

Topic 1.4.1 Business Ownership

Key Vocabulary

Unlimited liability – where the owner's responsibility for debts has no limit, so personal possessions are at risk

Limited liability – owner's responsibility is limited to the amount of the original investment

Sole trader – a business owned and run by one person

Partnership – a business jointly owned by 2-20 people

Silent partner – a person who invests into your partnership but does not run it

LTD – a private limited company

Shareholder – someone who owns part of a company (LTD or PLC)

Employees – people who work for your business

Franchising – allowing others to use your business name

Franchisee – someone who buys into a franchise

Franchisor – a person or business who allows others to buy into their franchise business

Incorporated – where the business is a separate legal entity to the owners

Core Knowledge

There are various ways a business can be owned, amongst them

- Sole traders
- Partnerships
- Private limited companies
- Franchise

	Advantages	Disadvantages
Sole trader	Easy to set up Keep all profits Make all decisions	Unlimited liability Long hours and few holidays Unincorporated
Partnership	More ideas Can share workload / specialise More start-up capital	Unlimited liability Unincorporated Possibility of disagreements Need to share profits
LTD	Incorporated Limited liability Easier to raise capital	More expensive to set up Must publish accounts every year Profits shared between shareholders
Franchise	Already successful Support with training Easier to obtain finance	Rules about what you can sell and how Start-up fee and % of revenue have to be paid to franchisor

Don't be a "man on the street"

- Not all businesses are called companies
- Not all business owners are shareholders
- Limited liability means you don't need to pay bills; this is only the case in the event of the business failing
- Sole traders can still have employees

Wider Business World

Franchise examples include Subway, BSM, JoJingles

LTDs include New Look, Eddie Stobart



Synoptic Links

Risk and reward – an entrepreneur will need to consider the risk of financial loss

Business growth – why a business might choose to change ownership