

Teaching Pack

AO4 Evaluation

Understanding business

Cambridge IGCSE™

Business 0450

This *Teaching Pack* can also be used with the following syllabuses:

- Cambridge IGCSE™ (9–1) Business Studies **0986**
- Cambridge O Level Business Studies **7115**



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Icons used in this pack:



Assessment Objective (AO) Lesson



Skill Development Lesson



Independent Lesson

Introduction

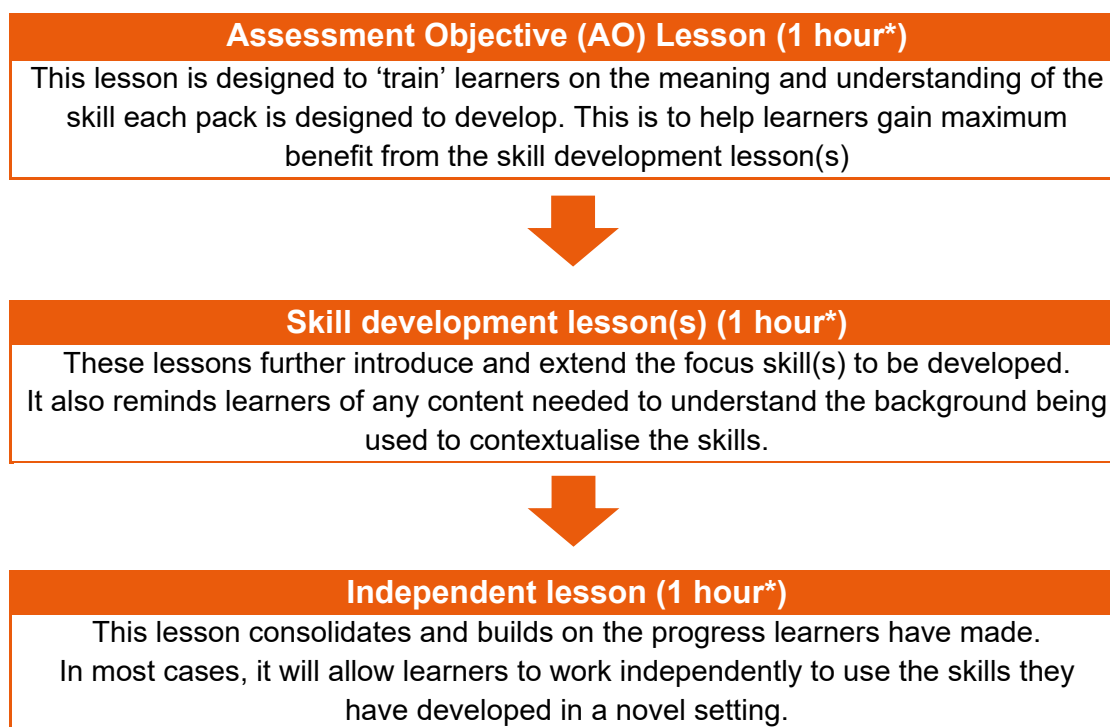
This pack will help you to develop your learners' higher order thinking skills as defined by AO4 in the course syllabus.

Important note

Our *Teaching Packs* have been written by **classroom teachers** to help you deliver lessons which develop higher order thinking skills. Use these materials to supplement your teaching and engage your learners. You can also use them to help you create lesson plans for other parts of the syllabus.

This is one of a range of *Teaching Packs*. Each pack is based on one element of the syllabus with a focus on specific skills within one of the assessment objectives. The packs can be used in any order to suit your teaching sequence.

The structure is as follows:



** the timings are a guide only; you may need to adapt the lessons to suit your circumstances.*

In this pack you will find the lesson plans, worksheets for learners and teacher resource sheets you will need to successfully complete the lessons.

