

Trades and legal forms of business

(and typology)

Topics of this lecture

- Trades

And upon the typology of organizations:

- Profit organizations
- Non-profit organizations

Trades – trade license

- Trades based upon Trades licensing act 455/1991 (many updates)

Trades – basic characteristics

- Trade is a systematic activity operated independently by an entrepreneur, in his own name, on his own responsibility, in order to make profit and following the conditions stated in the Trade Licensing Act.
- Trade is a certain economic, organizational and legal unit that is owned by one entrepreneur (an individual-natural or a legal entity).
- Trade can be operated by both an individual or a legal entity.

Trades definition

- Both negative (section 3) and positive (annex)
- List in the trade licensing act
- See Section 3 in PDF study materials file
 - NOT: Trade-Licensing-Act_2021.pdf
 - IS: Trade-Licensing-Act_annexes_2021.pdf

Trades, their operation and division

The trade may be carried out by an individual or a legal entity (LE always through a responsible representative) subject to the legal conditions:

- Attaining the age of 18 years (reaching legal maturity by court decision minimum 16 years)
- Eligibility for legal acts (you have not been restricted)
- Integrity (without a criminal record in the area of business)

A person who has been convicted of an intentional offense if committed in connection with a business, is not considered to be a blameless person. This is used to limit trades for convicted serious economic crimes.

An obstacle to operating a trade is a ban of an activity of an entrepreneur, but this can be bypassed by responsible representative in legal entities.

- Trades in terms of how to obtain a trade license are divided into:
 - Reporting trades
 - Concession trades

Types of trades

Reporting and concession

Under the conditions that a candidate must meet when reporting a trade, three types of **reporting trades** are distinguished:

- craft trades
- bound trades
- free trades (currently cca 80 exist)

Concession trades require professional verification and other qualifications, apply where there is a threat to human health or life. Getting a concession is not a legal claim.

Trade Register <https://www.rzp.cz/eng/index.html>

For the issuance of a trade license (granting a concession) it is necessary to pay an administrative fee (pursuant to Act No. 634/2004 Coll., On Administrative Fees):

- a) CZK 1,000 (registration of a trade or acceptance of a concession application when entering a business);
 - b) CZK 500 (further announcement of the trade, acceptance of another application for a concession, amendment of a decision to grant a concession and issuance of a decision on the approval of the responsible representative for the licensed trade)
 - c) CZK 100 (issuance of a statement from the TR after the notified change)
- If a reporter fulfils all conditions stipulated by the law, the Trade Licensing Office shall register with the Trade Register within 5 days from the date of a delivery of the notification and shall issue a statement to the entrepreneur.
 - In the case of concession proceedings, the procedure is similar.
 - The Fees Act is often revised, so it is necessary to keep track of its current version!

Typology of organizations

Ownership:

- Individual
- Family
- Private
- Collective
- Utilities
- State
- Mixed

Organisational form:

- Single proprietorship
- Partnership
 - With unlimited liability
 - With limited liability
- Company
 - Limited liability
 - Joint stock
- Cooperative
 - (Branch office)

Types of enterprises

- **Foreigners willing to set up a business in Czech Republic can choose from one of the four main types of companies: branch office, partnership, limited liability company and joint stock company.**
- **Most common in CZ are single proprietorship, public limited company, joint stock and then cooperatives.**
- **2 million trades**
- **520 000 public limited**
- **27 000 joint stock**
- **12000 cooperatives**
- **120 state enterprises**

Private profit organizations

- All of the profit entities have to have licence.
- Economic activity of entity – subject to: trade licensing act or special sector act or is a small agriculture producer
- The structure and liabilities of corporations is set in the Business corporations act 90/2012

Sole entrepreneur – individual enterprise

Unlimited liability – most of them same as traders.

Advantages:

- **easy to set up and low establishing cost**
- **unobstructed handling of the profit,**
- **flexibility,**
- **tax advantage,**
- **keeping your business secrets.**

Disadvantages:

- **unlimited liability,**
- **the existence of an enterprise is connected to a particular owner,**
- **limited ability to obtain credit,**
- **limited business experience and knowledge,**
- **lack of opportunities for employees.**

General (commercial) partnership (v.o.s.)

