

IB Business Management

Trimester Assessment Worksheet – Types of Business Entities

Worksheet 1: Public and Private Sectors

Name: _____ Class: _____ Date: _____

Instructions: Answer all questions. Total marks: 50.

Section A: Multiple choice (10 marks)

Select ONE correct answer (A–D).

1. The private sector is:

- A. Government-owned
- B. Owned by private individuals/shareholders
- C. Always non-profit
- D. Run by NGOs

2. Nationalization means:

- A. Selling a state firm to investors
- B. Government takes ownership of a private firm
- C. A firm becomes a cooperative
- D. A merger of two firms

3. Privatization means:

- A. Government sells a public sector firm to private owners
- B. A sole trader hires staff
- C. A firm issues dividends
- D. A firm becomes a charity

4. A merit good is:

- A. Luxury watch
- B. Education/health services
- C. Tobacco
- D. Fast fashion

5. Public sector organisations often aim to:

- A. Maximise dividends
- B. Achieve social objectives and reinvest surplus
- C. Avoid accountability
- D. Reduce access

6. A reason governments provide rural transport is:

- A. Always profitable routes
- B. Social necessity despite low profitability
- C. To avoid regulation
- D. To increase share price

7. A key difference between public and private provision is:

- A. Only private uses labour
- B. Ownership and objectives differ
- C. Public never charges
- D. Private never competes

8. Government intervention varies mainly with:

- A. Weather
- B. Political priorities and economic policy
- C. Logo design
- D. Packaging

9. When both sectors provide a service, it can increase:

- A. Choice and competition
- B. Unlimited liability
- C. Monopoly power always
- D. Auditing costs only

10. A likely drawback of a large public sector is:

- A. Always high innovation
- B. Possible inefficiency/limited choice
- C. Guaranteed low taxes
- D. No regulation

Section B: Short answer (15 marks)

1. Distinguish between the **public** and **private** sectors. (4)
2. Explain two reasons governments provide merit goods. (6)
3. Explain one advantage and one disadvantage for consumers of privatization. (5)

Section C: Data response – Public–private mix in transport (15 marks)

A country runs a state-owned railway with low fares in rural regions. Private bus companies operate in cities and compete on price and service. The government is considering privatizing parts of the railway to reduce subsidies, but worries about access for low-income citizens.

1. Analyse two stakeholder impacts of privatizing rural rail services. (6)

2. Evaluate whether privatization is likely to improve service quality. (9)

Section D: Extended response (10 marks)

Answer ONE question.

1. Discuss the reasons a government might nationalize an industry. (10)
2. Discuss whether public sector organisations should be expected to make a surplus. (10)

Answer Key + Marking Guidance

Section A answers

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

Sections B–D indicative content

- Public sector: government-owned/controlled; often social objectives. Private sector: privately owned; often profit objective.
- Merit goods: positive externalities and under-consumption; government ensures access/equity.
- Privatization pros: efficiency, investment, innovation, choice. Cons: higher prices, reduced access in unprofitable areas.
- Case impacts: consumers (fares/access), employees (job security), taxpayers (subsidies), private operators (competition).
- Quality may rise with competition/investment, but rural routes may be cut or prices rise; balanced evaluation needed.
- 10-mark: develop arguments, apply context, consider trade-offs, conclude with criteria.

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.