



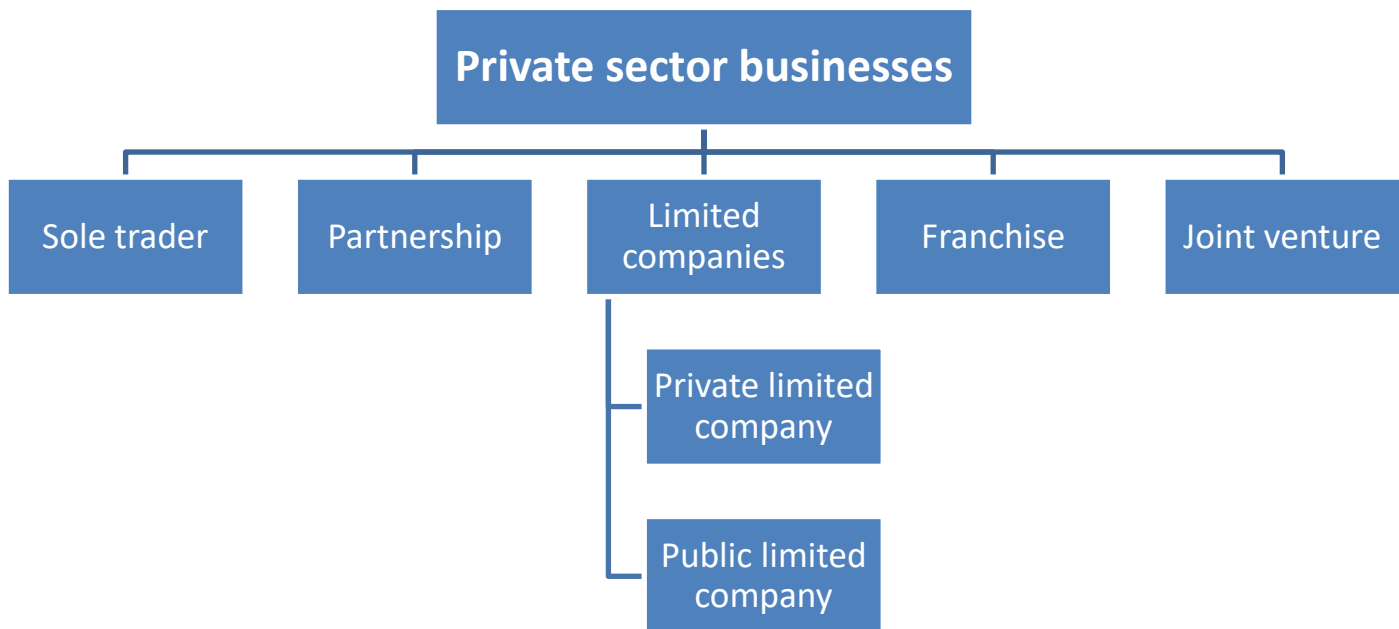
Business
First Semester
Final Summary Sheet

Class: Grade 7

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❖ **Types of business organization:**

Businesses organizations in the private sector are defined by their legal structure into the following:



❖ **Definitions to learn:**

➤ **Sole trader:**

A business that is owned and controlled by just one person who takes all the risk and receives all the profit.

➤ **Partnership:**

A business formed by two or more people who will share responsibility for the running of the business and share profit.

➤ **Private limited company:**

Often a small to medium-sized company, owned by shareholders who have limited liability. The company **cannot** sell its shares to the general public, it generally sells it to friends and relatives

➤ **Public limited company:**

Often a large company, owned by shareholders who have limited liability. The company **can** sell its shares to the general public.

➤ **Franchise:**

A business system where entrepreneurs buy the right to use the name, logo and product of an existing business.

➤ **Joint venture:**

Two or more businesses agree to work together on a project and set up a separate business for this purpose.

➤ **Limited liability:**

The liability of shareholders is limited to only the amount they invested.

➤ **Unlimited liability:**

The owners' personal assets can hold responsible for the debts of the business.

Advantages and disadvantages for each type:



Advantages

Easy to setup

Has complete control

Keeps all the profit

Disadvantages

Unlimited liability

May have to work long hours

Take all the risk

Partnership



Advantages

Easy to setup

Shared decision making

shared management and workload

Disadvantages

Unlimited liability

share profits

partners may disagree on business decisions



Advantages

Less chance of business failure

The franchisor often provide training

The franchisor will check quality

Disadvantages

The franchisor (the mother company) will take a percentage of the profit

There are very strict control over what the franchisee (the person who bought logo) is allowed to do with the products



Advantages

Each business brings different expertise

Market knowledge can be shared

Disadvantages

Any mistake made may damage the reputation of all firms

The businesses may have different styles of leadership

	<u>Private limited company</u>	<u>Public limited company</u>
Owners	Usually a very small number of shareholders. Often members of the same family or friends	Usually a very large number of shareholders.
Size	Usually fairly small	Commonly very large
Control	Only a few shareholders.	Often thousands of shareholders