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**CYBERPRENEURSHIP ASSIGNMENT**

There are various forms of business organizations that exist in the environment. Most entrepreneurs however are not trained in the finer points of business law. There is no single best form of business ownership. Each form has its own unique set of advantages and disadvantages. The key to choosing the optimum form of ownership is the ability to understand the characteristics of each business entity and how they affect an entrepreneur’s business and personal circumstances. The following are relevant issues the entrepreneur should consider in the evaluation process:

**Tax consideration**: In a graduated tax rates, the government’s (that is Local, State and Federal) constant modification of the tax code, and the year-to-year fluctuations in a company’s income require an entrepreneur to calculate the firm’s tax liability under each ownership option every year.

**Liability exposure**: Certain forms of ownership offer business owners greater protection from personal liability due to financial problems, faulty products, and a loss of other difficulties. An entrepreneur must evaluate the potential for legal and financial liabilities and decide the extent to which they are willing to assume personal responsibility for their companies’ obligations.

**Start–up and future capital requirements**: The form of ownership can affect an entrepreneur’s ability to raise start-up capital. Also, as a business grows, capital requirements increase, and some forms of ownership make it easier to attract outside financing.

**Management ability**: Entrepreneurs must assess their own ability to successfully manage their own companies. Otherwise, they may need to select a form of ownership that allows them to involve people who possess those needed skills or experience in the company.

**Business goals**: The projected size and profitability of a business influences the form of ownership chosen. Business often evolves into a different form of ownership as they grow, but moving from some formats can be complex and expensive. Legislation may change and make current ownership options less attractive.

**Management succession plans**: Entrepreneurs, in selecting a form of business ownership, must look ahead to the day when they will pass their companies on to the next generation or to a buyer. Some forms of business ownership better facilitate this transition. In other cases, when the owner dies –so does the business.

**Cost of formation:** The cost of formation to create business ownership varies from one form to the other. Entrepreneurs must weigh the benefits and the costs of the form they choose

**Forms of Business Ownership**

Whether small or large, every business fit one of three categories of legal ownership, sole proprietorships, partnership, and corporations.

**Sole Proprietorship**

The sole proprietorship is the simplest and most popular form of ownership. This form of business ownership is designed for a business owned and managed by one individual. The simplicity and ease of formation makes the sole proprietorship the most popular form of ownership in Nigeria.

 **Advantages of proprietorship:**

Following are the advantages of proprietorship

1) Least cost of business ownership to establish

2) Minimum or no special legal restriction

 3) Ownership of all profit

4) No special taxes since business income and proprietors’ income are taxed as one.

5) Maximum incentive to succeed

6) Privacy

7) Flexibility of operation

8) Easy to discontinue

**Disadvantages of proprietorship:**

Following are the disadvantages of proprietorship

 1) Unlimited personal liability

2) Limited access to capital for expansion

3) Limited skills and abilities

 4) Feelings of isolation /overwhelming time commitment

 5) Few fringes benefit

6) Limited growth

7) Lack of continuity for the business that has a limited life span.

**Partnership**

Another option for organizing a business is to form a partnership. A partnership is a legal form of business with two or more owners. Partners legally share a business assets, liabilities, and profits according to the terms of a partnership agreement. The partnership agreement is a document that states all of the terms of operating the partnership for the protection of each partner involved. Banks often want to review the partnership agreement before lending the business money. A partnership agreement can include any legal terms the partner’s desire. A partnership agreement can include any legal terms the partner’s desire.

The standard partnership agreement will likely include the following information:

 1) Name of the partnership

 2) Purpose of the business

3) Location of the business

4) Duration of the partnership

5) Names of the partners and their legal addresses

6) Contributions of each partner to the business, at the creation of the partnership and later.

7) Agreement on how the profits or losses will be distributed.

8) Agreement on salaries or drawing rights against people for each partner.

9) Procedure for expansion through the addition of new partners.

10) Distribution of the partnership asset to the partners.

11) Sale of the partnership interest

12) Absence or disability of one of the partners

13) Voting rights

14) Decision making authority

15) Financial authority

16) Handling tax matters

17) Alteration or modifications of the partnership agreement.

18) Termination of partnership

19) Distribution of assets upon dissolution of the partnership

**Types of Partnership:**

There are four types of partnership, on the basis of liability of partners

(1) **General partnership**: This is a partnership in which all owners share in operating the business and in assuming liability for the business’ debts.

 (2) **Limited partnership**: This is a partnership with one or more general partners and one or more limited partners. Limited partnership is one in which certain partners are liable only for the amount of their investment. Limited partnership is one in which certain partners are liable only for the amount of their investment. This is a special kind of partnership governed by partnership Act of 1907. The purpose of a limited partnership is to allow one or more individuals to provide capital on which a return is expected. In case of liquidation, the limited partners only lose the capital.

(3) **Master Limited Partnership (MLP**): This is a newer form of partnership which looks much like a corporation in that it acts like a corporation and is traded on the stock exchanges like a corporation but it is taxed like a partnership and thus avoids the corporate income tax.

(4) **Limited Liability Partnership (LLP):** LLP limited partners risk losing their personal assets to only their own acts and omissions of people under their supervision. This newer type of partnership was created to limit the disadvantage of unlimited liability.

