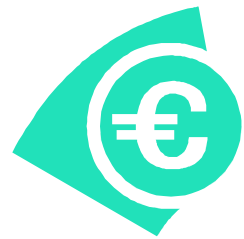
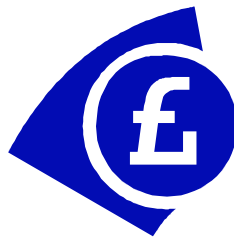


GCSE BUSINESS STUDIES (B)

ASSIGNMENT
TO INVESTIGATE TWO TYPES OF
BUSINESS ORGANISATIONS



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Assignment to investigate two types of business organisations

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Introduction:

In this assignment I shall be discussing my views on two different types of businesses. The businesses that will be discussed are a sole trader and a partnership. I have chosen two separate businesses, which are both located outside the borough of Enfield. The first is a Sole Trader, 'Mario's Barbers'. The owner of the business is Mario Poliviou he is the employer of my brother-in-law Vas Demetri, so when I asked Vas about what kind of business I should report about he simply replied, "why not a barber". Mario was very helpful considering his shop is located in the heart of Watford. I spent about 15 minutes talking to Mario where he provided me with some valuable information.

For the partnership I decided to question my dad's bosses because they are close to the family. My dad, George Matheou, took me to his workplace a week ago. I had to take my Saturday off to travel up to the "West Point Hotel" which is located in the West End near Hyde Park and Madame Tussauds. The hotel is still being built up as we speak. It's already the size of a two ordinary hotels, but Sanjeev and Tajil Richardson (George's bosses) have bought out the building next door to transform it to apartments, I think they are established businessmen. They have their own web page, <http://www.westpointhotel.com/>, which comes in help for tourists who would prefer to book via the internet. I have displayed some of the information from the web page here:

- How to contact the hotel:

**150-174 Essex Gardens, London, W2 3EP
Telephone: 020 7222 0222 Fax: 020 7222 0222**

- The location of the hotel:



This is just a little of the information found on the web site. It also contains various information about the area.

Sole Trader

A sole trader is a business that is owned and controlled by one person, as the business is more commonly known as, a 'one man business'. The business is either owned by private individuals for example friends and family, this is called the private sector, or by the public for example the government, this is called the public sector.

As there are a just as many women as there are men, a sole trader should not be called a one man business but a one person business because whether you're a male or female and you're a sole trader you are both:

- The single owner of the business.
- The person who makes all the decision.
- The person who is responsible if anything should go wrong.

Many people are opting to set up businesses in the private sector such as sole traders, partnerships, franchises (the right to trade under an established name) and limited companies (you only lose what you put in). The most common business in the private sector is starting up a one man business (a sole trader or sole proprietor). This is because they are the easiest type of business to set up. Four out of ten businesses that registered for Value Added Tax (VAT) are sole traders; this shows the vast amount of businesses setting up as sole traders.

Unfortunately many sole traders will not reach Vat threshold, which makes even more businesses are sole traders. There are many jobs a sole trader can be involved in, some of which are in the trade, like plumbers, electricians, builders, locksmiths and door to door repairs man. Others are local shops for local people like a bakers, butchers, news agents and off licenses, and of course the ever growing group of service providers like barbers, hairdressers and driving instructors, in my opinion before we know it, the streets are going to be bombarded with service providers because these sorts of businesses, and the others I mentioned, are so easy and convenient to set up.

To set up as a sole trader you need to have a few things first, you need to have:

- A licence/permission to trade in the chosen area
- Registered for the payment of VAT
- Knowledge of health and safety laws and a willingness to make sure that the rules are kept.

The main aim of a sole trader is not the same as many other businesses. Where many businesses try to make profit, a sole trader tries to survive in the business world, they must also keep their trade alive to keep their inflow of income. A sole trader keeps all the profits he/she makes. They also have to pay income tax on the profits that the business is making. The owner has to pay Vat if turnover is large enough and they reach the vat threshold.

The owner for the business is completely responsible for all debts of the business up to the limits of his or her personal wealth. The responsibility for debts is called liability; in this case liability is unlimited. This means that the owner can lose all their personal wealth and possession in order to pay off debts of their business.

The advantages of being a sole trader are that the owner:

- Makes all decisions.
- Keeps all profits.
- Has total control of the business.
- Can start with a little amount of capital (money).
- Can keep a simple management structure.
- Can keep the business flexible.
- Can keep business affairs private.

Partnerships

One of the biggest drawbacks of being sole trader is the pressure of having to take all the decisions yourself. Also, there is the difficulty of taking any holidays or time off. As well as this, you may need skills for your business but you can't provide them. A solution to the problem is to take on a partner so that decisions can be shared. This means workload can be spread out and the risks of the business are shared.

In many cases, it is friend or family of the owner or an employee that will be taken on board as a partner.

A partnership is a agreement between two or more people to take joint responsibility for the running of a business, to share in the profits and the risks.

In other words, a partnership means:

- Shared ownership.
- Shared decision making.
- A shared workload.
- Shared profit.
- Shared liability for debts.

A partnership is almost as easy to set up as a sole trader. If no formal agreement is drawn up, then the rules of the partnership are as laid down in the 1980 Partnership Act. It is however, wise for the partners to draw up a special document, the deed of partnership Agreement, which outlines in detail:

- How profits and losses are to be shared, if not equally.
- How much money each partner is expected to put into the business.
- How much money and what share of the profit each partner will be allowed to take out of the business.
- The working arrangements of the partnership e.g. who does what in the business.

