

Paul Robbins training and consultancy

AAT Access Award in Business Skills

Different Types of Private Sector Business Organisation

Class Exercise Model Answer

	Sole Trader	Partnership	Limited Company
Owned By?	<i>One person, the sole trader.</i>	<i>Between two and twenty people, the partners.</i>	<i>Often many different people, the shareholders.</i>
Run By?	<i>The sole trader themselves.</i>	<i>The partners, sometimes with help from specialist managers.</i>	<i>Directors, who manage the business on behalf of the shareholders. (Some directors are also shareholders).</i>
Advantages?	<i>If the business makes a profit, the sole trader gets to keep all the profit for themselves. You are your 'own boss' and can work your own hours.</i>	<i>Share out workload between the partners and cover for holidays and sickness. Combine money to buy things you couldn't afford alone.</i>	<i>Limited liability. This means that if the company becomes bankrupt, the shareholders only lose the amount they have invested.</i>
Disadvantages?	<i>The sole trader is liable for all the debts of the business and may end up losing their car and home in the case of bankruptcy.</i>	<i>Partners are liable for all the debts of the business, as with sole traders. May have disagreements between the partners.</i>	<i>Limited companies have lots of paperwork to complete.</i>