Different types of business ownership; +'s and -'s

Business, Company

There are many different advantages and disadvantages of different types of business ownership, such as being a sole trader, in a partnership, franchises and limited companies. Sole Trader The advantages of being a sole trader are as follows; ï�¶ They are easy to set up — There are very few complicated forms to fill in and sole traders can set up and run a business almost immediately. ï�¶ They are easy to run — The owner can do what they want, when they want, without consulting with colleagues, as they are 100% in control of the business. ï�¶ Tax advantages — Sole traders are taxed in different ways to other types of businesses, the main tax relief being NIC's (National Insurance Contributions). ï�¶ They are cheap to set up — A lot of sole traders can set up their business with just hundreds of pounds, where as a PLC has to have £50, 000 at least by law to set up one. ï�¶ Privacy — No information about the business has to be made public, and the only people that need to see information on how the business has been run and the profits it has made are the Inland Revenue and HM Customs and Excise. ï�¶ Flexibility — Although there are a lot of hours needed to be put in to run a sole proprietorship, sole traders get to choose when they work. There are some disadvantages of being a sole trader too, and they are; ï�¶ Unlimited liability — If a business set up by a sole trader fails, then their house and other valuable items could be lost. ï�¶ Illness — If the sole trader falls seriously ill, the business may have to be shut down. ï�¶ Lack of continuity — If the sole trader is to die, or doesn't want to continue running the business, there is no guarantee that the business will survive, unless it is passed on to other workers or their children. ï�¶ Long hours — A sole trader takes on the responsibility of running and managing a business, and for this to be done the sole trader will have to sacrifice a lot of long hours. Partnership In a partnership there are usually two or three people in the business, yet there can be up to twenty. It is sensible when starting a business with one or more partners to draw up a deed of partnership, which contains information such as who are the partners, how much money each person invested in the business, how profits should be shared out and what control over the business each partner has. Partnerships, just like any other type of business hold both advantages and disadvantages. The advantages are listed on the next page. ï�¶ Easy to set up — Just like a sole proprietorship, partnerships are easy to set up, as they require little forms to fill in. ï�¶ As only tax authorities need to know information about the company, such as yearly profits/losses, the information can be kept private between the two partners. ï�¶ Worker and employer relationships tend to be good ones, as most partnerships are small. The disadvantages of partnerships are: ï�¶ Sometimes the partners can fall out and disagree, which could lead to serious problems in the running of the business. Franchises A franchise is a business that has been given the right to sell products under another businesses name. For a franchise to be established, the other business whose name you are using has to give you the rights to do this. There quite a few advantages for the franchisee going into a franchise business, and they are; ï�¶ The franchisor provides a lot of help and support when setting up a business, such as; o Sales techniques o Equipment such as vans, computers and shop fittings o Advice o A trusted brand name recognised by the customers o Goods or services to sell ï�¶ It is also easy to set up and run due to all the support provided ï�¶ Only a very small amount of franchises fail The disadvantages of a buying into a franchise are; ï�¶ The franchisor only picks the people who are best suited for the job, and it is not always certain you will be able to buy into one, because of this ï�¶ It is the franchisor, and not the franchisee who decides how much money the franchisee needs to put in the business ï�¶ The franchisor has the right to end the franchise without reason or compensation Limited Companies There are two types of limited companies; they are Ltd’s and Plc’s. An Ltd is a private limited company which cannot put stocks and shares onto a stock market, which as a result of this, the number of shareholders in an Ltd company will be less great than in a Plc. They can also start up with investing as little as 1p into the business when starting up and A Plc (or public limited company) must have shares on a stock exchange, thus tending to make them bigger companies than Ltd’s. It also by law must have at least £50, 000 to invest at the start of the business. Though there are not many, the main advantage of becoming a limited company is: ï�¶ It is much easier to attract extra shareholders to invest money in the business because of the limited liability, which as a result will mean the business growing. The disadvantages of becoming a limited company are: ï�¶ Information, such as annual reports has to be given to the public and is not allowed to be kept secret, especially if it is a Plc rather than an Ltd. ï�¶ Plc’s also has to conform to rules from the stock exchange in which they are. For example a public limited company such as Tesco’s are listed on the London Stock Exchange Market, therefore they have to comply with certain rules and regulations set up for protecting shareholders in that company.