

Sole traders essay



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Sole traders' may also struggle with expansion in the future. Another challenge when it comes to starting up my own business would be decision making, all decisions must be made by the sole trader. There is no room for help by others. And so the success or failure of the business rests on one person.

Partnership- A type of unincorporated business organization in which multiple individuals, called general partners, manage the business and are equally liable for its debts; other individuals called limited partners may invest but not be directly involved in management and are liable only to the extent of their investments. Unlike a Limited Liability Company or a corporation, in a partnership each partner shares equal responsibility for the company's profits and losses, and its debts and liabilities.

Plc. – A Company whose securities are traded on a stock exchange and can be bought and sold by anyone. Public companies are strictly regulated, and are required by law to publish their complete and true financial position so that investors can determine the true worth of its stock (shares).

LEGAL ASPECTS Discrimination law- Discrimination refers to the treatment or consideration of, or making a distinction in favour of or against, a person or thing based on the group, class, or category to which that person or thing belongs rather than on individual merit. Discrimination can be the effect of some law or established practice that confers privileges on a certain class or denies privileges to a certain class because of race, age, sex, nationality, religion, or handicap.

This is a law that my business has to comply with, as we have seen workplace discrimination involves an employer treating a particular member of staff differently for unjustifiable reasons. The most obvious types of

discrimination that spring to mind are racial, sexuality, race, age, nationality, religion, or handicap. As an employer law requires me to treat every employee equally e. g. The Sex Discrimination Act of 1975 prohibits the treatment of a woman or a man any differently or less favourably than the opposite sex.

For instance, where a male and female employee with the same qualifications occupies the same or similar positions, paying one less than the other for no justifiable reason is discriminatory. Data protection- During the second half of the 20th century, businesses, organizations and the government began using computers to store information about their customers, clients and staff in databases e. g. names, convictions, credit history etc. With more and more organizations using computers to store and process personal information there was a danger the information could be misused or get into the wrong hands.

A number of concerns arose: who could access this information, how accurate was the information, could it be easily copied? In 1998 The Data Protection Act was passed by Parliament to control the way information is handled and to give legal rights to people who have information stored about them. Any organization that keeps and processes personal data has to be registered under the Data Protection Act 1998. The Data Protection Act protects the privacy and integrity of data held on individuals by businesses and other organizations.

The act ensures that individuals (customers and employees) have access to their data and can correct it, if necessary. It is enforced by the Information

Commissioner's Office (ICO), which has responsibility for overseeing the Freedom of Information Act and the regulation of interception of communications under the Regulation of Investigatory Powers Act 2000. As an employer and a business owner of free from foods I have responsibilities to ensure your employees' personal details are respected and properly protected e. g.

IN number, date of birth, bank account details etc. Also I have to ensure that customer's information is secure since it is an online business, I have to ensure that the site is secure e. g. including the use of a Secure Socket Layer (SSL) server. Any information customers enter while they are using the secure server is encrypted before being transmitted, so it is virtually impossible for an outside party to access or intercept your information.

Consumer law- For many products, society has laws and standards that the designer must meet.

These help to protect the users, by specifying that products meet certain requirements and have suitable levels of safety. The Laws also allow consumers to get their money back if goods are found to be faulty or if products do not perform in the way claimed by the manufacturer. A law is a formal rule adopted by Parliament and enforced by the government. The aim of the Consumer Protection Act is to help safeguard the consumer from products that do not reach a reasonable level of safety. The consumer protection act protects the consumers by: * prohibiting the manufacture and supply of unsafe goods making the manufacturer or seller of a defective product responsible for damage it causes * allowing local councils to seize unsafe goods and suspend the sale of suspected unsafe goods * prohibiting

misleading price indications As an owner of a food delivery business I need to follow this act by making sure my products are handling in a healthy and safe way e. g. making sure I deliver good quality products, making sure they are not expired or out of date, making sure the food is handle hygienically e. g. clean hands etc.

