Worksheet 1

Name Class Date

**Liability and sole traders**

**1** Complete the paragraphs below using words from the bank to fill the gaps. Use all of the words in the bank. No words should be repeated.

|  |  |  |
| --- | --- | --- |
| liability | responsibility | owner |
| money | partnerships | debt |
| private | limited | invested |

**a** Unlimited liability is when there is no restriction on the personal \_\_\_\_\_\_\_\_\_\_\_\_\_\_ the business owner has if they get into\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. For example, if a sole trader or partnership with unlimited liability gets into debt, the debt collectors can come and take their personal belongings to the value of the \_\_\_\_\_\_\_\_\_\_\_\_\_owed. This is called having unlimited\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. The business and the owner do not have separate legal identities. Sole traders and most \_\_\_\_\_\_\_\_\_\_\_\_ 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\_\_\_\_\_\_\_\_\_\_\_\_\_\_. Therefore, the most the owner can lose is the money they have \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ in the business. Debt collectors cannot take personal belongings of the business owner when they have limited liability. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ limited companies and public \_\_\_\_\_\_\_\_\_\_\_\_companies have limited liability.

**2** Which **two** of the following are not features of a sole trader?

Select the correct answers.

**A** One owner

**B** Usually large businesses

**C** Usually small businesses

**D** Unincorporated

**E** Limited liability

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**3** Which of the following businesses is most likely to be a sole trader?

Select the correct answer.

**A** A car manufacturer

**B** An oil company

**C** A florist

**D** A large chain of restaurants

**E** A dental practice

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**4** Which of the following are advantages of operating as a sole trader and which are disadvantages?

Select the correct options.

|  |  |  |
| --- | --- | --- |
|  | Advantage | Disadvantage |
| It is quick, easy and inexpensive to set up |  |  |
| The owner keeps all of the profit made |  |  |
| Sole traders have unlimited liability |  |  |
| The owner will often have to work long hours |  |  |
| Financial information does not have to be published |  |  |