AO4: Evaluation

This *Teaching Pack* focuses on AO4 Evaluation:

- present reasoned explanations, develop arguments, understand implications and draw inferences
- make judgements, recommendations and decisions

This *Teaching Pack* has links to the following syllabus content (see syllabus for detail):

- 1.4.1 The main features of different forms of business organisation

The lesson(s) covers the following skills, adapted from **AO4: Evaluation** (see syllabus for assessment objectives):

- Presenting reasoned explanations and developing arguments when choosing a suitable form of business organisation for owners / management in a given situation
- Making judgements, recommendations and justifying a suitable form of business organisation to owners / management in a given situation

Please note that application and analysis will feature in some activities, but these skills are focussed on in more depth through the *Scenario Packs* and other *Teaching Packs*.

Prior knowledge

Knowledge from the following syllabus topics is useful for the activities that follow

- 1.4.1 The main features of different forms of business organisation

Teacher notes

The suggested activities are to help engage your learners as they develop the skill of evaluation to a range of business scenarios and contexts.

Learners can find evaluating a range of different business situations, scenarios and contexts difficult. They need to focus on weighing up arguments for and against something, and being able to reach a supported, reasoned and justified decision in a range of scenarios and contexts. The Assessment Objective (AO) lesson, skill development lesson and the independent lesson activities will help learners practise this.



AO Lesson: Evaluation





Resources

- PowerPoint
- Worksheet A, Worksheet B and Worksheet C

Learning objectives


By the end of the lesson:

- **all** learners should be able to draft an answer to a given question
- **most** learners should be able to use their evaluative notes to write an answer to a given question
- **some** learners will be able to write a model answer to a given question, using what they have learnt and without the need to refer to their evaluative notes

Timings	Activity
 10 min	Introduction Take learners through the PPT to explain what is meant by the term 'evaluation' in the context of answering exam questions. Notes have been put in the bottom section of the slide to support this resource, and the activities should illustrate examples of evaluation.
 10 min	Main lesson Continue using the PPT resource and show the task on the slide which requires learners to use Worksheet A . Once they have finished the activity, ask them to feedback – this could be done by grouping learners together according to their most important choice.
 15 min	Move to the next activity on the PPT and hand out Worksheet B . Learners should read the case study in the box at the top of the worksheet, and the practise question. Talk through steps one to three and learners make notes on their handout in the relevant boxes. Step three in the PPT presentation contains model answer content.
 15 min	For step four give learners 10 minutes to write their answer. They can use their notes from steps one to three and the prompts in step four to help them if they need it.



AO Lesson: *continued*

Timings	Activity
 <p>10 min</p>	<p>Plenary</p> <p>Pick two or three learners to share their answers, paying particular attention to the structure.</p> <p>Hand out Worksheet C to help learners self or peer mark. They need to use the checklist to check that they have structured their answers correctly. You could also use the final slides to check they have used the modelled content in addition to what they may have identified themselves. Encourage your learners to make corrections so they all have an example of how to justify an answer in the content of a case study.</p>

Skill development lesson: Business organisation





Resources

- Worksheet D, Worksheet E, Worksheet F, Worksheet G, Worksheet H, Worksheet I, Worksheet J and Worksheet K

Learning objectives

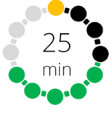

By the end of the lesson:

- all** learners should be able to make a judgement on a form of business ownership in a given situation, with some reasoning
- most** learners should be able to make a recommendation on a suitable form of business ownership in a given situation, giving reasons for their choice
- some** learners will be able to make a fully justified recommendation on a suitable form of business ownership in a given situation

Timings	Activity
 <p>5 min</p>	<p>Starter</p> <p>There are two options for the starter activity. Both options are activities designed to check / recap knowledge and understanding of elements of content from section 1.4 of the syllabus.</p> <p><u>Option 1</u> Hand out Worksheet D. Learners should put the features of a sole trader and the features of a private limited company into the correct columns.</p> <p><u>Option 2</u> Hand out Worksheet E. Explain that this activity is to check / recap learners' knowledge and understanding of elements of core content from section 1.4 of the syllabus. They should select the correct answer to each question.</p> <p>Ask learners to identify the areas they need to develop in this topic based on their completion of this task.</p>
 <p>10 min</p>	<p>Main lesson</p> <p>Hand out Worksheet F and ask learners are to rank, in order of importance, the factors that can influence decisions on which type of business ownership to choose when setting up a new business. The aim is for learners to think about and justify which factors are the most important. This will help them to make a decision on which form of business ownership they would use to start a new business.</p>




