

# TYPE OF OWNERSHIP

I am now going to describe the meaning of ownership and how this relates to Pizza Hut.

As you are aware there are various types of ownership within a business. The two main types are known as Private limited company's (Ltd), or Public limited company (PLCs). I will firstly focus on these two types of ownership and then explain the other types of ownerships used by businesses.

## PRIVATE LIMITED COMPANIES (Ltd)

A private limited company is a company, which may not offer its shares to the public. These companies tend to be smaller than public limited companies (PLC) although many have substantially more share capital than some of the smaller PLCs. Private limited companies are formed by many small to medium- sized businesses. Specific examples might be a local garage, or a farm. This is also the form of organisation used by most of the clubs in the football league. Private limited companies have limited liability.

## PUBLIC LIMITED COMPANIES (PLCs)

Public limited companies may offer their shares to the general public. This is usually through the Stock Exchange. It is the share prices of these companies that are displayed in the daily press. Most of the larger companies are public limited companies. They include household names such as Tesco, Marks & Spencer, the high street banks, as well as the recently privatised businesses such as British Airways.

Some companies start as private limited companies and become PLCs to raise money fro expansion. A minimum of £50,000 in share capital is required before a company can go public, though most have considerably more than this.

The advantages of forming a limited company are:

- Shareholders have limited liability
- The sale of shares enables larger sums of money to be raised
- While the company has this money permanently, the individual owners can recoup their money by selling their shares to the others
- Directors may be brought in as experts in certain fields

The disadvantages are:

- There are a number of legal requirements to fulfil in setting up a company
- Regulations mean that a company is more expensive to set up than a sole trader or partnership, although the cost may be as little as £100, and some already registered companies can be bought off the peg

- The accounting of a company is less private than for other forms of organisation. Companies are governed by the Companies Acts which state that financial records must be audited and made available to the Registrar of Companies

There are actually five different ways in which a business can be owned. I have already mentioned two of these types and will now briefly give details on some of the others, which Pizza Hut may have used.

### SOLE TRADER

This is when the owner/ entrepreneur has to carry out all of the functions of the business.

If the sole trader employs other people (usually family or friends) the structure is likely to be a simple hierarchy with the sole trader being responsible for them. The successful culture in this situation is likely to be informal. To grow, the business will need extra capital. It could borrow funds or take on partners or private shareholders and set up a private limited company.

If the business owed money the sole trader would be fully responsible for paying the debts.

### PARTNERSHIPS

More partnerships are likely to have a flat structure. The term for this is when two or more people share responsibility for managing the business and sharing the profits. Partners are taken on to allow the business to grow and inject extra capital and are likely to specialise by function (finance, marketing, etc). If the business fails all the partners are liable for the debts.