

3 Lecture - MGT211

Important Subjective

1. What is a sole proprietorship, and what are its advantages and disadvantages?

Answer: A sole proprietorship is a type of business organization in which an individual owns and manages the business. The advantages of a sole proprietorship include ease of formation, flexibility, and complete control over the business. The disadvantages include limited financial resources, difficulty in obtaining financing, and personal liability for business debts.

2. What are the legal requirements for starting a sole proprietorship?

Answer: The legal requirements for starting a sole proprietorship include registering the business, obtaining business licenses and permits, and opening a separate bank account.

3. What are the tax implications of owning a sole proprietorship?

Answer: Sole proprietors report their business income and expenses on their personal tax returns. They are also responsible for paying self-employment taxes.

4. What is unlimited liability, and how does it apply to a sole proprietorship?

Answer: Unlimited liability means that the owner of a business is personally responsible for all business debts and liabilities. In a sole proprietorship, the owner is personally liable for the business's debts.

5. How does a sole proprietorship differ from other types of business organizations?

Answer: A sole proprietorship is owned and managed by one individual and has no legal distinction between the owner and the business. Other types of business organizations, such as partnerships and corporations, have multiple owners and are considered separate legal entities.

6. What is the role of insurance in a sole proprietorship?

Answer: Insurance can help protect a sole proprietor's personal assets from business liabilities. Examples of insurance coverage include liability insurance, property insurance, and workers' compensation insurance.

7. What are the financial advantages of a sole proprietorship?

Answer: Sole proprietors have complete control over their business finances and are not required to share profits with other owners or pay dividends to shareholders.

8. What are the most common industries for sole proprietorships?

Answer: Sole proprietorships are common in industries such as construction, real estate, retail, and professional services.

9. What are the risks associated with a sole proprietorship?

Answer: The main risk associated with a sole proprietorship is personal liability for business debts. Other risks include lack of financial resources, difficulty in obtaining financing, and limited management skills.

10. How can a sole proprietorship expand its business?

Answer: Sole proprietors can expand their business by increasing sales, hiring employees, outsourcing tasks, and diversifying their product or service offerings. They can also consider transitioning to a different type of business organization, such as a partnership or corporation, to raise additional capital.