Skill development lesson: *continued*

Timings	Activity
 <p>25 min</p>	<p>Put your learners into pairs and give each pair the following:</p> <ul style="list-style-type: none"> • A scenario card from Worksheet G • A set of sole trader feature cards from Worksheet H • A set of partnership feature cards from Worksheet I • A set of private limited company feature cards from Worksheet J • A set of franchise feature cards from Worksheet K <p>Each pair of learners should read the scenario card they have been given and come to a justified conclusion on which form of business ownership they think the character(s) in the scenario should choose as their legal structure for starting their own independent business. They have the three main start up options (sole trader, partnership, private limited company), along with the option of buying into a franchise.</p> <p>To help them reach justified conclusions, learners should sort the cards into advantages and disadvantages for each form of business ownership. They need to analyse the cards in the context of the scenario in order to make a decision on what they think is the most appropriate form of business ownership for the given scenario.</p> <p>Each set of ownership cards can be printed on to different coloured paper or card.</p> <p>Once they have weighed up the advantages and disadvantages of each form of business ownership, learners need to settle on their final choice and start to prepare their justification. Remind them to build on their knowledge from the AO lesson regarding structure. Their justification must not only contain arguments for their chosen business form, but also why they felt the other options weren't the most appropriate for that given situation. More than one pair can be given the same scenario.</p>
 <p>10 min</p>	<p>Allow learners time to prepare their one-minute presentation for their recommendation. They can use the back of their scenario card to write any notes. They will give their presentation in the plenary.</p>



Skill development lesson: *continued*

Timings	Activity
	<p>Plenary</p> <p>Learners have one minute, in their pairs, to outline the scenario they were given and to justify their recommendation for the form of business ownership they think their character(s) should choose.</p> <div style="background-color: #f9e7d8; padding: 10px; margin-top: 10px;"> <p>As long as learners can justify their recommendation, technically there isn't a right or wrong answer, however, there are some clues in each scenario which indicate that one and sometimes two of the four is unlikely to be the best option. The other two or three options could be feasible and the argument for and against each will be linked to the context of each scenario. This will also help identify any gaps in the understanding of the knowledge the learners have.</p> </div>



Independent lesson: Evaluating

Resources

- Worksheet L, Worksheet M and Worksheet N

Learning objectives

By the end of the lesson:

- all** learners should be able to make some independent decisions on suitable forms of ownership when given a choice of two options
- most** learners should be able to give arguments for and against a given situation where a decision between two options is required
- some** learners will be able to give a fully justified recommendation to a range of scenarios where choices between two options are given

Timings

Activity



Starter

Print out the three responses to the question below from [Worksheet L](#) and place them on the walls in three separate areas of the classroom.

What do you think is the most important factor that should be considered when a business is considering changing its legal structure from a Private Limited Company to a Public Limited Company?

Write the question on the board and ask learners to go and stand by the statement they think is the most important consideration. Give learners two minutes to discuss why they think this and then choose one learner from each statement group to feed back their reasons.

Although all three statements are important things to think about, learners should recognise that benefits can outweigh potential obstacles when making business decisions.






Main lesson

Hand out [Worksheet M](#) and take learners through the scenario and the stages of the activity. Once you have done this, they should independently consider what Geoff and Bryan should do.

Learners need to make a decision as to whether Geoff and Bryan should change their legal structure from a Partnership to a Private Limited Company to help them expand their business. They need to fully justify their decision and will work in teams according to whether they should, or they shouldn't change the legal structure of their form of ownership. There are suggested answers for Worksheet M to help scaffold discussion and questions for those needing support. The stages for this activity are shown below:



