

Cambridge IGCSE · Business Studies 0450 · Notes

Types of business organisation

Read online at pastopic.com/cambridge/business-studies-0450/notes/types-of-business-organisation

Last checked 1 October 2026

Read first: [Business activity](#), [Classification of businesses](#)

© 2026 Pastopic. Free for personal study. Please share the link, not the file.

What you need to know

By the end of this topic you should be able to:

1. **Describe the main features of each form of business organisation:** sole traders, partnerships, private limited companies, public limited companies, franchises and joint ventures, with the advantages and disadvantages of each.
2. **Explain the differences between unincorporated businesses and limited companies:** legal identity, liability, continuity, how capital is raised, legal formalities and privacy of accounts.
3. **Understand risk, ownership and limited liability:** who owns each form, who carries the risk if it fails, and what limited liability protects.
4. **Advise owners or managers which form of organisation suits their business**, and back up the advice with facts from their situation.
5. **Explain what government-owned organisations are**, for example public corporations, and how they differ from businesses in the private sector.

Understand it

Ownership, risk and liability

Every business has **owners**, who put money (capital) into it and take the **risk** that the money is lost. What an owner can lose depends on the business's legal form.

- **Unincorporated business:** the business has **no separate legal identity** from its owners. In law the owner *is* the business. Contracts are signed by the owner, and the owner can be taken to court for the business's debts. Sole traders and partnerships are unincorporated.
- **Incorporated business (a company):** the business is a **separate legal identity**. The company owns its assets, signs contracts, can sue and be sued in its own name. Its owners are **shareholders**. Private and public limited companies are incorporated.

Unlimited liability means the owners are responsible for **all** the business's debts. If the business cannot pay, the owners must pay from their **personal assets** (savings, car, even their home). **Limited liability** means a shareholder can lose **only the money they invested** in shares; their personal assets are safe.

Unlimited liability (sole trader)



loses the \$20 000 invested and pays the \$50 000 debt from personal assets

Limited liability (shareholder)

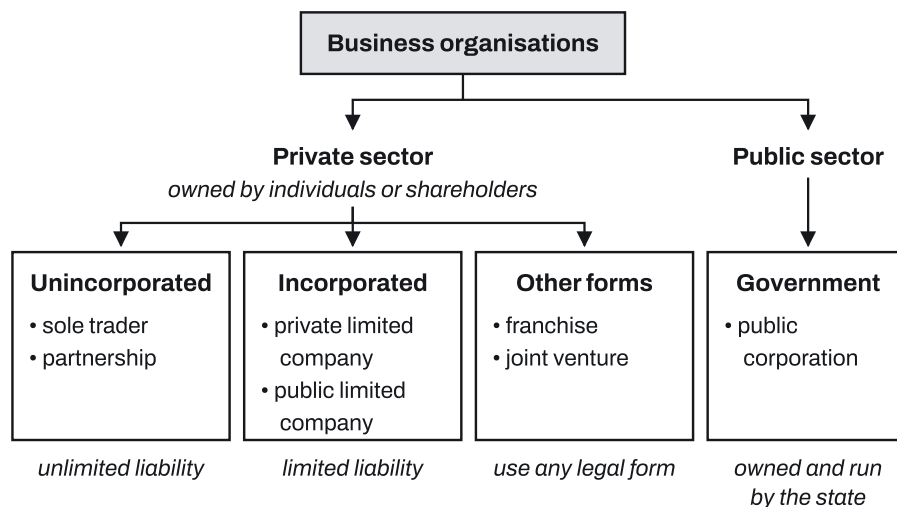


loses only the \$20 000 invested; personal assets are safe

money invested personal assets (savings, car, house)

Limited liability encourages people to invest because the most they can lose is known in advance. That is why companies can raise far more capital than unincorporated businesses.

Continuity follows from legal identity. A sole trader's business ends if the owner dies or leaves; a partnership ends (or must be re-formed) when a partner leaves. A company **continues**: the shares simply pass to someone else.



