

**FORM**

**and**

**FINANCING**

# **PERTINENT EXTERNAL/LEGAL FORMS OF A BUSINESS**

**Proprietorship**

**Partnership**

**Corporation**

## *External/Legal Form*

### **KEY AREAS OF DIFFERENCE**

*(Additional information follows)*

- 1. Simplicity of operation and formation**
- 2. Liability for debts, taxes, and other claims**
- 3. Federal income taxation of business profits**
- 4. Double taxation of profits withdrawn from business**
- 5. Deduction of losses by owners**
- 6. Taxation of dividends received on investments**

*External/Legal Form*

**PROPRIETORSHIP**

Simplicity of operation and formation

***Simplest***

Liability for debts, taxes, and other claims

***Unlimited personal liability***

Federal income taxation of business profits

***At individual rates***

Double taxation of profits withdrawn from business

***None***

Deduction of losses by owners

***Deductible***

Taxation of dividends received on investments

***At individual rates***

## ***External/Legal Form***

# **PARTNERSHIP**

**Simplicity of operation and formation**

**General relatively simple**

**Limited more complex**

**Liability for debts, taxes, and other claims**

**General partners have unlimited personal liability**

**Limited partners liable to extent of investment**

**Federal income taxation of business profits**

***At individual rates***

**Double taxation of profits withdrawn from business**

***None***

**Deduction of losses by owners**

***Deductible by General partners***

***Limited partners to the extent of investment***

**Taxation of dividends received on investments**

***At individual rates***

*External/Legal Form*

## **CORPORATION**

Simplicity of operation and formation

***Most complex***

Liability for debts, taxes, and other claims

***Stockholders not generally liable***

Federal income taxation of business profits

***At corporate rates***

Double taxation of profits withdrawn from  
business

***Yes***

Deduction of losses by owners

***No***

Taxation of dividends received on investments

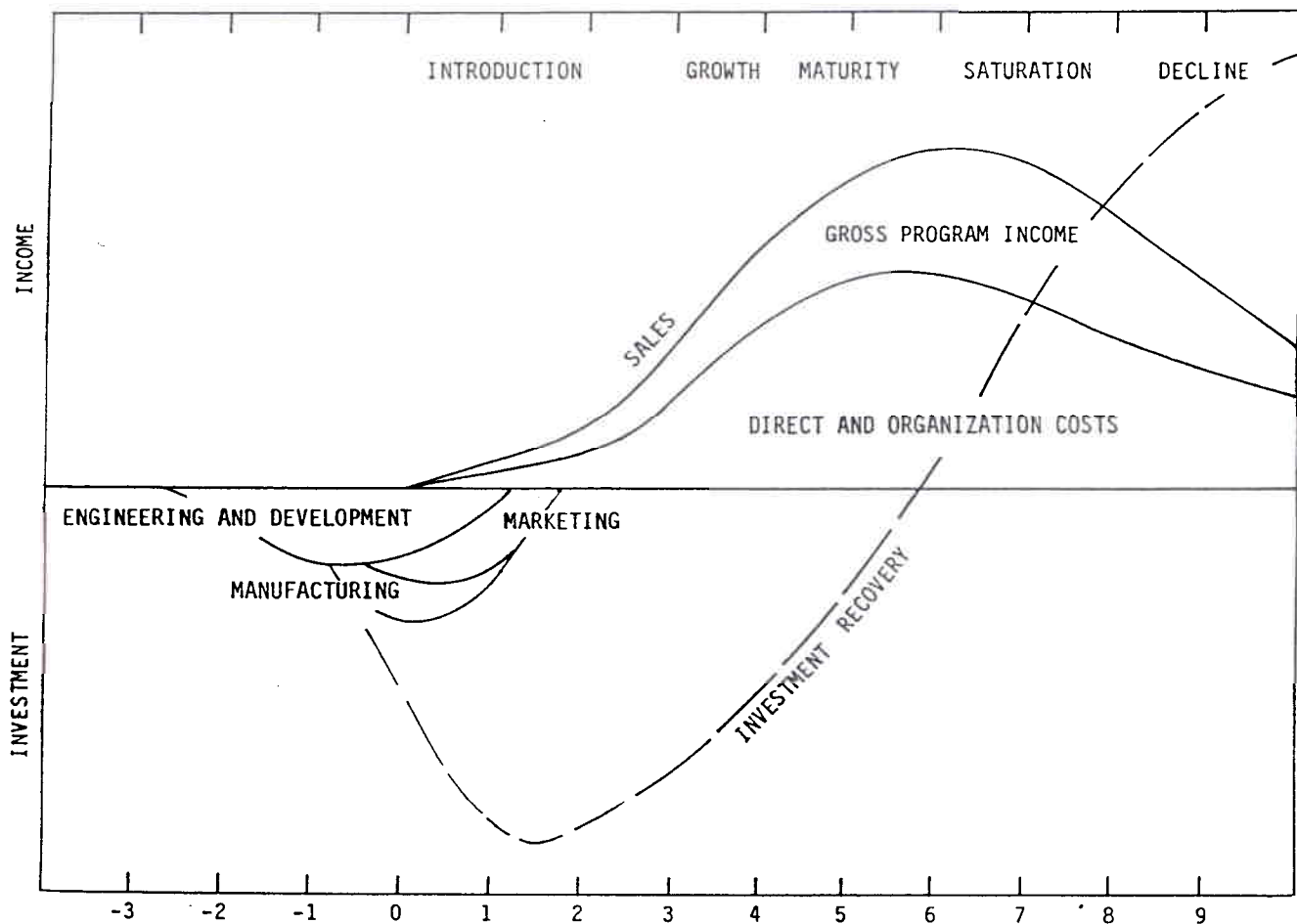
***A portion taxable at corporate rates***

