

What is the sole trader? What are the advantages and disadvantages of being a sole trader?

A sole trader is a person, who runs his or her own business, he is self-employed therefore he has no boss he works over all the staff members in his business. Below are some advantages of being a sole trader.

The owner works for himself in the sense that he decides what to do and when to do it. He decides weather or not he keeps staff, if so he says how many and also to pay them. He is his own boss he decides what kind of business he wants, weather to buy a property or just rent one.

The owners business would have low start up costs in the sense that compared to a large multi -million pound company they would not have to pay a lot of money for the site, or have to employ many staff for each of their branches. While in the business of a sole trader he could rent a small site for about a few hundred a month and soon maybe buy it.

The owner does not have to plan the business for years and years, he could start it within months of seeing a site. The owner does not have to hire architects to design a building or have a builder build it and before any of this happens he does not have to ask permission from the council. Instead of paying millions to start up a business they have only to ask the council permission if they wish to make food on the premises and a few other things depending on the type of business.

The owner decides what to do with the profits in the sense that he decides weather to invest it if so by advertising the business on the media. (Newspapers, television, radio etc.) He may decide to buy more stock, and many more things.

The owner has full control of the business in the sense that he decides weather to employ or un-employ employees. He can decide when to open and close the business for the day, he can decide to keep a certain brand in stock or stop selling another brand.

Being a sole trader has its downsides too below are some disadvantages.

Being a sole trader you have unlimited liability in the sense that if your business was failing for a good seven months. And you do not have enough money to give your staff wages or pay for the bills and your creditors would like their money back, they can come to your place of residence and take anything and everything they want.

For a sole trader there are few sources of finance in the sense that the bank will not give you a large sum of money to start another branch because they need a guarantee or a guarantor. If you do not have either of them then you will find you have few sources of finance.

The owner is responsible for all aspects of the business in the sense that he has to work out the buying and selling, gross profit, net profit personal costs and much more by him or herself. They have no one to help him or her like in a partnership in which the responsibility is divided equally.

The owner has to make all decisions good or bad the owner has to make a choice. If there is a new product in the market and there is some demand for it then the owner has a choice, either to sell the product or lose valuable customers.

Being the sole trader may include working long hours and hard work in the sense that if many customers came both very early in the morning and late at night then you would have to be open the times. Also if the arrangement of the products at the front of the store blocks the ones at the back of the store then it will take hard work to get the perfect arrangement in which all the products are seen.