

Types of Business Ownership

GCSE Business Studies

Mixed Economy

- The United Kingdom and Ireland has a Mixed Economy
- A Mixed Economy has:
 - Private ownership of business/organisations and
 - Public control of business/organisations
- Private ownership involves individuals and groups of people who set up and run a business
- Public control involves the government running organisations on behalf of the general public

Types of Business Ownership

Private Sector

- Sole Trader
- Partnerships
- Private Limited Company (Ltd)
- Public Limited Company (plc)
- Franchise

Public Sector

- Public Corporations
- Municipal Undertakings
- Trusts

Sole Trader

Key Features

A Sole Trader has:

- 1 owner
- 0 to any number of employees

A Sole Trader is in the Private Sector

Sole Trader

Advantages

- Own boss
- Total control
- Greater opportunity for flexible working
- Keep all profits
- Easy to set up – few legal requirements

Disadvantages

- Unlimited liability
- No one to share decision making
- Lack of specialisation
- No continuity of existence
- Time off/holidays
- Limited finance

Partnership

Key Features

A Partnership can have:

- 2 - 20 owners
- 0 to any number of employees
- A Sleeping Partner - someone who invests money but takes no part in the day to day running
- A Deed of Partnership - lays out rules for running and dissolution of the Partnership eg sharing of profits

A Partnership is in the Private Sector

Partnership

Advantages

- Shared decision making
- Increased capital invested
- Increased specialisation
- Easy to set up – few legal requirements

Disadvantages

- Unlimited liability
- Profits have to be shared between partners
- No continuity of existence
- Partners may have disagreements
- Limited finance

Private Limited Company (Ltd) Key Features

A Private Limited Company has the following key features:

- Ltd after it's name
- Owners called shareholders
- A separate legal existence from owners
- Shareholders who are family and friends
- Governed by two legal documents:
 - Memorandum of Association
 - Articles of Association
- Controlled by a Board of Directors
- Run by a Managing Director

A Private Limited Company is in the Private Sector

Private Limited Company (Ltd)

Advantages

- Limited liability
- Greater availability of finance
- Specialisation can occur

Disadvantages

- More complicated to set up - legal formalities
- Loss of individual control

Public Limited Company (plc) Key Features

A Public Limited Company has the following key features:

- plc after it's name
- Owners called shareholders
- A separate legal existence from owners
- Shareholders who are members of the general public
- Governed by two legal documents:
 - Memorandum of Association
 - Articles of Association
- Controlled by a Board of Directors
- Run by a Managing Director

A Public Limited Company is in the Private Sector

Public Limited Company (plc)

Advantages

- Limited liability
- Greater availability of finance
- Specialisation can occur

Disadvantages

- More complicated to set up - legal formalities
- Loss of individual control
- Greater threat of takeover

Franchise Key Features

A Franchise is:

- Where a business (the Franchiser) allows another business (Franchisee) to trade under their name
- Also a method of business growth
- Some examples of franchises:
 - McDonalds
 - Pizza Hut
 - Kwik Fit
 - Thorntons
- Also going to have another type of business ownership eg sole trader etc

A Franchise is in the Private Sector

Franchising

Advantages

For Franchisee

- Established name
- Support of Franchiser

For Franchiser

- Quick way to grow
- Royalties from Franchisee

Disadvantages

For Franchisee

- Lack of total control

For Franchiser

- Risk of reputation from unsuitable franchisee

Comparison Business Ownership

For first teaching from September 2009

FEATURES	SOLE TRADER	PARTNERSHIP	LTD	PLC	FRANCHISE
Number of owners:	1	2 - 20	Unlimited number of shareholders	Unlimited number of shareholders	Franchisor owns the name. Franchisee owns the premises
Liability of owners:	Unlimited	Unlimited sleeping partner - limited liability	Limited	Limited	Depends on set up - may be a sole trader, Ltd
Capital provided	Owner	Partners	Shareholders	Shareholders	Franchisee
Who gets profits?	Owner	Partners - may be split according to amount invested	Shareholders	Shareholders	Franchisee Franchisor paid royalties - % of profits
Risks:	High	High	Low	Low	Low
Legal Requirements:	None	None	Registration under Companies Act - Memorandum and Articles of Association. Then receive a Certificate of Incorporation PLC also receives Certificate of Trading		Depends on set up of business (eg sole trader set up - no legal requirements etc)

Public Sector

- Business and organisations controlled by the government
- Main aim of organisations in the Public Sector is to provide a service for members of the general public
- Examples include:
 - BBC – British Broadcasting Corporation
 - NHS - National Health Service
 - DENI – Department of Education for Northern Ireland
 - Defence – Army, Royal Navy, Royal Air force, PSNI
 - Local Councils