Exercise walk-through

1.1

Introduction to Business: What Do Businesses Do?

GAC Business

You must be able to

- identify the primary, secondary, and tertiary sectors
- distinguish sole traders, partnerships, and limited companies
- explain an effect of a decision on a named stakeholder

1 The method

Method — Sector first, then reason

A farm grows strawberries. It is in the **primary sector 第一产业** because it extracts or grows a raw material. A factory turning strawberries into jam is secondary; a café selling the jam is tertiary.

Method — Stakeholder analysis

A café extends opening hours.

- **Customers 顾客** gain more time to buy food.
- **Staff 员工** may lose evening time and may expect higher pay.
- The owner may gain sales but pay more wages.

Name a stakeholder and give a concrete effect. A list of names is not analysis.

2 Practice

Practice 2.1 ▪ 1 mark

A company mines copper. State its business sector.

Solution 2.1

Worked steps

- Copper mining obtains a raw material.
- **Primary sector** B1

Practice 2.2 ▪ 1 mark

A company turns copper into electrical wire. State its sector.

Solution 2.2

Worked steps

- Wire production changes a raw material into a product.
- **Secondary sector** B1

Practice 2.3 ▪ 2 marks

Explain one difference between a sole trader and a limited company.

Solution 2.3

Worked steps

- A sole trader normally has **unlimited liability 无限责任**; business debts can reach personal assets. **B1**
- A limited company separates the owner's and business's finances, so the owner usually loses only the investment. **B1**

3 Exam-style

Exam-style 3.1 ▪ 4 marks

A bakery plans to raise the price of a popular cake. Explain one likely effect on customers and one likely effect on the owner.

Solution 3.1

Method: Stakeholder analysis — p.5

Worked steps

- Customers may buy fewer cakes because the price is higher. **B1**
- The owner may receive more revenue per cake, but could lose sales if customers switch. **B1** **A1**
- A clear stakeholder effect for each group earns the remaining marks. **B1**

Exam-style 3.2 ▪ 5 marks

The owner of a new repair shop must choose between operating as a sole trader or a limited company. Recommend one form and justify your recommendation.

Solution 3.2

Worked steps

- A limited company can protect the owner's personal assets if the repair shop fails. **B1**
- This matters because a new shop has uncertain sales and costs. **A1**
- It can also make raising investment easier through shares. **B1**
- **Recommendation:** choose a limited company if limiting personal financial risk matters more than the extra administration. (E1)