- Partners are sole traders
- Unlimited liability
- No need for capital
- All of the partners are operating business and are representatives
- Profit is shared in equality
- Minimum 2 natural or legal entities
- Usually advocacy, medical houses (poly-clinics)

Limited (commercial) partnership (k.s.)

- Amalgamation of partnership and corporations
- 1st part – general partnership
 - Same as general partnership – persons called complementarian
- 2nd part – public limited company
 - Same as public limited – persons called limited partner
- Profit to two halves, then taxation according to the type of involvement

Limited liability company (s.r.o.)

- Previous are in CZ mentioned as a personal corporations, this is first commercial corporation
- Minimum number of founders is 1 (both legal or natural entity)
- Subject to corporate tax 19 %
- Large ones subject to full reporting to business register (a net turnover over CZK 80 million, over 50 employees or a balance sheet over CZK 40 million – subject to audit)
- Capital at least 1 CZK ($\approx 0,05$ EUR/USD) (have to pay 30 % to register)
- For non-monetary contributions, they have to be clearly settled in the statutory papers. For a company with one stakeholder, the full registered capital must be paid before the company is registered in the Commercial Register.
- General Meeting, each of the owners can be executive – representative (this is usually set up in statutory documents), large ones have Supervisory board

Joint stock company (a.s.)

- Minimum number of founders 1 (natural or legal entity)
- Base capital need 2 million CZK (80 000 EUR – then accounting in EUR)
- Subject to corporate tax 19 %
- All subject to reporting to the Business register
- Large ones subject to independent audit (a net turnover over CZK 80 million, over 50 employees or a balance sheet over CZK 40 million)
- General meeting/Shareholder meeting

Corporate governance joint stock

- Continental – two tier – dualistic
- General meeting – Supervisory board – Board of directors

- Anglo-saxony – one tier – monistic
- General meeting – Board of directors (CEO within)

How to?

- Ready made
- Ask notary – full service
- DIY 😞
- Need place, money, time, patience

https://en.wikipedia.org/wiki/Ease_of_doing_business_index

Cooperatives - družstvo

- Special form intended to be sum of people not capital
- Functions as joint stock company
- 0 need for capital (usually there is)
- Minimum 3 legal or natural persons
- Indivisible fund
- Members are not liable for the debts/obligations of the co-operative.
- BUT Sometimes responsible for loses of cooperatives up to percentage of share.
- Head of cooperative, Members meeting, Control committee

SE and SCE – Evropská společnost/Societas Europaea

- „joint stock company“ in CZ by special law 627/2004
- Travels in EU states (taxes etc), multi EU-country company
- Needs 120 000 EUR

Non profit/public/state organizations

Public-law organization („non profit“ public)

- Organizations, which provide important services (railway and water transport, television, electricity production, etc.)
- Established directly by law (eg. Czech Television, public college), or established by a state administration organization, eventually self-government (Lesy ČR, Budvar)
- Organizations solely owned by the state or territorial self-governing units (Lesy ČR, Budvar) or mixed ownership (ČEZ) – provide products that could be offered by private entities.

Non-profit organizations

- their primary objective is not profit, but fulfilment of its mission (thanks to this there are many public (Czech Television, associations of municipalities, etc.) and private non-profit organizations (political parties, professional chambers, etc.)

Non-profit private organizations

- Budget organizations (schools, courts, state health care facilities, etc.)
- Contribution organizations (theatres, libraries, galleries, etc.)
- Civil associations (various societies, movements, clubs and unions, churches, etc.)
- Foundations

Typology

- Sector – primary, secondary, tertiary (ISIC, NACE, NAICS)
- Size – SME

Enterprise category	Headcount: annual work unit (AWU)	Annual turnover	Annual balance sheet total
Medium-sized	< 250	≤ EUR 50 million	≤ EUR 43 million
Small	< 50	≤ EUR 10 million	≤ EUR 10 million
Micro	< 10	≤ EUR 2 million	≤ EUR 2 million

