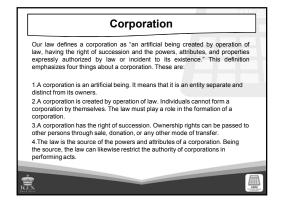




| Other Forms of a Partnership | | |
|----------------------------------|--|--|
| Form of Partnership | Advantages | Disadvantages |
| General Partnership | Simple and inexpensive to create and operate | Owners (partners) personally liable for business debts |
| Limited Liability Partnership | Limited partners have limited personal liability for business debts as long as | General partners personally liable for business debts |
| | they do not participate in management. General partners can raise cash without involving outside investors in management of business. | More expensive to create than regular partnership |
| | | Suitable mainly for companies that invest in real estate |
| Limited Partnership | Mostly of interest to partners in old-line professions such as law, medicine, and accounting. Owners (partners) are not personally | Unlike a limited liability company, owners (partners) remain personally liable for many types of obligations owed to business creditors, lenders, and landlords. |
| | liable for the malpractice of other partners. | Often limited to a short list of professions. |
| Limited Liability Company | Owners have limited personal liability for business debts even if they participate in management. | More expensive to create than regular partnership |



General Features of a Corporation

- 1. Separate legal existence. Just like a partnership, a corporation is treated by law as an artificial being separate and distinct from its owners. A corporation can enter into contracts and transactions under its name. It can also perform acts that can be done by natural persons except those that are purely personal in nature such as voting and holding positions in public office.
- 2. Limited liability. This characteristic is an advantage a corporation has over a partnership. The personal assets of the stockholders of a corporation are protected from the claims of creditors and other outside parties. Thus, the maximum loss that a stockholder can bear equals his or her investment. This characteristic is a major consideration of aspiring businessmen who do not want to be exposed to too much risk. Even if the corporation is bankrupt or has unpaid claims due to accidents and lawsuits, the stockholders cannot be obligated to pay any deficiency.



General Features of a Corporation

- 3. Transferable ownership rights Ownership rights in a corporation are represented by stocks. A stock is an intangible (i.e., no physical form) asset evidencing a proportionate share in the properties of a corporation. A stock is represented by a stock certificate. If an individual has stocks of a corporation, he or she is an owner of the company. Stocks can be transferred to other persons through sale, donation, or other modes of transfer.
- 4. Virtually unlimited life- A corporation shall exist for a period not existing 50 years from the date of its formation. The term of a corporation may, however, be extended for periods not existing 50 years. This gives corporations virtually unlimited life. As long as the stockholders want to continue business operations, they are allowed to extend the life of the corporation. There is no limit to the number of extensions a corporation can avail of. A corporation is also not affected by the withdrawal, death, and admission of stockholders.



General Features of a Corporation

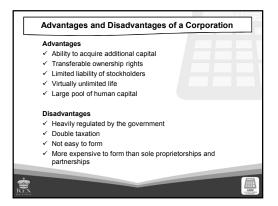
5. Corporation management. The management structure of a corporation is more complex than that of the other forms of business organizations. Stockholders are the owners of a corporation. However, unlike in sole proprietorships and partnerships where the owners or partners manage the business, stockholders may elect a board of directors to manage the corporation. The board of directors represents the interest of the stockholders and they are responsible for creating operating policies for the company. Stockholders can also be a member of the board of directors. The board delegates individuals to certain positions. The board selects the president or chief executive officer and the other vice-presidents.



General Features of a Corporation

- 6. Government Regulations. Corporations are subject to stricter government regulation than sole proprietorships and partnerships. Being major contributors to the income of the whole economy, the operations of corporations are closely monitored by the government. Large corporations provide employment opportunities to the public and stimulate the growth of the company. The bankruptcy of a large corporation can cause the whole economy to also spiral downwards. Government regulations are designed not only for the protection of public interest, but also for the stockholders' as well.
- 7. Double Taxation. The income of a corporation is taxed on the corporate level and the individual level. The income of a sole proprietorship or a partnership is part of the individual income of the owners. It is taxed once the owners file their respective tax returns. In a corporation, the income is already taxed before being distributed to the stockholders. Once a stockholder receives his or her share of the income, it is included in his or her tax return and will be taxed for the second time.

8. Dividends. The corporation is not required to distribute to stockholders the income it generated from operations. The stockholders of a corporation will only be entitled to receive a share of the income once the board of directors approves the distribution. The income distributed to stockholders is called dividends. Dividends may be in the form of cash, stock, or property. Cash dividends are distribution of income in the form of cash. It is normally stated as a nominal amount of per share of stock. Even though the approval of the board of directors is necessary before income can be distributed, widends are given to the stockholders on a regular basis to keep them happy. If stockholders do not regularly receive dividends, they tend to become dissatisfied and sell their stocks.



Cooperatives

- According to the Cooperative Code of the Philippines, "a cooperative is a duly registered association of persons, with a common bond of interest, who have voluntarily joined together to achieve a lawful common social or economic end, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking in accordance with universally accepted cooperative principles."
- From this, we can see that a cooperative is an association of individuals who share a common goal. Membership in a cooperative shall be voluntary and available to all individuals regardless of their social, political, racial or religious backgrounds and beliefs



Cooperatives According to the same Code, the primary objective of a cooperative is to provide goods and services to its members and enable them to attain increased income and savings. A cooperative may be formed by at least 15 persons for any of the following purposes: 1. To encourage thrift and savings mobilization among the members 2. To generate funds and extend credit to the members for productive and provident purposes 3. To encourage among members systematic production and marketing 4. To provide goods and services and other requirements to the members 5. To develop expertise and skills among its members 6. To acquire lands and provide housing benefits for the members 7. To insure against losses of the members 8. To promote and advance the economic, social, and educational status of the members.