Sole trader

A **sole trader** is a business **owned by one person**. The owner may employ workers; "sole" refers to the ownership, not the size of the workforce. It is the most common form for small businesses such as shops, hairdressers and plumbers.

Advantages

Easy and cheap to set up: few legal formalities

Owner is in **complete control** and makes all decisions quickly

Disadvantages

Unlimited liability: personal assets at risk

Limited sources of capital (own savings, bank loans), so hard to expand

Advantages

Keeps all the profit, a strong incentive to work hard

Accounts are **private** (only the tax office sees them)

Close contact with customers; personal service

Free to choose working hours and holidays

Disadvantages

No one to share the **workload, responsibility or risk**; often long hours

No one to cover if the owner is ill or on holiday, so sales can be lost

Only the owner's own skills and ideas

No continuity; no separate legal identity

Partnership

A **partnership** is a business **owned by two or more people** who share the capital, the decisions and the profits. Partners usually sign a **partnership agreement** (deed of partnership) setting out how much capital each puts in, how profits are shared, what each does, and what happens if a partner leaves.

Advantages

More capital than a sole trader: every partner invests

Shared workload, responsibility and risk

More skills, experience and ideas; partners can specialise

Easy to set up, few legal formalities

Accounts stay private

Disadvantages

Usually **unlimited liability**; each partner can be liable for debts caused by the others

Profits are shared

Disagreements between partners slow decisions

No continuity: a partner leaving or dying ends the partnership

Capital is still limited to what the partners can put in; no shares to sell

When a question compares a **sole trader with a partnership**, features they **share** (unlimited liability, no continuity, private accounts) do not tell them apart and earn nothing. Use the real differences: control, keeping all the profit, shared workload, more capital, more skills, disagreements.

Private limited company

A **private limited company** (Ltd) is owned by **shareholders** and can sell shares **only privately**, usually to family, friends and employees, and only with the other shareholders' agreement. It is run by **directors**, who are often the main shareholders in a small company. Setting one up means registering it with the government and producing founding documents.

Advantages

Limited liability for shareholders

Separate legal identity: the company, not the owners, is sued

Disadvantages

Legal formalities and costs to set up

Accounts must be **audited and registered**, so competitors can see them; costs time and money

Advantages**Continuity** if an owner dies or leaves**More capital** by selling shares to family and friendsOwners **keep control**: it **cannot be taken over** without the shareholders' agreement**Disadvantages****Cannot sell shares to the public** or on the stock exchange, so capital is limitedShares are **not easy to transfer** or sell, which puts some investors offProfits are shared as **dividends**; the original owner no longer decides everything alone**Public limited company**

A **public limited company** (plc) can sell shares to **the general public**, usually on a **stock exchange**. It is still in the **private sector**: it is owned by private shareholders, **not the government**.

AdvantagesCan raise **very large amounts of capital** by selling shares to the public, for rapid expansion**Limited liability** makes investors willing to buy shares**Continuity** and separate legal identityHigh **status**: banks and suppliers see it as lower risk, so borrowing is easier

Shares are easy to buy and sell, so investors are keen to buy

DisadvantagesMany **legal formalities**; selling shares to the public (a flotation) is costly and slowAccounts must be **published**, so competitors and everyone else can see them**Risk of takeover**: anyone can buy the shares, so the original owners **may lose control****Divorce of ownership and control**: shareholders own it but directors and managers run it, and their aims may differShareholders expect **dividends**, which leaves less retained profit for expansion**Franchise**

A **franchise** is an agreement in which a business with a successful brand (the **franchisor**) lets another business (the **franchisee**) sell its products or services under that brand name. The franchisee pays an **initial fee (licence)** and then a **royalty**, usually a percentage of sales, every year. The franchisee still chooses its own legal form (often a sole trader or private limited company).