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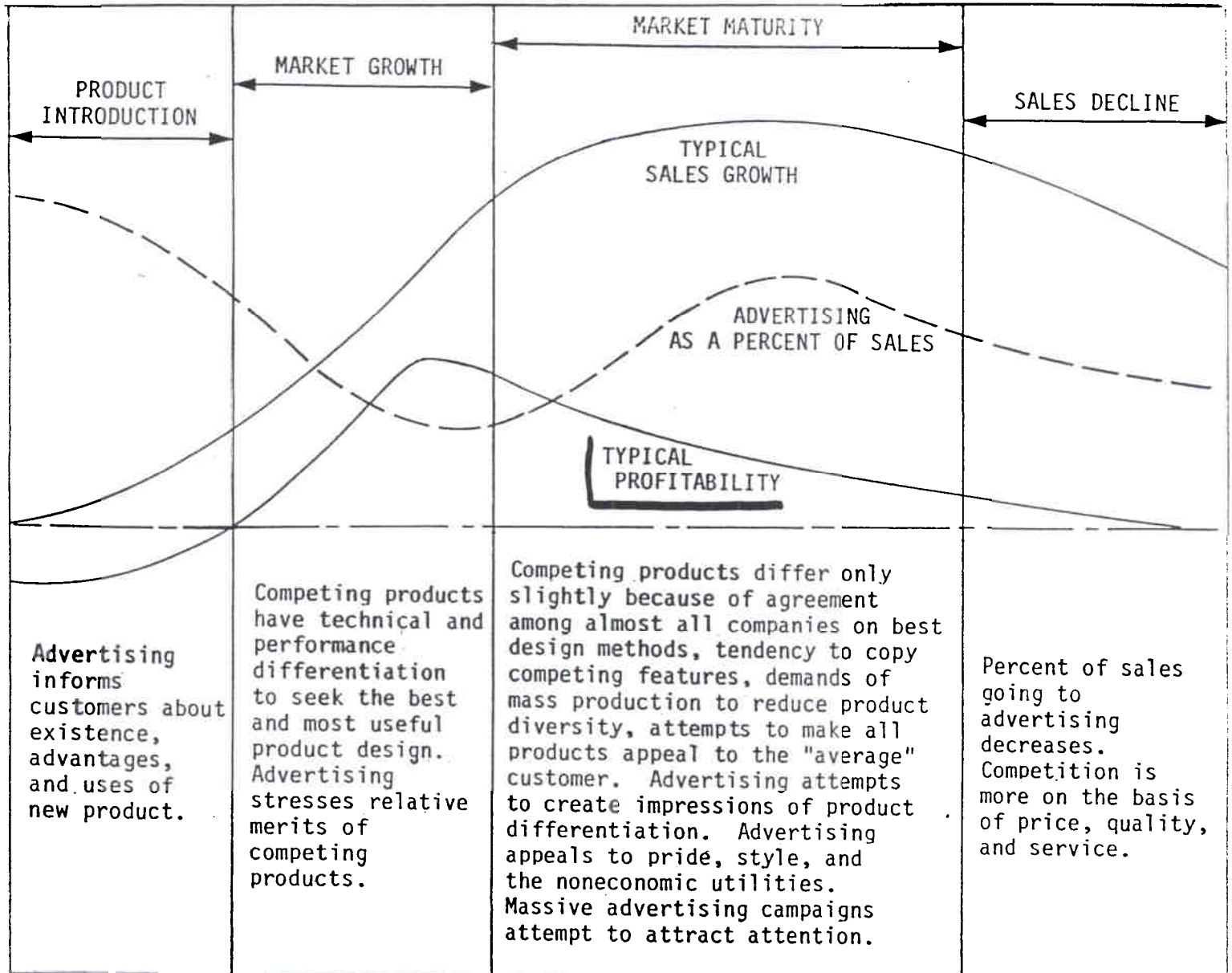
**FINANCING**

