 BUSINESS MANAGEMENT UNIT 2

Business Management Unit 2 practice exam 2018 and suggested answers

GITA MENON | SWINBURNE SENIOR SECONDARY COLLEGE

The following practice exam covers the three areas of study in Unit 2 of the *VCE Business Management Study Design* (2017–2021).

The practice exam consists of 10 short-answer and extended-response questions presented in the form of a question and answer book. All questions are compulsory. The total marks available are 75.

The exam is divided into three sections that correspond to the three areas of study in Unit 2:

* Section A: Area of Study 1—‘Legal requirements and financial considerations’
* Section B: Area of Study 2—‘Marketing a business’
* Section C: Area of Study 3—‘Staffing a business’

Some questions are introduced with stimulus material.

Additional space is provided at the end of the question and answer book.

The practice exam and suggested answers are based on the author's interpretation of the *VCE Business Management Study Design*.

Teachers are advised to preview and evaluate all practice exam material before distributing it to students.

Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Teacher: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

BUSINESS MANAGEMENT UNIT 2

**Practice written examination 2018**

**Reading time: 15 minutes**

**Writing time: 2 hours**

**Question and answer book**

**Structure of book**

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| *Number of questions* | *Number of questions to be answered* | *Number of marks* |
| Section ASection BSection C | 433 |  15 30 30 **Total: 75** |

* Students are permitted to bring into the examination room: pens, pencils, highlighters, erasers, sharpeners and rulers.
* Students are NOT permitted to bring into the examination room: blank sheets of paper and/or white-out liquid/tape.
* No calculator is allowed in this examination.

**Materials supplied**

* Question and answer book.
* Additional space is available at the end of the book if you need extra paper to complete an answer. Clearly label all answers with the appropriate section and question number.

**Instructions**

* Write your name and your teacher’s name in the spaces provided above on this page.
* All written responses must be in English.

**Students are NOT permitted to bring mobile phones and/or any other unauthorised electronic devices into the examination room.**

**Instructions**

Answer **all** questions in the spaces provided.

Section A (15 marks)

Question 1 (4 marks)

Describe **two** legal requirements for setting up a business in Victoria.

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Question 2 (2 marks)

Explain **one** reason for establishing policies and procedures when starting a business.

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Question 3 (4 marks)

Using examples, explain **two** reasons why record-keeping is important when establishing a business.

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Question 4 (5 marks)

Rebecca and Julia have decided to start a new clothing business and name it Mojo Fashions. They want to create funky, bohemian clothing for open-minded and socially responsible youth aged between 15 and 30. The owners want to design and make the fabrics in Victoria and use pure and natural fabrics, including vegetable dye cotton and natural silk, and only use ethical suppliers.

**a.** Define the term ‘corporate social responsibility’. 1 mark

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**b.** In relation to Mojo Fashions, explain **one** benefit and **one** weakness of choosing suppliers that meet the business’s corporate social responsibility objectives. 2 marks

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**c.** The owners of Mojo Fashions have been advised to source some of their fabrics and garments from India.

 Explain **one** reason why this advice if followed could affect the decisions to be made when establishing the business. 2 marks

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**END OF SECTION A**

Section B (30 marks)

Question 1 (12 marks)

Cal is planning to open a vegan restaurant called Vegan Delights in Melbourne. He has been researching trends in the restaurant scene and has found that there is a trend towards healthy vegetarian and vegan eating in the area. He has also identified the ‘Netflix culture’ among many young workers who prefer to dine at home using apps such as Foodora and Uber Eats to order home-delivered food rather than visit a restaurant on working days. Cal is considering whether to open Vegan Delights as a restaurant and partner with an online food delivery company, or operate as a ‘dark kitchen’, which is the term used to describe a kitchen in the back alleys of inner-city Melbourne that prepares food for an online food delivery company such as Deliveroo. The second option will enable him to minimise his overheads and offer vegan dishes to a growing customer base that is digitally active and convenience driven.

**a.** Describe **one** market research practice Cal could use to gather information about the changing food habits of young workers in Melbourne. 2 marks

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**b.** Define the term ‘target market’. 1 mark

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**c.** With reference to the case study, explain why it is important for a business to identify market trends. 4 marks

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**d.** Identify **one** external factor that will affect Cal’s ability to establish a customer base.

