# 1.8 Business ownership: 30-minute Pack

AQA 8132 · Calculator allowed · about 30 minutes

Total Marks

Name: _____ Date: ____ / ____ / _____

**Answer ALL questions in the spaces provided. Show your working for any calculation. In your longer answers, use relevant business terminology and apply your points clearly to the scenario given.**

**1** State two reasons why a sole trader might find it difficult to raise enough finance to expand the business.

**(Total for Question 1 is 2 marks)**

**2** Which one of the following best describes a partnership?

- ☐ A) A business owned by one person with unlimited liability
- ☐ B) A business owned by between two and twenty people who usually share profits and unlimited liability
- ☐ C) A business owned by shareholders who can buy shares on a stock exchange
- ☐ D) A business that pays a fee to use another firm's name and branding

**(Total for Question 2 is 1 mark)**

**3** Tomasz runs 'Tomasz Plumbing' as a sole trader.

**(a)** Explain one advantage to Tomasz of being a sole trader. **(3)**

**(b)** Explain one disadvantage to Tomasz of being a sole trader. **(3)**

**(Total for Question 3 is 6 marks)**


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**4** Aisha and Ben set up 'A&B Design Studio' as a partnership, sharing profits equally between them.

**(a)** State two advantages to Aisha and Ben of forming a partnership rather than each remaining a sole trader. **(2)**

**(b)** A&B Design Studio makes an annual profit of £48,000. Aisha and Ben share this profit equally. Calculate how much profit each partner receives. **(2)**

**(Total for Question 4 is 4 marks)**

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**5** Explain the meaning of the term 'limited liability' for the owners of a private limited company (Ltd).

**(Total for Question 5 is 3 marks)**

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**6** Deniz currently runs 'Deniz Bikes' as a sole trader bicycle-repair shop and is considering converting the business into a private limited company (Ltd).
Recommend whether Deniz should convert Deniz Bikes into a private limited company. Justify your answer.

**(Total for Question 6 is 9 marks)**


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# Mark scheme · 1.8 Business ownership: 30-minute Pack

## Question 1

one acceptable reason, e.g. banks may see a sole trader as higher risk because of unlimited liability, making loans harder to obtain **B1**

a second acceptable reason, e.g. a sole trader cannot raise capital by selling shares, unlike a limited company **B1**

**Answer: Any two, e.g. banks may view sole traders as higher risk (unlimited liability), so loans can be harder to get; a sole trader cannot sell shares to raise capital.**

## Question 2

B cao **B1**

**Answer: B**

## Question 3

(a) identifies an advantage, e.g. Tomasz has full control over all business decisions **B1**

(a) develops the point, e.g. this means he can respond quickly to a customer's request without needing to consult anyone else **B1**

(a) links clearly to a likely business outcome, e.g. this quick, personal service can help keep customers satisfied and generate repeat business **B1**

**(a) Answer: Tomasz has full control over decisions, so he can respond quickly to customers, which helps keep them satisfied and generates repeat business.**

(b) identifies a disadvantage, e.g. Tomasz has unlimited liability **B1**

(b) develops the point, e.g. this means that if the business cannot pay a debt, Tomasz's personal assets (such as his house or savings) could be used to pay it **B1**

(b) links clearly to a likely outcome, e.g. this creates significant personal financial risk for Tomasz that an owner with limited liability would not face **B1**

**(b) Answer: Tomasz has unlimited liability, so his personal assets (e.g. savings, his house) are at risk if the business cannot pay its debts, creating significant personal financial risk.**

## Question 4

(a) one acceptable advantage, e.g. the workload and decision-making can be shared between the two partners **B1**

(a) a second acceptable advantage, e.g. more capital is available to the business, since both partners can invest money **B1**

**(a) Answer: Any two, e.g. shared workload/decision-making; more capital available since both partners invest.**

(b) 48,000 / 2 seen **M1**

(b) £24,000 cao **A1**

**(b) Answer: £24,000 each.**

## Question 5

identifies that owners/shareholders only risk losing the money they have invested in the business **B1**

develops the point, e.g. their personal possessions and savings outside the business cannot be used to pay the business's debts **B1**

links clearly to an outcome, e.g. this makes owning shares in a company less financially risky than being a sole trader or a partner **B1**

**Answer: Owners of a Ltd only risk losing the money they invested; their personal savings/possessions cannot be used to pay business debts, making it less risky than being a sole trader.**

## Question 6

**Level 1** Makes simple, undeveloped comments about converting to a Ltd, with little application to Deniz's situation and no clear recommendation. **1-3**

**Level 2** Gives a developed argument for or against converting, applying it to Deniz's situation, but does not fully weigh both sides or reach a clearly justified recommendation. **4-6**

**Level 3** Weighs arguments for and against converting, applies them clearly to Deniz's situation, and reaches a justified recommendation supported by the analysis given. **7-9**

**Indicative content:**

- For converting: Deniz gains limited liability, protecting his personal assets if the business gets into debt.
- For converting: it becomes easier to raise additional finance, e.g. by selling shares privately to family, friends or investors.
- For converting: the business becomes a separate legal entity, which can appear more credible to suppliers and customers.
- Against converting: it involves more administration and cost, e.g. registering with the relevant authority and filing annual accounts that competitors can see.
- Against converting: Deniz loses some of the simplicity and privacy of being a sole trader.
- Against converting: if Deniz Bikes is small and low-risk, the benefits of limited liability may not outweigh the extra cost and admin.
- Judgement: the recommendation should depend on Deniz's level of debt/risk and his growth plans; if he plans to expand and take on more financial risk, converting is likely worthwhile, but if the business stays small, remaining a sole trader may be simpler and cheaper.


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