**Answer sheet**

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Worksheet 1

**1 a** Unlimited liability is when there is no restriction on the personal **responsibility** the business owner has if they get into **debt**. For example, if a sole trader or partnership with unlimited liability gets into debt, the debt collectors can take their personal belongings to the value of the **money** owed. This is called having unlimited **liability**. The business and the owner do not have separate legal identities. Sole traders and most **partnerships** have unlimited liability.

**b** Having limited liability is when the business and the owners have separate identities. Debts of the business are not the debts of the **owner**. Therefore, the most the owner can lose is the money they have **invested** in the business. Debt collectors cannot take the personal belongings of the business owner when they have limited liability. **Private** limited companies and public **limited** companies have limited liability.

**2 B** Usually large businesses and **E** limited liability

**3 C** A florist

**4** Advantages: **A**, **B**, **E**

Disadvantages: **C**, **D**

Worksheet 2

**1** Sole trader: One owner

Partnership: 2‒20 owners; A deed of partnership is beneficial

Both: unincorporated

Neither: Limited liability; Financial information must be published

**2 D**

**3** True

Homework sheet

**1** For example:

Business A – Private limited company: an incorporated company because it is part of a large chain run by a family who wanted to have limited liability

Business B – Public limited company: an incorporated company and operates as a limited company with many owners, so is likely to have sold shares publicly to raise large amounts of money; hence it cannot be a sole trader or partnership

Business C – Sole trader, because the owner’s business is relatively simple and they do not want to have to do any complicated administration to run the business

Business D – Sole trader, because there is little real risk of the business becoming bankrupt with debts so reducing the need to incorporate. The owner can keep all of the profits herself.

Business E – Partnership because the husband-and-wife team are confident they can work well together and share all decisions and profits. They already share finances at home, and doing so as joint owners (partners) seems a logical extension of this arrangement.

Business F – Public limited company: an incorporated business with limited liability status because there are a lot of owners all over the country as it is a national company with many outlets.

**2** Students’ own answers. Examples could include:

Business G: Fireball Pizzeria: partnership owned by a family who runs the restaurant together and wants to keep the administration simple. They share domestic finances and want to mirror this with the business.

Business H: Himalaya restaurant: a private limited company, as it is part of a small local chain of three restaurants which is growing, and the original owner wanted to attract new finance and so chose to offer shares to a couple of friends who had money to invest in a venture they knew and trusted.