business is conducted under a fictitious name, it's up to the sole proprietor to file all applicable forms under the fictitious name or under doing business as (DBA). This, however, does not mean that the business is a separate entity from a legal standpoint. The sole proprietor remains liable even if he or she is doing business under a fictitious name.

Most sole proprietors rely on loans and personal assets to initially finance their business. Some will elect to incorporate once the business has started to grow, while other business owners maintain their sole proprietorship for many years.

REFERENCES

1. <https://www.sba.gov/content/sole-proprietorship-0>
2. <https://atlasalabama.gov/info/business-entities/>

Tiamusheva Victoria M. – Department of Management, Vinnytsia National Technical University, Vinnytsia, e-mail: tiamusheva.v.1mo@gmail.com

Thesis adviser: **Senchenko Victoria O.** – lecturer in the Department of foreign languages, Vinnytsia National Technical University, Vinnytsia.