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.

Each answer shows the steps, then the **result**.

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