

A collection of white line-art icons on a dark blue background, including a microscope, a hand holding a pen, a gear, a circuit board, and a compass.

TYPES OF BUSINESS ORGANISATION

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Main topics:

- WHAT ARE THE DIFFERENT TYPES OF BUSINESS ORGANISATIONS?
- WHAT ARE SOLE TRADERS?
- WHAT ARE PARTNERSHIPS?
- WHAT IS A LIMITED COMPANY?
- WHAT IS A CO-OPERATIVE?
- WHAT ARE STATE OWNED ENTERPRISES?

1. WHAT ARE THE DIFFERENT TYPES OF BUSINESS ORGANISATIONS?

- SOLE TRADER
- PARTNERSHIP
- PRIVATE LIMITED COMPANY
- CO-OPERATIVE
- STATE OWNED ENTERPRISES

These business structures are going to be compared under the following headings:

2. What are Sole Traders?

	Advantages	Disadvantages
1. Formation and dissolution	<ul style="list-style-type: none">- Easy to form/dissolve- Can be easily changed into partnership, ltd company etc.	<ul style="list-style-type: none">- If he/she dies then so does the business
2. Management & finance	<ul style="list-style-type: none">- Full control of business- Decision making is quick	<ul style="list-style-type: none">- Long working hours- Loans are required
3. Profit & risk	<ul style="list-style-type: none">- Keeps all profit.	<ul style="list-style-type: none">- Takes all the risk. (unlimited liability)

3. What are partnerships?

	Advantages	Disadvantages
1. Formation and dissolution	<ul style="list-style-type: none">- Easy to form.- You can start immediately.	<ul style="list-style-type: none">- If a partner leaves or a partnership ends a new partnership must be agreed.
2. Management & finance	<ul style="list-style-type: none">- Decision making is shared.- Responsibility is shared.- Financial details not open to be viewed by public.	<ul style="list-style-type: none">- Disagreements can easily occur.- If someone dies the business is discontinued.
3. Profit & risk	<ul style="list-style-type: none">- Extra capital available to finance the business.	<ul style="list-style-type: none">- Unlimited liability, each partner is responsible for the debts of the business.- Profits must be shared between partners.

4. What is a limited company?

- There are two main types of company:
- Private limited company (Ltd)
- Public limited companies (PLC's)

The main difference is that shares of PLC's can be freely bought and sold on the stock exchange

How is a private limited company formed

To form a private limited company you must

1. Have at least two shareholders and one director
2. Prepare a Memorandum of Association. This is a document for public use. It details name of company, company objective, the number of shares of each shareholder. This document is kept in the Companies Office.
3. Prepare an Articles of Association. This is a document for shareholders. It details the internal rules of the company, types of shares issued, how meetings are run, the procedure for electing/replacing directors.
4. Register with REGISTRAR of COMPANIES in the COMPANIES OFFICE
5. The companies office issues a “birth certificate” called a CERTIFICATE of INCORPORATION
6. If you register as a public limited company you must obtain a TRADING CERTIFICATE
7. TRADING CAN NOW COMMENCE

Limited Company Features

	Advantages	Disadvantages
1. Formation and dissolution	<ul style="list-style-type: none">- Companies can continue to exist even if a shareholder or director dies	<ul style="list-style-type: none">- Complex formalities of forming a company
2. Ownership	<ul style="list-style-type: none">- Owned by shareholders	
3. Management & finance	<ul style="list-style-type: none">- Can raise finance through selling shares	<ul style="list-style-type: none">- A lot of paperwork including financial audits, reports etc
4. Profit & risk	<ul style="list-style-type: none">- Limited liability of shareholders	<ul style="list-style-type: none">- Profits must be shared

5. What is a co-operative?

	Advantages	Disadvantages
1. Formation and dissolution	<ul style="list-style-type: none">- Must have a minimum of 7 members	<ul style="list-style-type: none">- Can be quite difficult to form, time consuming and expensive.
2. Ownership	<ul style="list-style-type: none">- Equal voting system exists regardless of the shares held.	<ul style="list-style-type: none">- Conflict may exist between members in the need for business expansion.
3. Management & finance	<ul style="list-style-type: none">- Management of co-ops are inspired by a spirit of democracy and mutual co-operation.	<ul style="list-style-type: none">- In some situations finance can be difficult to raise.
4. Profit & risk	<ul style="list-style-type: none">- Members have limited liability.	<ul style="list-style-type: none">- Profits must be shared- There may be reluctance to share profits with new members.

6. What are state owned enterprises?

	Advantages	Disadvantages
1. Formation and dissolution	<ul style="list-style-type: none">- The government provides the share capital and subsidies.	<ul style="list-style-type: none">- Lack of funding which in turn leads to borrowing more from government, this is especially true if the business is not making a profit
2. Ownership	<ul style="list-style-type: none">- They provide employment.- They promote industrial development.- They provide services of necessity including.	<ul style="list-style-type: none">- The directors of some firms lack appropriate knowledge in the companies particular area.- The lack of profit making, sometimes leads to lack of motivation in workplace
3. Management & finance	<ul style="list-style-type: none">- State owned.	<ul style="list-style-type: none">- In some situations finance can be difficult to raise.
4. Profit & risk	<ul style="list-style-type: none">- Members have limited liability.	<ul style="list-style-type: none">- Profits must be shared- There may be reluctance to share profits with new members.

A summary:

	Sole Trader	Partnership	Limited company	Co-op
Formation	Easy No paperwork	Easy No paperwork	Paperwork Registration fee	Paperwork Registration fee
Ownership	Owned by sole trader	Owned by partners	Owned by shareholders	Owned by members
Management & finance	Speedy decision making Accounts are private Can be difficult to raise finance	Shared decision making Disagreements possible Accounts are private Raise finance through new partners	Managed by BOD BOD elected by shareholders Accounts submitted to Companies Office Raise finance through grants, loans & issuing of shares	Managed by Board elected by members. One member, one vote rule. Raise finance through grants, loans & issuing of shares
Profits & risk	Keeps all the profit Unlimited liability	Profit shared Unlimited liability	Profits shared among shareholders Limited liability	Profits shares Members have limited liability

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**Thank you for
your attention!**

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