

Grade 7 EMS Worksheet

Assessment Task: Forms of Ownership

How various types of businesses work (Pair activity)

Role-play two scenarios with a partner, where a business advisor gives advice to a client about different types of businesses.

In Scenario 1 you will be the business advisor and your partner the client.

In Scenario 2 your partner will be the business advisor and you will be the client.

Scenario 1:

Client: You are a qualified electrician who has been retrenched from your work. You want to start a business but are not sure what type of business to register. You have come to the business advisor to assist you in making the right choice.

Advisor: Explain to your client the advantages and disadvantages of starting a CC versus a sole proprietorship.

Scenario 2:

Client: You have a great business idea, but you don't have the capital needed to start a business. Two other persons are willing to invest their money in the business. You are not sure whether to go formal or informal with the business. You ask the business advisor to help you make the decision.

Advisor: Explain to your client the advantages and disadvantages of starting a partnership. Your client knows how a close corporation works.

Grade 7 EMS Worksheet

Suggested Solutions

Question number	Possible marks	Solution												
1	None	<p>Scenario 1:</p> <table border="1"> <thead> <tr> <th>Advantages of a CC</th> <th>Disadvantages of a CC</th> </tr> </thead> <tbody> <tr> <td> <p>A CC is a separate legal entity or person from the members of the CC. This means the CC is liable for its own debts. The owner is not personally liable for the debts of the CC.</p> <p>The CC continues to exist if the owner dies.</p> <p>It is simple and inexpensive to register a CC.</p> <p>It is fairly simple to run a CC.</p> <p>If the owner needs to, he/she can take in more members. There may be up to 10 members.</p> <p>A CC pays a flat tax rate. This is an advantage when the business is making big profits.</p> <p>A CC can obtain a loan or overdraft from a bank, since it is a registered business.</p> </td> <td> <p>The assets of the CC belong to the CC, and not to the owner or member(s).</p> <p>There are more legal requirements than for a sole proprietorship.</p> <p>Membership is limited to 10, so the CC will have to form a private company if it grows big.</p> <p>The flat tax rate is a disadvantage if the CC is not very profitable.</p> </td> </tr> <tr> <th>Advantages of a sole proprietor</th> <th>Disadvantages of a sole proprietor</th> </tr> <tr> <td> <p>All income of the business goes to the owner.</p> <p>The owner can make all the decisions in the business.</p> <p>The business is informal, so there are no registration fees or complications.</p> </td> <td> <p>The owner carries all the risk in the business.</p> <p>It is difficult to obtain capital, because the business is not registered.</p> <p>When the owner dies or cannot work, the business has to close down.</p> <p>The owner cannot share ideas or responsibility with someone else.</p> </td> </tr> </tbody> </table> <p>Scenario 2:</p> <table border="1"> <thead> <tr> <th>Advantages of a partnership</th> <th>Disadvantages of a partnership</th> </tr> </thead> <tbody> <tr> <td> <p>It is cheap and easy to set up, since no forms or registration fees are payable.</p> <p>Partners can run the business as they like.</p> </td> <td> <p>All partners are liable for any losses. They can lose their personal assets if the business fails.</p> <p>The partnership ends when a</p> </td> </tr> </tbody> </table>	Advantages of a CC	Disadvantages of a CC	<p>A CC is a separate legal entity or person from the members of the CC. This means the CC is liable for its own debts. The owner is not personally liable for the debts of the CC.</p> <p>The CC continues to exist if the owner dies.</p> <p>It is simple and inexpensive to register a CC.</p> <p>It is fairly simple to run a CC.</p> <p>If the owner needs to, he/she can take in more members. There may be up to 10 members.</p> <p>A CC pays a flat tax rate. This is an advantage when the business is making big profits.</p> <p>A CC can obtain a loan or overdraft from a bank, since it is a registered business.</p>	<p>The assets of the CC belong to the CC, and not to the owner or member(s).</p> <p>There are more legal requirements than for a sole proprietorship.</p> <p>Membership is limited to 10, so the CC will have to form a private company if it grows big.</p> <p>The flat tax rate is a disadvantage if the CC is not very profitable.</p>	Advantages of a sole proprietor	Disadvantages of a sole proprietor	<p>All income of the business goes to the owner.</p> <p>The owner can make all the decisions in the business.</p> <p>The business is informal, so there are no registration fees or complications.</p>	<p>The owner carries all the risk in the business.</p> <p>It is difficult to obtain capital, because the business is not registered.</p> <p>When the owner dies or cannot work, the business has to close down.</p> <p>The owner cannot share ideas or responsibility with someone else.</p>	Advantages of a partnership	Disadvantages of a partnership	<p>It is cheap and easy to set up, since no forms or registration fees are payable.</p> <p>Partners can run the business as they like.</p>	<p>All partners are liable for any losses. They can lose their personal assets if the business fails.</p> <p>The partnership ends when a</p>
Advantages of a CC	Disadvantages of a CC													
<p>A CC is a separate legal entity or person from the members of the CC. This means the CC is liable for its own debts. The owner is not personally liable for the debts of the CC.</p> <p>The CC continues to exist if the owner dies.</p> <p>It is simple and inexpensive to register a CC.</p> <p>It is fairly simple to run a CC.</p> <p>If the owner needs to, he/she can take in more members. There may be up to 10 members.</p> <p>A CC pays a flat tax rate. This is an advantage when the business is making big profits.</p> <p>A CC can obtain a loan or overdraft from a bank, since it is a registered business.</p>	<p>The assets of the CC belong to the CC, and not to the owner or member(s).</p> <p>There are more legal requirements than for a sole proprietorship.</p> <p>Membership is limited to 10, so the CC will have to form a private company if it grows big.</p> <p>The flat tax rate is a disadvantage if the CC is not very profitable.</p>													
Advantages of a sole proprietor	Disadvantages of a sole proprietor													
<p>All income of the business goes to the owner.</p> <p>The owner can make all the decisions in the business.</p> <p>The business is informal, so there are no registration fees or complications.</p>	<p>The owner carries all the risk in the business.</p> <p>It is difficult to obtain capital, because the business is not registered.</p> <p>When the owner dies or cannot work, the business has to close down.</p> <p>The owner cannot share ideas or responsibility with someone else.</p>													
Advantages of a partnership	Disadvantages of a partnership													
<p>It is cheap and easy to set up, since no forms or registration fees are payable.</p> <p>Partners can run the business as they like.</p>	<p>All partners are liable for any losses. They can lose their personal assets if the business fails.</p> <p>The partnership ends when a</p>													

Grade 7 EMS Worksheet

		<p>It is easy to end the partnership, for the partners just close down the business.</p> <p>The partners can take in more partners if they want or need more capital.</p>	<p>partner dies.</p> <p>The business is not registered, so if a dispute arises it could mean the end of the partnership.</p>	
--	--	---	--	--