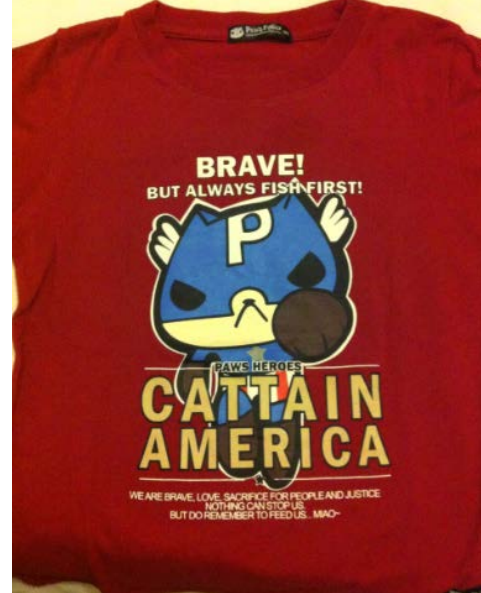


P06

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E352 – Retail Logistics



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Retail Ownership Types:



- ▶ Independent / Single Retailer
 - Neighbourhood provision shop
- ▶ A Retail Chain / Corporate Retailer
 - Metro, Giant, Tangs
- ▶ Franchise
 - Fast Food
 - ▶ McDonalds, KFC, Long John Silver's
 - Merchandise
 - ▶ 7-Eleven, GNC
 - Services
 - ▶ UPS Store, Budget Cars



Independent/Single Retailer



- ▶ Retailer only owns one retail outlet
- ▶ Ease of entry
- ▶ Low Capital Requirement
- ▶ Highly competitive and low market share
- ▶ Very flexible
- ▶ Lacking in specialised management skills
- ▶ Full visibility and control
- ▶ No purchasing economies



A Retail Chain / Corporate Retailers



- ▶ A business with multiple retail units
- ▶ Bargaining power → Economies in purchasing
- ▶ Wholesale function efficiencies → Logistically efficient distribution network
- ▶ Multi-store efficiencies
- ▶ Information System integration
- ▶ Access to media (like news papers, magazines, etc)
- ▶ Well defined management
- ▶ Lower cost of operating each outlets due to savings
- ▶ Can be bureaucratic

Franchise



- ▶ A contractual arrangement between a franchisor and retail franchisee
- ▶ Two types:
 - 1. Product/Trademark Franchising
 - ▶ Retailers operate autonomously just “rent” brand but follow some ruling. (Eg, Coke, the franchisee is F&N)
 - 2. Business Format Franchising (E.g. 7-Eleven)
 - ▶ Retailers “adopt” business model and concept:
 - Site location
 - Quality Control
 - Information Systems
 - Practices
 - Management Training
 - Advertising and Promotions



Franchise – Advantage



► Reasons for franchisee to buy a franchise:

- Higher success rate
- Lower risk due to proven business model
- Franchisor may help with financing
- Recognised brand and image exist
- National advertising usually done by the franchisor
- Management consulting and assistance may be provided
- New product development usually available from franchisor
- Location analysis and counsel are usually provided
- Central Purchasing by franchisor resulting in economies of scale and lower cost.



Franchise – Disadvantage



- ▶ Reasons for franchisee **NOT** to buy a franchise:
 - Franchisee does all the work, but only takes a portion of profits
 - Lack of autonomy to manage. Need to adhere to strict rules and guidelines
 - Restriction in selling of business
 - Franchisor error can result in lost profits that franchisee has to bear
 - Highly dependant on franchisor
 - Problem with conflicts between franchisee and franchisor



The Accounting and Corporate Regulatory Authority Singapore (ACRA)



- ▶ ACRA is a national regulator and facilitator of business entities and public accountants in Singapore.
- ▶ It hopes to make Singapore the trusted and best place for business.
- ▶ Its mission is to provide a responsive and regulatory environment for businesses and public accountants.
- ▶ All start-up businesses can be registered by submitting an application online via BizFile – ACRA's electronic filing and information retrieval system.
- ▶ Go to the web site to find out more:

<http://www.acra.gov.sg/>

Business Ownership:



