

BLUE JAY JAMS & JUICE CO.

FACILITATOR INSTRUCTIONS

TOPIC	FORMS OF BUSINESS ORGANIZATION
METHOD	JIGSAW: Each group will become an “expert” on their own segment by focusing their attention on answering specific questions and dealing with a limited segment of material to be learned. The groups will then share their expertise with each other, so all participants gain knowledge and comprehension of the topic.
OUTCOME	Understanding of different business forms, based on a comparative analysis
MATERIALS REQUIRED	<p>Team Instructions (4 – 1 each for sole proprietorship, partnership, corporation and cooperative) to be copied and distributed at start of exercise</p> <p>List of facilitator questions</p> <p>Summary of business forms (blank) to be distributed at beginning of group sharing portion of the exercise</p> <p>Summary of business forms (completed) to be distributed at end of exercise</p>
PROCESS	<p>Divide group into four teams.</p> <p>Assign a business form to each team, and provide the members of each team with the appropriate team instructions.</p> <p>Allow the teams some time to review the materials related to their assigned type of business form.</p> <p>Pose the facilitator questions to the teams, one question at a time. Allow the team time to discuss/record their response.</p> <p>Bring the whole group back together. Hand out the blank summary of business forms. Review the questions one at a time, comparing the different responses depending on the form of business.</p>

Distribute the completed summary of business forms. Wrap up by offering issues/advantages related to each business form.

Blue Jay Jams & Juice Co.
Comparison of Forms of Business Organization

	Sole Proprietorship	Partnership	Corporation	Cooperative
Creating the business organization: selecting a name, registration requirements				
Decision-making				
Financing options				
Rules relating to business contracts, liability for debts				

Tax consequences				
Selling the business				
Ending the business				
Summary				<ul style="list-style-type: none">•

Blue Jay Jams & Juice Co. Comparison of Forms of Business Organization

	Sole Proprietorship	Partnership	Corporation	Cooperative
Creating the business organization: selecting a name, registration requirements	<p>No formalities necessary for creating the business – seen as an extension of the person, and simply setting up a business constitutes creating a sole proprietorship.</p> <p>Business licences may be required, depending on the municipal by-laws and the nature of the business (whether it falls under regulations requiring registration or licensing, for example).</p> <p>A sole proprietor must register the business name <i>if</i> operating under a name or style other than his or her own family name or surname, or indicating a plurality even if using surname AND erects a sign at the place of business indicating the full name (if any other word is used in the business name other than the surname)</p> <p>Business name registration, if applicable, is valid for three years and must be renewed prior to its expiry.</p>	<p>Created when “two or more people carry on business in common, with a view to profit” (s. 3 of <i>The Partnership Act</i>); makes the business subject to <i>The Partnership Act</i> – a partnership agreement may override the Act in certain circumstances (which can be expensive).</p> <p>Name must be registered under <i>The Business Names Registration Act</i> and renewed every three years.</p> <p>The business name of the partnership and a list of all partners must be filed with the Companies Office. Any changes to the name or membership of the partnership must also be filed. Records at the Companies Office are used for public information and are essential to be kept current for exiting members to avoid continuing liability.</p> <p>Partnerships registered with professional organizations under other statutes (like the Law Society of Manitoba) are not required to register. Business name registration, if applicable, is valid for three years and must be renewed prior to its expiry.</p> <p>Business licences may be required, depending on the municipal by-laws and the nature of the business (whether it falls under regulations requiring registration or licensing, for example).</p>	<p>Must reserve corporate name and file articles of incorporation to become a “legal person” and register any name other than the corporate name if carrying on business under more than one name.</p> <p>s. 10(1) of <i>The Corporations Act</i>: The word “Limited”, “Limitee”, “Incorporated”, “Incorporee” or “Corporation”, or the abbreviation “Ltd.”, “Ltee.”, “Inc.” or “Corp.”, shall be part, other than only in a figurative or descriptive sense, of the name of every corporation, but a corporation may use and may be legally designated by either the full or the abbreviated form.</p> <p>Each corporation must file an annual return of information with the Companies Office.</p> <p>A corporation usually creates by-laws to govern its internal operations, but is not strictly required to do so.</p> <p>Business licences may be required, depending on the municipal by-laws and the nature of the business (whether it falls under regulations requiring registration or licensing, for example).</p>	<p>New Generation Cooperatives (NGCs) represent an emerging trend in agriculture, forestry, fishing and other industries that are supplied by producers. These are distinct types of cooperatives formed to enable members to process raw commodities. As a result, members not only receive market prices for their produce, they also gain the opportunity to profit from processing and marketing these value-added products.</p> <p>It is primarily the financial structure and membership requirements that distinguish NGCs from the more traditional cooperatives. Typically, higher equity investments are required by members in order to establish a processing plant. Furthermore, the number of members is limited to those who purchase delivery rights, as well as by the processing capacity of the plant. Because of the unique structure of NGCs, members feel a greater degree of personal ownership and a stronger commitment to the cooperative.</p> <p>The cooperative must be incorporated <i>under The Cooperatives Act</i> and have the word “cooperative” or “coop” in its name, as well as an indicator of limited liability. The name must be reserved prior to registering. Annual returns must be filed. Cooperatives create by-laws to govern their internal operations.</p> <p>Business licences may be required, depending on the municipal by-laws and the nature of the business (whether it falls under regulations requiring registration or licensing, for example).</p>
Decision-making	<p>The owner can make his or her own decisions.</p>	<p>Majority rules, unless <i>The Partnership Act</i> or partnership agreement specifies otherwise. In some cases, unanimity is required, which can make decisions difficult to make.</p>	<p>Typically voting rights are tied to the number of certain classes of shares.</p> <p>Members elect a Board of Directors to make policy decisions; the Board can hire administrative officers to operationalize those decisions.</p> <p>Decisions required Board or shareholder approval might be difficult or slow to make.</p>	<p>One member=one vote rule applies.</p> <p>Members elect a Board of Directors to make policy decisions; the Board can hire administrative officers to operationalize those decisions.</p> <p>Decisions required Board or member approval might be difficult or slow to make.</p>