Also as a business owner I need to comply with this act by making sure the prices on the business website are correct, if customers are not satisfied with the product I need to ensure that the consumer gets money back for the product. The main reason why I need to comply with this law and make sure that my products are safe is because the act states that seller of a defective product responsible for damage it causes. Health and safety- The main purpose of the Health & Safety at Work Act 1974 is to secure the health and safety of everyone at work, whether employed or self-employed.

The Act requires employers to regularly review equipment, premises and systems of work to identify hazards and reduce the risks to clients, employees and the self-employed. As an employee I need to make sure my day to day business comply with this act, it is an employer's duty to protect the health and safety and welfare of their employees and other people who might be affected by their business. Employers must do whatever is reasonably practicable to achieve this. As an employer I have duties under health and safety law to assess risks in the workplace.

Risk assessments should be carried out that address all risks that might cause harm in your workplace. Also I have to consult employees on health and safety issues. Other basic responsibilities that I need to comply with

include: * provide and maintain safety equipment and safe systems of work * ensure materials used are properly stored, handled, used and transported e. g. dairy food * provide information, training, instruction and supervision – ensure staff are aware of instructions provided by manufacturers and suppliers of equipment * provide a written safety policy/risk assessment look after the health and safety of others, for example the public * talk to safety representatives

Taxation- taxation law covers the rules, policies and laws that oversee the tax process, which involves charges on estates, transactions, property, income, licenses and more by the government. Taxation also includes duties on imports from foreign countries and all compulsory levies imposed by the government upon individuals for benefit of the state.

The intricate body of tax law covers payment of taxes to a minimum of four levels of government, either directly or indirectly. Indirect taxes are assessed against products and services that are meant to be consumed, but are paid to an intermediary. For example, when you buy coffee at a local corner store, the retailer charges you tax on your coffee, which he/she subsequently pays to the government. Direct taxes are those you pay directly to the government and are imposed against things like land or real property, personal property, and income.

Local licenses and regulations As an owner of a food business I need to ensure that my businesses have the appropriate local licenses to operate. Without a license as a business owner I will be conducting business illegally. Food safety is highly regulated in the UK, with several pieces of legislation concerning food hygiene and safety. The Food Safety Act 1990 provides the

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framework for all food legislation in Great Britain and aims to ensure that all food that is sold to the public is safe to eat and correctly described on the label.

Other pieces of legislation include The Food Safety Act 1990, The Food Safety (Temperature Control) Regulations 1995, The Food Safety (General Food Hygiene) Regulations 1995, and The Food Labelling Regulations 1996.

From the perspective of the business, business licenses, permits and registrations are the documents that prove to its stakeholders that the business is allowed to operate in its jurisdiction, that its services and products are safe and sound, and that the business pays taxes to the proper authorities.

When starting my business, the law requires business owner to register their businesses with the local authority. This should be done at least 28 days prior to opening. There is no charge to register premises and registration does not need to be renewed periodically. The reason for registration is to provide the local authorities with information about the food premises in the area so that they can plan an inspection effectively after the inspection then your business is licenced. The implications for the business in legal aspect

Some of the implication of not following the Discrimination law includes three types of tangible consequences: fines, litigation costs and bad publicity.

Fines and penalties are imposed by federal or state agencies upon the investigation and discovery of discriminatory practices in the workplace. This can create a bad image for Free from Foods in the sense that nobody will

want to work for the business also the fine might affect the business financially because some of the fine range up to ? 20, 000.

Another critical legal aspect that employees should follow is the health and safety act, the law imposes a responsibility on the employer to ensure safety at work for all their employees. Employers have to take reasonable steps to ensure the health, safety and welfare of their employees at work. Failure to do so could result in a criminal prosecution in the Magistrates Court or a Crown Court. Failure to ensure safe working practises could also lead to an employee suing for personal injury or in some cases the employer being prosecuted for corporate manslaughter.

