Legal structures the sole trader economics essay

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The sole trader is a business owned by one individual who is self-employed and why may, in some cases, employ other people on a full time or a part time basis. Normally using personal funds to start business, the sole trader decides on the type of goods or services to be produced, where the business is to be located, what capital is required, what staff(if any) to employ, what the target market should be a host of other aspects concerned with the establishment and running of the enterprise. In the United Kingdom about 80 per cent of all business is sole traders. The reason for this predominance is the relative ease with which an individual can establish a business this type. These types of business are people, who working in building, small shops, independent agents etc.

The partnership is when two or more individuals establish a business which they own. The partners have unlimited personal liability both jointly and severally. The liability of limited partners is limited to their investment in the partnership. Under the law, partnerships are limited to 20 or less partners. Partnership companies usually have written contracts between partners, but that's not necessary. This states the type of partnership it is, how much capital each party has contributed, and how profits and losses will be shared. The typical examples of partnerships are doctors, dentists and solicitors. They can benefit from shared expertise, but like the sole trader, have unlimited liability.

Limited companies are companies which are registered at Companies House- www. companieshouse. gov. uk. It is a legal entity or legal person with its own legal rights and obligations, separate and distinct from those of its members. All property, which is registered on company, belongs to company and is not treated as belonging to the company’s shareholders and directors. The benefit of limited company is that is offers limited liability to its members. The company as a separate legal entity is liable for its debts and the members and directors are not personally liable unless they have acted wrongly in some way. There are two types of limited companies as public limited companies (PLCs) and private limited companies (Limited, LTD).

The vast majority of trading companies are private companies limited by shares. Many private companies are very small. There is no minimum capital required for private company and it’s commonly less than 100£. A private company may not offer shares to the public. For example it can be any shop, pub, construction company etc.

PLC is company which is appropriate for larger businesses where shares are intended to be available to the general public. A public company must have a minimum share capital of £50, 000, of which at least one-quarter plus any share premium must be paid up before the company can obtain its trading certificate from Companies House and start trading. This is the only type of company which may raise capital by offering shares to the public. For example it’s some supermarket chain, delivery company or airlines company.

Consumer co-operative societies are organisations owned by consumers which aim is fulfilling needs and aspirations of their members. They operate in market system independently from the state as mutual aid, oriented to service rather than make a profit. Consumer’s cooperatives often take the form of retail outlets owned and operated by their consumers, such as food cooperatives, health care, insurance, housing, utilities and personal finance.

Workers' co-operatives are organisations in which ownership and control of the assets are in the hands of the people who working in it. They have the objective of creating and maintaining sustainable jobs and generating wealth, to improve the quality of life of the worker-members, dignify human work, allow workers democratic self-management and promote community and local development. The main principles of the organisations are democracy, open membership, social responsibility, mutual co-operation and trust, help to differentiate co-operative from other forms of business organisations.

Public corporations are legal entities created by government to undertake commercial activities behalf of an owner government. In the public sector the state owns assets in various forms, which it uses to provide a range of goods and services felt to be of benefit to its citizens. These state corporations an important part of the public sector of the economy and they are very significant to national output, employment and investment. These public corporations are hospitals, municipal water companies, rail services etc.

Municipal enterprises are businesses owned by local public authorities that provide services and often revenue in cities across UK. Increasingly, local governments have turned to municipal enterprise to both raise revenue and promote local jobs and economic stability by developing a more diversified base of locally controlled wealth. The function of their role is to provide public services such as education, housing, roads, social services etc.

Organisations objectives and stakeholders

The main organisational objective of for-profit organisation is to make more profit. Aims and objectives establish where the business would like to be in the future, helping to control their plans, motivate staff and give everyone sense of direction. Any decision made within the organisation should be in line with their aims and objectives. The objectives are influence by various stakeholders, as well as the nature of the business. Different stakeholder groups will have different objectives to satisfy their interests. Objectives can be: corporate which affect the whole business, departmental objectives that are for a certain area of business and individual objectives are used in performance appraisal for employees.

Employees- wage levels; working conditions; job security; personal development

Managers- job security; status; personal power; organisational profitability; growth of the organisation

Shareholders- market value of investment; dividends; security of investment; liquidity of investment

Creditors- security of loan; interest of loan; liquidity of investment

Suppliers- security of contract; regular payment; growth of organisation; market development

Society- safe products; environmental sensitivity; equal opportunities; avoidance of discrimination

Responsibilities of an organisation

Every company, business, department has a duty and remit to provide a service. An organisation must operate within the boundaries of the law. Reputation and trust are everything, and a consumer can’t have trust or faith in your ability to deliver if you can’t prove and guarantee you’re legitimacy. An organisation must also have strict financial control. Recruitment is vitally important. Organisations need reliable workers who have enthusiasm, but also intelligence; workers that are able to be creative but also to take advice and critique from management. Also organisations are responsible for health and safety of their employees. They need to provide safe working environment and equipment.

How economic systems attempt to allocate resources effectively

There are three kinds of economic system which are basically adopted by the different countries. They are: free market, centrally planned, mixed market.

Free market economic system: The intervention of government is kept at a minimum level or neglected in free market system and all the economics resources comes under the private sectors as well market. Price mechanism will determine how much of goods or services will be supplied according to the market demands. Most decisions are based on market mechanism. The supply, demand and ability play the vital role in market decision making. As per looking at the free market system it raises the various unsolved questions like who will produce the goods and services and infrastructures for the country to meet the needs of every public.

Centrally planned economy system: Centrally planned economic system refers that government allocates the economic resources; government makes all the planning regarding the economical activities. Private sectors are kept far away in involvement of any economical accumulation. These kinds of economics were found in the Asian, central Europe, Eastern Europe and Latin American nations but now these are found in Cuba, Iraq, Iran, North Korea etc. In these systems basically unemployment problems will not be faced since government plan all the economical activities and resources will be allocated based needs of its people and different industries inputs.

