

I am going to do some research into the types of ownership and the advantages and disadvantages to each.

Sole trader

The advantages of being a sole trader are:

- ❖ It's easy to set up
- ❖ Sole traders can make decisions quickly
- ❖ All the profit can be kept

The disadvantages to being a sole trader are:

- ❖ Sole traders have a unlimited liability which means they can lose their personal possessions to pay off any debts the business might have run up
- ❖ Sole traders do not have the advantages of economies of scale that a large business has
- ❖ Small businesses are seen as more of a risk by financial institutions, so it can sometimes be difficult to raise money to help start up a business or expand later on

Partnership

The advantages of being in a partnership are:

- ❖ It's easy to set up
- ❖ The capital to start up a partnership is usually small
- ❖ Partners can contribute a range of skills and experiences to the business , such as accounting skills, marketing skills

The disadvantages of being in a partnership are:

- ❖ The partners have unlimited liability for the debts of the business, unless they are limited partners
- ❖ Partners may have disagreements about the running of the business
- ❖ If the partner dies or become bankrupt the partnership must be dissolved

A private limited company

The advantages of a private limited company are:

- ❖ The owners of a private limited company have limited liability
- ❖ The company can raise extra capital by selling more shares in the company
- ❖ The shareholders can employ manager to run the business if they don't want to do it themselves.

The disadvantages of being a private limited company are:

- ❖ The accounts of the company cannot be kept private
- ❖ It is more difficult and more expensive to set up a limited company
- ❖ The limited company cannot sell there shares on the stock market

Public limited company

The advantages of a public limited company are:

- ❖ Share holders have limited liability
- ❖ Its easy to raise capital by issuing more shares
- ❖ Its much easy to raise capital as bank are more will to lend money to large more established companies as there is less risk

The disadvantages to a public limited company are:

- ❖ Setting up a public limited company can be expensive. There is a lot administrative work involved and act least £50,000 has to be raised before it can be set up
- ❖ Public limited companies have to issue a lot more information about itself which is very expensive to produce. It has to prepare an report as well as annual accounts and these have to be printed and sent to each shareholders. They also available to the general public and competitors to see

Specialization

Specialization is when companies divide there workers up and get each one to do a specific job this is called division of labour.

Workers can play to there strengths, skills get improved and workers will get very efficient at there job which improves firms production but it also has its problems some workers may have to specialise in more boring jobs which means workers may get bored of doing the same job every day which can lead to low job satisfaction, poor quality products, a problem with one group of workers may halt production in the hole business and workers can also become over-specialized which could make it difficult finding enough job if their skills are no longer needed, occupational immobility may result.

Economies of scale

An economy of scale is the reduction in average costs that comes from producing on a large scale.

Purchasing economies is when large firms buys in bulk so gets it cheaper then smaller companies.

Marketing economies is when a larger companies pay less per a unit on advertising its products because it want to advertise in a lot of the advertising company's products which means they will end up paying less than a smaller company would.