Economic sector - hint

<https://nacev2.com/en>

Size - hint

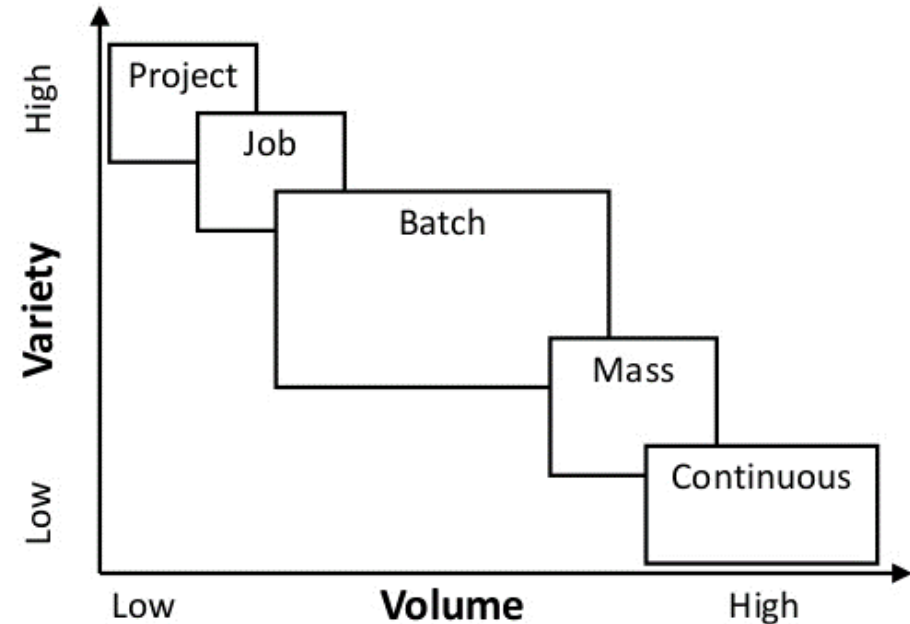
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<https://ec.europa.eu/docsroom/documents/42921> or study materials in IS MU course folder

Types of output – production type - hint

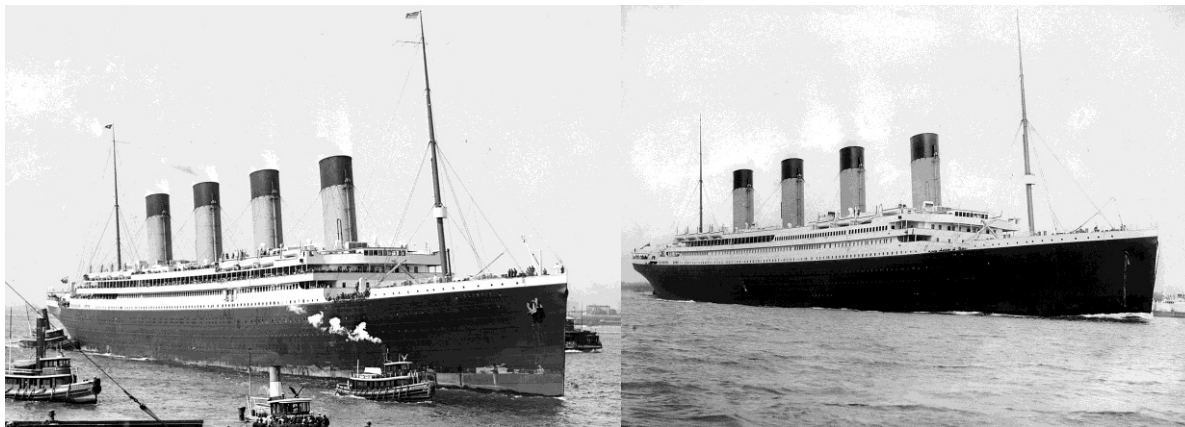
- Type of output production
 - production type:
 - organizational type of production:
(next slide)

