

GoForth Webvideo Worksheets

LESSON 1 ~ *Forms of Business Organization*

Deciding on the form of organization of your business is an important step and you may want to consider getting advice from a lawyer or accountant to be sure you're making the best decision. Your decision will be based on the level of control you want to have over the company, tax and lawsuit implications, and access to the company's earnings and cash. You can choose between a sole proprietorship organization, a partnership organization, a corporation, or a cooperative.

A sole proprietorship is owned by one person – the sole proprietor – and is unincorporated. This is the oldest, simplest and most common form of organization for a company. As the business owner, you own all assets, earnings, and profits. However, you also hold all the responsibilities (including legal and debt), obligations and liabilities.

If you establish a business in your own name, without adding any other words, it's not necessary to register the business. You can choose to either bill customers in your name, or register a business name or bill customers in the registered business name, which must have a separate bank account. The law doesn't distinguish between the business and its owner, and personal income tax must be paid on all revenue generated by your business. If your revenues are more than \$30,000, or if you have legal ownership of more than one business, you must register for GST/HST (one registration will cover all businesses).

Another option is a partnership. In a partnership, two or more people combine resources in order to start a business. Once again, the law doesn't distinguish between the business and its owners. Partnerships are a little bit more complicated, because there are three different types possible – general partnerships, limited partnerships, and joint ventures.

A corporation is very different from the two previous forms because the company is considered by law to be a unique entity, separate from the owners. The corporation can be taxed, sued, can own property and can enter into contractual agreements at either the federal or provincial level.

Terms that identify a corporation include "Limited", "Ltd.", "Incorporated", "Inc.", "Corporation", or "Corp." One of these terms must be included in the name of the company and must appear on all documents and stationery of the company.

Forming a corporation will take a great deal of paperwork, filing and certification in order to be done properly. The incorporation process involves a number of tasks, and can take a few weeks to complete, so allow yourself sufficient time to get this process done properly. There are a number of ways to complete this process, including online, through hiring a lawyer, or by doing it yourself in person. Prices vary, with hiring a lawyer being the most expensive way of completing this process. Incorporated companies may also be purchased online for as little as \$200. The incorporation process is highly recommended, especially due to the fact that it can be done yourself relatively inexpensively.



Exercise 1. Which business form is for you?

In this exercise we'll evaluate the four different forms of organization that your business can take on, and help you to decide which one is best for you. Rate the following aspects of your business organization form on a scale from highest priority (4) to lowest priority (1).

Simple and fast set up:

Inexpensive set up:

High level of control over organization:

Limited liability:

High level of control over profits:

Now, compare your ratings with the ratings in the following table. A low rating (1) means that this aspect of the company has a low priority; while a high rating (4) means that this is a high priority, or a strong presence, for that particular form of organization.

	Sole Proprietorship	Partnership	Incorporation	Cooperative
Simple & Fast Organization	4	3	1	2
High Level of Control Over Organization	4	3	1	2
Limited Liability	1	2	3	4
High Level of Control Over Profits	4	3	1	2
Inexpensive Organization	4	3	1	2

Exercise 2. Choosing a Name

Use this space to list some of the characteristics that are associated with your company, or that you want to be communicated through your company. Refer back to the Worksheets from Module 4 when you worked on your company's brand. Should the name be professional or cute? How will you distinguish your name from competitors? Think of some distinguishing names that could be associated with your business and list them here. Don't edit yourself as you go – it's okay to write down something you might think is weird later.



How will your name describe the product or service that you're offering? Use this space to list different ways of describing that product or service. This doesn't have to necessarily be right in the company name – it could always be used as a tagline or catchy phrase, but try your best to clearly communicate to your customers what you can provide for them.



Now take some time away from this list. Grab a coffee, sleep on it, or have your supper. Once you come back, you're going to take a fresh look at the ideas and do some narrowing down. Cross off, circle and scribble out as much as you need, but pick your favourite ideas from each question. Is there a way that your ideas can fit together to provide one name? Use synonyms or words starting with the same letters to find something catchy. If catchy doesn't work, why not pick out some of your favourite letters and start trying to make up some words? Use this space for your creative brainstorming. Again, muffle your inner critic and write down whatever you want.

Finally, before going any further, take the top possibilities and do some searching online. Whether it's through NUANS Name searches, trademark searches or just a simple Google search, check out whether or not the name, or anything similar to the name, is in use. Don't forget to check domain names as well if this is something important to your company.



What Did I Just Do?

In this section of the worksheets, you considered your priorities and compared them to the various forms of business organization. You brainstormed naming ideas and did some searching to make sure that your best options are not currently being used.

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GoForth Institute

Alastair Ross Technology Centre
Suite 479, 3553 31 Street NW
Calgary, Alberta Canada T2L 2K7
T 403.242.2546
TF 877.345.2546
E: admin@goforthinstitute.com

Web: <http://www.goforthinstitute.com>