Advantages**To the franchisee****Lower risk of failure**: the brand is known and customers trust itThe franchisor pays for **national advertising****Training** and advice are provided**Disadvantages****Licence fee and royalties** reduce profit

Local advertising is still the franchisee's cost

Less independence: strict rules on products, prices, layout

	Advantages	Disadvantages
	Supplies come from approved sources , quality assured	Cannot adapt products to local tastes
	Banks are more willing to lend because the risk is lower	Other franchisees' poor service can damage the brand
To the franchisor	Fast expansion using franchisees' capital	Less control over how each outlet is run
	Income from fees and royalties	A poor franchisee can harm the brand's reputation
	Franchisees own their outlets, so they are motivated	Less profit per outlet than owning it outright

Joint venture

A **joint venture** is an agreement between **two or more businesses** to work together on **one project**, such as developing a product or entering a new country, sharing its costs, risks and profits. Each business **stays separate** afterwards: it is not a merger (two businesses becoming one) and not a franchise (selling the right to use a brand).

- **Advantages:** **costs and risks are shared**; each partner brings **expertise** the other lacks (technology, local knowledge); **access to new markets** or customers.
- **Disadvantages:** **profits are shared**; **disagreements** because the businesses have different objectives or leadership styles; if the project fails, both reputations suffer.

Public sector organisations

The **public sector** is the part of the economy **owned and controlled by the government**. A **public corporation** is a business in the public sector, such as a state railway, post service, water or electricity supplier. The government owns it and appoints a board to run it.

- **Aims:** to provide an **essential service** at an affordable price, to keep jobs, and to serve the public, not mainly to make a profit.
- **Advantages:** services are provided even where they are **unprofitable** (rural post, bus routes); essential services are kept under national control; any profit can be used for the public.
- **Disadvantages:** little **profit motive**, so they can be **inefficient**; losses may be paid for by **taxpayers** through subsidies; **government interference** in decisions; may lack competition.

A **public limited company is not in the public sector**. "Public" in plc means its shares are sold to the public; a public corporation is owned by the government.

Choosing a suitable form

When a question asks which form suits a business, weigh these factors:

- **Capital needed:** a small start-up can use savings (sole trader); more capital means partners, then private shares, then public shares.
- **Risk:** a risky venture, or one with large debts, favours **limited liability**.
- **Control:** an owner who wants to keep every decision stays a sole trader or private company; a plc risks losing control.
- **Size and plans for growth:** larger and growing businesses need incorporation.
- **Skills and workload:** a partner can bring skills and share the work.
- **Privacy and cost:** unincorporated forms keep accounts private and avoid formalities.

The usual path as a business grows is sole trader → partnership → private limited company → public limited company.

Key facts and formulas

This topic has no formula list in the exam. "Learn it" means you must remember it.

Fact	Status
Sole trader: a business owned by one person	Learn it
Partnership: a business owned by two or more people who share capital, decisions and profits	Learn it
Unincorporated business: a business with no separate legal identity from its owners	Learn it
Limited company: an incorporated business owned by shareholders, with limited liability	Learn it
Limited liability: shareholders can lose only the money they invested	Learn it
Unlimited liability: owners are responsible for all the business's debts, using personal assets if needed	Learn it
Private limited company sells shares privately; public limited company sells shares to the public	Learn it
Franchise: the franchisor lets a franchisee trade under its brand for a fee and royalties	Learn it
Joint venture: two or more businesses share the costs, risks and profits of one project	Learn it

Fact	Status
Public sector: organisations owned and controlled by the government (e.g. public corporations)	Learn it
Royalty paid = royalty rate × revenue	Learn it

How to do it

We have tagged 38 questions on this topic (2021–2025), on Paper 1 and Paper 2. 1 of them has parts of more than one type, so the counts add to 39.

Question type	Questions
Explain advantages and disadvantages of a given form	17
Define a form or term	5
Advantages and disadvantages of a franchise or joint venture	4
Compare two forms and recommend one (12-mark case)	4
"Is form X best?" or "Are the advantages greater?" (6-mark general)	4
Differences between unincorporated businesses and limited companies	3
Identify types of organisation or features of a form	2

The mark scheme codes are **k** (knowledge: a correct point), **app** (application: a detail from the case), **an** (analysis: a developed consequence) and **eval** (evaluation: a justified judgement).

