

Lesson 1 – Business Organisations

Question 1.1

Which **one** of the following types of business entity is owned by shareholders?

	✓
Partnership	
Not for profit club or society	
Limited company	✓

Question 1.2

Using appropriate words from the following list complete the gaps in **each** of the sentences below.

- partnership
- limited liability
- unlimited liability
- sole trader
- dividend
- profit
- drawings

1. The term **sole trader** is used to describe a business owned by one person.
2. Those who have set-up a business and operate as sole traders, or in partnership with others have **unlimited liability**. This means that should their business fail their personal wealth, as well as the amount they have invested in the business as capital, is at risk.
3. The income tax and national contributions paid by sole traders and those in partnership is based on the **profit** their business makes.
4. A limited company distributes the profit it makes to its owners in the form of a **dividend**.

Question 1.3

In which **two** of the following types of business organisation do the owners of the business take profit from their business in the form of drawings?

	✓
Not for profit club or society	
Sole trader	✓
Limited company	
Partnership	✓

Question 1.4

Which **two** of the following statements describes advantages that a partnership generally has when compared to a sole trader?

	✓
The potential to raise more capital to set-up and expand the business	✓
Profit made by the partnership is shared between the partners	
Responsibilities can be shared between a number of different individuals	✓
The sharing of management of the business and decision making sometimes leads to disputes between partners	

Question 1.5

Indicate for **each** of the statements below whether the statement is true or false:

Statement	True ✓	False ✓
A not for profit club or society is owned by its members	✓	
The shares in public limited companies are bought and sold on the Stock Exchange	✓	
Those operating in partnership have no option but to share any profit the partnership makes equally between the partners		✓
A limited company has its own legal identity which is separate to that of its owners. As a 'living person' a company can enter into contracts, employ people, and sue and be sued in its own name	✓	