Your notes

GCSE Business: revision notes

Types of business ownership

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Sole traders and partnerships

- A **sole trader** is owned by one person. It is easy to set up, and the owner keeps all the profit and has full control, but has **unlimited liability**, limited finance and often long hours.
- A **partnership** is owned by two or more partners, who share the finance, skills and workload. Partners usually have **unlimited liability**, may disagree and must share the profits. A deed of **partnership** sets out the rules.

Limited companies

- A **private limited company** (Ltd) is owned by **shareholders**, whose shares can't be sold to the public. Owners have **limited liability** and it can raise more finance, but it must register with Companies House and publish its accounts.
- A **public limited company** (plc) sells shares to the public on the stock exchange. It can raise large amounts of money, but it must have at least £50,000 of share capital, faces more regulation, must publish its accounts, and could be taken over.

Liability

- **Unlimited liability**: the owners are personally responsible for all the business's debts, so they could lose personal possessions such as their home.
- **Limited liability**: the owners can only lose the money they invested.

Other forms of business

- **Not-for-profit organisations**, such as charities and social enterprises, have aims other than profit, and put any surplus back into their cause.
- A **franchise** is the right to use another business's brand and business model (the franchisor), in return for fees and royalties. It is less risky, but less independent.

Key terms

Sole trader	A business owned by one person.
Partnership	A business owned by two or more people.
Private limited company	A company whose shares can't be sold to the public (Ltd).
Public limited company	A company whose shares are sold to the public on the stock exchange (plc).
Limited liability	The owners can only lose the money they invested.
Unlimited liability	The owners are personally responsible for all the business's debts.
Shareholder	A person who owns part of a company by holding shares.
Dividend	A share of the profit paid to shareholders.
Not-for-profit organisation	An organisation whose main aim isn't profit, such as a charity.
Franchise	The right to use another business's brand and business model.

Quick questions

Cover the answers and test yourself: remembering is what makes it stick.

1. What is a sole trader?
2. What is unlimited liability?
3. Which type of business sells shares on the stock exchange?
4. What is limited liability?
5. Who owns a limited company?
6. What is a dividend?
7. What is a disadvantage of a partnership?
8. What is an advantage of being a sole trader?

Answers

1. A business owned by one person
2. The owners are personally responsible for all the business's debts
3. A public limited company (plc)
4. The owners can only lose the money they invested
5. Its shareholders
6. A share of the profit paid to shareholders
7. The partners may disagree
8. The owner keeps all the profit

What to do next

Practise 12 questions on this topic

Try 4 exam questions, with mark schemes

Your notes

Read the lesson, one step at a time

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