

**BUSINESS:** *Creating informed, discerning employees, consumers and future leaders*

## 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

	<b>Advantages</b>	<b>Disadvantages</b>
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

### Application

Franchise examples include Subway, BSM, JoJingles

LTDs include New Look, Eddie Stobart



### Topic 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

### Misconceptions

- 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