

Practice SAC / Exam Question: (2 marks)

Question: outline one advantage of a business operating as a PRIVATE LIMITED COMPANY and one advantage of a business operating as a PARTNERSHIP.

Mark Allocation:

1 = 1 advantage of PRIVATE COMPANY

1 = 1 Advantage of PARTNERSHIP.

RESPONSE STRUCTURE

Key words/terms in this question:	Explanation of key words terms;	Example/application of key words	What is the VERB in the question – what is it asking you to do?		
			DESCRIBE	EXPLAIN	JUSTIFY
PRIVATE LIMITED COMPANY	<ul style="list-style-type: none"> Separate legal Entity Limited liability 	<ul style="list-style-type: none"> Limited liability - no shareholder personal liability. 	EVALUATE	ASSESS	COMPARE
PARTNERSHIP.	<ul style="list-style-type: none"> 2-20 partners unlimited liability cheap/inexpensive to set up + maintain. 	<ul style="list-style-type: none"> Share Risk + workload within the business. Simple + inexpensive to run financially + legally. 	<u>OUTLINE</u>	PROVIDE	DISCUSS

Practice response: (turn over if necessary)

- Both a private limited company and a partnership are forms of business ownership.
- One advantage of a business operating as a private limited company would be that as they are a separate legal entity the shareholders of the business have limited liability meaning they can only lose the amount of their investment if the business fails.
- One advantage of a business operating as a partnership would be that it is simple + inexpensive to set up and maintain from an accounting financial + legal point of view.