

1.2 Business structure

Name: _____ Class: _____ Date: _____

Total: 32 marks

KEY WORDS limited

- social enterprise

- private limited company

- secondary

- sole trader

Objective

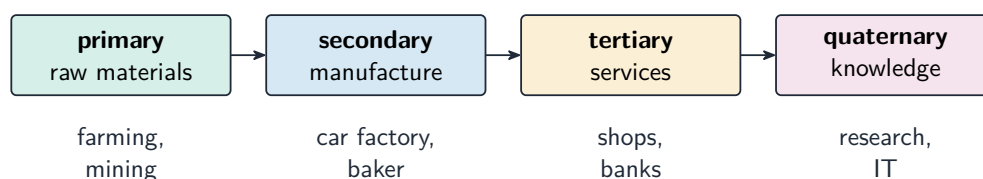
Build the skills to answer exam questions on **business structure** – the legal forms a business can take (**sole trader, partnership, private limited company, public limited company, franchise**) and the key idea of **liability**.

You must be able to:

- describe each legal form and who owns it
- explain the difference between **limited** and **unlimited liability**
- analyse and evaluate a change of legal structure for a business

1 Key knowledge and worked examples

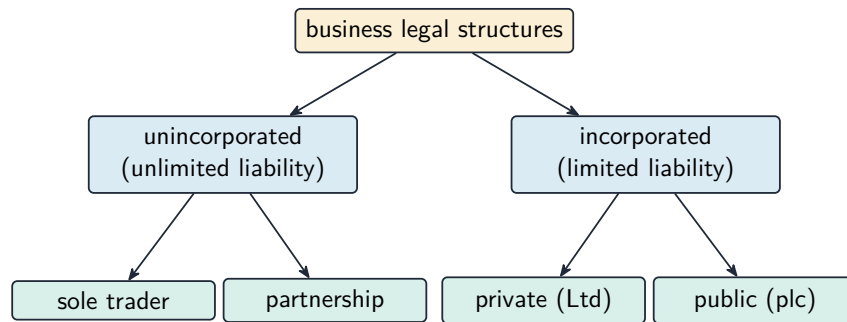
■ Sectors of business activity



Primary (extract) → secondary (make) → tertiary (services) → quaternary (knowledge)

- **Sectors:** **primary** (extract raw materials), **secondary** (make goods), **tertiary** (services), **quaternary** (knowledge/R&D).
- **Private sector** (privately owned, usually for profit) vs **public sector** (government-owned, for services).

■ Legal forms and liability



Unincorporated (sole trader, partnership) = unlimited liability; incorporated (Ltd, plc) = limited liability

- **Limited liability:** owners lose only the money invested – personal assets safe.
- **Unlimited liability:** personally liable for **all** debts.
- Other forms: **franchise** , **joint venture** , **social enterprise**

Answer shapes (marked by **level of response** on the AOs – AO1 knowledge, AO2 application, AO3 analysis, AO4 evaluation):

- **Explain [3]:** name the point (AO1) + develop why it matters for this firm (AO2).
- **Evaluate “should X change to Y?” [12]:** argue both sides (AO3), then judge *in context* (AO4) – it depends on the firm’s size, need for finance, and the owner’s attitude to risk and control.

2 Practice

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]

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]

3 Exam-style questions

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]

[12]