

SECTION A) DESCRIBE THE MAIN FEATURES OF YOUR SOLE TRADER AS A FORM OF OWNERSHIP.

A sole trader is someone who owns, runs, controls and has set up his / her own business. This means that one person is his / her own boss and is responsible for the running of the business by themselves. They keep all the profit. For Example Errol the Mechanic, he is the owner of his sole trader. However a person running the business, by him or herself, is responsible for everything, i.e. accounts, ordering stock, retail and etc.

The owner of a sole trader is the person who set up the business. By this I mean that they run and control the business by themselves. For Example Errol the Mechanic, he bought his Mechanical Garage from Mr Turner, so now he is the owner and the manager. However you will get a lot of work, so you might consider hiring an extra employee to help lower the workload.

For every business, money is needed to set it up. This money that you need is called 'Capital'. Capital could come from your own pocket or a loan. For Example Errol the Mechanic, got his Capital from a loan from his family, a loan from the Bank and the Prince's trust. However the bigger the business you aim to set up, the larger the Capital that is needed.

Unlimited Liability is when; if you come into bankruptcy you will have to pay your Capital (sell your business) and sell some of your belongings e.g. Car and House, to come out of debt. By this I mean that if my Capital was £10,000 and I was in debt of £15,000, I would have to pay my Capital (sell my business) and then my car to come out of debt. For Example Errol the Mechanic, if the Bank wanted their loan that he took from them back, and he could not afford it, he would have to sell his business and then maybe some of his belongings. However you can avoid this, selling your house or car, by registering them on someone else's name e.g. your husband / wife, so all you own is the business.

The owner of the sole trader keeps all the profit from the business. By this I mean that if my income is £10,000 per week and I spend £7,000 for the business, then I am left with a profit of £3,000, which is all for me. For Example Errol the Mechanic, he is the owner of his sole trader, so he keeps all the profit, apart from the wages of his employees. However if the business is not open for a number of days then no income is made and profit goes down.

The owner of the sole trader makes all the decisions of the business. By this I mean the owner of the sole trader could do what he / she likes when he / she likes. For Example Errol the Mechanic, he makes all the decisions in his business. However if you have employees and you make a decision that they do not like then they could quit, and you will be back with a workload.