Topic 2.4

Business and Businesses - Corporate Structure and Legal Status



sole trader (sole traders) N-COUNT sole proprietor (sole proprietors) N-COUNT

A **sole trader** is a person who owns their own business and does not have a partner or any shareholders. The **sole proprietor** of a business is the owner of the business, when it is owned by only one person.

Finance for a <u>sole trader</u> usually comes from the individual's own savings or from family and friends.

...a firm of solicitors of which he was the sole proprietor.

e partnership (partnerships) N-VAR

Partnership or a partnership is a relationship in which two or more people, businesses, or industries work together as partners.

...the <u>partnership</u> between Germany's banks and its businesses. Alex and Mikhail were in <u>partnership</u> then: Mikhail handled the creative side; Alex was the financier.

• limited company (limited companies) N-COUNT limited liability company (limited liability companies) N-COUNT

Ltd ABBREVIATION

A limited company or limited liability company is a company whose owners are legally responsible for only a part of any money that it may owe if it goes bankrupt. The word Limited or the abbreviation 'Ltd' is used in the name of a company to show that it is a limited company. [mainly BRIT]

They had plans to turn the club into a <u>limited company</u>. There are advantages in being a <u>limited liability company</u>. He is the founder of International Sports Management <u>Limited</u>.

● plc (plcs) N-COUNT

In Britain a **plc** is a company whose shares can be bought by the public. **Plc** is usually used after the name of a company and is an abbreviation for 'public limited company'.

...British Telecommunications <u>plc</u>.

This licence would not allow him to trade as a plc.

• franchise (franchises, franchising, franchised)

I N-COUNT

A **franchise** is an authority that is sold to someone by an organization, allowing them to sell its goods or services or to take part in an activity which the organization controls.

...the <u>franchise</u> to build and operate the tunnel.

Talk to other <u>franchise</u> holders and ask them what they think of the parent company.

2 VERB

If a company **franchises** its business, it sells franchises to other companies, allowing them to sell its goods or services.

She has recently <u>franchised</u> her business. It takes hundreds of thousands of dollars to get into the <u>franchised</u> pizza business.

franchisee (franchisees) N-COUNT franchiser (franchisers) N-COUNT franchising N-UNCOUNT

A **franchisee** is a person or group of people who buy a particular franchise. A **franchiser** is an organization which sells franchises. **Franchising** is the act of selling franchises in a business.

Gianfranco Ferre, the Italian fashion house, has seen its main British <u>franchisee</u> go bust.

...Dunkin' Donuts, a <u>franchiser</u> of doughnut shops.

One of the most important aspects of <u>franchising</u> is the reduced risk of business failure it offers to franchisees.

e holding company (holding companies) N-COUNT

A **holding company** is a company that has enough shares in one or more other companies to be able to control the other companies.

...a Montreal-based <u>holding company</u> with interests in telecommunications, gas and natural resources.

subsidiary (subsidiaries) N-COUNT parent company (parent companies) N-COUNT wholly-owned subsidiary (wholly-owned subsidiaries) N-COUNT

A subsidiary is a company which is part of a larger and more important company, known as the parent company. A wholly-owned subsidiary is a company whose shares are all owned by another company.

...British Asia Airways, a <u>subsidiary</u> of British Airways. Each unit including the <u>parent company</u> has its own, local management.

The Locomotive Construction Company Ltd is a <u>wholly-owned</u> <u>subsidiary</u> of the Trust.

• sister company (sister companies) N-COUNT Sister companies are two or more companies which are owned by the same parent organization.

...Midland Bank's sister company, the Hang Seng Bank.

• associated company (associated companies)

An associated company is a company in which between 20% and 50% of the shares are owned by another company or group.

A large shareholding should provide considerable influence (but not control) over the <u>associated company</u>.

● group (groups) N-COUNT

A group is a number of separate commercial or industrial firms which all have the same owner.

The group made a pre-tax profit of £1.05 million.

multinational: Topic 1.4

Topic 2.4

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PRACTISE YOUR VOCABULARY

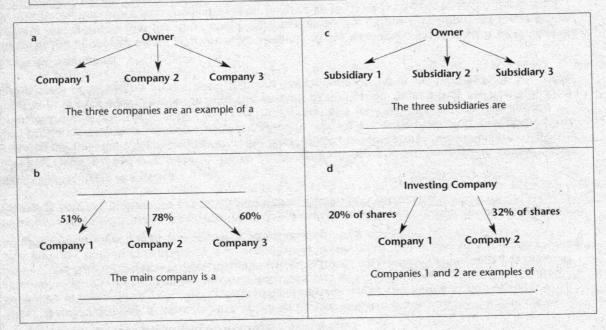
■ Which terms refer to organizations that control another company, and which refer to companies whose shares are held by another company?

b an associated company a a holding company

c a parent company d a subsidiary (company)

Look at the four diagrams showing corporate relationships and complete each sentence with one of the terms below.

holding company associated companies sister companies group



I Use each term in the box to complete the paragraph.

franchisees franchise franchise agreement	ent franchising franchiser		
A company that wants to expand rapidly m	ay choose	as a method. Ultramod	da, an Italian clothing
company, is an example of a	operation. Ultramoda	is the	and sells the right
to sell goods using its name to These other		esses, which sign a	with
Ultramoda, are usually small businesses, wh	ereas the franchiser is a large i	nternational company.	

Read the information about the four companies below and say which matches each of the terms in the box.

a sole trader/sole proprietor a partnership a limited company a plc

- a Mike Cobb set up an art gallery last year. He owns the gallery and manages it by himself.
- b Craftplay is a medium-sized firm whose shares are available on the stock market.
- c Ovenclean went bankrupt last year, but its shareholders were not made responsible for all the money it owed.
- d Brothers Gianfranco and Giancarlo Belen recently set up an import-export company. They run the business together.