Solutions

Marking: **K** knowledge, **App** application to the case, **An** analysis (a developed chain of reasoning), **Ev** evaluation (a justified judgement); calculations earn **M1** for the method and **A1** for the answer.

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

2.1

- the owners are responsible for **all** the debts of the business
- so their **personal possessions** can be taken to pay them

2.2

- $36\,000 \div 3 = 12\,000$ per part
- $\$\mathbf{24\,000}$ and $\$\mathbf{12\,000}$

2.3

- advantage: a **known brand**, so customers come from day one; training and support from the franchisor (K + An)
- disadvantage: **fees and royalties** reduce profit; little freedom to change products or prices (K + An)

3.1

D

3.2

(a)

- a business **owned by two or more people** (usually up to 20) who share the **profits**, decisions and risks

(b)

- $40\,000 \times 0.60$
- $= \$\mathbf{24\,000}$

(c) two disadvantages, each outlined (K + App each):

- **unlimited liability**: Sam's own possessions are at risk if the shop has debts
- hard to **raise finance**: the bank will lend only $20,000 of the $60,000
- long hours, no one to share decisions; the business may end if Sam is ill

(d) two advantages, each explained (K, App, An each):

- more **capital**: Ana's $30,000 plus the $20,000 loan nearly pays for the second shop
- extra **skills**: Ana is an experienced mechanic, so she can run the second shop
- **shared** workload and decisions

(e) partnership: (An)

- simple and cheap to set up; Ana's money and skill; but liability is still **unlimited** and Sam gives up 40 % of profit and some control

private limited company: (An)

- **limited liability** protects Sam's home; shares can be sold to Ana and others; continuity; but more paperwork and costs, and accounts are less private

decision: (Ev) for example, form a private limited company with Ana as a shareholder, because the business is taking on more debt and two shops, so limited liability protects both owners while still bringing in Ana's capital.

Level 3 (5–6): a justified decision for this business, weighing both sides. Level 2 (3–4): points explained and applied. Level 1 (1–2): points identified.