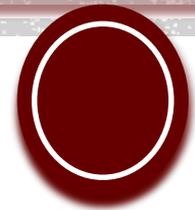




BUSINESS OWNERSHIP





Sole Trader

- Just one person owns the company
- Capital is raised by the proprietor himself, usually from a bank loan
- The business will always have unlimited liability. If the business fails the owner is responsible for all debts, and could end up selling all he owns to pay them off





Sole Trader - Advantages

- This type of business is easy to set up
- It is very flexible. The owner has the freedom to run the company how he likes
- The proprietor can offer a personal service
- He can keep all the profits to himself
- Finances are kept private and accounting requirements are simple
- The business can be changed to suit local needs





Sole Trader - Disadvantages

- After normal trading hours, there still remains a lot of paperwork to be done, and only one person to do it
- There is limited capital, so it is difficult to grow
- Unlimited liability
- The owner must keep proper accounts





Partnerships

- In a partnership 1-20 partners own the company
- Capital is raised by the partners themselves, or from a bank loan.
- There is a lot of paperwork to be done by the partners, for example – Deed of Partnership, certificates, and extra correspondence
- All partners have unlimited liability
- In addition, if one partner fails to pay income tax, (for example), the other partners may have to pay it for him/her, as well as to their own.





Partnerships - Advantages

- More capital is available than in a sole trader business
- The workload is usually shared
- Professional partnerships mean that certain partners can be specialists
- More varied ideas can be aired





Partnerships - Disadvantages

- There is the danger of disagreements among partners
- If some of the partners are dishonest or incompetent, the others could be left with large debts
- Unlimited liability
- Death, retirement, etc. of any of the partners threatens to break up the business





Limited Companies

- The shareholders own the company
- There are two types of limited company – private limited companies (which use the suffix “Ltd.”) and public limited companies (which use “PLC”)
- In private limited companies, shares cannot be sold unless all the shareholders agree to sell to that particular buyer
- In public limited companies, anyone can buy shares
- Selling shares in the company raises capital for limited companies
- This type of business carries with it a lot of paperwork, for example – statutory accounts certificates, correspondence and legal work
- The shareholders have limited liability





Limited Companies - Advantages

- Public limited companies have more available capital
- It has a legal position, as a company in its own right
- The owners have limited liability





Limited Companies - Disadvantages

- It is very expensive to set up. Legal and accounting fees can be especially costly
- For private limited companies, the cost is much less, and by the time you have claimed back from tax, the cost is even lower
- In private limited companies, shares cannot be normally bought or sold to the public. The director has to approve of the buyer. This may limit capital
- Careful accounts must be kept. The company is legally obliged to publish and register its accounts annually
- The business is less flexible than the other types of ownership





Cooperatives

- In a co-operative company, capital is raised by each member buying £1 shares, up to a limit of 5000 individual shares
- The members of the co-operative own the company





Cooperatives - Advantages

- This type of business offers competitive prices
- The dividend on purchases and the interest on shares make their goods even cheaper.
- A range of services are offered to members





Cooperatives - Disadvantages

- There is a danger of poor planning, management and financial control
- Few people have faith in co-operatives
- Co-operatives can only offer a restricted range of goods
- The owners must keep proper accounts





Not For Profit Organisations

- These are not focused on profit making but set out to achieve other objectives
- No one person or group of people can *own* a not for profit organisation. You don't see shares traded on stock exchanges, and any equity in a organisation belongs to the organisation itself, not to the board of directors or the staff.
- Assets can be sold, but the proceeds of the sale must benefit the organisation, not private parties
- Many not for profit organisations are charities who seek to raise revenue from donations and other sources to create a surplus which can be used to support their aims
- Others are set up to support industry and receive Government support. Examples of such businesses include: ACAS (The Advisory, Conciliation, and Arbitration Service) which sets out to create better employee relations in this country,





Charities

- A charity can have a number of legal structures
 - A trust either set up by an individual or a group of individuals or through a Will. It would be governed by a Trust Deed.
 - An association which would have a constitution and a membership.
 - A company limited by guarantee which would also have a membership.
- All of these organisations would be run by a Board of Trustees who are responsible for ensuring that the charity's objectives are carried out and that the money and assets are only used for the purpose for which they were given.
- No one actually 'owns' a charity. They cannot distribute their assets for the benefit of any individual.





Government Owned

- An important sub-group of Not for Profit Organisations
- These are owned and controlled by the Government for the benefit of society
- These are not seeking to make a profit but to provide services to the UK public which would not otherwise be supplied in sufficient quantities, could not be supplied at a profit, or it is in the national interest to keep the service under Government control.
- Examples include the BBC, the education system, the armed forces and the National Health Service.
- This sector has become smaller in the past 25 years as the Government has privatised industries such as coal, gas, electricity, railways and telecoms.