Process Types - Products



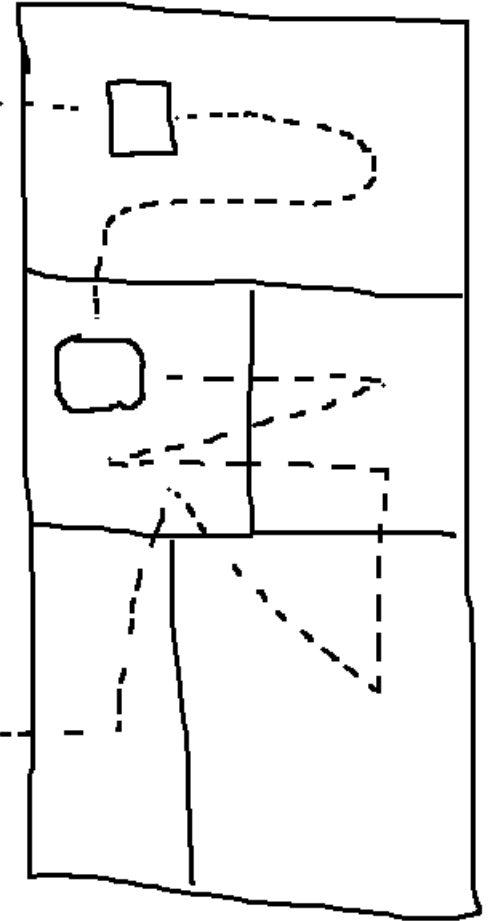
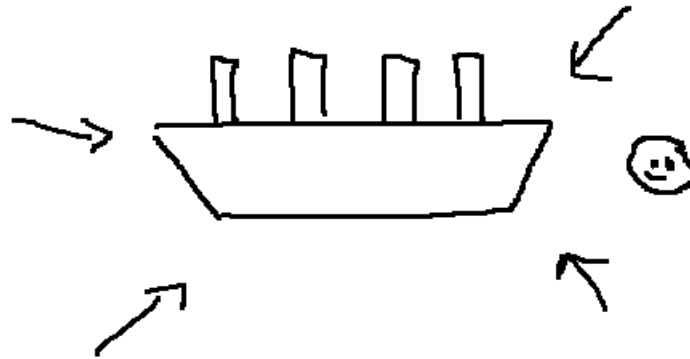
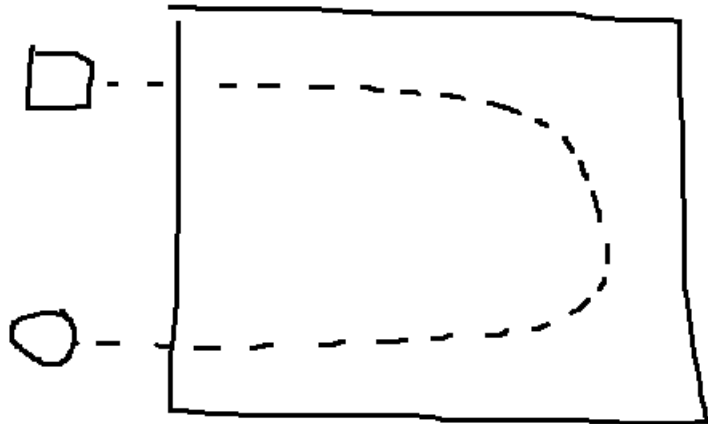
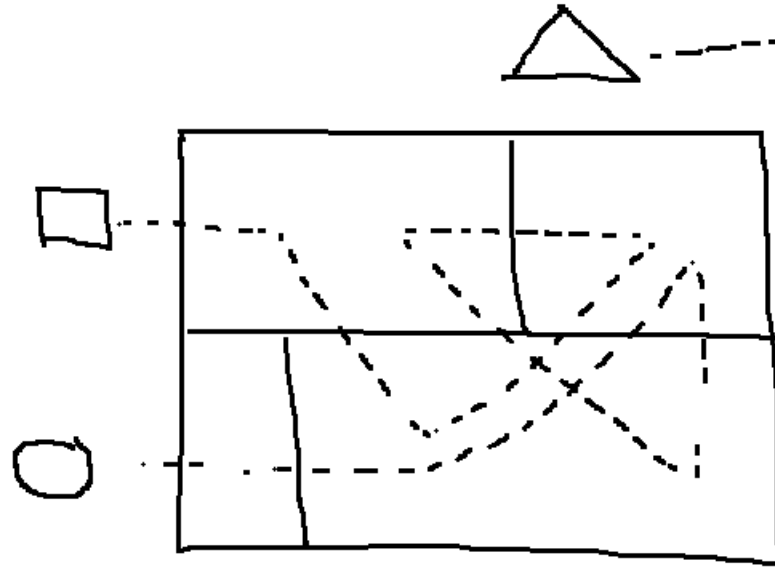
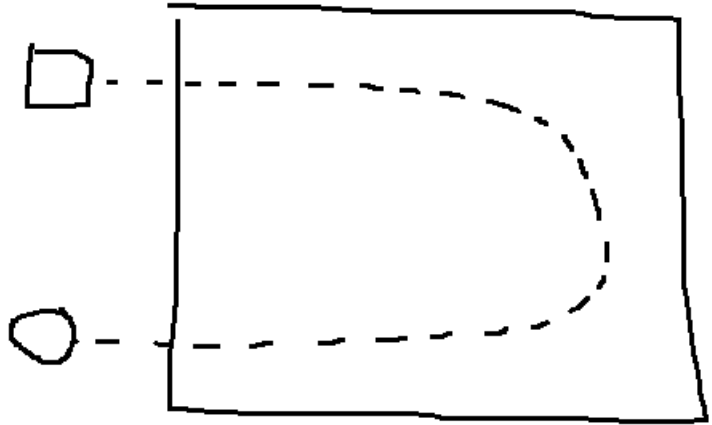
Examples?

