

Differences between various types of business organisations

	Sole Trader	Partnership	Company	Co-operative
Start up	Register as self-employed	Deed of partnership drawn up	Register with Registrar of companies.	Register with Registrar of co-operatives. <i>Malta: Co-operatives Board</i>
Number of shareholders, partners or members	one	two or more	one or more	Depends on country's legislation (usually 3 or more). <i>Malta: five or more</i>
Members' control	Sole	Depends on deed	Decision making at shareholder level is based on number of shares held and voting powers attached to each share.	Decision making at members level is usually based on one-member-one-vote principle.
Liability of shareholder, partners or members	Unlimited (personal property of shareholder may be at risk)	Unlimited (personal property of shareholder may be at risk)	Limited to investment placed into business. (corporate veil rule-of-law applies)	Limited to investment placed into business. (corporate veil rule-of-law applies)
Governance	By owner (appointed by owner)	Shared responsibility (agreed by partners)	Board of directors and management team (elected at an AGM by the shareholders)	Committee of management and management team (elected at an AGM by the members)
Supervisory organ	Not constituted	Rarely constituted	Internal Audit department may exist usually depending on memorandum and articles of association.	Depending on country's legislation the society may create a Two-tier system and appoint a supervisory board solely to supervise management.
Investment	Mainly personal funds	Partners' finance	Shareholders' finance, issuing of shares.	Mainly from owners' finance, issuing of shares and pooling of limited personal resources. Mostly new equity originates from internal operations especially from retained patronage refunds.
Maximum % shareholding by any one shareholder	100%	Depends on deed	100%	Depends on legislation. <i>Malta: 40%</i>
Accounts and audit	No strict accounting or audit required. Records not available for public inspection.		Accounting and audit requirements (depending on legislative thresholds). Accounts open for public inspection (also in abridged format).	Accounting and audit requirements (depending on legislative thresholds). Accounts open for public inspection (also in abridged format).
Profit distribution	Withdrawn by owner	Distributed to partners according to profit sharing	Distributed by way of dividends to shareholders in proportion to their number of shares.	Distributed by way of patronage to members in proportion to the volume of business or other transactions done by them with the society. Usually limited dividends paid to shareholders in proportion to their number of shares. Statute may also prohibit distributions such as in social and/or consumer societies.

	Sole Trader	Partnership	Company	Co-operative
Common fund	All profits may be distributed		All profits may be distributed	Usually a portion of profits before distributions is placed in a common fund (not-for distribution) called Legal Reserve e.g. 15% of profits p.a. (capped) <i>Malta: Reserve Fund - 20% p.a. (capped)</i>
Continuity	If owner dies or retires business may go out of existence unless sold by heirs.	Partnership dissolved on death, retirement or bankruptcy.	Perpetual existence. Shareholders and their company are legal and distinct entities.	Perpetual existence. Members and their co-operative are legal and distinct entities.
Transferability of ownership	Usually whole business sold		Possibility to sell some or all shares at market value or according to share valuation. (Usually share transfers in non-public companies are highly restricted)	Possibility to transfer membership but usually member obtains ONLY par value of share and does not benefit from asset appreciation. (Usually share transfers are highly restricted if no open market exists). Transfer of shares between members are rare.
Winding-up	Usually business is closed and net assets (if any) are distributed to owners		Usually company is liquidated and net assets (if any) are distributed to shareholders according to % shareholding.	Usually a co-operative is liquidated and the net assets (if any) are distributed on winding-up according to the principle of disinterested distribution, that is to say to another co-operative pursuing similar aims or general interest purposes. Yet country's legislation may vary this rule.

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