Financing options	Debt financing from a variety of sources is available. The owner may bring in capital. As the business and the person are one in the same, any/all personal assets are subject to claim by creditors. Personal liability for torts committed by/in course of business exists, so liability insurance is recommended.	Debt financing from a variety of sources is available. Partners will typically bring in capital, which becomes partnership property. Partners are jointly and severally liable personally for partnership debts, so liability insurance is recommended.	Equity, raised through the sale of shares, is a source of financing. Debt financing is available from a variety of sources – similar to SPs and partnerships, but a corporation may also use special debt tools (bonds and debentures)	Equity may be raised through sale of memberships; shares may be sold under specific circumstances. New generation coops allow the business to sell shares tied to delivery/usage rights, guaranteeing supply/demand for product or service. Coops may also use debt financing, and special debt tools similar to corporations. Special government programs exist to assist in the starting up and operations of cooperatives.
Rules relating to business contracts, liability for debts	No formal process required for decision-making. Person may sign contracts in own name, or in some cases as COB (carrying on business as) ; informally, business name may be used for contracts	Any one partner may bind the “firm” to a contract, even if that partner does not have authority to do so. Each partner is jointly and severally liable for partnership debts.	Directors and/or officers acting with apparent authority bind the corporation in business contracts. Shareholders are not responsible for the corporation's debts. Directors and/or officers are not usually responsible for corporation's debts either.	Directors and/or officers acting with apparent authority bind the corporation in business contracts. Shareholders are not responsible for the corporation's debts. Directors and/or officers are not usually responsible for corporation's debts either.
Tax consequences	Business income has special rules for taxation, but is still treated as an individual's income.	Each partner is taxed individually on business income.	The corporation must file its own tax returns, separate from the owners (the shareholders). Seek advice.	Special tax rules apply in some circumstances. Seek advice.
Selling the business	The assets of the business can be sold, (easy to do) but not the “ownership”.	Assets of the partnership may be sold, but dealing with selling only a portion of the business may be tricky when only one partner wants to end the business. Partnerships typically set out rules for exiting the business in a partnership agreement to avoid having to end the whole business if one person wants out.	A corporation can be “sold” by selling either the shares or the assets. There are risks and advantages to both methods. A shareholder may sell shares at will unless restricted from doing so by rules internal to the corporation.	In a NGC, shares may be sold. Typically, memberships in cooperatives cannot be sold. The assets of a cooperative may be sold as a way of selling the business.
Ending the business	Business may be ended at any time by the owner with no special rules. If the owner dies, the business dies, too; the estate would transfer assets to the heir(s) or liquidate the assets/pay the debts	<i>The Partnership Act</i> sets out situations in which a partnership will automatically end unless the partners have agreed otherwise (death of a partner, for example). Partnership agreements will typically include provisions for termination. Partners may always agree to end a partnership.	Winding up a corporation requires specific registration of documents and may have tax implications.	Winding up a cooperative requires specific registration of documents and may have tax implications. Cooperatives sometimes convert to corporations, and vice versa.
Summary	Easy to create, use and end, but does not protect personal assets or allow owner to access special programs, rules, etc., that benefit other forms of business; best for starting businesses – minimal expense, probably few assets to worry about. Owner may change form of business as business grows/succeeds.	A partnership may be created by conduct rather than intent, so people must consider what they are getting into. Complex rules apply once a partnership exists, but can be modified by agreement, but personal liability for debts cannot be avoided. In order to avoid being disadvantaged by rules that apply by default, a partnership agreement is recommended and remembers: choose your partners carefully.	Potentially complex and expensive to create, maintain and end, a corporation does have disadvantages, but its main three advantages are: protection from contractual debt; potential tax benefits; and more options for raising capital. If you have assets that need to be protected from creditors, or high capital needs, or your business is growing in complexity, a corporation might be the best option.	Creating a cooperative is much more than simply selecting a business model. Seven principles guide cooperatives, and selecting this model is usually based in belief in these principles rather simply a question of asset protection or tax treatment. The 7 principles are: <ul style="list-style-type: none"> • Voluntary and Open Membership • Democratic Member Control • Member Economic Participation • Autonomy and Independence • Education, Training and Information • Cooperation among Cooperatives • Concern for Community

