**What are the different types of organizations?**

Organization type is determined by the form of ownership, the owners’ legal liability.

Organisations can be classified in different ways.

One way is according to their primary objective. Broadly, organisations may be classified as ‘for-profit’ (i.e., commercial) or ‘not-for-profit’ entities.

[‘For-profit’ (commercial) organisations](http://www.open.edu/openlearn/money-management/organisations-and-management-accounting/content-section--glossary#idp30688016) may have several different objectives. It is generally accepted that maximising the wealth of the owners and continuing in existence are the primary objectives of profit seeking organisations. However, organisations also aim, for example, to provide goods and services to customers and employment to employees.

[‘Not-for-profit’ organisations](http://www.open.edu/openlearn/money-management/organisations-and-management-accounting/content-section--glossary#idp30695360) comprise a large variety of organisations including charities, clubs, [cooperative firms/social enterprises](http://www.open.edu/openlearn/money-management/organisations-and-management-accounting/content-section--glossary#idp30676496) and public sector organisations. Public sector organisations are owned, funded and run by central or local government. They include:

* public hospitals
* the armed forces (military)
* most schools and universities
* government departments.

These organisations exist to provide services which, for various reasons, are considered impractical or undesirable for the commercial sector to provide.

Whereas commercial organisations, charities and social enterprises must generate sufficient funds from their activities to sustain themselves on a continuing basis, public sector organisations are funded by government.

1. What is the organization type determined by?
2. How can organizations be classified?
3. Give examples of for-profit and non-profit organizations?
4. What are the main differences?