

The Form of Business Organisation That I Will Set Up

There are five types of business organisations that I can choose from, to set up my new business. They are:

- Sole Trader
- Partnership
- Companies- Private Limited Company and Public Limited Company
- Co-operative
- Franchise

Sole Trader

A sole trader is when an organisation is owned and controlled by a single individual. A sole trader is sometimes referred as a sole proprietor. Sole traders are smallest forms of businesses. Here are some examples of sole trader businesses: plumbers, bakeries, hair dressers, and window cleaners. It is the most common type of ownership in the U.K. economy.

Advantages of becoming a sole trader include:

- Easy to set up and control
- Can keep all profits
- Tax advantages
- Labour relations
- Low start-up costs
- Flexibility
- Make own decisions
- Job satisfaction

Disadvantages of becoming a sole trader include:

- Unlimited liability
- Lack of capital
- Pressure of responsibility
- Long working hours
- Lack of continuity
- Limited specialisation
- Limited economies of scale
- Illness cause problems

Partnership

A partnership is when an organisation is owned and controlled between two and twenty partners. Partners are combined owners of an organisation, who has variety of skills and abilities, and are willing to offer a better range of services to the customers. Partnerships are smallest forms of businesses. Here are some examples of partnership businesses: accountants, solicitors, doctors, dentists, and estate agents. The partnership is usually found in professional services such as, doctors and solicitors. A small business such as, a corner shop is often operated by a husband-and-wife partnership.

There are two types of partnerships: active partners and sleeping partners. An active partner is someone who plays a part in the running of the organisation. Active partners

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are often known as un-limited partnership. A sleeping partner is someone who invests money but don't play any part in the running of the organisation. This means that an ordinary partnership has an unlimited liability. Sleeping partners are often known as limited partnership. Sleeping partners usually receives a small amount of share of the profit than active partners.

Advantages of becoming a partnership include:

- Easy to set up and control
- Problems can be shared and discussed
- Easy to raise money
- New skills and ideas can be developed
- There are few regulation that need to be followed under the Partnership Act 1890
- Partners can be specialised in their own particular area of knowledge

Disadvantages of becoming a partnership include:

- Unlimited liability
- Disagreement in decisions
- Profits must be shared
- Partners may fall out
- The death of a partner means that the withdrawal of this share of the money must be paid into his/her estate

Companies

The term 'company' defines as a group of companions who have come together to set up an organisation. Companies are controlled by the board of directors who, plays a role as shareholders of the company. A shareholder is an individual who invests money into a company, by buying shares from it.

Companies are usually larger than sole traders and partnerships. A company is different from a sole trader or partnership in two ways. One way is that, shareholders are protected by limited liability. The other way is that, all companies have a separate legal identity, known as corporate body. Corporate body is when a company is incorporated. For example, if a woman have slipped over from a wet floor and broke her ankle, she would sue the company and not the manager. There are two types of limited companies: Private Limited Company (Ltd) and Public Limited Company (Plc):

Private Limited Company

A private limited company is a joint stock company, whose shares are not openly traded on a stock exchange. For the reason is that, a private limited company is a family business, who sell shares privately to family and friends. It is easy to identify private limited companies because; they have 'Ltd' written after their company name, e.g. Littlewood Ltd and Manchester United Ltd. These companies are often small to medium-sized businesses. A private limited company is controlled by the board of directors, and they appoint managers to run the day-to-day business.

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Public Limited Company

A public limited company is a joint stock company, whose shares are openly traded on a stock exchange. For the reason is that, a public limited company is a large business who, sell shares to the public to help finance business development. Many shareholders are appointed as directors/managers of the limited company, by the board of directors. It is easy to identify public limited companies because; they have 'Plc' after their company name, e.g. Sainsbury Plc, Tesco Plc, and Mark and Spencer Plc.

Advantages of becoming a limited company include:

- Limited liability
- The sales of shares enables larger sums of money to be raised
- Directors may be brought in as expert in particular areas

Disadvantages of becoming a limited company include:

- Profits must be shared
- Expensive to set up
- Accounts are not private

Co-operative

A co-operative is when an organisation is owned and controlled by people (producers and consumers), with shared business interests, to benefit all involved. Each member of a co-operative business (e.g. the Co-op Bank) can vote in meetings, join in to make decisions, and receive a share of the profits. Co-operative is the popular type of ownership in the U.K. economy. There are two types of co-operatives: retail co-operative and producer co-operative.

Retail co-operative

Retail co-operative is when an organisation is owned and controlled by customer shareholders. Retail co-operative is often referred as consumer co-operative and the Co-op. Their aim is to maximise benefits for its consumers. Customer shareholders would share the profit among themselves. This is known as dividend which, is based upon the amounts of purchase they make.