# PRODUCT LIFE CYCLE AND INVESTMENT RECOVERY

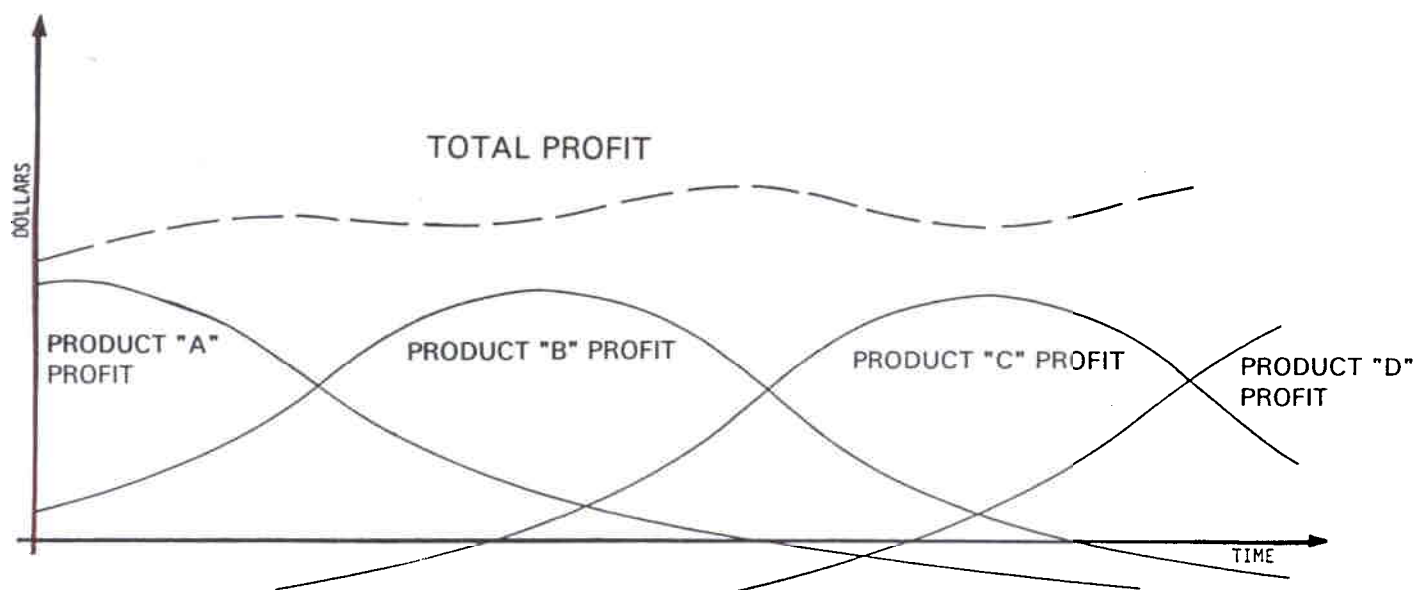




# PRODUCT LIFE CYCLE PROFITABILITY



# PRODUCT CONTRIBUTION OVER TIME



# INCOME STATEMENT

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Gross sales	\$3,246,386	
Less returns and allowances	<u>150,050</u>	
Net sales		\$3,096,336
Less expenses and cost of goods sold		
Cost of goods sold	2,002,376	
Depreciation and depletion	258,502	
Selling expenses	104,500	
General and administrative expenses	<u>180,076</u>	2,545,454
Operating profit		550,882
Plus interest and other income		<u>59,480</u>
Gross income		610,362
Less interest on long-term debt		<u>33,260</u>
Income before taxes		577,102
Provision for federal income taxes		<u>261,142</u>
Net income		315,960
→ Retained earnings January 1, 1990		1,370,988
		<u>1,686,948</u>
Dividends declared		<u>216,720</u>
Retained earnings December 31, 1990		1,470,228

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# BALANCE SHEET

## Assets

Current assets		
Cash	\$ 150,724	
Securities (at cost)	<u>99,866</u>	\$ 250,590
Accounts receivable		416,304
Inventories (at lower of cost or market)		
Raw materials and supplies	208,046	
Work in process	182,702	
Finished goods	<u>289,610</u>	680,358
Prepaid expenses		<u>29,498</u>
Total current assets		1,376,750
Property, plant, and equipment	4,461,150	
