

# Sole trader essay



**ASSIGN  
BUSTER**

I have chosen to base my assignment on the following two businesses: Sole trader- Errol Anderson Motors and PLC-J-Sainsbury's I have chosen J-Sainsbury's as my PLC because J-Sainsbury's is a well-known retail company, which sells over 23, 000 products on their shelves and many household products.

J-Sainsbury's comes under the tertiary sector as they provide a service. Also I chose to do J-Sainsbury's because I have already done a coursework on J-Sainsbury's in another unit so I have all the information I need. For Sole Trader I have chosen Errol Anderson motor that provides a car repair service in Harrow. The reason I have chosen Errol Anderson Motors is because I don't know any Sole traders, so instead my teacher gave me a case study on Errol Anderson Motors from which I got my information.

Also Errol Anderson Motors is situated in harrow, which is very close to me so I can go there to see the area. Main Features of Errol Anderson Motors The Sole trader is simplest form of business organisation. This type of business is owned by one person- although he or she may employ other people to work in the business. A Sole Trader is some who decides to own and run his or her business and most probably use personal savings as capital to start up the business.

Setting up a Sole Trader can be the least expensive way of starting up a business because Sole Traders normally start of businesses from small premises such as warehouses and shops which don't cost a lot of capital to start compared to J-Sainsbury's which will need a lot of capital to start as it is a big supermarket. If the business is successful the Sole Traders reward will

be the profit which the Sole Trader can keep all to himself as he is the only one to own the business. But if the Sole Trader makes losses and goes into debt then the Sole Trader may have to pay off the debts with his personal savings, which may even mean in selling his cars, houses and other personal belongings. There are many advantages and disadvantages of being a sole trader, Advantages 1. Easy to set up. 2.

You are your own boss, so there is no one telling you what to do, as you have total control of the whole business. 3. Simplicity- there is no forms to fill in to start trading 4. You get all the profits you have made. You can put your decisions into effect quickly because there is no one else to consult. 6.

A Sole Trader can be flexible as to working and opening hours and which days to open. Disadvantages 1. You will be working long hours to meet all the deadlines. 2. You are the only person, who owns the business, so you have “ Unlimited Liability” 3.

You may only know have limited skills. 4. If you are ill you will and your business is closed the owner will make no money. 5.

If the owner gets into debts then he will have to pay them off with his personal savings. Difficult to raise capital to expand the business. Errol loved working with cars and when he was at school he went to a local garage for his work experience. Mr David Turner who was the owner liked the way Errol worked so he gave him a Saturday job. At the end of year 11 in 1989 Errol went on to college to do a course on car mechanics. Mr Turner had to leave the business so Errol decide to buy it because he knew enough information about the business.

Mr Turner decided to sell his business to Errol and also gave him a period of 2 years to pay up the money for the tools and equipment. Errol started up his business by getting some capital from his family, a small loan and a loan from the prince's trust to pay of to Mr Turner. " Unlimited Liability" is where the owners of the business are responsible for all the debts the business incurs. So this means if the owner has not got enough money to pay of his debts he or she will have to sell of their personal belongings such as, t. v's, house and car to settle the debts Main Features of J-Sainsbury's J-Sainsbury's is a plc.

A plc is a company whose shares are traded though the stock exchange. The shares can be bought buy any person who may be interested. As J-Sainsbury's is a plc it is easy to obtain information of the company because they have to publish accounts every year because they have to inform the Companies house and the shareholders. When J-Sainsbury's publish accounts the shareholders know how J-Sainsbury have done in the year and if the results are good then more people will be interested in buying shares in the company. People who have Sainsbury's shares are known as the owners. But the shareholders do not run the company.

Boards of directors are appointed by the shareholders to run the company. The boards of directors have to mange the company. The shareholders have ultimate control of the company, as they are the owners. J-Sainsbury raises capital from taking out bank loans from banks and other financial institutions. Also they raise capital through the sales of their shares.

The liability of J-Sainsbury's is limited. This means that the owners (shareholders) of the business lose only the money they invested in the company if the company goes bankrupt their personal wealth is not at risk. To start a PLC its capital comes from its sales of its shares through the stock exchange and also from the profits. A Company must have more than 50,000 before it can "go public" and must have a satisfactory financial track record. Also it is very important to have enough people interested in buying shares for it to have a successful flotation.

Advantages 1. By having thousands of people or organisation interested in your shares it makes expansion easier. 2. Public limited can be quite small which needs to have 2 directors and 2 shareholders. 3.

Very large plc can operate more cheaply than small companies as they operate on economies of scale. This means that large companies can mass-produce goods for sale and buy in bulk to save more money. E. g. like J-Sainsbury's.

4. If the company is successful, the shares will increase in value and this will increase the overall value of the company. For example J-Sainsbury's shares were 244p on October 22nd 2002 and now the value has increased to 298p. So the value of the overall company has increased too. Disadvantage 1.

A plc must be registered as such with a Registrar of Companies and has many external regulations to comply with. This means any problems a company encounters may become news if the press run a story on it. 2. An annual general meeting must be held every year inviting all the shareholders.

Any shareholders that do not agree with the way the company is managed may raise an objection or vote against the directors. 3. All accounts must be published every year so the company cannot hide a problem year. 4.

Shareholders will expect to receive a dividend. They will want the share value to increase. If the share values decrease then this will make the shareholder want to sell their shares, which will make the company's value go down. 5. If the company goes bankrupt then you will lose all the money you have invested in the company. J-Sainsbury's is a complicated business ownership because the business is too large to be run as a sole trader as Sainsbury's has 463 stores throughout the UK it will be impossible for 1 person to run all these stores with a high standard of service.

Also it will be impossible for the sole trader to raise that type of capital. Therefore it suits J-Sainsbury to trade as a plc. Anderson Motors is less complicated than Sainsbury's. I say this because Errol Anderson motors is a Sole Trader and not a limited company and this means no shares are involved and there are fewer documents to go through and fewer laws to control his activities.