

1.4 Types of business organisation

Name: _____ Class: _____ Date: _____ Total: 20 marks

KEY WORDS sole trader • private limited company • partnership
• public limited company • franchise

Objective

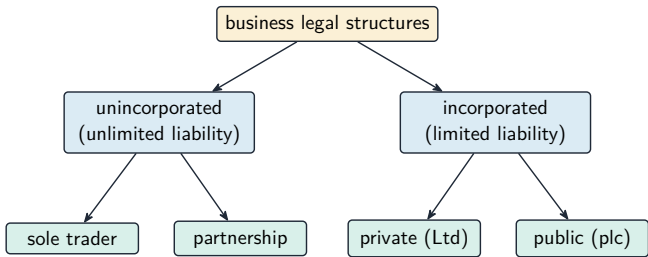
Build the skills to answer exam questions on **types of business organisation**
– **liability** , **sole traders, partnerships, private and public limited companies** , / , and the **franchise** .

You must be able to:

- explain limited and unlimited liability
- compare the four main types of business organisation
- analyse and recommend a type of organisation for a business

1 Key knowledge and worked examples

■ Business types and liability



Companies have limited liability; sole traders and partnerships do not

- **Unlimited liability** : the owner is personally liable for all debts. **Limited liability** : owners can lose only what they invested.
- **Sole trader** : one owner – easy to set up, keeps all profit, but unlimited liability.
- **Private limited company (Ltd)** : shareholders, limited liability, shares not sold to the public.
- **Public limited company (plc)** : shares sold to the public; can

raise large capital but risks takeover.

Answer shapes: K + App + An + Ev (a justified judgement, for “do you think” questions).

2 Practice

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

2.2 Identify two advantages of being a sole trader. [2]

2.3 State one difference between a private limited company (Ltd) and a public limited company (plc). [2]

3 Exam-style questions

3.1 Identify two features of a partnership. [2]

3.2 Explain two benefits to the owners of forming a private limited company. [6]

3.3 A growing sole trader is deciding whether to become a private limited company. Do you think this is a good idea? Justify your answer. [6]
