

IB Business Management

Trimester Assessment Worksheet – Types of Business Entities

Worksheet 2: Sole Traders

Name: _____ Class: _____ Date: _____

Instructions: Answer all questions. Total marks: 50.

Section A: Multiple choice (10 marks)

Select ONE correct answer (A–D).

1. A sole trader is:

- A. Owned by shareholders
- B. Owned and managed by one person
- C. Government-owned
- D. Owned by members with one vote

2. A main benefit of sole trading is:

- A. Easy to set up
- B. Guaranteed finance
- C. Limited liability
- D. Shared workload

3. Unlimited liability means:

- A. Owner's risk limited to investment
- B. Owner may lose personal assets
- C. No taxes paid
- D. No debts possible

4. A common sole trader challenge is:

- A. Too many managers
- B. Limited access to finance
- C. Too many shareholders
- D. No independence

5. Decision-making for a sole trader is usually:

- A. Slow due to voting
- B. Quick because owner decides
- C. Controlled by government
- D. Done by auditors

6. Why might banks charge higher interest to sole traders?

- A. Lower risk
- B. Higher perceived risk of failure
- C. No need for repayment
- D. Unlimited profits

7. A disadvantage compared with employment is:

- A. Regular salary
- B. Limited holidays/long hours
- C. Shared expertise
- D. Pension security

8. A sole trader may employ staff but:

- A. Loses ownership automatically
- B. Keeps full legal responsibility
- C. Gains limited liability
- D. Must become public company

9. A key personal skill for sole traders is:

- A. Self-discipline
- B. Share trading
- C. Lobbying
- D. National policy

10. A benefit of being your own boss is:

- A. Sharing profits
- B. Control over work decisions
- C. No customer contact
- D. No stress

Section C: Data response – Freelance designer considering incorporation (15 marks)

A freelance web designer has steady clients but wants to bid for larger corporate contracts. She worries about personal financial risk and needs funding to hire a developer and buy software licences. She is considering staying a sole trader or incorporating as a limited company.

1. Analyse how unlimited liability affects her decision. (6)

2. Evaluate whether remaining a sole trader is a sensible option for the next 12 months. (9)

Section D: Extended response (10 marks)

Answer ONE question.

1. Discuss how the legal structure of a business affects access to finance. (10)
2. Discuss whether independence is worth the risks of sole trading. (10)

Answer Key + Marking Guidance

Section A answers

Q	Ans
1	B
2	A
3	B
4	B
5	B
6	B
7	B
8	B
9	A
10	B

Sections B–D indicative content

- Advantages: easy set-up, full control, quick decisions, keeps profits, close customer contact.
- Disadvantages: unlimited liability, limited finance, long hours, stress/isolation, reliance on owner skills.
- Growth limits: finance constraints, capacity limited by owner time/skills, risk aversion.
- Case: unlimited liability increases personal risk when taking loans/large contracts; incorporation can reduce risk but adds costs/reporting.
- Evaluation: depends on contract pipeline, cash flow, risk tolerance, need for finance and credibility; justified judgement required.

Assessment rubric (10-mark responses)

Level	Descriptor
1–3	Descriptive; limited terms; weak example; weak judgement.
4–6	Clear explanation; some analysis; relevant example(s); some balance.
7–8	Strong analysis; good case use; both sides; justified conclusion.
9–10	Sophisticated evaluation; key terms integrated; criteria-based judgement.