

Types of Firms

Sunday, 22 November 2015

11:22 am

1. Sole Proprietor
2. Partnership
3. Limited Companies

Sole Proprietor

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When one person starts a business

Advantages

1. Keep profit
2. Keep ownership
3. Be your own boss : make your own decisions

Disadvantages

1. Raising investment
2. Low EOS
3. Unlimited liability
4. Lack of expertise, difficult access to capital
5. Low rate of success

Partnership

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When two or more people found a firm

Advantages

1. More capital than sole proprietorship, more expertise
2. Relatively easy to set up
3. Profits are distributed
4. Partners bring more skills / ideas
5. More division of labour

Disadvantages

1. Unlimited liability
2. Disagreement among partners
3. Limit to capital
4. No continuity of existence for the business

Limited Companies

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Private Limited

Sell shares to anyone who wants to buy it on the stock exchange

Advantages	Disadvantages
<ol style="list-style-type: none">1. Can raise large capital2. Limited liability3. Shares are freely transferrable	<ol style="list-style-type: none">1. Many legal formalities2. Owner loses ownership3. More management problems4. Has to be profit driven

Private Limited

Only sell shares to limited people, friends, family, certain investors

Advantages	Disadvantages
<ol style="list-style-type: none">1. Limited liability2. Increase in amount of capital that can be raised3. More control compared to public limited	<ol style="list-style-type: none">1. There is a maximum shareholders amount2. Shares are not freely transferable.