A-LEVEL BUSINESS • EXERCISE SHEET

1.2 Business structure

Name: ____________ Class: ________ Date: __________ **Total: 32 marks**

KEY WORDS limited 有限责任 • private limited company 私人有限公司 • sole trader 个体经营者 • social enterprise 社会企业 • secondary 第二产业

Objective

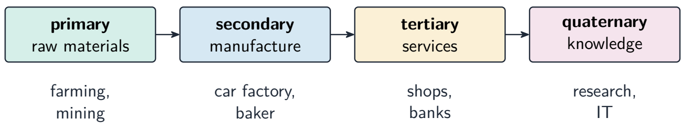
Build the skills to answer exam questions on **business structure** 企业结构 — the legal forms a business can take (**sole trader, partnership, private limited company, public limited company, franchise** 个体经营者、合伙企业、私人有限公司、上市公司、特许经营) and the key idea of **liability** 责任.

You must be able to:

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

1 Worked examples

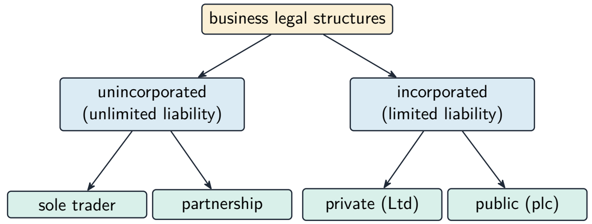
■ Sectors of business activity



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

- **Sectors: primary** 第一产业 (extract raw materials), **secondary** 第二产业 (make goods), **tertiary** 第三产业 (services), **quaternary** 第四产业 (knowledge/R&D).
- **Private sector** 私营部门 (privately owned, usually for profit) vs **public sector** 公共部门 (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** 特许经营, **joint venture** 合资企业, **social enterprise** 社会企业.

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]

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

Solutions

Business answers are marked by **level of response** against the assessment objectives, not single M/A/B points: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

2.1 (a) primary; (b) secondary; (c) tertiary (1 + 1 + 1).

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).

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 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).

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 *[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.

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.