**Blue Jay Jams & Juice Co.
Team Instructions
Sole Proprietorship**

Background:

Jay wants to start his own business. He grew up just north of Portage la Prairie, and knows all the best places for picking the wonderful Saskatoon berries that grow wild there. His business idea is to take his family's "secret" recipes for various Saskatoon products and to market them commercially. He has already done some work with the Food Development Centre in Portage in preparation of bringing his products to market. Jay needs to consider some issues about how to structure his business before he begins, however.

Based on this background, consider the questions posed by the facilitator, refer to the materials related to sole proprietorships and note your responses below. Be prepared to share your answers with other groups.

Creating the business	
Decision-making	
Financing	
Rules relating to contracts, business debts	
Tax consequences	
Selling the business	
Ending the business	

**Blue Jay Jams & Juice Co.
Team Instructions
Partnership**

Background:

Jay and Robin want to start their own business. They both grew up just north of Portage la Prairie, and know all the best places for picking the wonderful Saskatoon berries that grow wild there. Their business idea is to take their families' "secret" recipes for various Saskatoon products and to market them commercially. They have already done some work with the Food Development Centre in Portage in preparation of bringing their products to market. Jay and Robin need to consider some issues about how to structure their business before they begin, however.

Based on this background, consider the questions posed by the facilitator, refer to the materials related to partnerships and note your responses below. Be prepared to share your answers with other groups.

Creating the business	
Decision-making	
Financing	
Rules relating to contracts, business debts	
Tax consequences	
Selling the business	
Ending the business	

**Blue Jay Jams & Juice Co.
Team Instructions
Corporation**

Background:

Jay wants to start his own business. He grew up just north of Portage la Prairie, and knows all the best places for picking the wonderful Saskatoon berries that grow wild there. His business idea is to take his family's "secret" recipes for various Saskatoon products and to market them commercially. He has already done some work with the Food Development Centre in Portage in preparation of bringing his products to market. Jay needs to consider some issues about how to structure his business before he begins, however. He is thinking about incorporating.

Based on this background, consider the questions posed by the facilitator, refer to the materials related to corporations and note your responses below. Be prepared to share your answers with other groups.

Creating the business	
Decision-making	
Financing	
Rules relating to contracts, business debts	
Tax consequences	
Selling the business	
Ending the business	

**Blue Jay Jams & Juice Co.
Team Instructions
Cooperative**

Background:

Jay, Robin and three of their friends want to start their own cooperative. They all grew up just north of Portage la Prairie, and knows all the best places for picking the wonderful Saskatoon berries that grow wild there. Their business idea is to take Jay's family's "secret" recipes for various Saskatoon products and to market them commercially. The group has already done some work with the Food Development Centre in Portage in preparation of bringing the products to market. The group needs to consider some issues about how to structure the business before they begin, however. They have all agreed that a cooperative model is best for them.

Based on this background, consider the questions posed by the facilitator, refer to the materials related to cooperatives and note your responses below. Be prepared to share your answers with other groups.

Creating the business	
Decision-making	
Financing	
Rules relating to contracts, business debts	
Tax consequences	
Selling the business	
Ending the business	

FACILITATOR QUESTIONS

1. The business will be called Blue Jay Jam & Juice Co. Does this fit the name requirements for this business? What must be done to get the business started, from a legal perspective?
2. How will business decisions be made by this business, given the business form you are working with?
3. The business needs money. What are some of the financing options available?
4. Who will responsible for the debts of the business?
5. What are the potential tax consequences for this type of business?
6. Can you sell the business?
7. How can this form of business come to an end?