# 11.3 Business forms and liability

Name: _____ Class: _____ Date: _____ **Total: 14 marks**

**KEY WORDS** limited liability • apparent authority

## Objective

Choose a form on liability and governance duties, and police who can bind the company.

## 1 Key knowledge and worked examples

### The wall and its toll

Sole trader and partnership: unlimited. LLP and Ltd: limited, at the price of filings and the Companies Act duties. A PLC needs 50,000 allotted; the audit exemption holds to 10.2m turnover.

**The form is a wall with a toll**

| | sole trader | partnership | LLP | Ltd |
|---|---|---|---|---|
| *liability* | unlimited | joint, unlimited | limited | limited |
| | the bad-bun claim → | | | Salomon [1897] |
| *who pays tax* | the trader | the partners | the members | the company |
| *main filings* | self-assessment | partnership return | accounts at CH | accounts + CS |
| *capital rules* | none | none | none | PLC 50,000 |

*Ltd duties: CA 2006 s.172 promote success, s.174 care and skill; audit exemption while turnover stays at or under 10.2m*

*Salomon: the company is a separate person*

### Worked example. Nimbus Kitchen Ltd

80,000 shares at 2.50 = 200,000 equity ✓; turnover 100,000 keeps the audit exemption ✓; s.172 success and s.174 care bind the founder ✓.



exercises.lol exercises.com.cn

## 2 Practice

**2.1** A two-person design studio wants the simplest structure with no personal exposure for either partner. The form, and what it costs them. [4]

**2.2** A supplier enforces a purchase signed by a manager with no actual authority but a company email signature and a history of similar orders. Binding, and why? [3]

**2.3** The numbers: minimum allotted capital for a PLC; the audit exemption turnover threshold; the equity of 80,000 shares at 2.50. [3]

**2.4** Match the duty: s.172; s.174; the no-profit rule; the authority schedule. [4]



exercises.lol exercises.com.cn