

Unit 226: Understand employer organisations

DIFFERENT LEGAL STRUCTURES OF ORGANISATIONS



TYPES OF PRIVATE SECTOR ORGANISATION

- sole trader
- partnerships
- private limited company
- public limited companies.



SOLE TRADER

- one person owning the organisation
- takes personal liability for debts and profits.
 - examples are window cleaners, painters and decorators, local builders.



REQUIREMENTS TO SET UP AS A SOLE TRADER

- register the business name with the National Business Register
- must register with the HM Revenue and Customs as self-employed.



PARTNERSHIPS

- two or more people run the organisation
- they take joint personal liability for debts and profits.



SETTING UP A PARTNERSHIPS

- One of the partners is nominated to be responsible for managing the partnership's tax returns and keeping business records.
- Partnership and nominated partner must be registered for tax self-assessment with HMRC.
- Other partners register separately.
- All the partner's names as well as the business name should be included on any official paperwork.



LIMITED COMPANIES

- Consist of a minimum of two shareholders.
- Must be formally registered.
- They are subject to comply with more legislation than partnerships and sole traders.
- Their advantage to the owners is that their personal liability for debts is limited to their shareholding.
- There are two types of limited company:
 - private limited company
 - public limited company.



PRIVATE LIMITED COMPANY

- Owned by a fixed number of shareholder.
- Shareholders provide the finance for the operation in exchange for their corresponding share in the profits.
- These companies carry the abbreviation Ltd after the name.



SETTING UP A PRIVATE LIMITED COMPANY

Details that need to be registered at Companies House:

- company name and address.
- details of the directors (at least one) and secretary (optional)
- share capital and shareholder details.

This information is usually contained in the following documents:

- Memorandum of Association
- Articles of Association
- Statement of capital and shareholdings.



PUBLIC LIMITED COMPANIES

- Shares may be bought by the public on the Stock Exchange.
- Subject to more stringent financial reporting and auditing requirements.
- Identified by the letters plc after the name.



SETTING UP A PUBLIC LIMITED COMPANY

- A private limited company may become a plc by offering its shares for sale to the public – floating.
- Offered for sale via the Stock Exchange.
- It must have a minimum of two directors, one of which must be a Company Secretary.
- It must have a minimum share capital of £50,000, a quarter of which (£12,500) must be paid up.
- Its annual accounts and reports must comply with the accounting principles of the London Stock Exchange.



SUMMARY OF LEGAL REQUIREMENTS

Type of organisation	Liability of owners	Main legislation applicable	Financial publication requirements	Audit requirements
Sole trader	Personal		None	
Partnerships	Jointly and personally	Partnership Act 1890	None	
Limited partnerships	Not liable for business debts, employee claims, or public liability		Annual statement must be filed at Companies House.	Depending on size (small business rule)
Private limited companies	Limited to shareholding	Companies Act 2006	Profit and loss accounts and balance sheet must be made available to shareholders at annual meeting (AGM). Annual returns must be sent to Registrar of Companies.	Recognised auditors appointed at AGM.
Public limited companies	Limited to shareholding	Companies Act 2006	Profit and loss accounts and balance sheet must be made available to shareholders. Annual returns must be sent to Registrar of Companies.	Recognised auditors appointed at AGM.



COMPANIES HOUSE

The main functions of Companies House are to:

- incorporate and dissolve limited companies
- examine and store company information delivered under the Companies Act and related legislation
- make this information available to the public.