Part	Marks	What earns them
Paper 1 (a) "Define"	2	a full definition; half = 1
Paper 1 (b) or (c) "Identify"	2 or 4	1 per point; only the first ones are marked
Paper 1 (c) "Outline"	4	each: k + app
Paper 1 (d) "Explain one advantage and one disadvantage"	6	each: k + app + an
Paper 1 (e) "Do you think ...?"	6	2 k + 2 an + 2 eval; general, so no app
Paper 2 (a) "Explain two advantages and two disadvantages"	8	each: point (1) + explanation (1), applied to the case when the question names the business
Paper 2 (b) "Consider ... which should ... choose? Justify"	12	levels: detailed, applied discussion of both options, then a justified choice saying why the other was rejected

1. Explain advantages and disadvantages of a given form (17 questions)

The most common task. Forms asked: sole trader (6, one of them compared with a partnership), private limited company (5), public limited company (4), partnership (2).

1. **Name the feature** (k): limited liability, separate legal identity, continuity, raising capital from shares, control, keeping profits, privacy of accounts, legal formalities, dividends, takeover risk, divorce of ownership and control.
2. **Say what it leads to** (an): "limited liability, **so** the owners' houses and savings are safe if the company cannot pay its debts".
3. **Link it to the case** (app) when the question names the business: its product, its plans, its figures ("so the shareholders' \$40 000 is all they could lose if the new factory fails").

Variations you will meet:

- **Paper 2 (a), 8 marks:** two advantages and two disadvantages of a private or public limited company (0450/21/O/N/25 Q1, 0450/22/O/N/24 Q1). Four different points; the two advantages must not be the same idea twice.
- **Changing form:** "changing from a sole trader to a private limited company" (0450/21/M/J/25 Q1) or "from a partnership" (0450/11/M/J/23 Q2). Give what **changes**: gains limited liability and can sell shares; loses privacy, faces formalities, shares profit and control.
- **"Sole trader rather than partnership"** (0450/13/M/J/23 Q4): only differences count. Unlimited liability and no continuity are true of both, so they earn nothing.
- **Taking on a partner** (0450/12/M/J/23 Q2): the factors are the partnership's pluses and minuses: capital, skills, shared workload versus shared profit, shared control, disagreements.
- **Public limited company:** separate the plc's special points (shares sold to the public, published accounts, takeover risk, divorce of ownership and control) from those every company has.

2. Define a form or term (5 questions)

Two marks for a full definition, one for part of it:

- **Sole trader:** a business **owned by one person** (2). "One person runs the business" = 1; repeating "sole" without saying one person = 0.
- **Partnership:** a business **owned by two or more people** (2). "Two or more people running a business" = 1: the mark needs **ownership**.
- **Unincorporated business:** a business with **no separate legal identity** from its owners (2). Giving a feature (such as unlimited liability) = 1 only.
- **Limited company:** a business owned by shareholders, with **limited liability** and a **separate legal identity** (2).
- **Public sector:** organisations **owned (and controlled) by the government** (2). "Run by the government" = 1. It is **not** public limited companies.

3. Advantages and disadvantages of a franchise or joint venture (4 questions)

1. **Work out whose side the question is on.** "To Jemi of buying a franchise" ([0450/23/M/J/25 Q1](#)) is the **franchisee**: lower risk of failure, national advertising and training paid for by the franchisor, approved supplies, easier bank loans; against, the licence fee and royalties, less independence, no local choices, local advertising still paid.
2. **Develop each point** into a consequence and use the case: the fee ("£50 000") and the product.
3. **Joint venture** ([0450/13/M/J/21 Q4](#)): shared costs, shared risks, the other business's expertise, access to new markets. Examiners report many candidates confuse a joint venture with a franchise or a merger: keep them apart.

Also on Paper 1 (d), 6 marks ([0450/13/O/N/24 Q2](#)), and as two advantages of buying a franchise for someone starting up ([0450/11/O/N/22 Q4](#)).

