Business Ownerships

Business ownerships can set up with dif ferent types, for example: Sole traders, Partnerships, Franchises, PLCs and Ltds.

Sole traders

A sole trader is a business that is owned and controlled by one person. The advantages of Sole tr aders are the wage bill will usually be low, because there a few or no employees. It is easier to keep overall control, because the owner has a hands-on approach to running the business and can make decisions without consulting anyone else. Generally, only a small amount of capital needs to be invested, which reduces the initial start -up cost. A sole trader is easier to run the business than other types of businesses. And a sole reader can set up in business immediately. The disadvantages of being a sole tr ader are illness, long hours and difficulty of raising capital. Illness means if I had a long illness, I might be forced to shut the business, my income and profits would the n stop. Many sole traders work very long hours to keep their business afloat which is very tiring. There is also the risk of unlimited liability, where the sole trader can be forces to sell personal assets to cover any business debts. Developing the business is also limited by the amount of capital personally available.

Partnerships

A partnership is when 2--20 people will run and control a business. They will share the responsibility and the profits of the business. The advantages of partnerships are a partnership over a sole trader is shared responsibility. This allows for specialisati on, where one partner's strengths can complement another's. It can be less stressful than a being a sole trader because of sharing the decisions and work load. And because this business has more people to run and set up than a sole trader, so it means more ideas and more capital can be put into the business. There is less pressure of time on individual partners. The disadvantages of partnerships are the distribution of profits can cause problems. The deed of partnership sets out who should get what, but if one partner feels another is not doing enough, there can be dissatisfaction. A partnership has unlimited liability. And some partnerships have sleeping partners, if a sleeping partner decides to leave the business, the business might have problems with capital.

Franchises

Franchise is a business using the name, image and products of a larger, successful organisation. The advantages of franchise are you can use a recognised brand name and trade marks. You benefit from any advertising or promotion by the owner of the franchise. Financing the business may be easier. Banks are sometimes more likely to lend money to buy a franchise with a good reputation. Risk is reduced and is shared by the franchisor. To be a franchisor, he/she has a regular income. To be a fr anchisee, he/she has low risk involved in franchising. The disadvantages of franchise are the franchise agreement usually includes restrictions on how you run the business. You might not be able to make changes to suit your local market. You may find it di fficult to sell your franchise, because you can only sell it to someone approved by the franchisor. Part of the profit from the operation goes to the franchisor. And franchises are expensive way of starting a business.

Private&Public Limited

PLCs are large businesses who can sell their shares on the London Stock Exchange to public. The advantag es of PLCs are a PLC is able to advertise the sale of shares and sell them to members of the general public though the stock exchange. Shareholders have limited liab ility. And it has cheaper borrowing and bulk purchasing. The disadvantages of PLCs are going public can be e xpensive. Risk of takeover by rival companies who have bought shares in the company. Some PLCs can grow so large that they may become difficult to m anage effectively. A Ltd is a business that is unable to float its shares on the stock exchange, however it may issue its shares to friends, family and employees. The advantages of an Ltd are that shares can be sold to the general public unlike a private limited company and can help to raise substantial amounts of capital easily and are able to advertise in newspapers and on television whereas private limited companies are unable to do this. Easy and inexpensive to set up. And Small and less bureaucratic t han PLCs. The disadvantages of Ltds are there is no benefit from economies of scale and if there is no share issue, they will lack capital.