IGCSE BUSINESS STUDIES • EXERCISE SHEET

1.4 Types of business organisation

Name: ____________ Class: ________ Date: __________ **Total: 20 marks**

KEY WORDS sole trader 独资 • private limited company 私人有限公司 • partnership 合伙企业 • public limited company 公众有限公司 • franchise 特许经营

Objective

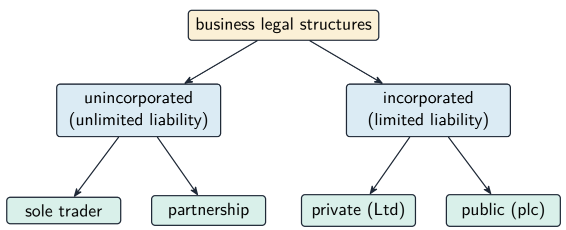
Build the skills to answer exam questions on **types of business organisation** 企业组织类型 — **liability** 责任, **sole traders, partnerships, private and public limited companies** 独资、合伙、私人/公众有限公司, and the **franchise** 特许经营.

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 Worked examples

■ Business types and liability



Companies have limited liability; sole traders and partnerships do not

- **Unlimited liability** 无限责任: the owner is personally liable for all debts. **Limited liability** 有限责任: owners can lose only what they invested.
- **Sole trader** 独资: one owner — easy to set up, keeps all profit, but unlimited liability.
- **Private limited company (Ltd)** 私人有限公司: shareholders, limited liability, shares not sold to the public.
- **Public limited company (plc)** 公众有限公司: 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]

Solutions

IGCSE Business answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

2.1 the owners of a business can lose only the money they have invested; their personal assets are protected (2 for a clear definition; 1 for a partial idea).

2.2 any two of: easy and cheap to set up; the owner keeps all the profit; the owner makes all decisions; privacy (1 + 1).

2.3 a plc can sell its shares to the public on the stock exchange; an Ltd cannot (2 for a clear difference; 1 for a partial idea).

3.1 any two of: owned by 2+ partners; share work, decisions and profit; usually unlimited liability; often a written agreement (1 + 1).

3.2 *[6]* For **each** of two benefits: K 1 + An up to 2 — e.g. *limited liability*: owners' personal assets are safe if the company fails → they can take bigger risks to grow. *Easier finance*: shares can be sold to family and friends → more capital than a sole trader can raise. Maximum 3 each.

3.3 *[6]* Both sides + judgement. **For:** limited liability protects the owner, and it is easier to raise finance to grow. **Against:** more paperwork and legal rules, accounts must be shared, and some control may be lost. **Judgement (Ev):** becoming an Ltd is worth it if the owner needs finance and wants protection to grow, but a small low-risk business may be fine staying a sole trader — it depends on the growth plans.