Independent lesson: *continued*

Timings	Activity
	<ol style="list-style-type: none"> 1. Ask learners to arrange themselves into three groups – those who think Geoff and Bryan should become a PLC, those who don't and those who are unsure (if there are no unsure learners that is not a problem and you will have to take on the facilitator roles described below). 2. The class should now be split into three groups 3. All those who are unsure will act as facilitators to the other two groups 4. The two groups have 10 minutes to put their justified decision together, ready to report back to the class. 5. After 10 minutes, those learners facilitating will ask for a leader on the 'yes' side to come forward and one from the 'no' side to come forward to present their arguments. Give each leader one minute. 6. The facilitators will need to make your decision, once they have heard all the evidence. The side which persuades the most of the facilitators is the winner. In a situation where there are no 'unsure learners' you will make a final decision on which sides wins, based on the strongest justification put forward.
 	<p>Hand out Worksheet N. In this activity, learners are to build on their knowledge and skills from earlier activities and lessons to produce fully justified answers for each scenario, working independently for the first part and with peers in the second part.</p> <p>After 20 minutes, put learners into groups of four. Ask learners to swap worksheets and add any additional points to their arguments being put forward for the form of legal structure each business should set up as. After a minute, learners are to swap again repeating the exercise. When each learner in their groups of four have all had the opportunity to feedback on each other's answers, select two learners to read their answers out, including any peer additions.</p> <p>To support learners with prompts for suggested answers, the cards from the skill development lesson can be handed out.</p>
	<p>Plenary</p> <p>On the board, write:</p> <div style="background-color: #f9b24d; padding: 10px; text-align: center;"> <p>'This house says all Private Limited companies should aim to become Public Limited Companies'</p> </div> <p>On a large piece of paper, put 'totally agree' and stick onto a wall on one side of the room. Take another piece of paper and do the same, but this time put 'totally disagree' and stick it on the opposite wall.</p> <p>Learners are to place themselves on the spectrum by the extent to which they agree or disagree with the statement. Each learner is handed a plain card on which they should write their justified reason for where they are standing.</p>

Worksheets and answers

	Worksheets	Answers
For use in <i>assessment objective (AO) lesson</i>:		
A: Mastering the skill of evaluation	14	
B: Building an evaluative answer	15	
C: Answer checklist	16	
For use in <i>skill development lesson</i>:		
D: Which am I?	17	31
E: Quiz	18	32
F: Ranking importance	19–20	
G: Scenario cards	21–22	
H: Sole trader cards	23	
I: Partnership cards	24	
J: Private limited company cards	25	
K: Franchise cards	26	
For use in <i>independent lesson</i>:		
L: Responses	27	
M: Case study 1	28	33
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Worksheet A: Mastering the skill of evaluation

Task:

You are having a discussion with a friend about which factor is the most important when deciding which type of business ownership to set up a new business as. You both recognise that they are all important, but if you had to decide that one was more important than the others, which would you choose? You must justify your answer.

Rank the following in order of importance, with 1 being the most important and 4 being the least important, by placing a number down the left-hand side.

	Level of risk – liability for debt
	Control
	Decision making
	Profits

Now justify the order of your ranking using the skills learnt from the introduction examples. You can use the sentence starters below to help you structure your writing.

I have chosen ... the most important factor when deciding which type of business ownership to set up as because ...

I think it is more important than ... because ... and also more important than ... and ...

I think this because...



Worksheet B: Building an evaluative answer

JonJo owns a small design agency business. It is a Private Limited Company (Ltd). In recent months sales have been increasing as his reputation has spread. As a result of his success, JonJo is struggling to keep up with demand and has recruited three more designers. He needs to purchase more computer equipment and computer software. He is thinking of taking out a business bank loan to finance the purchase of the new equipment.

Do you think a business bank loan is the best source of finance for JonJo to purchase the new equipment he needs? Justify your answer.

Step 1 – identify what the question is asking



Step 2 – weigh up the two options in the context of the business



Step 3 – what the content looks like



Step 4 – your answer to the question

- What would the advantages / disadvantages of a bank loan be? Think about this in the context of JonJo's business.
- Analyse the advantages / disadvantages of other sources of finance for JonJo. For example, such as issuing new share capital privately, leasing the equipment, using retained profit and using an overdraft. As before make sure you do this in the context of his business.
- Make a final decision, supporting your choice by explaining why you think it is the best option compared to the alternatives. Use the evidence from your earlier paragraphs to help with this.



