"Summarise the various types of business organisations. Explain the differences between a partnership and a limited company, outlining the advantages and disadvantages of the partnership and limited company as a form of business organisation, particularly in the context of business insolvency."

Business organisations satisfy needs by providing people with goods and services. All organisations will:

1. Try to achieve these objectives
2. Use resources
3. Need to be directed
4. Have to be accountable
5. Have to meet legal requirements
6. Have a formal structure

Private sector business organisations include all those businesses that are set up by individuals or groups of individuals with the aim of making a profit. They vary according to the legal form they take and their ownership.

Unincorporated businesses
These are businesses where there is no legal difference between the owners and the business. Everything is carried out in the name of the owner/owners. These firms tend to be small, owned either by one person or a few partners.

Incorporated businesses
An incorporated body is one that has a separate legal identity from its owners. In other words, the business can be sued, be taken over and be liquidated.

Types of Business Organisations

- The Sole Trader

This is the simplest and most common form of ownership. It is owned by one person, although it may employ any number of people. Sole traders supply a wide range of goods and services. Establishing as a sole trader is very straightforward. There are no legal formalities involved with its foundation, however, once established, sole traders do have various legal responsibilities.

1. Once turnover reaches a certain level, the sole trader must register a VAT.
2. They must also pay income tax and National Insurance contributions.
3. Some business activities will need a license, i.e., taxi service.
4. Sometimes planning permission is required for certain business activity
5. The sole trader must comply with legislation aimed at business practice, e.g., Health and Safety.

- Partnerships

A partnership can be defined by "the relation which subsists between persons carrying on business with common view to profit." Under the Partnership Act 1890, partners may draw up a *Deed of Partnership*, a legal document which states partners' rights in event of there being a conflict or dispute in the organisation. The document covers such issues as:

1. How much capital each partner will contribute to the business.
2. How profits will be shared amongst the partners.
3. The procedure for ending the partnership.
4. How much control each partner has.
5. Rules and regulations for taking new partners into the business.

A limited partnership is a common form of partnership. This is where some partners provide capital for the business, but take no part in its management. This type of partner is more commonly known as a "sleeping partner."

- Companies

There are many types of limited companies in the U.K. a feature is that they all have limited liability. This means that if a limited company has debts, the owners can only use the money they have invested in the firm, to pay these debts. The capital of a limited company is divided into shares. Each member or shareholder owns a number of these shares. They are joint members of the company and have voting power on different commercial decisions and also share the profit of the organisation amongst themselves. Directors who are appointed by shareholders run limited companies. A chairperson heads the board of directors. Directors can be voted in and out at an Annual General Meeting, so it is the responsibility of the shareholders to make sure that their choice of directors are suitable candidates.

Private limited companies

Private limited companies are one type of limited company. They tend to be a smaller type and their business name ends with limited or the abbreviation Ltd. Shares can only be transferred privately and all shareholders must be in agreement of the transfer. Two is the minimum number of shareholders in a limited company and there is no maximum number.

Public Limited Companies

The second type of limited company tends to be larger and is known as a Public Limited Company. This company name ends with the abbreviation Plc. There are around 500,000 limited companies in the U.K but only 3% of them are Public Limited Companies. To become a Public Limited Company, a Memorandum of Association, Articles of Association, and a *Statutory Declaration* must be provided. This is a document that states that the requirements of all the company acts have been met. When the company has been issued with a Certificate of Incorporation, it is common to publish a *Prospectus*. This is a document that advertises the company to potential investors and invites them to buy shares before flotation.

Going public is expensive due to a number of outlined reasons below:

1. Lawyers are required to ensure that the prospectus is “legally correct.”
2. Large numbers of “glossy” publications have to be made available.
3. The company may use a financial institution to process share applications.
4. A fee is paid to an under writer who must buy any unsold shares.
5. The company will obviously have a lot of advertising and administrative expenses.
6. The company must also have a minimum of £50,000 share capital.

Having summarised the different types of business organisations and differentiated between partnerships and limited companies, one will now proceed to outline both the advantages and disadvantages of the different types of business organisation.