[](https://www.knowitallninja.com/)Size & Types of Enterprise

# Task 1

What are SMEs and why are they important to the economy?

“SMEs” are small and medium-sized enterprises. They are important to the economy for several reasons. Firstly, they generate lots of employment opportunities. Secondly, they can adapt more quickly to changes in the economy (e.g. during a pandemic). Thirdly, they generate competition and encourage innovation.

# Task 2

(a) Below are listed five types of profit-making enterprises. Match each type with its key characteristic.

**Limited Company**

**Partnership**

**Limited Liability Partnership**

**Social Enterprise**

**Sole Trader**

Business with limited liability incorporated at Companies House

Business run by at least two people with unlimited liability

Business run by a single individual with unlimited liability

Business that prioritises social goals over shareholder profits

Business that is a cross between a company and a partnership

(b) There are two types of limited companies: public limited companies and private limited companies. Can you explain the difference between them?

Public limited companies are companies that are listed on the stock exchange and anyone can purchase their shares. Private limited companies are not listed on the stock exchange, so their shares can only be held privately by their members.

# Task 3

In the table below there are examples of five businesses. For each business identify whether it is a micro, small or medium-sized business.

|  |  |  |  |
| --- | --- | --- | --- |
| Business Example | Micro | Small | Medium |
| Billy Boom is a store selling video games with an average turnover of just over £120,000 per year | ✓ |  |  |
| ALDA is a chain of supermarkets with £16.5m on its balance sheet in the previous financial year |  |  | ✓ |
| Spot-A-Dog is a pet store with a turnover of £5.3m in the previous financial year |  | ✓ |  |
| HGG is a chain of petrol stations with an average annual turnover of £25m |  |  | ✓ |
| Hannah’s Hair is a hairdressing salon with £52,000 on its balance sheet in the previous financial year | ✓ |  |  |

# Task 4

Can you identify three advantages of the following types of profit-making enterprises?

(a) Limited Liability Partnership

1 Protection from the business’s debts

2 Simpler tax rules of a partnership (compared to a limited company)

3 Partners have flexibility to decide how they will contribute to business operations

(b) Social Enterprise

1 Better relationship with customers (people are more forgiving of “good” businesses)

2 Eligibility for grants and financial advantages not available to other forms of businesses

3 Enhanced reputation (people want to support a business that contributes to their community)

(a) Limited Company

1 Business owners are not responsible for the business’s debts

2 Owners can sell their shares in the company to someone else

3 More tax efficiency after a certain level of income