5 type of organization

Private sector businesses

- sole trader (unlimited liability)
    - a sole trader is a business owned and managed by 1 person
    - ….
    - own boss both advantage and disadvantage

Advantage	Disadvantage
easy to set up	a lack of continuity (control by one person and all desicions
keep all the profits	unlimited liability
keep all business/ financial details private (especially in a competitive market)	limited source of finance

- partnership
    - a partnership is a business owned and managed by two or more people
    - ordinary partnership: 2-20 people.
    - at least one (owner) has unlimited liability
    - Deed of partnership (partnership deed): a legal contract
    -

advantages	disadvantages
keep all business/ financial details private	unlimited liability
partners can specialise in certain areas of the business	partners have to share decision making (less efficient and more conflict)
	partners share the profit

more owners are	can be difficult to raise finance

- limited companies
  - features
    - owned by shareholders
    - profit is distributed to shareholders through dividends
    - capital is raised by selling shares
    - incorporated/ limited liability business
    - board of directors (BOD)→accountable to shareholders
    - annual general meeting (AGM) is a must

unicorporated businesses	incorporated businesses
does not have separate legal entity (no legal difference)	have separate legal entity (the owners are not legally responsible for the business)
unlimited liability: the owners might have to use their personal wealth to finance any business debts if it fails	**limited liability**: the shareholders in a limited liability company which fails only risk losing the amount they have invested in the company and not any of their personal wealth

Public limited company VS private limited company

	Private limited company	Public limited company
Owners	Relative small number of shareholders, often menber of the same family or friends	
Sale of shares by the company	Can only be sold privately, often to family members, friends or employees.	
Sale of shares by shareholders	Often difficult to sell as must be sold privately and with the agreement of the other shareholders	
Control		

Advantage	Disadvantage
Raise large sums of capital as shares can be sold to the general public	**Dilution of ownership** and control - **vulnerable** to **unwanted takeover （恶性收购）**
Stronger image in the eyes of suppiers, financiers and customers (discount of supply price) more loan	Cost of **flotation (上市)** (advertisement, prospectuses, auditors and accountants)