

### **Unit 1.3**

## **Sole traders, Partnerships, Social enterprise and Franchises**

### **Overview**

1. Understand the features of sole traders, partnerships, social enterprises and franchises
2. Understand the advantages and disadvantages of sole traders, partnerships and franchises
3. Understand the concepts of risk, ownership, sources of finance and use of profit for the different types of business

### **1. Entrepreneurs**

: People who set up business

#### **Roles of entrepreneurs**

- Innovator
- Responsible for organising other factors of production
- They have to make all the key decision.
- Risk takers

### **2.Unincorporated and incorporated business**

**2.1 Unincorporated** : Business where there is no legal difference between the owner and the business.

**2.2 Incorporated** : Business that has a separate legal identity from that of its owners.

### **3. A sole trader or sole proprietor**

**Meaning** : Business owned by a single person

### **4. Partnership**

**Meaning** : Business owned by between 2 and 20 people. The owners will share responsibility for running the business. They also share profits.

### **5. Limited partnership**

**Meaning** : Partnership where some partners contribute capital and enjoy a share of the profit but do not take part in the running. Such partner will have limited liability. However, there must always be at least one partner with unlimited liability.

### **6. Franchises**

**Meaning**: Structure in which a business (the franchisor) allows another operator (the franchisee) to trade under their name. Eg. KOI, Mcdonald's, Subway etc.

• **What does the franchisor offer the franchisee?**

- Brand name
- Start-up package including help, advice, essential equipment
- Training, system operation
- Materials, equipment and support services that are needed to run the business
- Marketing support
- An exclusive geographical area in which to operate. This means that business will not face competition from other franchisees in the same franchise group.

• **In return for these services the franchisee has to pay certain fees.**

- A one-off start-up fee
- An ongoing fee (usually based on sales)
- Contribution to marketing costs
- Franchisors may take a profit on some of the materials, equipment and merchandise supplied to franchisees.

**7. Social enterprises**

**Meaning :** Business that aims to improve human or environment well-being, charities for example.

**7.1 Cooperatives**

: Usually operate as consumer cooperatives or retail cooperatives.

: Owned and controlled by their members.

: Members can buy shares which entitle them to elect directors to make key decision. Any profit made by the cooperative is given to members.

**7.2 Worker cooperatives**

: are businesses in which its employees share ownership.

: Workers will contribute to production and involved in decision making, share in the profit and provide capital when buying a share in the business.

**7.3 Charities**

: Charities rely on donations for their revenue.