- ▶ Sole Proprietorship
- ▶ Partnership
 - Partnership
 - Limited Partnership
 - Limited Liability Partnership
- ▶ Company
 - Private Companies
 - Public Companies

Sole Proprietorship / Partnership



- ▶ Simplest form of business
- ▶ Business that is carried on by an individual without the use of a separate and distinct business form
- ▶ If there are 2 or more persons involve in the business, it will be known a Partnership.
 - Max. 20 partners
- ▶ Personally liable to pay whatever tax payable in respect of these assets and profits.
- ▶ Should the proprietor die, the business will cease to exist
 - E.g. street vendors
- ▶ Unlimited liability

Sole Proprietorship / Partnership - Cont



- ▶ Need annual renewal of registration
- ▶ Cheap to register, only about S\$65
- ▶ Does not require to submit annual audited accounts to ACRA
- ▶ Easy to close a business.

Limited Partnership (LP)



- ▶ A LP consists of one or more 'general partners' and one or more 'limited partners'
- ▶ Same as partnership, the key difference between LPs and Partnerships is that they have 'limited partners'
 - A limited partner is a partner who shall not be liable for the debts or obligations of the firm beyond the amount of his agreed contribution. He enjoy 'limited liability'
- ▶ Anyone who is not a LP is a general partner. General partners are the same as partners in a Partnership and are liable for all the debts and obligations of the LP incurred

Limited Partnership (LP) - Cont



- ▶ Limited partner not to take part in management of limited partnership
 - If he does, he will be liable of all debts and obligation as if he was a general partner.
- ▶ Limited partner is not entitle to dissolve the partnership by notice
- ▶ a limited partnership shall not be dissolved by the death, dissolution, bankruptcy or liquidation of a limited partner
- ▶ Registration fees are at \$50 and annual renewal at \$10
- ▶ LP must keep accounting and other records which explain its transactions and financial position for at least 5 years. However these documents need not be lodged with ACRA.

Limited Liability Partnership (LLP)



- ▶ Partnership and general partnership law does **NOT** apply to LLPs.
- ▶ The LLP is a body corporate that has a **separate** legal personality.
- ▶ LLP has limited liability. A partner may, however, be held personally liable for claims from losses resulting from his own wrongful act or omission, but will not be held personally liable for such wrongful acts or omissions of any other partner of the LLP
- ▶ Can sue or be sued in its name.
- ▶ Can acquire and hold property in its name
- ▶ An LLP will continue to exist until it is dissolved. Will **NOT** dissolved should any partner die or leave the firm.
- ▶ Registration is about S\$150.

Limited Liability Partnership (LLP) -

Cont



- ▶ Need to keep accounting records, profit and loss accounts and balance sheets that will sufficiently explain the transactions and financial position of the LLP.
- ▶ Must retain accounting records for 5 years
- ▶ Need to lodge a declaration within 15 months from date of registration on whether the LLP was able to pay off its debt or not.
- ▶ This declaration must be done annually but not more than 15 months from the last declaration.

Private Company



- ▶ Locally incorporated company (Non-EPC) where the maximum number of shareholders is limited to 50
- ▶ Exempt Private Company (EPC)
 - At most 20 share holders
- ▶ Registered under the Companies Act (Cap 50). It has its own legal personality that is distinct from its members and the persons who manage the company.
- ▶ Companies can therefore own property and sue or be sued in their own names. They are recognised as taxable entities in their own right.
- ▶ Restricts the right of its members to transfer their shares in the company.

Private Company - Cont



- ▶ Need to appoint a secretary, but need not be a professionally qualified secretary.
- ▶ Need to submit audited accounts to ACRA on a yearly basis.
 - Need not audit accounts if revenue is S\$5mil or less for EPC.
- ▶ No need to annual renewal of registration.
- ▶ More procedures to follow if you want to close the business.

Public Company



- ▶ A company that has issued securities through an initial public offering (IPO) and is traded on at least one stock exchange
- ▶ Any company that is not a private company is a public company
- ▶ Where they are so listed, they are usually referred to as “listed companies” and have to comply with the rules and regulations of the stock exchange on which they are listed.

