

You set up a Sandwich Shop on the High Street in Folkestone. What type of Business would you run, would you be a sole trader, a partner with another person or become a limited company?

A sole trader is when one person has the only share in the company. The best example of this is a window cleaner. But a sole trader doesn't mean that you can't employ people, you could have as many employees as you want it just means that you have the only share in the company.

A partnership is when you go into business with other people the minimum of people in a partnership set by the government is 2 and the maximum is 20. A partnership also doesn't limit you to the number of people you can employ. But the company will have unlimited liabilities this means that if your company goes under my investors can come after me for the money the company owes them. And you can lose everything if you go under

A limited company can be 1 person or numbers of people who have shares in the company but you have to be invited to become an owner in the company by buying shares. But to be a limited company you have to have a minimum of 2 directors. One should be a secretary and one should be a managing director.

For my sandwich shop I would chose a partnership because they are easy to set up, you don't need accountants or lawyers by law but it is advised too because the partner who is keeping the books could swindle the company out of money. A partnership has no external shareholders so the partners keep the profits which would be good for a sandwich company because a sandwich company would not make a lot of money so you don't have to keep paying out money to shareholders. I would have more capital input than a sole trader would. I would have more privacy than a limited company because you don't have to publish your accounts to the public (this will keep costs down). I would also have more expertise in the company because I have more knowledge between the partners; this also would be good for a sandwich shop because one person might specialise in marketing and the other in advertising.

Also in a partnership I could have silent partner, this is when a person pumps in capital to the business but does not take any control over the business, but they do take some of the profits from the business. In a partnership you are advised to set up a deed of partnership. This shows who the partners are (including the silent partners), How much capital each partner has put in, how the profits will be split. This can depend on how much work a partner puts in against another person. Say in my sandwich I put in 40 hrs a week and my partner only put in 20 hrs a week I might get double the pay he gets because I have worked more hours. Also the way the profits could be split on how much money each partner puts in. Say I worked more hours than my partner at the sandwich shop but my partner put in more money in but worked less hours the money could then still be split equally. Another benefit of being in a partnership is that if I got in to trouble with my finances me and my partner could split the costs between us two or the number of partners I have in my business. I could come into disagreement over how the profits will be split between me and my partner and who gets the most control over the sandwich shop.

I could also come to a disagreement over how many votes each partner has to make those vital decisions in the sandwich shop, like if I wanted to expand or bring in new products like ice creams.

Partnerships often a family business, but divorce or a falling out could lead to the company going bust.

Problems will be massive if you do not make a deed of partnership.

But if I were to open a sandwich shop and own it myself I would have the benefits of:

- Easy to set up - no forms only the tax return
- Easy to run - no accountants, so you keep your own books (keeps costs down).
- Control - you have no arguments about how the business is controlled and how the votes are going to be split.
 - and you have no shareholders meetings (less hassle).
- Profit all the money I make, I can take. This could motivate me more.
- Flexibility – I can work all the hours I want and have days off when I want.

There are also a number of disadvantages as well including:

- I have a lot of pressure on my back to make a success of the business from my investor's i.e. the bank
- No one to blame when it all goes wrong.
- Hard to get loans because you can't prove the business will be successful.
- It's very risky (make or break).
- All the costs lie on me.
- I have no reputation at the moment so I will have to advertise (costs).
- Staff may eventually want a cut in the business.
- I have unlimited liabilities, this means that my investors can come after me for the money that I owe them if I go bust. So this means I might have to sell my house, all of my possessions and I may lose my family.

If I was to become a limited company I can only see a one benefit in being a limited company but this one is very important.

- I have limited liabilities, this means that you investors can not go after me if my company goes bust, because in the eyes of the government my company and I are two different things.

If I wanted to become a limited company I would have to send off a memorandum of Association in this it states: The company name: G.W Sandwich's

My address:

Statements of that I want limited liabilities.

Who has put the money into the Sandwich shop (and how much).

And what the company does.

If I were to be successful in my application for limited liabilities, every year I would have to call an annual general meeting. And every year the people in business house

would ask my company to produce an Article of Association in this I would have to state. The voting rights in my company, how the profits will be split in my company, the duties of my directors and finally what is to be done after the Annual General Meeting (how the company is going to go forward).

It costs between £50- £150 to become a limited company.

Some disadvantages of being a limited company are that:

- All documentation must clearly state that you are a limited company (ltd).
- And annually you must send the people in business house your audited accounts. Audited means checked by an accountant. And when they go to this house any member of the public can request them.

Overall the one I chose in my opinion would suit me and my Sandwich shop the best.