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**e.** Propose and justify **one** customer relations strategy that Cal could use to promote the business once it is established. 3 marks

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Question 2 (6 marks)

Cal has established Vegan Delights and has decided to offer a calorie-based balanced meal plan with the help of his dietician wife. The meal plans will be designed to cater for customers’ needs. Cal will prepare and deliver them on a daily basis. He needs to work out the marketing strategies for this new line of business he is calling ‘Slim and Trim’ using the 7 Ps of marketing.

Analyse how the following **two** 7 Ps of marketing could be used by Cal to market his business:

* product
* price.

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Question 3 (12 marks)

Cal has received a number of complaints from his customers who are suffering from gastroenteritis after eating his food yesterday. A number of them have written negative reviews about his business on MenuLog and Zomato and there are fewer orders today. Also, a complaint has been lodged with the local council, which has arranged to undertake a food safety audit and assessment of his premises. Cal needs to resolve this crisis.

**a.** Define the term ‘public relations strategy’. 1 mark

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**b.** Explain the relationship between public relations and business objectives. 4 marks

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**c.** With reference to the case study, explain the importance of public relations in maintaining a positive relationship with customers. 3 marks

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**d.** Propose and justify a public relations strategy Cal could use to manage the problem of customer complaints about the food purchased from Vegan Delights. 4 marks

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**END OF SECTION B**

Section C (30 marks)

Question 1 (8 marks)

Toytown is a Melbourne-based toy retailer that is expanding nationally and opening new stores in Sydney and Brisbane. The human resource manager, Jill Anderson, has been asked to recruit sales staff for each location.

**a.** The first step for the human resource manager, Jill Anderson, is to undertake a job analysis and create a job design for the new sales positions.

Distinguish between a job analysis and a job design. 3 marks

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**b.** Jill Anderson has the choice of using existing staff and relocating them or choosing new sales staff from outside the business.

Using examples, compare internal recruitment and external recruitment. 5 marks

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Question 2 (5 marks)

**a.** Define the term ‘employee induction’. 1 mark

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**b.** Explain **one** benefit for a business and **one** advantage for new employees of a well-run induction program. 4 marks

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Question 3 (17 marks)

Jill Anderson has decided to recruit casual staff to maximise staffing flexibility, especially in the early stages of expansion.

**a.** Discuss the implications of Jill’s proposed staffing strategy from the perspectives of both the business and its employees. 8 marks

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**b.** Identify **one** selection method Jill could use to select her sales staff and explain **one** advantage and **one** disadvantage of its use. 3 marks

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**c.** Identify and explain **two** legal obligations Jill needs to follow for staffing her business.

6 marks

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**END OF QUESTION AND ANSWER BOOK**

**Extra space for responses**

**Clearly number all responses in this space.**

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Suggested answers

Section A (15 marks)

Question 1 (4 marks)

**Describe *two* legal requirements for setting up a business in Victoria.**

***Note:*** *This is one of a number of possible answers to this question.*

Sole traders, partnerships, trusts and companies must apply for an Australian Business Number (ABN) through the Australian Government’s Australian Business Register website. An ABN is a unique 11-digit number that identifies a business to the government and the community.

All businesses must obtain a Tax File Number (TFN) from the Australian Taxation Office—a Business TFN in the case of a company; an Individual TFN in the case of sole traders. A TFN is a unique identifying number assigned to a taxpayer (individual, company or other entity), which identifies them for tax purposes.

*Alternative legal requirements:*

* If a business is operating as a company, it must be registered with ASIC so that an Australian Company Number (ACN) can be issued—registering a company name is not compulsory as the ACN itself can be used to identify the company.
* If a business (including sole traders, partnerships and companies, and trusts that are carrying on an enterprise) has a turnover in excess of $75 000, it must register for the goods and services tax (GST). GST is a broad-based tax of 10% on most goods and services.
* Sole traders, partnerships and trusts must register a business name with the Australian Securities and Investments Commission (ASIC). To register a business name a business must have an ABN.
* Businesses (sole traders, partnerships, companies and trusts) with employees must register for Pay As You Go (PAYG) withholding if tax needs to be withheld from payments to employees and some contractors.