As well as this legal responsibility, the employer also has an implied responsibility to take reasonable steps as far as they are able to ensure the health and safety of their employees is not put at risk. So an employer might be found liable for his actions or failure to act even if these are not written in law. An employer should assess the level of risk as against the cost of eliminating that risk in deciding whether they have taken reasonable steps as far as they are able.

Implications of running a business without a licence would be a law suit, if you conduct business without a license, and a customer decides he is not pleased with the product or service offered him, he can sue in small claims court, using fraud as one reason for the lawsuit. The fact is, doing business without a license is a fraudulent act. If a plaintiff is successful in their lawsuit, and the business is found liable, the company is responsible for what the

plaintiff paid for the product or service and possibly for damages in regards to the fraudulent activity.

FINANCIAL ASPECTS As we saw earlier as a new business or in my case as a sole trader some of the challenges that comes with being a sole trader or starting up my own business will be finances, as a sole traders often it's difficult to raise finance to fund my own business. Sole traders' may also struggle with expansion in the future. Below are some of the financial aspect that might affect my business. Potential suppliers- for my organic food business I need to make sure before starting the business I have found the cheapest suppliers with the best delivery and product quality.

Some of the qualities that I will be looking for from the suppliers would be:

Timely delivery: A good supplier is someone who keeps up to timely delivery of goods and supplies. Delayed supplies leads to business losses to the immediate customer and in turn delayed delivery to the end customer. This also opens up avenues for other secondary systems like buffer inventories to keep the chain going in addition to increasing overall costs, Reasonable price: Business owners and suppliers add the cost of purchasing materials for a product into its retail price making it costlier.

A reduction in this cost will lead to a reduction in the cost of the product as well. Finding a supplier with quality products, timely delivery and reasonable price would be really important for my business because I would be able to save money, which I important for a new business because you can use the money for other important ventures e. g. expansion. Sources of finance that will be available to you- there are different sources of finance when it comes

to opening a business e. g. own savings, bank, loans, family and friends, government grants etc.

When starting my own business I would use my own finances (savings), however if this is not enough to fund my business then I would look for other options e. g. grants, these is a good option for a businesses looking for financial assistance for specific projects. Typically, funding comes from EC and UK government sources, including local authorities, charitable trusts and corporate sponsors. Labour costs- labour cost is the cost of wages paid to workers during an accounting period on daily, weekly, monthly, or job basis, plus payroll and related taxes and benefits (if any).

As a sole trader I will need help in delivering food from door to door but at the same time I need to keep my labour cost expenses to the minimum reason for this is to ensure that my business will survive and make a profit instead of a loss. To do this at first I will employ a few employees and also ask my friends and family to assist me. By doing this I could reduce or save the cost of wages and salaries and use the money for other important issues in the business.

Personal survival budget-when starting up my business I need to make sure that I have a personal survival budget , this is an estimate of costs, revenues, and resources over a specified period for a specific individual that is used to properly plan for known current and future financial items whilst running a business. A personal survival budget shows your true financial position. This means I have to plan ahead before starting my business, the

cash flow forecast will help me know whether the business can generate enough income in order to survive.

Cost of premises plan- when it comes to a business premises this one of the important part of marketing, as a business owner you need to make sure that the location of the businesses premises is in an accessible area to the buyers. For my business I will not be worrying about the appearance as and accessibility of the customer as much because I will be renting storage whereby I will be storing my products then delivering them to the customer since it is an online business. However I need to look for a cheap and spacious hall where my freezers and food storages can fit and also I can afford the rent.

