

## **BUSINESS COURSEWORK**

### **Introduction**

My assignment will be based on two businesses, a sole trader and a public limited company. The sole trader I am going to be investigating is Errol Anderson who owns a business repairing and servicing cars. The business is named as 'Errol Anderson Motors'. The public limited company is called as J - Sainsbury, which is a well-established company with a lot of shareholders and quite high of a share price.

### **Sole Trader**

#### *What is a sole trader?*

A sole trader is someone who has set up in business. The sole trader owns, controls his/her business. It is also quite straightforward is set up. Errol Anderson is a sole trader, he is self-employed because he owns, runs and controls a small local garage. Sometime ago this garage used to belong to Mr. Turner and Errol used to work here. Mr. Turner taught Errol everything he needs to know about owning a garage and he trusted Errol. In 1998, Mr. Turner told Errol that he had to leave to Scotland and he couldn't run the business any more. Mr. Turner retired and Errol bought the business of Mr. Turner.

#### *Capital*

In order to purchase the business he required capital (money). Therefore Errol got money from some places and people. He spoke to his family and they were willing to lend him some money. Mr. Turner was willing to sell Errol all the tools and equipment in the garage at a reasonable price and Mr. Turner agreed that Errol could pay the money over a period of 2 years. The local bank agreed to lend him a small loan and he obtained a loan from the Princes Trust. Errol's main costs would be the rent for the garage, water rates and electricity for power and heating and supplies for the repairs and servicing.

#### *Unlimited liability*

There are a lot of responsibilities if you are a sole trader; you are responsible for all your business liability (debts), is known as unlimited liability. So if you get into a loss and you can't pay your debt the bank will take Errol's personal belongings e.g. cars, houses etc. This means Errol got to pay up his debt, which he took from the bank, and need to work hard to achieve this.

### **Public Limited Company**

#### *The owners of the PLC Sainsbury*

Shareholders are the people who own the limited company and they appoint directors to control the management of the company and to make a future for the PLC Sainsbury. These directors are chosen in an annual meeting which last took place on the 12 of July 2004. Philip Hampton is the chairman of Sainsbury. In the PLC Sainsbury, the shareholders can only speak their thoughts and they get to vote at the annual meetings that is held once a year and it is mainly the directors who have power over the company.

### Limited liability

Sainsbury's shareholders have a limited liability so they are not personally liable for Sainsbury's debts. The only money they can lose is the money invested in purchasing shares in that company.

### Profits

The portion of a PLC profits is reinvested in the business and a portion of a company's net income paid shareholders as a return on their investment in the company. A shareholder's dividend yield is determined by dividing the company's annual dividend of its current share price. Dividends are declared or suspended at the discretion of the company's board of directors.

## **Differences between a sole trader and a Public Limited Company (PLC)**

	<b>Sole Trader</b>	<b>PLC Sainsbury</b>
<b>Owners</b>	Errol	Shareholders
<b>Liability</b>	Unlimited	Limited
<b>Losses</b>	Full Responsibility	Money Invested
<b>Decision Making</b>	Errol	Board Of Directors

### **Owners**

The owners of my PLC Sainsbury are the shareholders, my sole trader, Errol Anderson is not owned by a group of people or by a single person.

### **Liability**

Sainsbury have limited liability. The shareholders are not financially responsible for any debts Sainsbury can get into; they only lose the amount of the money invested by themselves and the shareholders. However Errol Anderson has unlimited liability and therefore has to take full responsibility this means if Errol goes in loss and can not pay his debts, his personal belongings can be taken as the money you own them.

### **Losses**

As shareholders own Sainsbury, the only money they can lose is the money invested in buying the shares. This is because of the limited liability. On the

other hand sole trade, Errol is fully responsible for his debts and payment if he gets into a loss and cant pay his debts, the bank will take personal belongings.

**Decision Making**

In my PLC, the board of directors make Sainsbury’s decision-making. The board of directors are chosen by the shareholders during the annul meeting . My sole trader, Errol Anderson is the decision maker of his small business. He has total control over business, including ownership and responsible for all profits and losses.

**Business Changes**

A sole trader can make a lot of changes in order to make their business more successful and easier to control.

**Business Ownership**

My sole trader can change from a sole trader to partnership. A partnership involves two or more co-owners participation together in a business. A partner may be an individual or a company and each partner shares in the responsibility, capital and profits of the business. It is a good idea to sign a deed of partnership. If it works out Errol’s business would be more might successful and he can invest in making is more changes to m ake his business much more bigger and successful.

<b>Advantages</b>	<b>Disadvantages</b>
Inexpensive to establish and operate.	Each partner is fully liable for the full debts of the partnership.
Ability to split income on level ownership.	There is limited flexibility in distributing profits from properly.
Responsibility for the operation of the business is shared.	
Ability to raise finance for the business is easier.	
Capital losses may be offset by other non-business capital gains derived by the other individual owners.	