Sole Traders – Fill in The Gaps

Owners have to decide on the best legal structure for their business - opting to run as sole traders, partnerships or private limited companies. As the business expands and starts to employ hundreds of staff in many locations, it may decide to become a public limited company or to offer franchises.

Sole traders

A sole trader describes any .................... that is owned and controlled by one person - although they may employ ..................... Individuals who provide a specialist service like plumbers, hairdressers or photographers are often sole traders.

Sole traders do not have a separate .................... existence from the business. In the eyes of the law, the business and the .................... are the same. As a result, the owner is .................... liable for the firm's debts and may have to pay for losses made by the business out of their own ..................... This is called unlimited liability.

Advantages

* It is easy to set up as no .................... legal paperwork is required.
* Generally, only a small amount of .................... needs to be invested, which reduces the initial start-up cost.
* As the only owner, the entrepreneur can make decisions without consulting anyone else.

Disadvantages

* The sole trader has no one to share the .................... of running the business with. A good hairdresser, for example, may not be very good at handling the accounts.
* Sole traders often work long hours. They may find it difficult to take holidays or time off if they are ill.
* They face unlimited liability if the business .....................

Personally

Workers

Legal

Pocket

Owner

Formal

Capital

Business

Responsibility

Fails