Worksheet C: Answer checklist

Checklist	Tick
I have explained what a bank loan is as a source of raising finance for JonJo to purchase the additional equipment he needs	
I have discussed the advantages and disadvantages of JonJo using a bank loan to finance the purchase of the additional equipment he needs	
<p>I have considered at least three alternative sources of finance by discussing the advantages and disadvantages of each of those in the context of JonJo's business:</p> <ul style="list-style-type: none"> • issuing new share capita privately • leasing • overdraft • retained profit. 	
I have come to a conclusion, and have made a decision on whether I think the bank loan is the best source of finance for purchasing the additional equipment JonJo needs	
I have given supported reasons for my answer on why I think the bank loan is or isn't the best option, based on the evidence from my earlier paragraphs. I have compared each source's advantages and disadvantages with those of the bank loan for the type of ownership JonJo has	
My answer is in the context of JonJo's business: a small design agency	



Worksheet D: Which am I?

Sort the features of a sole trader and private limited company into the correct columns.

Sole Trader	Private Limited Company (Ltd)

Keep all of the profits	Company accounts are not private	Make all of the decisions
Risk personal possessions	Unlimited liability	Owners are ordinary shareholders
Profits are shared	Less risk	Limited liability
Own boss	Easy to set up	Finance is raised by selling shares privately



Worksheet E: Quiz

1. How many owners does a sole trader have?
☐ One
☐ Two or more
☐ Unlimited
2. What type of business ownership does this statement describe? 'I can sell shares privately to friends and family to raise capital and I also have limited liability'
☐ Partnership
☐ Public Limited Company (Plc)
☐ Private Limited Company (Ltd)
3. Which of the following best describes a joint venture?
☐ Where one business takes over another business
☐ Where two or more businesses agree to work on a project together, and set up a separate business for this purpose
☐ Where two businesses of similar size and in the same industry merge together to become one larger business
4. Which of the following is not a feature of a Public Limited Company (Plc)?
☐ Sell shares to the public
☐ Has a large number of shareholders
☐ Has unlimited liability
5. Which of the following is not a disadvantage of being in a partnership?
☐ Profits are shared
☐ Business ceases to exist if a partner leaves
☐ Workload is shared
6. Which of the following is a benefit of running a franchise?
☐ The franchisor will take a percentage of the revenue or profits
☐ Less chance of business failure because the product and brand are well established
☐ Buying into a franchise can be expensive
7. If a business is incorporated it means
☐ It has a separate legal entity from its owners
☐ It does not have a separate legal identity from its owners
☐ The owners have unlimited liability for the debts of the business
8. A public corporation is a business organisation that is run and controlled by whom?
☐ Shareholders
☐ Partners
☐ The State



Worksheet F: Ranking importance

You have always wanted to set up your own business. You now have the opportunity to do this and need to think about the legal structure of it, deciding on which form of business ownership would be best for you.

The choice of business ownership when setting up a new business will depend on several factors. To help you come to a decision, rank the factors below in order of importance, making sure you can justify this.

When you have done this, weigh up the evidence, using the structure at the bottom of the worksheet, to justify your final decision on which form of business ownership would be most suited to you choosing between a sole trader, partnership or private limited company.

Factor influencing choice of business ownership	Order of importance	Reasons
The number of owners		
Attitude towards the level of financial risk		
How soon you want to start operating as a business		
Ambitions for the potential size of the business in the future		

Worksheet F: *continued*



Use the prompts below to help you write a fully justified decision for the type of business ownership you would choose.

- Based on my results above, if I was to set up a new business, I would choose to run the business as ...
- I think this would be most suited to me because ...
- I feel it is more appropriate than being a ...
- I think this because ...
- I also think my choice is better than me setting up as a ...
- I think this because ...



Worksheet G: Scenario cards

Scenario 1

George and Mary would like to be business owners. They have spotted an opportunity for a coffee shop in their local area and have some savings to use.

They understand some of the financial risks associated with the different forms of business ownership. They would hope that the coffee shop had the potential to grow in size in the future, enabling them to open more branches.