Less accumulated depreciation and depletion	<u>2,402,024</u>	
Net property, plant, and equipment		<u>2,059,126</u>
Total Assets		<u>\$3,435,876</u>

## Liabilities and Stockholders' Equity

Current liabilities			
Accounts payable	\$ 105,056		
Installments due within one year on debt	26,836		
Federal income and other taxes	239,194		
Interest	7,702		
Other accrued liabilities	<u>113,066</u>		
Total current liabilities		491,854	
Long-term debt		<u>968,664</u>	
Total Liabilities		\$1,460,518	
Stockholders' equity			
→ Capital stock	505,130		
→ Retained earnings	<u>1,470,228</u>	<u>1,975,358</u>	
Total liabilities and equity		<u>\$3,435,876</u>	

DEBT  
FINANCING

EQUITY  
FINANCING

*Source of Financing*

## **STAGES OF BUSINESS DEVELOPMENT**

*(Additional information follows)*

**START-UP**

**GROWTH**

**MATURITY**

# **The Start-Up Stage**

## **Equity Financing**

**Personal Assets**

**Other Investors (Rare)**

## **Debt Financing**

**Personal Loans**

**Gov't Agencies (Rare)**

# **The Growth Stage**

## **Equity Financing**

**Retained Earnings**

**Angels**

**Venture Capital**

## **Debt Financing**

**Suppliers**

**Commercial Banks**

**Gov't Agencies**

# **The Maturity Stage**

## **Equity Financing**

**Retained Earnings**

**Public Stock or Merger**

## **Debt Financing**

**Suppliers**

**Commercial Banks**