***Note:*** *The following website contains a summary of the legal requirements for setting up a business in Victoria:* [*http://www.business.vic.gov.au/setting-up-a-business/how-to-start-a-business/licences-and-registrations*](http://www.business.vic.gov.au/setting-up-a-business/how-to-start-a-business/licences-and-registrations)

*Marking guide:*

***2 marks*** *for describing each legal requirement (x two = 4 marks)*

Question 2 (2 marks)

**Explain *one* reason for establishing policies and procedures when starting a business.**

***Note:*** *This is one of a number of possible answers to this question.*

A policy provides a general guide on how to handle issues or problems in a business as they arise, while a procedure is a plan of action that is required to implement a policy. Policies and procedures are important when establishing a business as they help to clarify and reinforce the standards expected of employees, such as the use of social media, and how to implement emergency procedures, use company equipment or undertake work tasks.

*Other reasons:*

* Introducing policies and procedures when establishing a business, especially in written form, help to ensure a business is operated in an efficient and professional manner, and assist in promoting stable and consistent decision-making based on operational procedures.
* Policies and procedures are important when establishing a business as they help employees clearly understand their roles and responsibilities. They also allow managers to guide operations and oversee the work of staff members to ensure it meets required standards.

*Marking guide:*

***2 marks*** *for providing a well-explained reason*

Question 3 (4 marks)

**Using examples, explain *two* reasons why record-keeping is important when establishing a business.**

***Note:*** *This is one of a number of possible answers to this question.*

Records are source documents that specify transaction dates, legal agreements and customer and business details. A system that logs, stores and disposes of records is important for a business because it helps it meet its legal and tax requirements and can be used to measure profit and performance. For example, a cash book is used to help keep track of cash transactions, which is a legal requirement. Sales records in the form of invoices, receipt books, cash register tapes and credit card transactions are used to keep track of sales revenue, which is used to help measure profit and business performance.

*Other reasons:*

Record-keeping helps employees to work efficiently; it helps a business produce meaningful reports, it helps to protect the rights of a business; and assists a business to manage potential risks.

*Marking guide:*

***2 marks*** *for explaining the importance of record-keeping*

***1 mark*** *for each example (x two = 2 marks)*

Question 4 (5 marks)

**Rebecca and Julia have decided to start a new clothing business and name it Mojo Fashions. They want to create funky, bohemian clothing for open-minded and socially responsible youth aged between 15 and 30. The owners want to design and make the fabrics in Victoria and use pure and natural fabrics, including vegetable dye cotton and natural silk, and only use ethical suppliers.**

**a. Define the term ‘corporate social responsibility’. 1 mark**

The term ‘corporate social responsibility’ refers to businesses having a degree of responsibility for the social and environmental effects of their decisions and activities as well as the economic impacts, and acting above and beyond their minimum legal obligations.

*Marking guide:*

***1 mark*** *for a correct definition*

**b. In relation to Mojo Fashions, explain *one* benefit and *one* weakness of choosing suppliers that meet the business’s corporate social responsibility objectives.**

 **2 marks**

Mojo Fashions wants to use ethical suppliers that produce their products in a socially responsible manner, by paying fair wages to their employees, not damaging the environment and sourcing raw materials locally where possible. A benefit of choosing ethical suppliers is that doing so will enhance the reputation of the business and help to generate orders from socially conscious consumers. A weakness of doing so is that the supplies sourced locally are likely to be more expensive than imported supplies, as costs such as wages are higher in Australia than Asian countries from which imported supplies are commonly sourced.

*Marking guide:*

***1 mark*** *for providing one benefit*

***1 mark*** *for providing one weakness*

**c. The owners of Mojo Fashions have been advised to source some of their fabrics and garments from India.**

 **Explain *one* reason why this advice if followed could affect the decisions to be made when establishing the business. 2 marks**

 ***Note:*** *This is one of a number of possible answers to this question.*

 If Mojo Fashions decides to source some of its fabrics from India, it will need to find suppliers whose business practices are in line with its social responsibility objectives by producing fabrics in an ethical manner, including paying fair wages and not using child labour, Mojo Fashions would need ensure the required standards are maintained by making periodic inspections.

 *Other reasons:*

* The need to establish contacts with overseas suppliers and be given guarantees that orders will be delivered on time.
* The need to establish procedures and regular inspections to ensure that quality control is maintained.