- Arrangements for removing a partner or adding a partner to a business.
- Arrangements for ending the partnership and the distribution of assets once the partnership is dissolved.

The main aims of the business are likely to be similar to those of the sole proprietor. Profits, survival and stability top the list of aims in this case, or if the company wish to grow, expansion may also be one.

A partnership is easier to expand than a sole trader because of the involvement of more than one person, meaning more than one source of personal finance.

The business is owned by the partners equally (unless this is stated otherwise), there has to be a minimum of two partners and, in most cases, a maximum of twenty. Some of the advantages and disadvantages of partnerships are magnified by there being a large number of partners.

The partners share the control of the business equally unless the partnership agreement states otherwise. There is a certain amount of delegation in many partnerships, meaning that particular partners are responsible for particular jobs.

According to the 1980 Partnership Act profits are to be shared equally, but a partnership is able to vary this. Partners are classed as self employed the same with sole traders. Thus they must pay national insurance contributions at the self employed rate, income tax on the profits of the business and VAT, if turnover is high enough.

The partners have unlimited liability. Each partner is responsible for the entire debts of the partnership, whether they have caused the debt themselves or not.

Sources to finance a business are similar to a sole trader, from their friends and family, bank loans and overdrafts and government grants where available.

The advantages of a partnership are:

- The partnership is easy to set up.
- The business can gain help from an experienced or qualified partner.

- The partners bring extra capital and expertise.
- The responsibility of running the firm is shared; this makes the running of the business less stressful.
- The finances are kept private (excluding information for tax purposes).
- Division of labour means partners can specialise in what they're best at.

The disadvantages of a partnership are:

- The partnership has unlimited liability.
- The partnership has a lack of continuity, e.g. if a partner dies then the partnership is automatically dissolved.
- Partners can take decisions without consulting the other partners.
- Even with the extra source of finance, there is still a lack of capital.
- Disagreements between the partners.

Questionnaires

Sole Trader: (Mario)

1. When was the business formed?

"The business was formed 3 years ago when I had just quit my old barber's job, so I decided to set up my own shop."

2. Why was the business formed?

"The business was formed because I was bored working in somebody else's shadow, so I got a loan from my bank and set up my own shop, I paid the loan back in the first year which, to me, was a good sign."

3. Who actually formed the business?

"Well I can't claim all the credit myself; my fiancé at the time helped me through it mentally and physically. I think it would have been hell if not for her

4. How was the capital raised to start the business?

"Capital"

(After explanation of capital)

"Oh money, well as I said before I got a loan from the bank, but my family also pitched in here and there."

5. How are decisions made?

"Well first of all I ask the staff working here, and if the majority would agree with it I proceed with it. For the minority who don't approve of it, myself and the employee come to a personal agreement."

6. How are the profits/losses shared?

"I give out part of the profits as wages to the employees and I keep the rest. Well as for losses, unfortunately that all comes out of my back pocket!"

7. Where do you see yourself in 10 years time?

"Hopefully the owner of a chain of barbers!"

8. What are the barriers likely to be?

"The main barrier will probably be how successful my current business is in a few years time."

Partnership: (Sanjeev & Tajil)

1. When was the business formed?
"10 years ago"

2. Why was the business formed?
"To see if we could achieve something nobody else in our family has"

3. Who actually formed the business?
"Myself and Sanjeev set it up by ourselves"

4. How was the capital raised to start the business?
"We acquired a loan from the bank; we then extended the mortgages on both our houses to come with extra finance."

5. How are decisions made?
"We always check with each other before anything is done in the hotel or the apartments."

6. How are the profits/losses shared?
"The profits go to staff, developments towards the apartments and of course ourselves."

7. Where do you see yourself in 10 years time?
"Maybe we will buy all of Sussex Gardens (short laugh), no seriously probably in the same place only earning more money from the apartments."

8. What are the barriers likely to be?

"Well hopefully the staff will continue to be as great as they are now and everything runs smoothly so we don't have any barriers to worry about."

Conclusion

I have concluded that both businesses have chosen the right kind of businesses because it's obvious they both know what there doing. I hope that West Point Hotel get there apartment finished soon so we can see if the capital will rise as predicted.

In my opinion, although Sole Traders are convenient to set up, I would go for forming a partnership simply because of the Deed of Partnership. I think this was a great idea because it's a way of saying that you as an individual have rules and boundaries and most importantly you shall stick to them. A sole trader should also have a kind of deed with himself! That's right himself so he/she can see it on there wall encouraging the person to work harder, and the witnesses should be the public so they can see if he/she is sticking to it.

Code breakers!

Sole proprietor: a one person business, the same as a sole trader or sole owner

Unlimited liability: responsibility for the debts of the business extends to a person's personal wealth.

Specialisation: concentrating on a particular task or job, being expert at it.

Division of labour: splitting up the labour force into different specialisms so that each carries out his or her own specialism with greater efficiency.

VAT threshold: the level of turnover at which the firm has to start paying value added tax.

Delegation: giving jobs to other people, in a partnership this means that people use their skills where they will have the most effect.

Deed of Partnership: a legal document that outlines how responsibilities, profits and workload are to be shared.

Lack of continuity: because the partners make up the partnership, if one of them leaves, then the partnership is dissolved. The Partnership cannot be passed on or sold.

Bibliography

Information for this assignment was taken from:

- 'AQA GCSE BUSINESS STUDIES B', written by Neil Denby & Peter Thomas.
- Mario Poliviou, owner of MARIOS BARBERS.
- Sanjeev and Tajil Richardson owners of the WEST POINT HOTEL
- <http://www.westpointhotel.com/>