- Project – unique, only one
- Job – custom made, bespoke
- Batch – serial number, bespoke, custom made, in lots
- Mass – serial number, higher volumes, customization limited from semi-finished products/parts
- Continuous – no serial numbers, „one type and process“ production

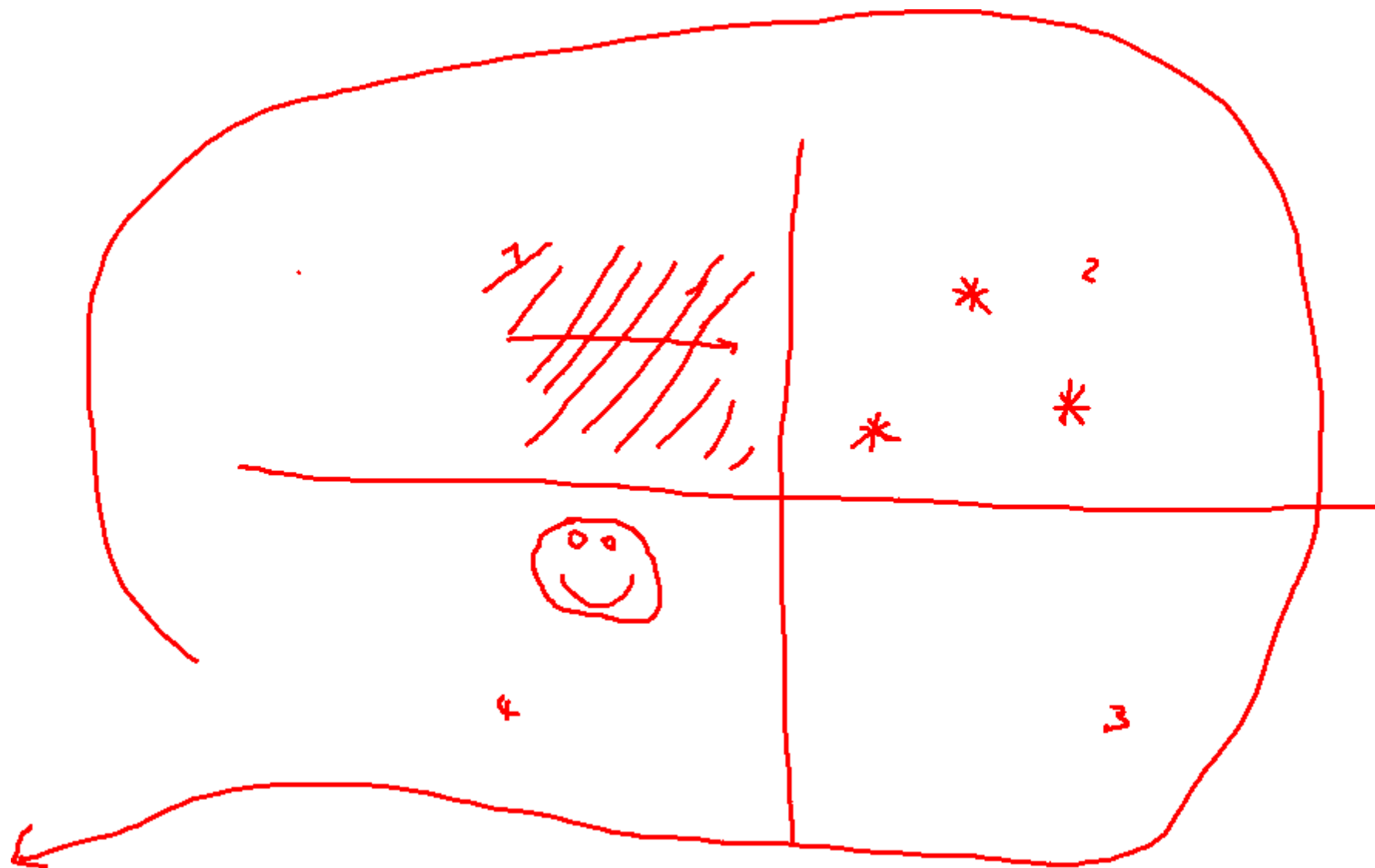


<https://www.youtube.com/watch?v=YEJzW8rsIzo&app=desktop>

Types of output – organizational type of production - hint









Purple
Aviation Fuels [nickname: "Grapes"]

Blue
Plane Handlers
Aircraft elevator Operators
Tractor Drivers
Messengers and Phone Talkers

Green
Catapult and arresting gear crews
Air wing maintenance personnel
Cargo-handling personnel
Ground Support Equipment (GSE) troubleshooters
Hook runners
Photographer's Mates
Helicopter landing signal enlisted personnel (LSE)

Yellow
Aircraft handling officers
Catapult and Arresting Gear Officers
Plane directors

Red
Ordnancemen
Crash and Salvage Crews
Explosive Ordnance Disposal (EOD)

