1 Why businesses exist – Part 2 —Answers

Answers

1.1 (a) a sole trader; (b) a public limited company (plc).

1.2 With limited liability the owners can only lose what they invested; with unlimited liability they are responsible for all the business's debts (and could lose personal possessions).

1.3 Any one: to raise more money by selling shares; to gain limited liability; to look more established. (Any reasonable point.)

1.4 Any SMART version, e.g. "increase profit by 5% within 12 months" —specific, measurable and time-bound.

1.5 (a) internal; (b) external; (c) external.

1.6 Owners want higher profit, but paying employees more raises costs and lowers profit; so a pay rise the employees want reduces the profit the owners want. (Any clear conflict.)

1.7 A sole trader has *unlimited* liability, so if the business cannot pay its debts the owner must pay from their own money and could even lose personal possessions like their house. A shareholder has *limited* liability, so the most they can lose is the money they invested —making it far less risky.