

CFALG1

Choose a legal format that suits your business



Overview

It is important to choose the most appropriate way of setting up your business in line with the law. If your business fails, then the format can affect your rights and responsibilities. There are a number of options available and you need to choose the legal format that best suits your specific business requirements.

You might do this if you need to:

1. set up a business or social enterprise
2. review the current status of your business or social enterprise
3. take over another business or social enterprise in its early years

Choose a trading status that suits your business involves:

1. finding out about legal options for setting up and running a business
2. comparing legal format options
3. selecting an option that is best for your business

CFALG1

Choose a legal format that suits your business

Performance criteria

You must be able to:

- P1 research the legal format options for your business
- P2 look at how relevant options will affect your customers, suppliers, any other stakeholders and the future activities of your business
- P3 compare the advantages and disadvantages of each legal format
- P4 find out about legal agreements and seek advice about what they mean for you and your business aims
- P5 consider the views of your backers when you choose a trading option
- P6 use up-to-date and credible advice and information to help you decide what you have to do
- P7 make sure that the way you set up your business meets all that is legally required

CFALG1

Choose a legal format that suits your business

Knowledge and understanding

You need to know and understand:

Legal format

- K1 what are the different types of legal status that a business can have (for example sole trader, partnership, limited company or not for profit community interest companies and industrial and providence societies)
- K2 what effect different options will have on your business in terms of customers and suppliers
- K3 which type of trading status is best for meeting the commercial and other needs of your business
- K4 what is the effect of different options on your tax position
- K5 what liabilities you and your business will have including insurances, planning permission, local regulations and byelaws, health and safety regulations, fire regulations, trading standards rules, copyright and patent rules
- K6 what financial risks are involved

Law and regulations

- K7 which aspects of national and local law and regulations apply to your sort of business
- K8 which aspects of national and local law and regulations apply to all businesses, including your own

Information and advice

- K9 what information on law and regulations is available and from which organisation
- K10 why it is important to use proper technical and professional advice to find out about laws and regulations
- K11 what role the professional adviser has
- K12 how to use free and paid for sources of advice

CFALG1

Choose a legal format that suits your business

Additional Information

Links to other NOS

1. LG2 Keep up to date with current legislation affecting your business

Links to other standards

If your business grows and develops a management team it may be appropriate to consider the following units from the Management and Leadership Standards.

2. B8 Ensure compliance with legal, regulatory, ethical and social

CFALG1

Choose a legal format that suits your business

| | |
|---------------------------------|---|
| Developed by | CFA Business Skills @ Work |
| Version number | 1 |
| Date approved | May 2008 |
| Indicative review date | May 2010 |
| Validity | Current |
| Status | Original |
| Originating organisation | Sfedi |
| Original URN | LG1 |
| Relevant occupations | Business, Administration and Law; Managers and Senior Officials |
| Suite | Business Enterprise |
| Key words | success, business, idea, social, enterprise, customers, products, service, support, creative, idea, skills, needs, suppliers, cash, flow, legislation, marketing, market, trends, competitors, health and safety, VAT, equipment, costs, profit, staff, product |