**Formal Formative Combined Unit 4 and 5 (Graded - 20 Marks)**

**1. BGN sells furniture such as beds and tables. It started as a partnership but is now a private limited company. BGN has expanded quickly and has 10 shops located in different cities. Each shop manager is responsible for recruitment and decisions about inventory levels. For the cost cutting initiative, they are planning to lay off employees.**

**(a) What is meant by partnership?**

A business formed by two or more people who will usually share responsibility for the day to day running of the business. Partners usually invest capital in the business and will share profit. **[2]**

**(b) Identify and explain two advantages to BGN of being a private limited company.**

Limited liability [k] compared to when it was a partnership [app] • Easier to raise money / capital [k] as business is expanding quickly [app] • More credibility with suppliers [k] could get better terms when buying furniture [app] • Continuity [k] • No need to publish (detailed) accounts [k] of its 10 shops [app] • Separate legal identity/ incorporated [k] • Control over who can buy shares/ less risk of takeover [k] Application marks may be awarded for appropriate use of the following: furniture or similar references such as tables, 10 shops, different cities, (increase in) customer complaints, decisions over recruitment and / or inventory, started as a partnership, expanded quickly  **[4]**

**(c) Identify and explain BGN’s decision that may influence any two of stakeholders?**

Employees – job security and higher wages.

Shareholders – dividends and increased market value of shares.

Suppliers: growth – if business grows output increases. The higher the output the greater the need for the business. **[4]**