

## Types of business organisation - Private Sector

Private sector ? business set up by individuals or groups of individuals &nbsp; ; Unincorporated business No legal difference between owners and the business &nbsp; ; Incorporated business Business has a separate legal identity from its owners Business can be sued, taken over, or liquidated &nbsp; ; Sole Trader/Proprietor ? unincorporated Owned by just one person &nbsp; ; Advantage Few legal restrictions Profit kept by owner Owner is in complete control Flexibility ? for owner and customer Small size, personal service to customers Government support Disadvantages Unlimited liability Capital from own savings Illness means a loss of income Independence means long hours Can be sued Business ceases if owner loses interest or dies &nbsp; ; Partnership ? unincorporated More than one owner &nbsp; ; Advantages No legal formalities Each partner can specialize More finance Share workload Pool of ideas and opinions Larger, therefore more ability to raise funds Disadvantages Unlimited liability Shared profits Disagreements Size limited to 20 persons, limited capital Death = dissolve One person decides, legally binding on others Sued &nbsp; ; Limited Partnership (sleeping partner) One partner provides capital, but takes no part in management Has limited liability More than 20 partners At least one partner must be liable &nbsp; ; Limited Companies Separate legal identity from owners Limited liability Minimum of 2 members, no maximum Capital divided into shares Directors and chairperson chosen by shareholders &nbsp; ; Private Limited Company Shares can be transferred privately Chares cannot be advertised for sale Advantages Limited liability More capital raised ? no limit on the number of share holders Control of company cannot be lost to outsiders Death means continuation of firm, as shares are transferred Disadvantage Profit shared among larger number of members Legal procedures No public sale of shares, less capital can be raised Public financial information, competitors can use it Takes time to find buyers for shares Public Limited Companies Shares sold and bought on the stock exchange &nbsp; ; Advantages Limited liability Huge amounts of money can be raises Economies of scale Easier to raise finance from financial institutions Disadvantages Setting up cost high Outside interests can take over Public accounts means competitors can use it to their advantage Divorce of ownership and control, owner?s loose interest Inflexible due to size &nbsp; ; Holding companies Have shares in other public limited companies to exert control &nbsp; ; Advantages Diverse range of business activity When one fails, have others to rely on Size, therefore financial economies of scale Disadvantages Holding company may only see the business as a financial asset No interest in the business or its development &nbsp; ; Co-operative Voluntary and open membership Democratic ownership Dividend according to spending Education facilities for members and workers Regional organizations &nbsp; ; Charities Raise money for good causes Rely on donations No tax paid Businesses get tax refund by giving money to charities

## About the Author

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