**Unit 1 – Revision sheet following end of unit test**

Integration

This refers to the process of two businesses joining together, which can happen when two business agree to join forces (merger) or when one business buys out another (takeover).

We often use the analogy of water or rivers to describe the flow of goods from its source to its final destination, i.e. upstream to downstream.



Aims & objectives

An aim is a general goal of a business, for example the owners may wish to grow the business of make it more profitable. An objective is a specific target that turns the aim into something that is easier to measure and assess progress. For example, to increase sales by 25% over a three-year period.

Below is a mix of aims and objectives all jumbled up. Using the space below identify:

1. The business aims
2. Which objective suit a small business (Sole Trader, Partnership) and which suit a large business (Ltd., Plc.)

|  |  |  |
| --- | --- | --- |
| Retain 90% of customers | Source cheaper materials | Provide a service |
| Make a profit | Increase market share by 2% | Improve customer satisfaction rating |
| Gain 100% market awareness | Increase product portfolio | Grow the business |
| Establish business name | Use profits to open new site | Avoid hostile takeover |
| Pay increased dividends | Reduce staff turnover  | Become a Ltd. |
| Make enough £ to live on | Survive the year | Employ two more staff |

Business ownership

There are many different forms of business ownership, each with its own features. The simplest form of ownership is called a **Sole trader**. This refers to a business owned by one person, there may be several employees but just one owner. It is the most common type of business ownership in the UK. **Partnerships** are typically owned by 2 – 20 partners, who have unlimited liability (although there are situations where liability can be limited). Many partnerships also register a deed of partnership with companies’ house.

**Sole trader**

Pros

> Easy to set up

> Little finance required

> Total control of the business

> Can keep all profits

> Financial information is private

Cons

> Unlimited liability

> Limited capital

> Hours of work

> Skills shortage

​> Continuity

**Partnerships**

Cons

> Unlimited liability

> Limited capital

​> Continuity

> Shared decision making

Pros

> Easy to set up

> More than one person investing £

> All partners bring own skills & experience

> Partners can cover one another, holiday etc.

> Financial information is private

**LTD.s – Private Limited Companies**

Cons

> Finances are published

> Large administration costs

> Sale of shares is restricted

​> Dividends must be paid

Pros

> Limited liability

> Continuity

> Easy to raise money

> Control over share sale

**PLC.s – Public Limited Companies**

Cons

> Possibility of takeover

> Cost of setting up and operating

> Problems due to size

> Finances are published

Pros

> Limited liability

> Ability to raise large amounts of finance

> Easier to borrow