Producer co-operative

Producer co-operative is when an organisation is owned and controlled by its producers. Producer co-operative is often referred as worker co-operative. They set up a marketing and retail operation, to minimise any costs and prices. Farmers and wine producers are often founders of producer co-operatives. Many producers buy expensive machineries to use and share among themselves. When producers finish making the products, they are sold directly to the customers.

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Advantages of becoming a co-operative include:

- Limited liability
- Each member has the share in the business and has equal say in making decisions
- Each member has an equal share of the profit
- Jobs can be rotated

Disadvantages of becoming a co-operative include:

- Decision making can be time-consuming
- Internal dispute may occur over decisions or financial awards
- Often lack of business knowledge but, unwilling to buy managerial expertise
- Good leaders may be stifled

Franchise

A franchise allows a trader to use a well-known company's trade name and enables the organisation to benefit from the experience of local managers. Examples of franchises include: McDonalds, Prontaprint, BSM, Pizza Hut, and Body Shop. A franchisee is an organisation which, agrees to manufacture, distribute, or provide a branded product. For example, BSM has over two thousand franchisees that are driving instructors- self-employed sole traders. A franchisor can able to operate in several areas using the experience of local managers. For example, BSM trains their customers to become drivers of their own vehicle, so they can travel anywhere they desire to.

Advantages of becoming a franchise include:

- Selling well-known trade name to the public
- Advise, guidance, and expertise from the franchisor
- Fewer decisions to make in operating the business
- Most of the profit is retained by the business owner

Disadvantages of becoming a franchise include:

- Some profits must be given to the franchisor
- Only the franchisor's products or services can be sold
- Working in long hours and few holidays
- The owner is not free to make all of his/her decisions

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I think a sole trader is a suitable form of ownership for my new business. I have listed my reasons for why this type of ownership is ideal for my business:

- I can become my own boss and maintain control of the business
- I can make decision and put it into practice and does not need to consult it to anyone
- I can able to work in flexible working/opening hours and decide which days to work
- I can keep my private accounts to see how much profit (or loss) has been made in each year
- I can keep all the profit when expenses and income tax have been paid
- The business is ideally suited for offering a personal service to the customers
- If there is any financial risks involved, I can borrow or loan money from a bank
- Tax advantages- I can save a lot of money in National Insurance Contribution (NIC) on my profits

The advantages of me becoming a sole trader are:

- Easy to set up
- Easy to run
- Profits
- Tax advantages
- Labour relations
- Control
- Low start-up costs
- Flexibility
- Decisions
- Job satisfaction

The disadvantages of me becoming a sole trader are:

- Unlimited liability
- Lack of capital
- Pressure of responsibility
- Long working hours
- Lack of continuity
- Limited specialisation
- Limited economies of scale
- Illness cause problems

This type of business ownership have unlimited liability. This simply means that I am responsible for all the losses of my business. If my business becomes unsuccessful, I may lose my personal possessions, such as, the property of my house or the business itself. I have to sell my personal possessions to pay for any debts. If some of the debt is not yet paid, I will be bankrupt.

To become a sole trader of the business I have to do little paperwork. There is no need for any rulebooks or business agreements because I am the only person who will be part of the business. I have to register to the Inland Revenue who will collect income tax and record the profits of my business. I also have to register with Customs and Excise who will collect Value Added Tax (VAT) and a tax on the sale of products.

If I am going to set up a sole trader business, I must do the following:

- Get permission to trade in an area (a local license may is needed)
- Register to pay VAT if turnover is high than a certain level

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- Need profit and loss accounts and a balance sheet so that the business can be considered for tax and insurance contribution
- Must have knowledge of health and safety laws and are willing to obey the rules

Before I can start trading, I need to visit my insurance broker who would provide me information on the insurance policies that my business requires. I have listed the insurance policies that I need to have, before I can begin my trade:

- Motor insurance for vehicles and contents
- Public Liability insurance
- Employers' Liability insurance if employing staff
- Contents insurance
- Equipment insurance (if I require it)

To become a greeting card shop owner, I must become familiar with the following relevant legislations:

- The Sale of Goods Act 1979
- The Consumer Protection Act 1987
- The Supply of Goods and Services Act 1994
- The Trade Description Act 1968
- The Unfair Terms in Consumer Regulations 1999
- The Sunday Trading Act 1994
- The Health and Safety at Work Act 1974
- The Workplace (Health, Safety, and Welfare) Regulations Act 1992
- The Management of Health and Safety at Work Regulations Act 1999
- The Copyright, Design and Patents Act 1988
- The Copyright and Related Rights Regulations 1996
- The Copyright (Industrial process and Excluded Articles) Order 1989

To become a greeting card shop owner I need to notify the Inland Revenue and register with them within the first three months of self-employment to avoid a penalty. I need to notify an insurance company when I start trading. I need to notify the local authority and register with them under Health and Safety legislation. Also I need to notify my Bank, accountant and solicitor.