4. Compare two forms and recommend one (4 questions)

Paper 2 (b), 12 marks. Pairs asked: partnership vs private limited ([0450/23/O/N/25 Q1](#)), sole trader vs private limited ([0450/22/F/M/25 Q1](#)), unincorporated vs limited company ([0450/22/M/J/23 Q1](#)), or two forms of your choice for a growing business ([0450/22/O/N/21 Q1](#)).

1. **Option 1**: two or three advantages and disadvantages, **each developed and tied to the case** (the money being invested, the owners' plans, how risky the business is, whether they want privacy).
2. **Option 2**: the same. Don't write its disadvantages as the mirror of option 1's advantages.
3. **Recommendation**: choose one, give the **main reason from the case**, and say **why the other was rejected**. Either choice can reach the top level if it is justified.

A list of points with no development stays in Level 1 (1–4); detailed discussion of one option reaches Level 2 (5–8); both options in context plus a justified choice that rejects the other reaches Level 3 (9–12).

5. "Is form X best?" or "Are the advantages greater?" (4 questions)

Paper 1 (e), 6 marks, general: [0450/13/M/J/25 Q2](#) (sole trader advantages greater than disadvantages?), [0450/12/F/M/24 Q4](#) (sole trader best for a small business?), [0450/12/M/J/22 Q4](#) (partnership best for a new business?), [0450/12/F/M/22 Q4](#) (plc better than private limited for a growing business?).

1. **Point for (k) → consequence (an)**: "The owner keeps all the profit (k), so has a strong reason to work hard (an)."
2. **Point against, or another form (k) → consequence (an)**: "But unlimited liability (k) means the owner's savings and home can be taken to pay debts (an)."
3. **Decision + comparing reason (eval × 2)**: "The advantages are greater, because a small business has small debts, so the risk to personal assets is low (eval), while control and profit matter every day (eval)."

Points about **another form** can earn marks ("a partnership would share the workload"). For plc vs private limited, use only what differs: selling shares to the public, published accounts, takeover risk. Features both share (limited liability, continuity) earn nothing.

6. Differences between unincorporated businesses and limited companies (3 questions)

1. **Name the area of difference** (k): liability, legal identity, continuity, sources of capital, legal formalities, privacy of accounts, who manages it.
2. **State both sides** (explanation): "Liability (1): partners have unlimited liability, so personal possessions can be taken for business debts, whereas shareholders in a company can lose only what they invested (1)."

Asked as four differences between a partnership and a limited company (Paper 2 (a), no application, [0450/23/O/N/23 Q1](#)); as "outline, with reference to" a named company ([0450/12/O/N/22 Q4](#)), where you add a detail from the case; and as how limited liability benefits shareholders ([0450/11/O/N/22 Q2](#)): they can only lose what they paid for their shares, so their personal assets are safe and they are more willing to invest.

7. Identify types of organisation or features of a form (2 questions)

1 mark each; only the first answers are marked. Keep each answer short and different.

- **Four types in the private sector** ([0450/12/O/N/23 Q3](#)): sole trader, partnership, private limited company, public limited company, franchise, joint venture (also social enterprise). "Limited company" alone counts only if you haven't named a specific type.
- **Two features of a public limited company** ([0450/12/O/N/21 Q4](#)): sells shares to the public or on the stock exchange; limited liability; separate legal identity; must publish its accounts.

Worked examples

Example 1

(a) Define "limited liability". [2]

(b) Identify two features of a partnership. [2]

(a) The owners (shareholders) of a business are responsible for its debts (1) only up to the amount they invested in it, so their personal assets cannot be taken (1).

(b) It is owned by two or more people (1). The partners usually have unlimited liability (1).

Example 2

Zest Juice Ltd owns 8 juice bars in one city. The directors want to open juice bars in other cities by selling franchises. Each franchisee will pay Zest a fee of \$30 000 and a royalty of 5% of revenue each year. The directors plan to sell 12 franchises.

