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 ✓.

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]