



**higher education
& training**

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA



GAUTENG
Community Education and Training
CET COLLEGE

Economics and Management Sciences: EMSC4

LESSON 3

US: 13994 – Characteristics of Different Types of Businesses.

At the end of the lesson learners must be able to:

- **Discuss characteristics of different types of businesses.**
- **Explain characteristics of different types of business.**

Characteristics of Sole Trader

- It is owned by one person.
- There are no legal requirements for the naming of the business.
- Managed by the owner.
- Capital is raised by the owner.
- Owner receive all profits/losses.
- It lacks continuity (when the owner dies normally the business also stops operating).
- It has unlimited liability.
- Owner is usually taxed in the bracket of pay as you earn.
- The owner bears all the risks.

Characteristics of Partnership

- It is formed by two to twenty people.
- It is not a legal person.
- Every partner contributes capital or skill.
- Liabilities are unlimited.
- Each partner act as an agent on behalf of the partnership.
- Partners are jointly liable for the debt.
- Profit/loss is shared according to partnership agreement.
- Partners pay personal tax.

- It lacks continuity – if one partner dies, the partnership will be dissolved and a new one be formed.

Characteristics of Close Corporation

- Owned by one to ten members.
- Members share of ownership is represented in percentage.
- The name ends with “CC”.
- A legal person.
- Liability is limited.
- It continues existence even if one member dies.
- Taxed at a rate of companies.

Characteristics of Public Company

- It has a minimum of 3 directors.
- It holds statutory meetings.
- The financial statements are audited and published.
- A legal person.
- Owned by at least 7 shareholders.
- Its name ends with “LTD”.
- It registers with CIPRO.
- It pays a regulated tax.
- It declares and pays dividends to shareholders.
- The shares are freely available.

Characteristics of Private Company

- The name ends with PTY (LTD).
- The number of shareholders is one to fifty.
- It must register with CIPRO.
- Its shares are only available to a limited number.
- Pays income tax as prescribed by law.
- They have continuity.
- They are a legal entity.

Characteristics of a Co - operative

- It is registered with CIPRO.
- Easy and inexpensive to start.

- Limited liability.
- No share capital is needed.
- Minimum number is two and the maximum is infinite.
- Lifespan is unlimited.

Activity 3

Choose the correct answer in the brackets

- 1.1 A service business is a business offering (grants/service) to customers.
- 1.2 A trading business is a type of business that (buys/sells) goods to customers.
- 1.3 A public company has a minimum of 7 to (50/unlimited) shareholders.
- 1.4 After the registration of a sole trader a document given to the owner is (drivers/trading) licence.
- 1.5 A partnership has (limited/unlimited) liabilities.

(5)

2. Match column A and column B

Column A	Column B
2.1 Decision making is quick and easy	A. Franchise
2.2 A right to trade using a registered business name and operate the same as the main business	B. Target market
2.3 Specific customers that will buy /pay for our goods or services	C. Partnership
2.4 When one partner dies the whole business is dissolved	D. Insolvency
2.5 When the liabilities of a business are more that its assets	E. Sole trader F. Market

5 x1 : 5

Total [10]