

Chapter 19 – Ownership Structures

Types of ownership structure

Depends on the stage of development and growth of a business

Sole trader:

- . A business that is owned and run by one person
- . Easy start-up
- . Can use own name or company name (register of business names)
- . Unlimited liability
- . Small/family run/most common ownership type
- . Retail shop/small businesses
- . Licenses, VAT, PAYE/PRSI etc.

Partnership

- . Owned and run by 2-20 people
- . Easy start-up
- . Own name or company name (register of business name)
- . Unlimited liability
- . Deed of partnership. Recommended but not compulsory
- . Doctors, architects, accountants, solicitors etc.

Private limited company – (limited)

- . Up to 99 owners/shareholders
- . Limited liability.

Formation – 5 Steps

1. documentation:

- . Memorandum of association- the principal company details i.e. name, address, objectives, share capital, signature of shareholders.
- . Articles of association – internal rules for running the company, i.e. capital structure, meetings, voting rights, issue/transfer of shares, appointment, duties and powers of directors, winding-up. Companies Act 1963 provides a sample which companies may follow.
- . Form A1-company's registered name, authorized and issued share capital, directors names and consent, signed statement to comply with provisions of companies act 1963 – 1999.

2. Submit documentation: with fee to the company's registration office. (CRO)

3. The CRO will issue a certificate of incorporation

4. First statutory meeting: memorandum and articles of association, share certificates given out, directors appointed, auditors selected, authorization for bank account in company name.

5. Start trading as a legal entity separate from its owners.

Unit 4 – chapters 9,10,11,12,137

Chapter 9: Finance – Household and Business

Cash-Flow forecasts and Household budgets

Reasons for drawing up a CFS/Budget

1. Plan and control cash flows
2. Avoid cash shortages
3. Identify times of high expenditure
4. How do we deal with cash shortages?
5. How do we use surplus cash?

How to resolve not cash deficits?

1. Decrease expenditure
2. Earn extra income
3. Large expenses: spread out the payments, pay in instalments
4. Borrow money – (requirements and interest)
5. Owners capital/Share capital

Sources and use of finance: (households and businesses)

1. Short-term: Less than 1 year: e.g. bank overdraft, creditors, unpaid expenses, credit cards, factoring.
2. Medium-term: 1-5 years e.g. term loan, leasing, line purchase.
3. Long-Term More than 5 years: e.g. house mortgage, savings, owner's capital/equity, retained earnings/reserves, long-term loans and debentures, Government grants, venture capital (seed capital – start ups, development capital – for expansion)