

FORMS OF OWNERSHIP

1. Name three forms of ownership: (3)

SOLE TRADER	PARTNERSHIP	PRIVATE COMPANY
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2. Concepts of forms of ownership: (6)

Concept	Explanation
Legal personality	Business is seen as a separate legal entity which can function independently of the owner
Liability	The responsibility for the debts of the business
Continuity	Whether the business is able to continue in the event of the owner/s leaving / retiring etc

3. Explain TWO advantages for each of the forms of ownership and ONE disadvantage: 2 x 6 (12)

Sole Proprietor/Trader

1. all profits to self
2. own boss - decisions quick
D: cover any losses alone

Partnership

1. share skills, knowledge and experience
2. more capital available to start or expand business
D: reliant on someone else for profit

4. Complete the following table (9)

	Sole Trader	Partnership	Private Company
Number of owners	1	2-20	1-50
Taxation	Business not taxed; owner taxed individually in private capacity	Business not taxed; owner taxed individually in private capacity	Business is taxed at company tax rate on profits of the business
Management of business	Owner or can employ manager	Partner/s or can employ manager	Directors are involved in management of business

5. Match the words/ concept in Column A to the correct form of ownership in Column B.

<u>Column A</u>		<u>Column B</u>	
5.1	Partners	A	Private Company
5.2	Limited liability	B	Sole Trader
5.3	No document required for formation	C	Partnership

Answer: (write the correct letter only)

- 5.1 ___c___ (1)
 5.2 ___a___ (1)
 5.3 ___b___ (1)

6. You have been running a small tuckshop at school over the past year. Due to its success and popularity, you have decided to expand and convert to a private company.

- 6.1) What would you consider the main advantage and disadvantage to this form of ownership? (4)

Advantage:

You have limited liability so if the business goes insolvent you don't lose your personal assets;
 Continuity - when you leave school you can sell the private company and it can continue

Disadvantage:

You have to pay to set up and register with the registrar of companies
 You will be taxed on the tuckshop's profits

- 6.2) What must always follow the name of a private company? (1)
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