*Marking guide:*

***2 marks*** *for providing one well-explained reason*

Section B (30 marks)

Question 1 (12 marks)

**Cal is planning to open a vegan restaurant called Vegan Delights in Melbourne. He has been researching trends in the restaurant scene and has found that there is a trend towards healthy vegetarian and vegan eating in the area. He has also identified the ‘Netflix culture’ among many young workers who prefer to dine at home using apps such as Foodora and Uber Eats to order home-delivered food rather than visit a restaurant on working days. Cal is considering whether to open Vegan Delights as a restaurant and partner with an online food delivery company, or operate as a ‘dark kitchen’, which is the term used to describe a kitchen in the back alleys of inner-city Melbourne that prepares food for an online food delivery company such as Deliveroo. The second option will enable him to minimise his overheads and offer vegan dishes to a growing customer base that is digitally active and convenience driven.**

**a. Describe *one* market research practice Cal could use to gather information about the changing food habits of young workers in Melbourne. 2 marks**

Cal could create an online survey, which is data collection technique, and distribute it on social media, such as a Facebook page, or by inviting participants to take part in an online survey on his website. Alternatively, Cal could send the survey out by email if he can compile a list of possible participants who meet the characteristics of the proposed target audience. Cal would want to find out as much as possible about the changing food habits of young workers in Melbourne. A survey is a set of questions a business asks the target market, the answers to which will guide its product offerings. Cal’s questions could cover how often they order home-delivered meals, what types of meals they prefer, their preferred price range, the most popular times to order, how long they expect to wait for an order, and preferred meal sizes. Responses would then be analysed.

*Marking guide:*

***1 mark*** *for describing a suitable market research practice*

***1 mark*** *for linking it to the case study*

**b. Define the term ‘target market’. 1 mark**

A target market is a group of customers or clients with similar needs or preferences to whom a business wants to direct its marketing efforts and sell its products or services.

*Marking guide:*

***1 mark*** *for a correct definition*

**c. With reference to the case study, explain why it is important for a business to identify market trends. 4 marks**

To help Cal decide on whether he should open a restaurant for walk-in customers and an online home-delivery component or a dark kitchen servicing the online food delivery market only, he needs to research market trends in this growing area. Information on market trends highlights significant changes in a market and opportunities to develop a business and hence create a profit. It also can help a business keep ahead of its competitors, which is important when trying to establish and develop a business. Being aware of market trends will also help a business guard against any negative trends. Cal can use information on market trends to develop a business growth strategy based on having a restaurant or a dark kitchen. If the trends suggest that opening a dark kitchen is viable based on likely demand for online food deliveries, he could choose that option, which would be less expensive to establish than a restaurant. Hence identifying market trends and meeting them will give Cal a higher chance of success in relation to the business model he adopts.

*Marking guide:*

***2 marks*** *for explaining the importance of identifying market trends for a business*

***2 marks*** *for linking the explanation to the case study*

**d. Identify *one* external factor that will affect Cal’s ability to establish a customer base. 2 marks**

***Note:*** *This is one of a number of possible answers to this question.*

A customer base is a group of customers who repeatedly purchase the goods or services of a business and are its main source of revenue. One external factor that will affect Cal’s ability to establish a customer base is technology. Whether he opens a restaurant and partners with an online food delivery business or opens a dark kitchen, his business will rely partly or fully on customers placing orders and making payments online using the app of a food delivery business. He will also need to use its website to market his menu, as well as his own website to market his business.

*Other factors:* competition; legislation and regulations; changing customer preferences

*Marking guide:*

***1 mark*** *for identifying the external factor*

***1 mark*** *for linking the factor to the case study*

**e. Propose and justify *one* customer relations strategy that Cal could use to promote the business once it is established. 3 marks**

***Note:*** *This is one of a number of possible answers to this question.*

Cal could introduce a customer loyalty program. For example, he could apply a discount to a customer’s fifth purchase once they have placed an order four times. This would help to build relationships with existing customers by rewarding loyalty and encouraging repeat orders. In the restaurant business, the best method of promotion is word of mouth and rewarding loyal customers. Loyal customers are likely to recommend the business, which will help it to acquire new customers and thereby generate further sales.

 *Other strategies:*

* Providing quality customer service to build customer satisfaction
* After-sales contact with customers to build their loyalty

*Marking guide:*

***1 mark*** *for identifying a suitable strategy*

***2 marks*** *for justifying the strategy*

Question 2 (6 marks)

**Cal has established Vegan Delights and has decided to offer a calorie-based balanced meal plan with the help of his dietician wife. The meal plans will be designed to cater for customers’ needs. Cal will prepare and deliver them on a daily basis. He needs to work out the marketing strategies for this new line of business he is calling ‘Slim and Trim’ using the 7 Ps of marketing.**

**Analyse how the following two 7 Ps of marketing could be used by Cal to market his business:**

* **product**
* **price.**

Product refers to the good or service being sold, including its features and benefits. In this case, the product is restaurant-quality vegetarian and vegan meals. The attributes of the product include the variety of meals available, the taste and quality, the effectiveness of the meal plan in meeting customers’ needs, the speed of delivery, and whether Cal can differentiate his product offering from the competition. When marketing the product, Cal needs to think about the features and benefits of the product and whether it is better than what his competitors can provide.

