

## Understanding Business Structures Notes

# Business Structures, Markets, and Risk Management

## Handout 1.2 Understanding Business Structures Notes

Sarah McKay, Buyer, Dairy, General Mills  
Kristin Carr, Agriculture Teacher, Riverheads High School, Augusta County Public Schools  
Marie Rothwell, Virginia Cooperative Extension Agent, 4-H Youth Development, Augusta County  
Shannon Wiley, Graduate Student, Agricultural, Leadership, and Community Education, Virginia Tech  
Hannah Scherer, Assistant Professor and Extension Specialist, Agricultural, Leadership, and Community Education, Virginia Tech

## Sole Proprietorship



## Understanding Business Structures Notes (cont.)

### Partnership

- Single business where two or more people share \_\_\_\_\_
- Must register with \_\_\_\_\_
- Establish business name in partner \_\_\_\_\_
- General – profits, liability, and management duties divided \_\_\_\_\_
- Limited – varying investment percentage and liability; short-term projects
- \_\_\_\_\_ – general partnership for limited time or single project; may continue as filed partnership



**Virginia Cooperative Extension**  
Virginia Tech • Virginia State University

www.ext.vt.edu

### Limited Liability Company

- Hybrid of partnership and \_\_\_\_\_
- Choose business name
- File articles of \_\_\_\_\_
- Create operating agreement
- Taxed and operated like \_\_\_\_\_
- Members vs. owners
- Members not \_\_\_\_\_ responsible for debts/liabilities (unless negligent)



**Virginia Cooperative Extension**  
Virginia Tech • Virginia State University

www.ext.vt.edu

www.ext.vt.edu

Produced by Virginia Cooperative Extension, Virginia Tech, 2019

Virginia Cooperative Extension programs and employment are open to all, regardless of age, color, disability, gender, gender identity, gender expression, national origin, political affiliation, race, religion, sexual orientation, genetic information, veteran status, or any other basis protected by law. An equal opportunity/affirmative action employer. Issued in furtherance of Cooperative Extension work, Virginia Polytechnic Institute and State University, Virginia State University, and the U.S. Department of Agriculture cooperating. Edwin J. Jones, Director, Virginia Cooperative Extension, Virginia Tech, Blacksburg; M. Ray McKinnie, Administrator, 1890 Extension Program, Virginia State University, Petersburg.

VT/0319/ALCE-177

## Understanding Business Structures Notes (cont.)

### Cooperative

- Owned and operated by members using \_\_\_\_\_
- File articles of \_\_\_\_\_
- Create \_\_\_\_\_
- Develop membership \_\_\_\_\_
- Conduct chapter \_\_\_\_\_ meeting
- Elect \_\_\_\_\_
- Benefits: shared profits, leveraging power, market access, equal vote, reduced costs

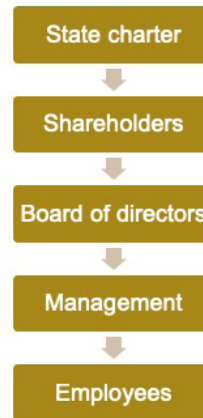


Virginia Cooperative Extension  
Virginia Tech • Virginia State University

www.ext.vt.edu

### Corporation

- Owned by many \_\_\_\_\_
- Public vs. private
- Taxed on both \_\_\_\_\_ and \_\_\_\_\_ levels



Virginia Cooperative Extension  
Virginia Tech • Virginia State University

www.ext.vt.edu

www.ext.vt.edu

Produced by Virginia Cooperative Extension, Virginia Tech, 2019

Virginia Cooperative Extension programs and employment are open to all, regardless of age, color, disability, gender, gender identity, gender expression, national origin, political affiliation, race, religion, sexual orientation, genetic information, veteran status, or any other basis protected by law. An equal opportunity/affirmative action employer. Issued in furtherance of Cooperative Extension work, Virginia Polytechnic Institute and State University, Virginia State University, and the U.S. Department of Agriculture cooperating. Edwin J. Jones, Director, Virginia Cooperative Extension, Virginia Tech, Blacksburg; M. Ray McKinnie, Administrator, 1890 Extension Program, Virginia State University, Petersburg.

VT/0319/ALCE-177

## Questions to Answer:

- What is your business?
- What does it do/sell?
- What business structure does your business use?
- In what ways does this business structure allow the business to perform well?
- In what ways does this structure inhibit the business?
- Has the business structure changed over time?
- Why was this business structure chosen over the others?



