

## **Chapter 6**

### **Appropriateness of different forms of ownership**

#### **1. Factors affecting the appropriateness of different forms of ownership**

##### **1.1 Growth**

: When business becomes bigger, it would be easier to find source of funding.

##### **1.2 Size**

: Small size of businesses are likely to be sole traders or partnerships.

##### **1.3 The need for finance**

: Finance is one of the main reasons why owners change the legal status of their businesses.

##### **1.4 Control**

: They like to have complete control of their business. This is why many owners remain as sole traders.

##### **1.5 Limited liability**

: Owners can protect their own-personal financial position if the business is a limited company. Sole traders and partners have unlimited liability.

##### **1.6 Legal status**

:Eg. Personal services tend to be sole trader eg. Plumbing, decorating and gardening

: While professional services such as accountancy, legal advice are usually offered by partnerships.

#### **2. Objectives and the type of organisation**

##### **2.1 Some business would like to be small**

: eg. Sole traders might be happy to have profit to fund a comfortable lifestyle.

: eg. Owners are afraid to losing control to outsiders.

##### **2.2 Some business would like to be large**

Eg. Multinational companies