Explain one advantage and one disadvantage to Zest of selling franchises. [6]

Advantage. Fast growth using other people's capital (k): the franchisees pay for the new juice bars themselves, and the 12 fees alone bring Zest $12 \times 30\,000 = 360\,000$, so \$360 000 (app), so Zest can spread its brand to other cities without borrowing or selling more shares (an).

Disadvantage. Less control over each outlet (k): if one franchisee serves poor-quality juice or gives slow service (app), customers blame the Zest brand, so sales at its own 8 juice bars and at every other franchise could fall (an).

Each point earns $k + \text{app} + \text{an}$. The steady royalty income, or franchisees working hard because they own their outlets, would also be good advantages; earning less profit per bar than if Zest ran it itself would be another good disadvantage.

Example 3

Do you think a country's water supply should be run by a public corporation rather than by a public limited company? Justify your answer. [6]

A public corporation aims to provide an essential service, not mainly to make a profit (k), so it can keep prices low and supply water to remote villages even where this makes a loss (an). A public limited company has a profit motive and must satisfy its shareholders (k), so it has a strong reason to cut waste and run efficiently, but it may raise prices or stop serving unprofitable areas (an).

Water should be run by a public corporation, because everyone needs clean water to live and stay healthy, so it matters more that every household is supplied at a price it can afford (eval) than that the supplier is as efficient as possible, and the government can set targets to limit waste (eval).

The two **eval** marks need a decision **and** a reason that weighs one side against the other. Choosing the public limited company, because inefficiency in a public corporation can mean losses paid for by taxpayers, would earn them too if justified the same way.

Example 4

Sunreach Ltd installs solar panels. It is a private limited company owned by 4 members of the Osei family. Demand is rising fast, and the directors want to open 5 new depots, which will cost \$4 million. The family can put in only \$600 000 more. The company's profit last year was \$0.9 million. The directors want to keep the business in the family.

Consider the advantages and disadvantages of Sunreach remaining a private limited company or becoming a public limited company. Which should the directors choose? Justify your answer. [12]

Remaining a private limited company. The Osei family keeps control: shares can only be sold with the shareholders' agreement, so the company cannot be taken over, which matters because the directors want to keep it in the family. Its accounts are not published for everyone, so rival installers learn less about its profit. But it cannot sell shares to the public, so capital is limited: the family's \$600 000 leaves a gap of \$3.4 million. Borrowing that much would add large interest costs, taking a big share of last year's \$0.9 million profit, and the depots may have to be opened one at a time, while competitors take the growing demand.

Becoming a public limited company. Selling shares on the stock exchange could raise the whole \$4 million at once, with no interest to pay, so all 5 depots could open while demand is rising. Limited liability makes investors willing to buy. But the family could lose control: if they sell more than half the shares, other shareholders could outvote them, or another company could buy enough shares to take Sunreach over. Accounts must be published, and new shareholders will expect dividends, leaving less profit to reinvest. Going public is also slow and costly.

Recommendation. Sunreach should remain a private limited company and open the depots in stages, funded by the family's \$600 000, retained profit and a bank loan. The directors' main aim is to keep the business in the family, and becoming a plc could lose them control permanently, whereas a slower expansion only delays some of the extra profit. If the directors later decide growth matters more than family control, becoming a plc would then be the better choice.

This answer discusses **both** options with advantages and disadvantages **in context** (the \$4 million, the \$3.4 million gap, the family's aim) and gives a recommendation that says **why the other option was rejected**: Level 3 (9–12). Recommending the plc, justified by the size of the gap and the rising demand, would score as well.

