

Sole trader - advantages:

1. Able to establish close relationship with customers and staff.
2. The business can be based on the owner's interest or skills as opposed to working as an employee for a large entity.
3. Owner keeps all profits.
4. Ideally suited for small-scale retail and service businesses (example, beauty salons, repair shops).
5. It is relatively easy and inexpensive to set up, primarily because it faces few legal requirements.
6. Freedom and flexibility of management.

Sole trader - disadvantages:

1. Intense competition exists from bigger firms, for example, convenience stores.
2. Owner is responsible for all aspects of the business, thus unable to specialize in any one area of interest.
3. Difficult to raise capital to finance major growth or expansion.
4. The law does not distinguish between the owner as a private individual and his or her business. Legally, he or she is the business.

Partnership - advantages:

1. Greater capacity than sole traders to raise funds.
2. A written agreement specifying the terms of the business serves as an evidence in the court of law.
3. Decision making is shared.
4. Partners may become specialists in different areas of the business.

Partnership - disadvantages:

1. Partners have unlimited liability.
2. Profits are shared.
3. Possibility of management disagreements among partners.
4. The business does not have a separate legal identity. If one of the partner dies, then the partnership also ends.
5. Longer time for decision making than sole traders and arguments may arise.
6. Must share burden of poor decisions.

Private limited company - advantages:

1. Shares can be sold to a large number of people. These would be likely to friends or relatives.
2. Owners are able to keep control of the business as long as they do not sell too many shares to other people.
3. Does not risk losing control of company to outsiders.
4. Best suited for family businesses.
5. Business will continue even if one owner dies.
6. All shareholders have limited liability.

Private limited company - disadvantages:

1. Shares can only be transferred 'privately' and all shareholders must agree on the transfer.
2. Firms are not allowed to sell shares to the public, thus restricting the amount of capital raised.
3. Significant legal matters have to be dealt with before a company can be formed.
4. Shares cannot be sold to the public thus restricting the amount of capital that can be raised.
5. Financial accounts have to be filed with the Registrar of Companies and members of the public can inspect them.
6. If one shareholder decides to sell his/her shares, it may take time to find a buyer.

Public limited company - advantages:

1. Easy transferability of ownership, since shares may change hands in hours or even minutes.
2. All shareholders have limited liability.
3. Greater capacity than other types of commercial businesses for growth and expansion.
4. Large sums of capital can be raised from selling shares to the public.
5. Can borrow large amounts of money from financial institutions at lower rates of interest than smaller companies.
6. Owing to their size, companies may benefit from economies of scale.

Public limited company - disadvantages:

1. Legal requirements to establish are complicated, costly and time consuming.
2. Financial information can be viewed by the public including competitors.
3. Due to their size, they may not be able to deal with customers on a personal level.
4. There may be a divorce of ownership and control which might lead to the interests of the owners being ignored to some extent.
5. Because of their sheer size, these companies may face management related problems such as slow decision making and industrial unrest.
6. Since anyone can buy its shares, it is possible for an outside interest to take control of the company.

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