George and Mary like the idea of working together and being able to employ people. They understand that there is also a franchise opportunity for a well-known coffee shop chain and would also like to consider this as an option too.

Both of them are willing to take some financial risk and understand that if they had private shareholders it does reduce financial risk for them, but it also means profits, in the form of dividends, would be spread amongst more people.

What sort of business ownership would you recommend for them? Make sure you can support your decision.

Scenario 2

Billy, Bob and Martin live on the coast and have been fishermen all their working lives. They are retiring from commercial fishing soon and would like to set up a fishing business together, giving tourists the opportunity to experience sea fishing in a safe environment.

They don't have much money to put into the business but believe their start-up costs will be relatively small as they already have their own fishing boats. None of them are aware of any franchises in this area of business. They have some concerns about the financial risk of personal assets, but don't think they will need to borrow to get the business started. There may be a need for them to secure further finance to expand the fleet of boats if the business goes well.

What sort of business ownership would you recommend for them? Make sure you can support your decision.



Worksheet G: *continued*

Scenario 3

Leela loves collecting vintage clothes and accessories and has noticed an increase in the trend of 'all things vintage'. She has done some research and realises that she can make some money from her hobby by turning it into a small business.

She has a lot of stock from her collection, which she is willing to sell, and is skilled with a sewing machine, which will enable her to customise items. Leela is willing to take financial risk, and although she likes the idea of keeping all the profits, she is not opposed to having other owners if it means sharing ideas and workload or helping to finance the business.

She wouldn't want to lose control over the services and types of vintage items that the business offers. She would like to have the business operating as soon as possible.

What sort of business ownership would you recommend for her? Make sure you can support your decision.

Scenario 4

Manjit has inherited some money from her grandmother and likes the idea of running her own business. She is aware of the financial risks that come with being a business owner and is concerned about what would happen to her house if she started up a small business and then got into financial difficulty two years in, when her inheritance is likely to have run out.

She is optimistic though, that by then she would be turning a small profit. She has heard about franchises and likes the idea that she could own and run a business without starting from scratch but understands that the initial costs can be quite expensive.

However, she is also aware that she wouldn't have much say over what the business offers. She is keen to start trading as soon as possible. She has heard that a private limited company could reduce financial risk, but she would prefer to be the sole decision maker and keep all the profits, but this would need to be weighed up against her attitude towards financial risk.

What sort of business ownership would you recommend for her? Make sure you can support your decision.

Worksheet H: Sole trader cards

Owner keeps all the profits	Unlimited liability – personally responsible for the business's debts
Owner makes all the decisions	Long hours, difficult to take holiday
Easy to set up the business	May find it hard to raise funds to expand the business
Has complete control of the business	Difficult to compete with larger businesses in the same industry



Worksheet I: Partnership cards

Greater finance as more than one person investing money into the business	Partners must share the profits
Shared workload and management of the running of the business	Business ceases to exist if one person leaves and will need to be reformed if other partners want to trade
Easy to set up the Deed of Partnership required	Decisions are binding on all partners, even if they don't all agree on them
Shared decision making can lead to better decisions being made	Difficult to raise additional finance to expand the business

Worksheet J: Private limited company cards



Being a 'Ltd' may make it appear to be bigger or more well-established	Shareholders expect a share of the profits
The business continues to trade even if shareholders change	More complex to set up than a sole trader or partnership
The owners have limited liability	Often difficult to sell shares of shareholders as must be sold privately and with the agreement of other shareholders
More expertise available	There may be disagreements between shareholders



Worksheet K: Franchise cards

Reduced risk of failure than setting up independently, as the business model is already successful	Initial costs can be very expensive
Support and training are provided by the franchisor	Franchisees cannot make independent decisions on what they can do with the business
Benefit from national marketing campaigns financed by franchisor	Franchisees have to pay an initial fee as well as ongoing fees (royalties) and/or a share of their revenue or profit
Guaranteed quality suppliers	Brand reputation can be damaged by other franchisees

Worksheet L: Responses



Costly legal formalities

Risk of a takeover by another company, as shares can be freely bought and sold by the general public and other organisations

Influence of major investors over directors' decision making



Worksheet M: Case study 1

Geoff and Bryan have been in a business partnership for eight years. They make cheese on Geoff's dairy farm and sell their produce at local farmer's markets and regional country shows and food fairs. The demand for their produce has been steadily increasing and they have been looking at ways of expanding the business.

