

Business Formation Assignment

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1. The Name of the Formation you are selecting: Sole Proprietorship

2. Your Business Name: Steele Design Firm

3. Pros of your selected formation:

- Simple and easy to start
- Works for a company with only one employee (me)
- Profits and losses are shared with no one
- Customer satisfaction, praise, and credit can only go to me
- Freedom in management
- No filings needed until employees hired
- Profits taxed as personal income; business expenses can reduce income tax due

4. Cons of your selected formation:

- Essentially, the business and I are one. If someone decides to sue the business, they are suing me personally as well. There is less protection than an LLC or other formation.
- Profits and losses are shared with no one
- Issues only can be correlated to me
- Must keep funds separate from personal funds, or it can be a mess for taxes
- May not get credit with suppliers without substantial down-payments
- Unemployment benefits cannot be collected if business shuts down
- May be harder to get a business loan
- May be hard to get investors, because you can't sell stock in the business.
- The company's who structure and survival depends on me

5. Reflection summary of why you think this is the best formation for you.

I think the sole proprietorship is the best option for me due to the low cost and easy startup capabilities. The major risk is the possibility of getting sued and risking your personal assets. For that reason, I think the best way to combat that possibility is to make sure, as is recommended, that a lawyer checks all documents that customers sign and to be aware of what is said and promised.

As far as taxes, it is pretty straightforward and simple, my business is taxed with my personal income taxes. However, because I haven't filed with business profits/losses before, I think it is wise to set aside any profit money to be able to prepare in case taxes must be paid. This should be relatively easy if a separate bank account is made for business purposes.

Works cited:

Business ideas based on reading from:

Piotrowski, Christine M., *Professional Practice for Interior Designers*, 6th ed., John Wiley & Sons, Inc., 2020, pp. 461-462

"Creating Your Business Plan", *U.S. Small Business Administration*, <https://www.sba.gov/starting-business/choose-your-business-structure/sole-proprietorship%20#:~:text=A%20sole%20proprietorship%20is%20the,business's%20debt%2C%20losses%20and%20liabilities>, Accessed 3 April 2021.