Brown
Air wing plane captains
Air wing line leading petty officers

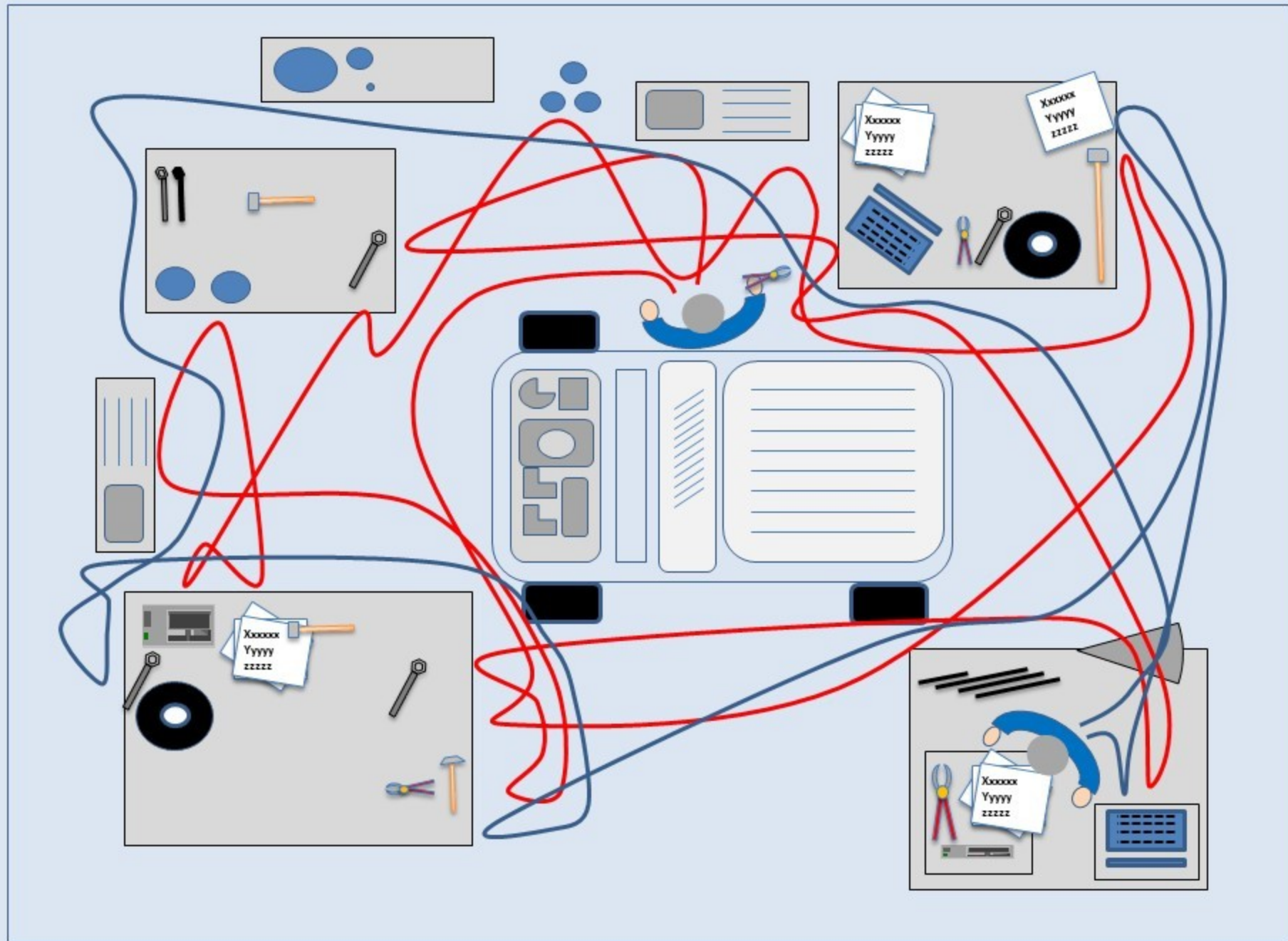
Optimization of workshops

Creation

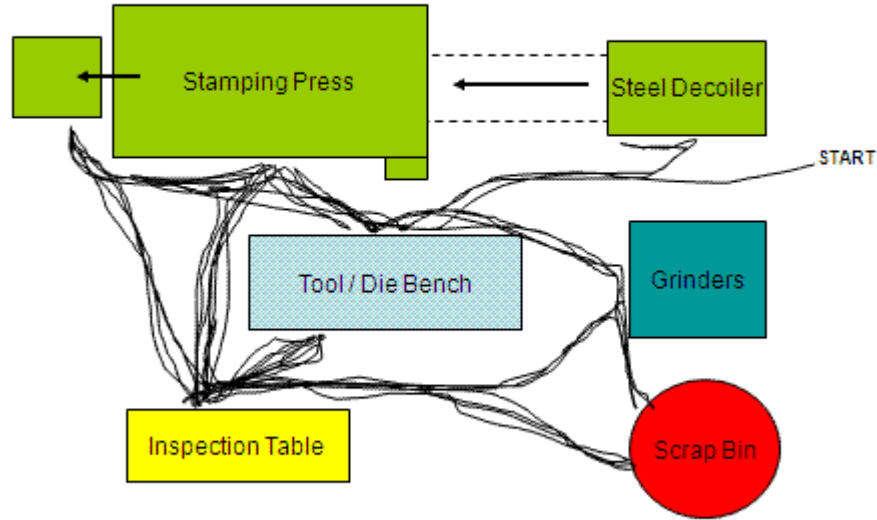
- Automated Layout Design Program (ALDEP)
- Computerized Relationship Planning (CORELAP)

Optimisation

