

Exercise walk-through

1.2

Business structure

A-Level Business

What we will cover

- 1 Purpose & adding value
- 2 Enterprise & the business plan
- 3 Sectors & legal structures
- 4 Size & growth
- 5 Objectives & stakeholders
- 6 Recap



The sectors, and the two halves of the economy

Primary sector

Takes from the earth: farming, fishing, mining, forestry.

Secondary sector

The **secondary sector** factory, a baker.

makes – manufactures – **goods** : a car

Tertiary sector

The **tertiary sector** port.

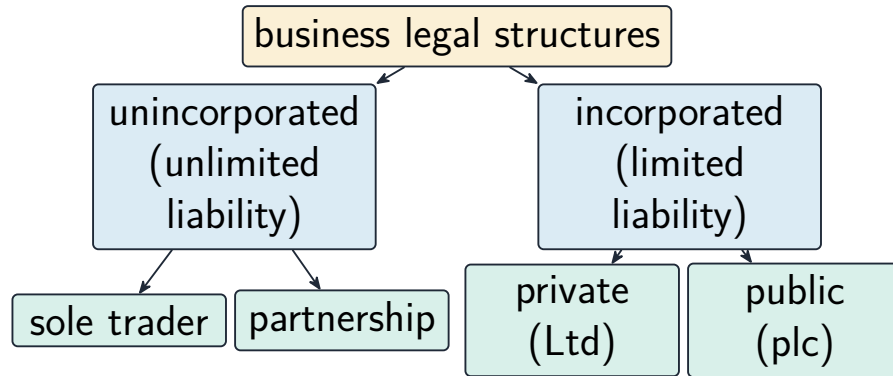
provides **services** : shops, banks, trans-

Private and public

The **private sector** is owned by private people; the **public sector** by the state. A **social enterprise** trades like a business but aims at social or **environmental** good – cutting **pollution**, say – and reinvests most of its profit.

As a country develops the jobs move primary → secondary → tertiary. The sector mix is a development statistic in its own right.

Legal structures and liability



Sole trader
partnership
Ltd
franchise

Limited liability :
owners lose only what they
invest. Unincorporated = **un-**
limited.

Exercises 2.1·2.2

2.1 Identify the sector (primary, secondary, tertiary or quaternary) of each: (a) a coal mine; (b) a car factory; (c) a hairdresser. [3]

2.2 Define the term *limited liability*. [2]

Exercises 2.1-2.2

2.1 Identify the sector (primary, secondary, tertiary or quaternary) of each: (a) a coal mine; (b) a car factory; (c) a hairdresser. [3]

2.1

(a)

- primary

(b)

- secondary

(c)

- tertiary (1 + 1 + 1)

2.2 Define the term *limited liability*. [2]

2.2

- the owners can lose only the money they have invested; their personal assets are protected (2 for a clear definition; 1 for a partial idea)

Exercises 2.3-2.4

2.3 State two features of a **sole trader** business.

[2]

2.4 State one difference between a private limited company (Ltd) and a public limited company (plc).

[2]

Exercises 2.3-2.4

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[2]

2.3

- any two of: owned by one person; easy and cheap to set up; owner keeps all the profit; owner has unlimited liability; owner makes all decisions (1 + 1)

2.4 State one difference between a private limited company (Ltd) and a public limited company (plc).

[2]

2.4

- a plc sells shares to the public on the stock exchange; an Ltd sells shares only to a small private group (e.g. family and friends) (2 for a clear difference; 1 for a partial idea)

Exercises 3.1·3.2

3.1 Explain one benefit to the owners of forming a private limited company (Ltd). [3]

3.2 Analyse two advantages to a business of operating as a **franchise**. [8]

Exercises 3.1-3.2

3.1 Explain one benefit to the owners of forming a private limited company (Ltd). [3]

3.1

- [3] **AO1** 1 – name a benefit (limited liability; easier to raise finance; separate legal identity). **AO2** up to 2 – develop why it helps these owners, e.g. limited liability protects the owner's house if the company fails, so they can take bigger risks to grow (2 developed / 1 limited)

3.2 Analyse two advantages to a business of operating as a **franchise**. [8]

3.2

- [8] For **each** of two advantages: **AO1** 1 + **AO2** 1 + **AO3** up to 2. Example chains
 - *known brand*: customers already trust the brand
- sales start quickly
- lower risk of failure. *Support/training*: the franchisor provides marketing and training
- fewer early mistakes
- more chance of survival. Maximum 4 per advantage, 8 total

Exercise 3.3

3.3 A successful sole trader is deciding whether to change into a private limited company (Ltd). Evaluate this decision. [12]

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3.3

- [12] **AO1** 2 / **AO2** 2 / **AO3** 2 / **AO4** up to 6 (L3 5–6 supported judgement in context; L2 3–4 without context; L1 1–2 limited). **For** becoming an Ltd: limited liability, easier to raise finance, more credibility. **Against**: set-up cost and legal rules, must publish accounts, some loss of control and privacy. **Judgement**: worth it if the owner needs finance and wants to protect personal assets to grow, but a small, low-risk firm may be better staying a sole trader – it depends on the growth plan and risk