

**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

**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

**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 |

**Wider Business World**

Franchise examples include Subway, BSM, JoJingles

LTDs include New Look, Eddie Stobbart

**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