

# 1.2 Business structure

Name: \_\_\_\_\_ Class: \_\_\_\_\_ Date: \_\_\_\_\_

Total: 32 marks

**KEY WORDS** limited

• social enterprise

• private limited company

• secondary

• sole trader

## Objective

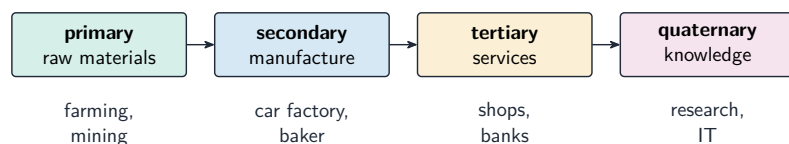
Build the skills to answer exam questions on **business structure** – the legal forms a business can take (**sole trader, partnership, private limited company, public limited company, franchise**) and the key idea of **liability**.

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

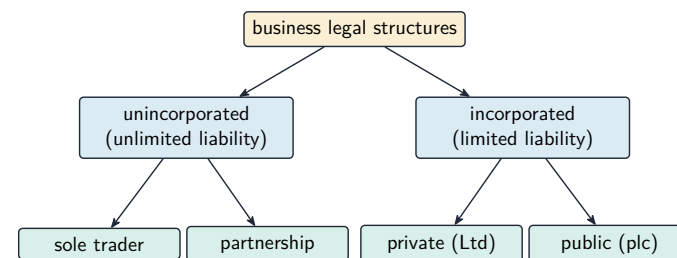
### ■ Sectors of business activity



*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]

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

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**2.3** State two features of a **sole trader** business. [2]

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**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]

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