Public Company - Cont



- ▶ Need to appoint a professionally qualified secretary.
- ▶ Can be more than 50 shareholders
- ▶ Need to submit audited accounts to ACRA on a yearly basis.
- ▶ No need to annual renewal of registration.
- ▶ More procedures to follow if you want to close the business.

Business Ownership Summary Chart



	Sole Proprietorship	General Partnership	Limited Partnership	Limited Liability Partnership	Company
Owner(s) of the business	Sole Proprietor.	Partners.	Partners.	Limited Liability Partnership	Shareholders.
Legal Status	Not a separate legal entity.	Not a separate legal entity.	Not a separate legal entity.	Separate legal entity.	Separate legal entity.
Party that is liable for debts of the business	Sole Proprietor.	Partners.	General Partners (fully); Limited Partners (up to agreed contribution).	Limited Liability Partnership.	Company.
Management	Sole Proprietor.	Partners.	General Partners.	Partners.	Board of Directors.
Comparative Regulatory / administrative compliance requirements	Minimal.	Minimal.	Low.	Low.	Low to high depending on size and whether it is listed.
Access to finance	Only from proprietor's personal investment and borrowings.	Only from partners' personal investments and borrowings (maximum 20 partners).	Only from partners' personal investments and borrowings.	Only from partners' personal investments and borrowings.	Can access capital market.
Returns	Proprietor entitled to full profits from business.	Partners entitled to share of profits from business.	Partners entitled to share of profits from business.	Partners entitled to share of profits from business.	Shareholders entitled to share of dividends when declared. Dividends can only be paid out of available accounting profits.
Taxation	No tax paid by business. Personal tax paid by proprietor.	No tax paid by partnership. Personal tax paid on share of profits by partners.	No tax paid by LP. Personal tax paid on share of profits by partners.	No tax paid by LLP. Personal tax paid on share of profits by partners.	Corporate tax paid on profits. No tax paid by shareholders on dividends.

Source : ACRA

Suggested Solution – Retail Ownership



- ▶ Based on her requirement:
 - Control – As she wants to have control over her retail outlet, it will be advisable for her to be an **independent retail** rather than franchise
 - ▶ This gives her the full control over the products she wants to sell, and the way she wants to run her retail business.
 - Willing to take risk – As she willing to take some calculated risk, **independent retail** is a good choice

Suggested Solution – Business Ownership



► Based on her requirement:

- Control – As she wants to have control over her retail business, it will be advisable for her to be sole proprietorship / partnership or Limited Partner (LP) or Limited Liability Partner (LLP) or Private Company
- Protect private asset – As she and her friends want their private assets protected. Thus LLP, as a limited partner in LP or Private Company are possible choices.
-

Suggested Solution – Business Ownership



► Based on her requirement:

- Expertise - She wants her friends to help in the management and operations. Thus they cannot be limited partners in an LP. Thus, the only possible choices are **LLP and Private company**.
- Ease of Administration – She is very worried about administration work related to start up and running of the business. She hopes that she can skip the annual audit and submitting of her accounts. Thus private company is out. Private companies need to submit annual audited accounts to ACRA. The only choice left is **LLP**.

Suggested Solution – Business Ownership



- Understand ACRA requirements for starting, registration and closing the LLP, as well as legislation which governs LLP.

What You Need to Know About Limited Liability Partnership

1 Starting an LLP

- What is a Limited Liability Partnership (LLP)
- Accounting LLPs
- Registering a New LLP
- Foreigner Registering an LLP
- Converting Your Partnership or Company to an LLP
- Choosing a Name for your LLP
- Managers in an LLP
- Partners in an LLP

2 Making Changes

- Changes in LLP Particulars
- Annual Declaration and Accounts
- Correction of Errors in LLP Transactions
- Receivership

3 Closing the LLP

- Winding Up
- Striking Off

4 Useful Information

Source: ACRA Singapore

Learning Objective



- ▶ List and compare the different types of Retail Ownerships
- ▶ Analyse and explain the different types of Business Ownership:
 - ▶ Sole Proprietorship / Partnership
 - ▶ Limited Partnership (LP)
 - ▶ Limited Liability Partnership
 - ▶ Company
- ▶ Recommend appropriate Business Ownership and Retail Ownership in retail to a given scenario.