

Ownership Structures | H1 Notes

Sole Trader

Characteristics

- One person.
- Uses money of the sole trader.

Advantages

- Easy to form.
- Don't need to publish accounts.
- Few regulations.
- Owner keeps all profits.

Disadvantages

- Unlimited liability.
- No continuity of existence.
- Hard to raise funds.
- Long working hours.

Public Limited Company (PLC)

Characteristics

- At least 7 people.
- Has articles of association and memorandum of association.
- Submit financial statements to the Register of Companies.

Advantages

- Limited liability.
- Can sell shares on stock market.
- Continuity of existence.

Disadvantages

- Lots of expenses.
- Lots of legal requirements.
- Lots of shareholders = diluted control.
- Target for takeovers.

Partnership

Characteristics

- Two or more people.
- No more than 20 people.
- Common between solicitors and doctors.

Advantages

- Shared decision making.
- Shared responsibility.
- Don't need to publish financial details.
- Easy to form.

Disadvantages

- Unlimited liability.
- Profits shared.
- No continuity if one partner dies.
- Disagreements can arise easily.

Franchising

Characteristics

A company that sells their business model to another company. They give them this in return for royalties.

Advantages

- Business is already known.
- Assistance from franchiser.

- Can buy in bulk.

Disadvantages

- Expensive.
- No space for innovation or creativity.
- Franchisee can't sell the business without the franchisor's permission.

Co-Operative

Characteristics

- Each member has one vote.
- Mainly exist in industries.
- Must register with the Registrar of Friendly Societies.

Advantages

- Limited liability.
- Equal say.
- Everyone is committed.
- Good credit status.

Disadvantages

- Limited finance.
- Must pay the Registrar of Friendly Societies yearly.
- Expensive to form.

State Owned Enterprise

Characteristics

- Set up and controlled by the government.
- Government provides the money.

Advantages

- Provide employment.
- Provide necessary services.
- Loans guaranteed.

Disadvantages

- Lots of money invested from government.
- Lack of knowledge.
- Lack of profit making.

Strategic Alliance

Characteristics

Two or more firms coming together for a common goal. They remain separate legal entities but share their resources and expertise.

Advantages

- Easy to form.
- Shared costs.
- Shared expertise.
- Provides access to other markets.

Disadvantages

- Disagreements are likely.
- Split control.