- Computerized Relative Allocation of Facilities Technique (CRAFT)

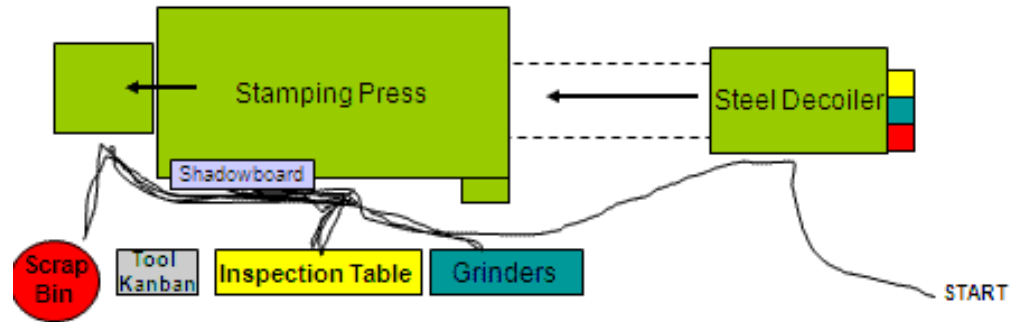


HEMMING SET-UP PROCESS
Spaghetti Diagram used to identify waste and achieve SMED



Operator traveled 3,215 ft to get first good piece.
98 minutes from last good piece of previous run to first good piece of this run