**Virginia Cooperative Extension**  
Virginia Tech • Virginia State University

[www.ext.vt.edu](http://www.ext.vt.edu)

## In groups based on business structure:

Answer the following using the large sticky paper:

- What businesses did your group draw?
- What structure do your businesses have?
- What are the advantages to your business structure?
- What are the disadvantages to your business structure?



**Virginia Cooperative Extension**  
Virginia Tech • Virginia State University

[www.ext.vt.edu](http://www.ext.vt.edu)

[www.ext.vt.edu](http://www.ext.vt.edu)

Produced by Virginia Cooperative Extension, Virginia Tech, 2019

## Sole Proprietorship

### Advantages

- Easy and \_\_\_\_\_ to form
- Complete \_\_\_\_\_
- Easy \_\_\_\_\_ prep

### Disadvantages

- Unlimited \_\_\_\_\_ liability
- Hard to raise \_\_\_\_\_
- Heavy \_\_\_\_\_



Virginia Cooperative Extension  
Virginia Tech • Virginia State University

www.ext.vt.edu

## Partnership

### Advantages

- \_\_\_\_\_
- Inexpensive
- \_\_\_\_\_
- Financial commitment
- \_\_\_\_\_ skills

### Disadvantages

- Full, shared liability
- \_\_\_\_\_ / shared decisions
- \_\_\_\_\_ profits



Virginia Cooperative Extension  
Virginia Tech • Virginia State University

www.ext.vt.edu

## Understanding Business Structures Notes (cont.)

### LLC

#### Advantages

- Limited liability
- Operational \_\_\_\_\_
- Sharing of \_\_\_\_\_ (as see fit)

#### Disadvantages

- Limited \_\_\_\_\_
- Self-employment tax



Virginia Cooperative Extension  
Virginia Tech • Virginia State University

www.ext.vt.edu

### Cooperative

#### Advantages

- Less \_\_\_\_\_
- Funding opportunities \_\_\_\_\_
- Costs \_\_\_\_\_
- Improved \_\_\_\_\_ & \_\_\_\_\_
- Perpetual
- Democratic

#### Disadvantages

- Raising \_\_\_\_\_
- Lack of \_\_\_\_\_



Virginia Cooperative Extension  
Virginia Tech • Virginia State University

www.ext.vt.edu

www.ext.vt.edu

Produced by Virginia Cooperative Extension, Virginia Tech, 2019

Virginia Cooperative Extension programs and employment are open to all, regardless of age, color, disability, gender, gender identity, gender expression, national origin, political affiliation, race, religion, sexual orientation, genetic information, veteran status, or any other basis protected by law. An equal opportunity/affirmative action employer. Issued in furtherance of Cooperative Extension work, Virginia Polytechnic Institute and State University, Virginia State University, and the U.S. Department of Agriculture cooperating. Edwin J. Jones, Director, Virginia Cooperative Extension, Virginia Tech, Blacksburg; M. Ray McKinnie, Administrator, 1890 Extension Program, Virginia State University, Petersburg.

VT/0319/ALCE-177

# Corporation

## Advantages

- Limited liability
  - Capital generation
  - Corporate tax separate from owners'
  - \_\_\_\_\_
  - \_\_\_\_\_
- \_\_\_\_\_
  - Time-consuming
  - Double taxation
  - \_\_\_\_\_
  - \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- benefits

## Disadvantages



**Virginia Cooperative Extension**  
Virginia Tech • Virginia State University

[www.ext.vt.edu](http://www.ext.vt.edu)

[www.ext.vt.edu](http://www.ext.vt.edu)

Produced by Virginia Cooperative Extension, Virginia Tech, 2019

Virginia Cooperative Extension programs and employment are open to all, regardless of age, color, disability, gender, gender identity, gender expression, national origin, political affiliation, race, religion, sexual orientation, genetic information, veteran status, or any other basis protected by law. An equal opportunity/affirmative action employer. Issued in furtherance of Cooperative Extension work, Virginia Polytechnic Institute and State University, Virginia State University, and the U.S. Department of Agriculture cooperating. Edwin J. Jones, Director, Virginia Cooperative Extension, Virginia Tech, Blacksburg; M. Ray McKinnin, Administrator, 1890 Extension Program, Virginia State University, Petersburg.

VT/0319/ALCE-177