**Advantages of Partnership:**

 The following are the advantages of Partnership

* Easy to establish
* More financial resources
* Shared management and pooled /complementary skills and knowledge
* Division of profits
* Minimum governmental regulation/limited legal restrictions
* Flexibility
* Freedom from double taxation
* Secrecy
* Longer survival

**Disadvantages of Partnership:**

The following are the disadvantages of Partnership

* Unlimited liability
* Division of profits
* Disagreement among partners especially with regard to authority and control
* Difficult to terminate because partners are bound by the law of agency
* Restrictions on transfer of ownership

**Limited Liability Companies**

 The incorporation of companies differs from one country to the other. Each country has a body of laws that guide the registration and operations of companies. In Nigeria, the Companies and Allied Matter Act (CAMA) of 1990 is the major law that guides formation and registration of companies in Nigeria.

**Types of Companies**: three types of companies can be identified

* Limited by shares
* Limited by guarantee
* An unlimited company.

A company is said to be limited by shares, if the liability of its members limited by the memorandum to the amount, if any unpaid on the shares respectively held by them.

A company is said to be limited by guarantee if the memorandum to such amount as the members may respectively thereby undertake to contribute to the assets of the company in the event of its being wound up.

A company is said to be unlimited when the members do not have any limit on the liability of its members.

**Advantages of Limited Liability Companies**

* It has a legal entity;
* Limited liability of shareholders
* Ability to attract capital
* Ability to continue indefinitely
* Transferable ownership
* Separation of ownership from management
* The death of a shareholder does not mean the end of the company;
* Accessibility to large capital which enhance growth.

**Disadvantages of limited liability companies**

* When company becomes very large, there is no personal relationship between the customers and the owners;
* Official red tapism may delay decision making;
* Chain of command becomes long which lead to communication breakdown.
* Cost and time involved in the incorporation process
* Double taxation
* Charter restrictions
* Extensive legal requirement and restrictions
* Potential for diminished management incentives
* Potential loss of control by the owners
* Difficulty of termination
* Possible conflict with share stockholders and board of directors

**Co-operative**

 A form of business ownership which involves a collective ownership of a production, storage, transportation or marketing organization is what is referred to as a co-operative. Some individuals dislike the notions of having owners, managers, workers and buyers as separate parties with separate goals for business organization. They envision a situation whereby people will co-operate with one another as an association and share the wealth more evenly. This is what necessitates the form of business ownership referred to as cooperatives.

**Types of Co-operative**

* Consumer/producer co-operative
* Workers co-operative
* Finance co-operatives
* Co-operatives allow small businesses to obtain quantity discounts on purchases, reducing costs and enabling the co-operative to pass on the savings to its members.

**The Roles of Vision, Mission and Objectives in Entrepreneurship Development**

Vision evokes pictures in the mind; it suggests a future orientation. Vision is vital to human existence. Vision is in the realm of imagination of a favourable future. Vision is best described by the visioner. It gives an imaginary picture of a preferred future which the leader must carefully guide the organization to reach.

Components of vision can be broadly classified into two, namely:

**Core Ideology Envisioned future**

Core ideology is described as enduring character of an organization-i.e. a consistent identity that transcends product or market life cycle, technological breakthroughs and the likes. It is what the organization stands for, the very purpose for which the organization is created. The core ideology can be further sub-divided into two namely:

***Core value*** i.e. core tenet of the organization, guiding principles, what the organization stands for. It is a state of belief that is very difficult or impossible to change.

***Core purpose***: the reason for the organization’s existence, a clear description of the activities of the organization. Any organization or individual that misses its purpose is not fit to live

**Key elements that make a Leader with vision to succeed**

***Take personal responsibility for initiating change***: The entrepreneur must take personal responsibility to initiate the necessary change. People resist change; most people see the negative effect of the change, but as an entrepreneur, one must stay focused and take charge.

***Create a vision and strategy for the organization***. An entrepreneur is the creator of its vision; it is usually first conceived within, and then expressed in writing, the realization of which requires appropriate strategies to be put in place for its implementation.

***Trust and support others***: The entrepreneur cannot realize his vision without others. It is therefore necessary to ensure that the entrepreneur communicate his/her vision in a very clear and unambiguous way to elicit the support of others. Since the vision cannot be realized alone there is need for trust so that none of the members of the organization work under suspicious condition.

 ***Open yourself for criticism and be ready to adjust***. An entrepreneur must be able to subject the vision to criticism so as to amend and make the vision better. Humility to adjust where necessary is important.

**Mission Statement**

We have said that vision is a mental picture of a preferred future; it is essentially futuristic, and forward-looking view of what an organization intends to become. Mission on the other hand is what an organization is and the reason for its existence. A meaningful mission must specifically state the fundamental and unique reason for its being and how it is different from other corporate organizations.

In defining the mission statement, the organization must take into account five key elements namely:  History of the organization  The current performance of the organization  The environment where it operates  The resources available and  Distinctive competences

**Characteristics of Mission Statement**

Kazim (2004) identified seven characteristics of effective mission statement as follows:

***It should be visible***: A mission should always aim high but it should not be an impossible statement.

***It should be realistic and achievable***.

***It should be precise***: mission statement should not be too narrow to restrict organization activities and it should not be too broad to make it meaningless giving no direction.

***It should be clear***: Mission statement should be clearly stated to the extent that it can lead the organization into definite action.

***It should be motivating***: Mission statement must be motivating to the employees and society. It must delight the stakeholders to enable it achieve the embodiments of the statements.

***It should be distinctive***: Mission statement should be unique to each organization and differentiate it from similar organizations.

***It should indicate major components of strategy:*** which are long-range, decisions, plans, mission, goals, objectives, options, resources allocation, resource utilization, process and advantages improvement

It should indicate how objectives are to be accomplished in terms of concrete specific