HEMMING SET-UP PROCESS
Spaghetti Diagram IMPROVED



Operator traveled 375 ft to get first good piece.
14.9 minutes from last good piece of previous run to first good piece of this run





Retailux

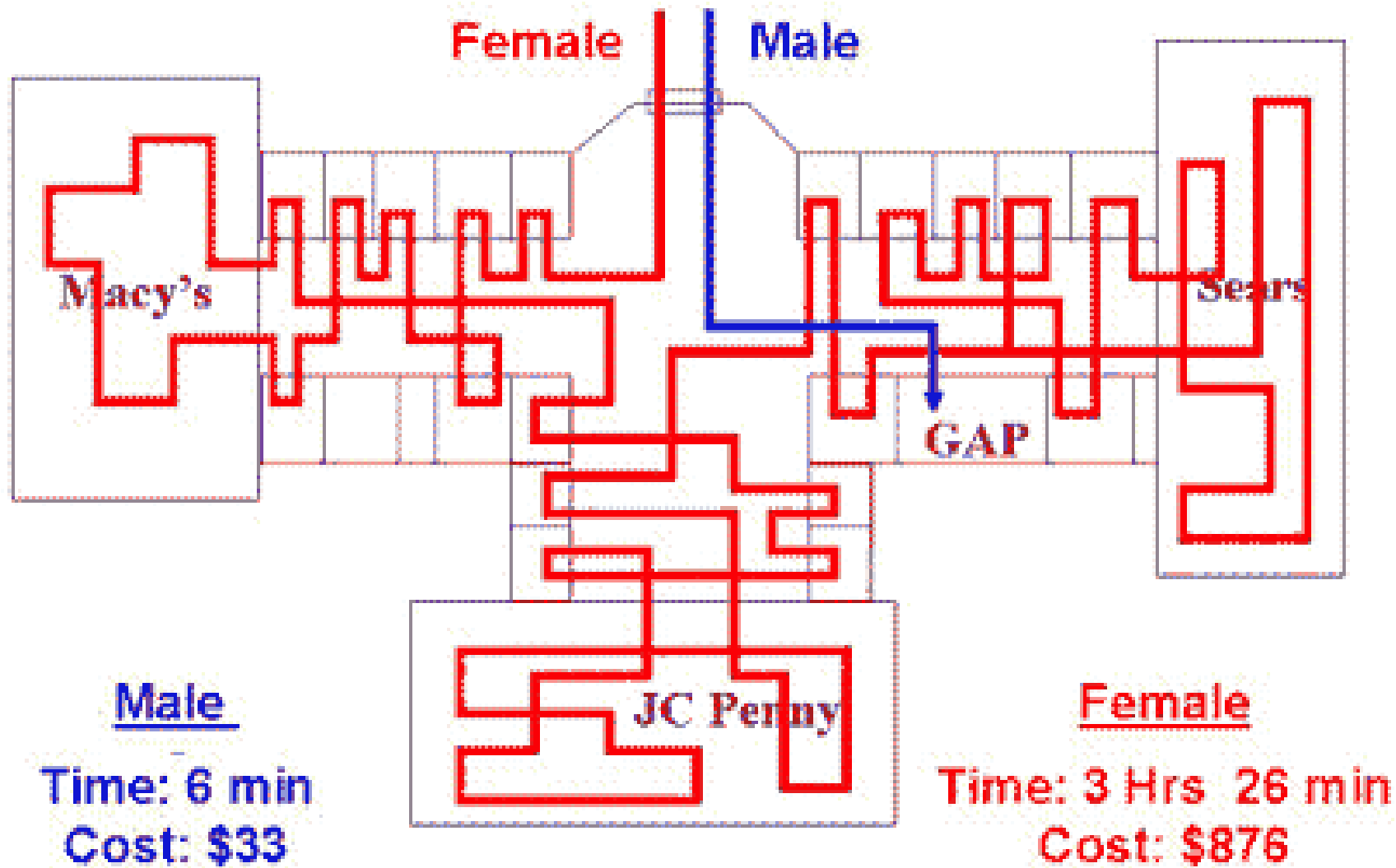
salg salg

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Norli anbefaler!

salg salg

Mission: Go to Gap, Buy a Pair of Pants



- Thank you...