Cost of equipment and supplies- business equipment's are also known as assets examples include computers, chairs, cars etc. As a business owner before starting up a business I need to identify what type of equipment I need in order for my business to run smoothly. All this equipment has to be decided up when putting together a cash-flow forecast; this will show me how much the equipment will cost and if I can afford them. Some of the equipment that I will be using for my business will include climate control freezers, a van to deliver the products to the customers, a computer, a printer, chairs, tables etc. If this are important equipment that need to be purchased before opening the business therefore it is important that I estimate the cost to by all the necessary equipment for the business to run smoothly. Profit and Loss account- Profit and loss account is a financial statement that summarizes the revenues, costs and expenses incurred during a specific period of time – usually a fiscal quarter or year. These

records provide information that shows the ability of a company to generate profit by increasing revenue and reducing costs. As a business owner I would create or prepare a profit and loss account this would include gross profit and also all expenses. The main advantage of preparing a profit and loss account is that it will help me track the performance of my business. The “bottom line” of the business is one of the best indicators of overall business health e. g. a business that is showing a profit at the end of the accounting period is doing something right because its expenses are less than the revenue it produces. Without a clearly written profit and loss statement, a manager like me may surmise that the business is profitable, but I never really know for sure.

Another advantage of a profit and loss statement is that the performance of a business can be compared to other accounting periods to track improvement in the business. So in conclusion I have to prepare this financial document in order to track the performance of my business whether I am making a profit or a loss. Balance Sheet- A balance sheet is a financial statement that lists the assets, liabilities and equity of a company at a specific point in time and is used to calculate the net worth of a business.

A basic tenet of double-entry book-keeping is that total assets (what a business owns) must equal liabilities plus equity (how the assets are financed). In other words, the balance sheet must balance. Subtracting liabilities from assets shows the net worth of the business. A basic tenet of double-entry bookkeeping is that total assets (what a business owns) must equal liabilities plus equity (how the assets are financed). In other words, the

balance sheet must balance. As a business owner I need to make sure that I prepare the balance sheet and make sure it balances.

The importance of a balance sheet to a business like mine is that it gives potential lenders and investors the information they need to make informed decisions about lending you money or other resources. It shows your business assets, liabilities and net worth, and when compared to earlier versions, your current balance sheet even reflects your company's ability to collect and pay debts over time. Cash flow- A cash flow forecast indicates the likely future movement of cash in and out of the business.

It's an estimate of the amount of money you expect to flow in (receipts) and out (payments) of your business and includes all your projected income and expenses. A forecast usually covers the next 12 months; however it can also cover a short-term period such as a week or month. Below is a picture of my businesses cash flow forecast, the reason why I prepared this financial record is so that it will help me predict upcoming cash surpluses or shortages and help you to make the right decisions. It helps in tax preparation, planning new equipment purchases or identifying if you need to secure a small business loan.

By including every case scenario in my cash flow forecast I saw how my business will cope if hits tough times or does better than expected. Prior warning allows you to work out solutions to anticipated temporary cash shortfalls or arrange short-term investments for temporary cash flow surpluses. The implications for the business in financial aspect The implications for having potential suppliers could be that if I have to pay them

a lot of money then I would spend a lot of money for supply and that would have implications when starting up my business.

On the other side, if the quality of the products is not good then it will have negative implications as business has to sell good quality food to have more customers. Labour cost can be an implication when starting new business as a sole trader, however for my business I decided to lower the cost of labour cost by asking friend and family to help me out at first but the downside of asking friend and family is that they cannot always be available sometime that why I will need to employ permanent worker who are experience in organic food.

This means I will have to spend more on wages, so it will have implications on the business, if they spend too much money in the beginning if it is not necessary. The implications of premises cost and equipment's can also have implications when starting up a business, the reason is because when renting a place you have to pay for the rent, deposit etc. this means I will need a lot of money for a suitable premises when opening the business.

Equipment like chairs, freezers will also be essential for my business, spending too much money can have implications on the business as it might be too many expenses at the beginning however I can minimize the cost by buying second hand goods. Financial records are a critical part of the business the implications on financial records is if information is not produced or recorded properly in the cash flow, balance sheet or profit and loss account then it will have implications on the business because, the information will not be correct.

Then impacts will be that I may not be able to track the performance of my business if the profit and loss is not correct, also if the cash flow forecast is not correct I may not be able to predict upcoming cash surpluses or shortages and help you to make the right decisions. And also another implication is if the balance sheet is not correct it might not give potential lenders and investors the information they need to make informed decisions about lending you money or other resources.