Types of retail business ownership

Limited liability

When the owners of a business are not responsible for the business' debts. Personal belongings will not need to be given up to pay the debts of the business. The owners however will lose the money they invested in the business if it fails.

Private limited company

These businesses which are owned by shareholders, who have limited liability. Their shares are not available to others except with the agreement of other shareholders. They are generally recognised with Ltd after the business name.

Advantages:

- the owners have limited liability
- additional capital can be raised by selling more shares
- the company can keep trading even if a shareholder died
- has its own legal status separate from the shareholders, it can sue and be sued
- a private limited company can also own property
- relatively cheap to set up in comparison with public limited companies
- cannot be taken over, as shareholders must agree the sale of shares to others
- usually run by the major shareholders and so there are few arguments regarding the aims of the business.

Disadvantages:

- they are more expensive to set up than sole traders or partnerships
- the company must publish its accounts every year. These are available for the public and competitors to see
- there is separation of ownership and control – directors are elected to run the business
- it may be difficult to raise additional finance as it can be difficult to find suitable new shareholders.

Public limited company

A public limited company can sell shares to anyone, they can be bought by any member of the public. They are sold publicly on the stock exchange. They are generally recognised with PLC after the business name. Many private limited companies can aim to achieve growth by expanding their business and becoming a public limited company.

Advantages:

- PLCs have limited liability
- additional capital can be easily raised – more shares can be sold as there is no upper limit to the number of shareholders
- usually, well-known organisations with a good reputation that makes it easier for them to raise finance
- can keep trading even if a shareholder dies, a shareholder's shares can be transferred to someone else
- has its own legal status, separate from the shareholders, it can sue and be sued, and it can own property
- can take advantage of its size to lower costs by producing and selling larger quantities of products.

Disadvantages:

- it is expensive to set up a PLC, at least £50 000 of share capital must be available and legal paperwork needs to be produced
- the company must publish its accounts every year, and these are available for the public and competitors to see
- unwanted takeovers are possible as shares can be bought by anyone
- there is separation of ownership and control as directors are elected to run the business
- value of shares can go down as well as up and can be impacted by negative publicity or external factors.