

# The ownership of business

## Private Business

### **Sole Trader**

This is a person who decides to set up the business on her/his behalf. There might be other people who work for the owner but the business is to be quite small, if, quite possibly, very profitable. An example is a Chinese Takeaway or a Fish and chip shop.

### **Partnership**

From 2 -20 people who get together to run a business. They will probably employ other people to work for them. But ownership belongs to the partners. A firm of solicitors, architects or doctors is a good example.

### **Private Limited Company ( PLC )**

These companies may start as family running affairs and develop. The reference to 'limited' means the extent to which owners are liable for the financial affairs of the company if they owe money or cease trading and have to pay off debts. If 1000 shares are available for issue and Henry Smith has Three of them he is responsible for three thousandths, 0.3%, of the debts the company owes. As a sole trader it would have been 100% and as partner receives which makes the proportion of liability for debts.

### **Public Limited companies**

PLC or plc follows the trading name, as in Lloyds TSB plc. These tend to be large organizations which have shares in vast numbers. These shares have value which is quoted on the Stock Exchange.

### **Franchise**

These are businesses run using the trading name of a much larger company. For instance Body shop and Burger King

## Public enterprises

### **Central government enterprises**

The obvious example is the Health Service which is a responsibility of the Department of health and social Security. At one time there were dozens of examples, but these have dwindled substantially since 1979.

### **Local government enterprises**

These are businesses owned by the local council or corporation. Some of them are heavily subsidized whilst others are designed to make a profit. An example is a sports center or a museum which charge fees for entry

### **Public corporations**

There are not many of these left although the post office is an example which so far retains this status. The corporations are run like a PLC but have no shareholders, the government being a principal recipient of the profit. In the case of the Post office the government sets the amount of profit it wishes to collect each year and this is built into the costs for delivering services. The profit runs into many £ millions. What is over, after the payment of the government's share, is used for development of new services (like setting up shops) or for computerizing things like the payment of pensions and benefits.

### **Organizations Which fit into either of these categories**

#### **Co-operatives**

Some of these exist for the benefit of the consumers whilst others (producer co-operatives) are for the benefit of the workers. The most famous of the latter was the triumph Motorcycle Co-operative which went on producing motorcycles which the original management could not afford to sell.

#### **Voluntary organizations including charities**

Regardless of how much money is acquired, once the costs have been paid off the remainder is devoted to good cause. Examples are numerous: Friends of the earth, RNIB, WWF, Oxfam.

#### **Mutual organization**

Much of the financial sector particularly the past devoted to life assurance and mortgages for buying houses was run by mutual organizations.

There were no shareholders but all the people who had policies with the organization were deemed to be members and thus had a word in the way in which the business was run. Many of these businesses have fallen foul of carpetbaggers who open accounts and then call for change of ownership.

The members often vote in favor as they may receive a short-term gain in exchange for giving up their membership rights. The **building societies** were the best example of mutuality. Members put money into the society and other people used it to buy their homes. The rate of interest paid by the buyer benefited the lenders.

#### **The sole trader**

Usually have to be 18 to start a business as a sole trader. This is because legally you may not enter into a contract before the age of 18 except for unimportant (!) ones like apprenticeships, employment and marriage. Even then there is often a written or tacit agreement by a guarantor (who is over 18) of their agreement to the marriage (a parent or guardian). Have a look at this case study