Mixed economy system: This system is a mixture of all other systems. The system where both capitalism and socialism economic system are included it is known as mixed economic system. Mixed economic system splits the available economic resources available in the country to both private sectors and government. Private sectors are encouraged to get involved and participate in utilizing the resources which helps to gain economic profit for whole nation. Countries like USA, UK, Russia and China to countries like Cambodia, Peru and Vietnam has adopted this economic system. When one fails to meets the public desire other can get it and helps to maintain the economic balance not only in the particular country but also the whole nation.

The impact of fiscal and monetary policy on business organisations and their activities

Fiscal policy decisions have a widespread effect on the everyday decisions and behaviour of individual households and businesses. Basically fiscal policy means how government taxes us and how it spends the money. Lower taxes mean more disposable income for consumers and more cash for businesses to invest in jobs and equipment. Stimulus-spending programs, which are short term in nature and often involve infrastructure projects, can also help drive business demand by creating short term jobs. Increasing income or consumption taxes usually mean less disposable income, which, over time, can decelerate business activity.

Monetary policy impact changes in short term interest rates influence long term interest rates, such as mortgage rates. Low interest rates mean lower interest expense for businesses and higher disposable income for consumers. This combination means higher business profits. Lower mortgage rates may spur more home buying activity, which is usually good for the construction industry. Lower rates also mean more refinancing of existing mortgages, which may also enable consumers to consider other purchases. High interest rates can have the opposite impact for businesses: higher interest expenses, lower sales and lower profits. Interest-rate changes can affect stock prices, which can impact consumer spending.

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Market structure is number of firms producing identical product homogenous.

Monopolistic competition where there is a large number of firms, each having a small proportion of the market share and slightly differentiated products. They take the prices of other competitors as given and ignore the impact of its own prices of other firms. The number of firms and output determines supply and demand. For example: Coke and Pepsi; toothpaste; shaving foams like Gillette and Dove.

Oligopoly is when a small number of firms control the market. Then usually prices of products or services are high. Industries which are examples of oligopolies include: Steel industry, aluminium, film, television, cell phone, gas, electricity.

Duopoly is a special case of an oligopoly with two firms.

Monopsony when there is one buyer faces with many sellers.

Oligopsony, a market where many sellers can be present but meet only a few buyers.

Monopoly, where there is only one provider of a product or service. For example it was Microsoft Company in U. S.

Natural monopoly is when firm is a natural monopoly if it is able to serve the entire market demand at a lower cost than any combination of two or more smaller, more specialized firms.

Perfect competition a theoretical market structure that features no barriers to entry, an unlimited number of producers and consumers, and a perfectly elastic demand curve.

Supply and Demand

Supply and demand are the forces that make market economies work. They determine the quantity of each good produced and the price at which it is sold. A market is a group of buyers and sellers of a particular good or service. The buyers as a group determine the demand for the product, and the sellers as a group determine the supply of the product. For example, if oil prices rises then price of delivery services rise and the price of the goods as well. When summer is end and tourist season is finished then prices of hotel rooms goes down. If grape harvest is bad one year then prices of wine will be higher in next year.

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Significance of international trade to UK business organisations

Some of the key commodities in which the UK trades are manufactured goods, beverages, fuels and chemicals. According to a World Trade Organization (WTO) report published in 2008, the UK has retained its position as the world's largest commercial services exporter. Moreover, with the UK recording a profit of $263 billion in the commercial services sector, the country continues to be the world's second largest provider of these services. UK trade consists of the movement of goods and services within the European Union, of which it is a member, and to non-EU countries. International trade in the UK is assisted by UK Trade & Investment (UKTI). This government organization focuses on enhancing the competitiveness of UK companies through overseas trade and investments. It also aims at continuing to attract high-quality foreign direct investment (FDI).

In order to attract foreign businesses and foreign investment, the British government has adopted a variety of programs. For instance, the Parliament allows local and regional governments to establish enterprise zones. In these zones, companies receive exemptions from property taxes and reimbursement for costs involved in the construction of new factories or business locations. There are also programs that provide incentives for companies to locate in economically depressed urban areas that are known as “ Assisted Areas.” In 1998, the total value of these programs was US$315 million. There are 7 free trade zones in the United Kingdom (Birmingham, Humberside, Liverpool, Prestwick, Sheerness, Southampton, and Tilbury). These zones allow goods to be stored for shipment without tariffs or import duties.

The impact of global factors on UK business organizations

International trade and the UK economy: UK businesses will see international trade growth accelerate from 2014 as the global economy ends a period of growth contraction, according to HSBC. There are fundamental changes taking place in world trade, UK exports to China and to India grew by 21% and 37% respectively in 2011 and HSBC estimates that it processed around one third of these by value.

Market opportunities: Evaluating markets and future trends can be a major challenge for any business. New market opportunities spring from a range of possible sources and vary in their size, importance, and risk.

New demographic or vertical industry segments

New geographic regions

Alternate offerings of service models, supplies, and other annuities

World Trade Organisation (WTO) is the only international agency overseeing the rules of international trade. It polices free trade agreements, settles trade disputes between governments and organises trade negotiations.

4. 3The impact of policies of the EU on UK business organisations

The United Kingdom is a member of the European Union but isn't part of the single currency, the Euro.

Free trade – The EU is a trade bloc which means there are no quotas or tariffs for companies exporting goods and services within the EU.

European legislation is meant to make it easier for UK businesses to trade across the EU's 27 states.

The internal market – the single market means UK citizens are free to move, live, study and trade anywhere within the EU.