

Business Studies

Ownership

There are two types of ownership which a small business can be, sole trader or partnership.

Sole Trader

A business which is run by a sole trader is controlled by one person only. The main advantages of this are that the business is extremely to set up once you have thought of the idea. You can work the hours you wish, you make all the decisions as you are your own boss. Also you decide what happens to any profit. With the advantages come along the disadvantages for example you have to work long as you have no help. You have unlimited liability which means if the business becomes bankrupt you risk losing more than you invested in the business e.g. your house. You will have fewer ideas as there is only one person and also sole traders are unincorporated. It will be difficult to raise capital on your own, however you can get a loan from the bank, but you may have to pay back with interest.

Other Types Of Ownership

The other types of ownerships are partnership, limited liability companies and franchises.

Partnership

A partnership is an agreement between two or more people to take joint responsibility for the running of a business, to share in the profits and to share the risks. There will also be shared ownership, shared decision making, shared workload, shared profit and shared liability for debts.

A Limited Liability Company

The shares or stocks are held jointly by a number of people. A limited company is owned jointly by shareholders, has a separate legal identity and it has limited liability. Banks and building societies are more willing to lend them money as they have limited liability. The disadvantages of this type of ownership are that it is difficult to set up, there is a lot of paperwork and it is also expensive.

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Franchises

A franchise is when a business allows someone to sell its good or services using its trade marks, brand name, image and system of operation. A fee will be charged for this. They will demand a cut of your profit. The advantages of this sort of ownership are that there will be reduced outlay, reduced risks and they will have an established name, format and product. As a result you will straight away gain customer loyalty. Also they will offer training and assistance.

Which Type Of Ownership I Will Be

I have chosen to be a **sole-trader** because this way it will be extremely easy for me to set up my business. I will be my own boss. As a result I will work the hours I wish, make all the decisions and also decide what happens to the profit. However because my business is a large restaurant I will need help so I will employ around twenty staff.

I do not want to be part of a **partnership** as I want to avoid arguments within the business, especially if it is a new business. I will have to share the profits equally. Because it will be a large business I will need around twenty partners instead I can employ twenty workers. It will be cheaper for me to employ staff rather than to work with my partners and share the profits with them.

I cannot be a **limited liability company** because this is extremely difficult to set up when you have no business experience. Also it will be expensive to start up and then run. I do not want my business to be owned jointly by numerous shareholders. On top of these disadvantages there will also be a lot of paperwork to do.

I do not want to be a **franchise** because I would like to expand my own company. Whereas if I was a franchise I would be expanding another restaurant e.g Shere Khan.

What Are Aims and Objectives

Aims are what your business wants to achieve.

Objectives are the stated or attempted aims of a business. The most important objective is to make a profit in order to survive.

Why Are They Used

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Aims and objectives are used to motivate the business to be successful and so the business knows what it must achieve. If a business did not have aims and objectives it would not know whether it is succeeding or failing. There are several aims and objectives that a business must consider. They will be different depending on the size of the business.

Smart Objectives

Specific- Objectives should specify what they want to achieve.

Measurable- You should be able to measure whether you are meeting your objectives or not.

Achievable- Are the objectives you set, achievable and attainable?

Realistic- Can you realistically achieve the objectives with the resources you have?

Time- When do you want to achieve the set objectives?

Aims And Objectives of a small business

Usually the aims and objectives of a small business for the first few years will be: **Satisficing** (setting reachable targets and being satisfied when they are reached)

Survival (This is where businesses aim purely to survive, not losing money or even worse becoming bankrupt. Further targets such as expansion, can only be thought of once this survival point is reached.)

Independence and Flexibility (This means that the business may have flexibility in terms of hours worked, holidays taken or jobs tackled.)

Usually the aims and objectives of a larger business will be: **Customer Satisfaction** (This is when the business aims purely to satisfy the customers. A way in which they will do this is by collecting customers' views of the business. This can be achieved by asking them to complete satisfaction questionnaires. Then the business may improve on its weaknesses.)

Reputation (In order for a business to be successful to such an extent that customers recommend the business to others it must build its reputation. This will lead to **expansion**)

Repeat Trade (This is where the success of a business is measured by the number of times customers return)

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Business objectives fall into two categories those that can be measured and maximised and those that cannot. Targets that are difficult to measure include customer satisfaction, reliability and reputation. Measurable objectives include profit, efficiency, turnover, market share and returns on capital.

Which Ones I will Use and Why

My aims and objectives will change as I meet them. For the first year my target will be to survive (breakeven) and also create awareness of my business. I will hopefully achieve this by doing relevant research and using it to my advantage. Once this target is met I will aim to expand my business by satisfying customers. I will achieve this by offering excellent customer service example preparing food fast and always putting the customer first. In doing so hopefully the reputation of my business will increase. A very important aim of my business will be repeat trade. I will achieve this by being loyal to my customers and providing them with appetizing food. If they enjoy my food they will return again and again