

# Type of Business Ownership

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## Types of ownership

**Sole proprietor**- A sole proprietor is a single person owning a business. Sole trader have unlimited liability (all debts paid by the owner, personal possessions may be taken).

**Partnership**- 2 – 20 partners own, control and finance the business. They have unlimited liability. In a partnership the partners need to draw up a 'Deed of Partnership' to verify their company and to describe each partner's role in the business.

**Private Limited Company (Ltd)**- A Company owned by shareholders. A limited number of shares are issued (99); these are owned by family and friends of the business. The business has limited liability (the only money lost is the money already invested in the company such as the shares, set up cost and others. Personal belongings are safe). A lot of small businesses are private.

**Public Limited Company (PLC)**- A Company owned by shareholders, unlimited amount of shareholders. It must have £50,000 of capital, and may allow its shares to be bought by the general public via the stock market. The business has limited liability. Every PLC must send an annual return to Companies House at least once every 12 months.

**Franchise**- Franchising refers to the methods of practicing and using another person's philosophy of business. The franchisor grants the franchisee the right to distribute its products, techniques, and trademarks for a percentage of gross monthly sales and a royalty fee. An example of a franchise is McDonalds or Subway. The Franchisee doesn't have to pay for training, advertising and machinery.

## Influence in choice of ownership

There are many influences in the choice of which type of ownership. Money is the biggest influence because it controls the size, the stock and most things about your business. So depending on a high capital or a low capital, the type of ownership will be varied. Furthermore, there are other influences such as your aims. If your aim was £110,000 profit in 3 years then different ownerships will cater to that or if you wanted a large scale company. Moreover, your need for a partner or in you want to be the boss with some employees. Finally, your idea may change choice in ownership, for example a man has an idea for a product but he needs someone with expertise in finance to help the business along. So he forms a partnership with a friend in business

and it all works perfectly. Therefore, this man would form a partnership with his friend.

## My Choice of ownership

For my retail shop, I have decided to become a sole proprietor because it is easy to set up the shop i.e. cheap, quick and simple. When I make a decision, I do not have to discuss it with any partners. So therefore, I can quickly change and upgrade my business. Furthermore, I receive all the profits and there are some tax advantages. Finally, I have complete control of my own business and I choose working hours. On the other hand, there are some disadvantages such as, the main one, unlimited liability, meaning my possessions are at risk if the company has debts to resolve. Moreover, limited specialization affects the business and so does limited economic of scale. Finally, I will have to work very long hours to start the cash flow and if I'm ill there may be a lack of profit.

## Why I rejected the other types of ownership

I rejected the other types of ownership because of the cost. PLCs, Ltds and Franchises are expensive to set up, while becoming a sole trader is cheap and quick. Furthermore, I did not suit a franchise. The cost was very costly and royalty fees every year would cut down the profit. Franchisees also didn't have any choice in what they sell which is restricting creativity. Moreover, PLCs are good if you need a large capital but I don't so I drew the line at a public limited company. I thought about becoming a Ltd for the reason that it has unlimited liability and a separate legal name however a sole proprietor was more appealing because it is cheap and easy to set up. Finally, we have a partnership and the simple reason for not being a partnership is that I don't need a partner or want one.