A retail property has recently become vacant on the high street in the town three miles from Geoff's farm. They see this as their opportunity to rent the property and open a Deli selling predominantly their cheeses, but also artisan breads, and meats from local suppliers. As a partnership, raising funds for the expansion is proving difficult. One of Bryan's friends said she is prepared to invest in the business in return for a share in the profits.

Geoff and Bryan are considering changing their legal structure from a Partnership to a Private Limited Company to help them expand the business. Do you think the partners should become a private limited company? Make sure you can justify your answer.

Worksheet N: Case study 2



Zea has been making products out of upcycled materials (materials and objects that have been discarded and are tuned into new things) as a hobby for the last three years. She has been approached by Tom, a fellow craftsman at the weekly evening class she attends, to consider starting up a business together. She had been considering this herself and setting up as a sole trader but now quite likes the idea of running a business with someone else.

She doesn't mind working long hours as she doesn't have any family commitments and does like to be in control. She knows she will have to share the profits, but also likes the idea of being able to share ideas and specialise in skills with someone else. She does like to have her own way, so is a little concerned about potential disagreements between them if they formed a partnership.

Zea can't decide if she should set up on her own as a sole trader or set up in partnership with Tom. Please advise Zea what she should do. You must justify your decision.

You could make notes in the boxes below to help you plan your answer before you write it in full.

Reasons Zea should set up in partnership with Tom	Reasons Zea should not set up in partnership with Tom

Worksheet N: *continued*



Bo is a trained hair stylist and has worked for some of the top hair styling salons in the world over the last 15 years. She would like to run her own business but can't decide if she should set up as an independent hairstylist business or if she should enter into a franchise agreement with a well-known salon brand.

She has some business knowledge which she has gained from the experience she has had working in salons for other people, but also has some understanding of franchises as she was an employee in one she worked at in London.

She has a much greater understanding creative hair styling than starting a business from scratch, but she is a quick learner.

Bo can't decide if she should set up her own independent business or enter into a franchise agreement. Please advise Bo on what she should do. You must justify your decision.

You could make notes in the boxes below to help you plan your answer before you write it in full.

Reasons Bo should set up in a franchise agreement	Reasons Bo should not set up in a franchise agreement

Worksheet D: Answers



Sort the features of a sole trader and private limited company into the correct columns.

Sole Trader	Private Limited Company (Ltd)
<i>Keep all of the profits</i>	<i>Less risk</i>
<i>Risk personal possessions</i>	<i>Company accounts are not private</i>
<i>Own boss</i>	<i>Limited liability</i>
<i>Unlimited liability</i>	<i>Owners are ordinary shareholders</i>
<i>Makes all of the decisions</i>	<i>Profits are shared</i>
<i>Easy to set up</i>	<i>Finance is raised by selling shares privately</i>

Worksheet E: Answers



1. How many owners does a sole trader have?
☐ One
2. What type of business ownership does this statement describe? 'I can sell shares privately to friends and family to raise capital and I also have limited liability'
☐ Private Limited Company (Ltd)
3. Which of the following best describes a joint venture?
☐ Where two or more businesses agree to work on a project together, and set up a separate business for this purpose
4. Which of the following is not a feature of a Public Limited Company (Plc)?
☐ Has unlimited liability
5. Which of the following is not a disadvantage of being in a partnership?
☐ Workload is shared
6. Which of the following is a benefit of running a franchise?
☐ Less chance of business failure because the product and brand are well established
7. If a business is incorporated it means
☐ It has a separate legal entity from its owners
8. A public corporation is a business organisation that is run and controlled by whom?
☐ The State



Worksheet G: Answers

Scenario 1

George and Mary would like to be business owners. They have spotted an opportunity for a coffee shop in their local area and have some savings to use.