Common mistakes

- **Thinking a public limited company is owned by the government.** It is owned by private shareholders; it is in the private sector. Examiners report this confusion most years, including when defining "public sector".
- **Mixing up limited and unlimited liability.** Sole traders and partners have unlimited liability; shareholders in companies have limited liability.
- **Mirror arguments.** "A sole trader keeps all the profit; a private limited company has to share its profit" is one point, not two.
- **Using features both forms share.** When comparing a sole trader with a partnership, or a plc with a private limited company, unlimited liability or limited liability does not tell them apart.
- **Vague points.** "Access to capital" or "control" alone earns little: say who gets the capital and how (selling shares to family and friends), or who loses control and why.
- **Saying a private limited company sells shares to the public.** Only a plc can. And partnerships cannot sell shares at all.
- **Assuming a sole trader works alone.** A sole trader can employ workers, so "has to do all the work" is wrong; "no one to share decisions and responsibility" is right.
- **Confusing a joint venture with a franchise or a merger.** In a joint venture both businesses stay separate and share one project.
- **Adding extra points instead of developing them** in Paper 1 (e): knowledge is capped at 2 marks, so the third undeveloped point earns nothing.
- **Summarising instead of judging.** Repeating earlier points is not evaluation; the decision needs a reason that compares the two sides.

How to get the marks

- **Define:** one precise sentence with both ideas (who owns it, and the key feature).
- **Identify:** short, different answers; only the first two (or four) are marked.
- **Outline** (4 marks): a correct point + a word from the case that makes sense with it.
- **Explain** (Paper 1 (d), 6 marks): k + app + an for each point. Analysis is a consequence: use "so...", "which means...".
- **Paper 2 (a)** (8 marks): four different points, each with its own explanation. Some parts say there are **no application marks** (a general question); others want every explanation applied to the business.
- **Paper 1 (e)** (6 marks): general, so no marks for the case. Two developed points (one on each side, or two forms), then a decision with a comparing reason.
- **Paper 2 (b)** (12 marks): discuss **both** options, advantages **and** disadvantages, using figures and facts from the case, then recommend one and say **why the other was rejected**. "Justify" means the reason is where the marks are.
- **Read the direction of the question:** "to the franchisee" or "to Jemi of buying a franchise" is not the franchisor's view; "changing from a sole trader" asks what changes.

Quick check

1. Sort these into unincorporated and incorporated: a public limited company, a sole trader, a partnership, a private limited company.
2. Ama and Kofi are equal partners in a catering business. It closes, and after all its assets are sold it still owes \$36 000. If they share the debt equally, how much must each pay from personal assets? How much would each have lost if the business had been a private limited company in which each had bought \$15 000 of shares?
3. Mei pays a franchisor a licence fee of \$25 000 and a royalty of 6% of revenue. In her first year her revenue is \$300 000. What is the royalty, and how much does she pay the franchisor in total that year?
4. Explain the difference between a public limited company and a public corporation.
5. A graphic designer is starting out alone from home with \$2 000 of savings and wants to keep full control. Recommend a form of business organisation and give one reason.

Answers

1. Unincorporated: a sole trader, a partnership. Incorporated: a private limited company, a public limited company.
2. Each partner pays $36\,000 \div 2 = 18\,000$, so **\$18 000** each from personal assets (plus losing whatever capital they put in). As shareholders with limited liability each would lose only the **\$15 000** paid for their shares; the unpaid debt would not be theirs to pay.
3. Royalty = $6\% \times 300\,000 = 18\,000$, so **\$18 000**. Total paid = $25\,000 + 18\,000 = 43\,000$, so **\$43 000**.
4. A public limited company is owned by private shareholders and sells its shares to the public, so it is in the private sector and usually aims for profit. A public corporation is owned and controlled by the government, in the public sector, and aims mainly to provide a service to the public.
5. A sole trader: it is cheap and quick to set up with little capital, and the designer keeps complete control and all the profit. The risk of unlimited liability is small because the business has few costs and little debt.

Past questions to try

- **0450/22/F/M/25 Q1**: part (b), sole trader or private limited company for a new business.
- **0450/23/O/N/23 Q1**: part (a), four differences between a partnership and a limited company.
- **0450/12/F/M/22 Q4**: part (e), public or private limited company for a growing business.
- **0450/13/O/N/24 Q2**: part (d), an advantage and a disadvantage of buying a franchise.