

SOLE TRADE BUSINESS

FOR B.A. SEM. IV

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SOLE TRADE BUSINESS

- ❖ Sole trade business, is a type of organization in which a single person invests and controls the business by making decisions, which have some sort of risks.
- ❖ This is the oldest type of organization.
- ❖ According to Spreegal “A family in which father works to feed his family, its developed form is sole trade business.”
- ❖ Sole trade is a form of business, whose establishment is done by one person using his money.
- ❖ He is responsible for his profit and loss. He is the only owner of his business and the only one to run the business.

DEFINITIONS OF SOLE TRADE

- ▣ According to L.H. Haney, “Sole trade is the form of business in which the owner is a single person, who is responsible for all the tasks and his losses and gains.”
- ▣ According to Kimball and Kimball, “Sole trade businessman is a person who makes decisions regarding his business within the rules and regulations laid down by the government. ”

CHARACTERISTICS OF SOLE TRADE

(1) SOLE OWNERSHIP

- ▣ In sole trade only one person is the owner and is responsible for all the decisions being made regarding the business.
- ▣ He takes up risks and makes arrangements for land, labour etc. Whether the business makes profit or loss, it all credits to him.

(2) UNLIMITED RESPONSIBILITIES

- ▣ In a sole trade business there are a number of responsibilities.
- ▣ The owner is solely responsible for all the risks and activities in the business.
- ▣ In case of a huge loss in business, the payment to the creditor can be made by the means of personal property.

(3) INDEPENDENCY TO OPT FOR ANY BUSINESS FIELD

- ▣ A sole trade business holder can choose any business to trade in.
- ▣ A business chosen by one's will, maximizes the chance to make maximum profit and show more skills.

(4) MONOPOLY ON FINANCE

- ▣ In sole trade business, the owner is the only one who arranges for the investments to be made in business.
- ▣ If necessary, he can take loans from others too, but he is the only one responsible for the arrangement and use of money.

(5) SOLE MANAGEMENT

- ▣ A sole trader is the one who arranges and manages the whole business by himself.
- ▣ He can hire workers when his business grows, but he remains responsible for all the work done by workers.

(6) OPTIONAL START AND END

- ▣ The beginning and end of any sole trade completely depends upon the owners will and wish.
- ▣ The business can be started easily and can also be ended readily.
- ▣ This is not possible in case of other organizations.

(7) LIMITED WORKSPACE

- ▣ The workspace of a sole trade business is solely decided by the owner's will.
- ▣ Unlimited responsibilities, limited skills and materials make the workspace limited to a certain area. The owner is unable to increase his workspace and is not able to take his business to a larger scale.

(8) THE OLDEST AND SIMPLEST FORM

- ▣ Sole trade business is the oldest and the simplest form of business.

(9) MONOPOLY OF PROFITS

- ▣ The owner has full right over all the profits made by the business.

(10) SERVICE ORIENTED ENTER

- ▣ This business is mainly observed in service oriented benter such as doctors, engineers, barber, tailor etc.