They understand some of the financial risks associated with the different forms of business ownership. They would hope that the coffee shop had the potential to grow in size in the future, enabling them to open more branches.

George and Mary like the idea of working together and being able to employ people. They understand that there is also a franchise opportunity for a well-known coffee shop chain and would also like to consider this as an option too.

Both of them are willing to take some financial risk and understand that if they had private shareholders it does reduce financial risk for them, but it also means profits, in the form of dividends, would be spread amongst more people.

Partnership, private limited company and running a franchise. It is unlikely that a sole trader form of ownership would be appropriate as they would both like to be owners.

Scenario 2

Billy, Bob and Martin live on the coast and have been fishermen all their working lives. They are retiring from commercial fishing soon and would like to set up a fishing business together, giving tourists the opportunity to experience sea fishing in a safe environment.

They don't have much money to put into the business but believe their start-up costs will be relatively small as they already have their own fishing boats. None of them are aware of any franchises in this area of business. They have some concerns about the financial risk of personal assets, but don't think they will need to borrow to get the business started. There may be a need for them to secure further finance to expand the fleet of boats if the business goes well.

Partnership or private limited company. Sole trader wouldn't be suitable as all three want to enter into a business together and they are not aware of a franchise opportunity in this field they can buy into or afford.

Worksheet G: Answers, continued



Scenario 3

Leela loves collecting vintage clothes and accessories and has noticed an increase in the trend of 'all things vintage'. She has done some research and realises that she can make some money from her hobby by turning it into a small business.

She has a lot of stock from her collection, which she is willing to sell, and is skilled with a sewing machine, which will enable her to customise items too. Leela is willing to take financial risk, and although she likes the idea of keeping all the profits, she is not opposed to having other owners if it means sharing ideas and workload and/or helping with financing the business.

She wouldn't want to lose control over the services and types of vintage items that the business offers. She would like to have the business operating as soon as possible.

Sole trader, partnership or private limited company. Lucy has made it clear she wouldn't want to lose control over what services the business offers, so running a franchise is unlikely to meet her need if there was one in the field she is interested in.

Scenario 4

Manjit has inherited some money from her grandmother and likes the idea of running her own business. She is aware of the financial risks that come with being a business owner and is concerned about what would happen to her house if she started up a small business and then got into financial difficulty two years in, when her inheritance is likely to have run out.

She is optimistic though, that by then she would be turning a small profit. She has heard about franchises and likes the idea that she could own and run a business without starting from scratch but understand that the initial costs can be quite expensive.

However, she is also aware that she wouldn't have much say over what the business offers. She is keen to start trading as soon as possible. She has heard that a private limited company could reduce financial risk, but she would prefer to be the sole decision maker and keep all the profits, but this would need to be weighed up against her attitude towards financial risk.

Any of the three legal structures or running a franchise – this one includes a couple of 'it depends' options, so could be given to higher ability learners.



Worksheet M: Suggested answers

Geoff and Bryan are considering changing their legal structure from a Partnership to a Private Limited Company to help them expand the business. Do you think the partners should become a private limited company? Justify your answer.

Suggested answers for YES they should could include:

- *More likely to achieve their goal of expanding the business if other options have failed to raise further funds so far*
- *It provides opportunity in the future to further expand by being able to sell shares to friends and family, which they can't do as a partnership*
- *They have limited liability meaning that Geoff, Bryan and Bryan's friend will be separate legal identifies from the company, which means if the business fails they only risk losing the value of their shares (the amount of money they have invested in the company)*
- *Bryan's friend might bring expertise to the company injecting new ideas into it*
- *The business can continue if the shareholders change at any point, unlike a partnership where the business has to cease*

Suggested answers for NO they shouldn't could include:

- *Geoff and Bryan have always got on well, but with an additional owner and potentially more in the future, there could be more disagreements between them all*
- *They will now have to start publishing their accounts, which means that competitors will have access to that information*
- *If any of them wanted to sell their shares, it can be difficult as all other shareholders have to agree*
- *They will have less control as shareholders have voting rights*
- *The profits will be shared between more people now*

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