Price refers to the amount the product or service is sold for in money terms. In Cal’s case, this refers to the prices of the meal plans, including options such as week-day plans only, seven-day plans, and discounts for longer term contracts, such as quarterly or half yearly plans. In determining his pricing strategy Cal will need to consider how much customers are prepared to pay, how much mark-up is needed to cover overheads, how customers will pay for the meals, and the expected profit margin. Cal could use penetration pricing initially to attract a customer base for this new product offering.

*Reference:*

Business Queensland, <https://www.business.qld.gov.au/running-business/marketing-sales/marketing-promotion/marketing-basics/seven-ps-marketing>

*Marking guide:*

***1 mark*** *for defining each marketing element from the 7Ps (x two = 2 marks)*

***2 marks*** *for analysing how each element could be applied to Cal’s business (x two = 4 marks)*

Question 3 (12 marks)

**Cal has received a number of complaints from his customers who are suffering from gastroenteritis after eating his food yesterday. A number of them have written negative reviews about his business on MenuLog and Zomato and there are fewer orders today. Also, a complaint has been lodged with the local council, which has arranged to undertake a food safety audit and assessment of his premises. Cal needs to resolve this crisis.**

**a. Define the term ‘public relations strategy’. 1 mark**

 A public relations strategy is a strategic communication process that helps a business to develop mutually beneficial relationships with other organisations and their publics.

*Marking guide:*

***1 mark*** *for an accurate definition*

**b. Explain the relationship between public relations and business objectives. 4 marks**

***Note:*** *This is one of a number of possible answers to this question.*

A business objective is a precise, measurable direction a business needs to take to achieve its overall goals. Common business objectives include increasing market share, generating greater profits, and increasing the customer base. For example, a specific business objective could be to increase sales by 20 per cent. A public relations objective is subordinate to a business objective, as a public relations objective is determined by one or more business objectives. For example, in order to meet the business objective of increasing sales by 20 per cent, a company could decide to try and improve its public relations performance by using social media. Social media can be used to spread a business’s message widely by developing relationships, generating media coverage and monitoring and responding to comments made by customers or members of the general public.

*Marking guide:*

***1 mark*** *for explaining the meaning of public relations*

***1 mark*** *for explaining the meaning of business objectives*

***2 marks*** *for explaining how the two relate to each other*

**c. With reference to the case study, explain the importance of public relations in maintaining a positive relationship with customers. 3 marks**

 Public relations is based on relationships, particularly with customers. Positive public relations help to raise awareness about a business’s brand, build credibility among customers, and help a business manage its reputation. These factors are important to the success of a business and to the achievement of its objectives. The owner of Vegan Delights, Cal, needs to manage the public relations of his business so that the business can continue a positive public reputation, and thereby maintain if not improve its business performance.

*Marking guide:*

***2 marks*** *for two points relating to the importance of public relations in relation to maintaining a positive relationship with customers*

***1 mark*** *for linking this to the case study*

**d. Propose and justify a public relations strategy Cal could use to manage the problem of customer complaints about the food purchased from Vegan Delights. 4 marks**

Cal needs to implement a crisis public relations strategy to manage the complaints received about the food supplied. The situation that has arisen at Vegan Delights can be described as a crisis. If the business is not able to manage the crisis quickly and in a coordinated manner, it is likely that the reputation of the business will be damaged, which could have long-lasting negative implications for the business. It is important that Cal resolve the crisis by minimising its impact on the business. Cal should appoint a spokesperson to manage the crisis and its duration, identify why the problem arose, respond to complaints as quickly as possible, apologise for the problem or explain the reasons it occurred, and outline the steps to be taken to avoid the problem in the future. Cal could offer compensation to people who have been affected and explain publicly how the business will operate better in the future.

*Marking guide:*

***1 mark*** *for identifying the appropriate type of public relations strategy to implement*

***3 marks*** *for outlining the strategy by identifying possible steps involved in implementing it*

Section C (30 marks)

Question 1 (8 marks)

**Toytown is a Melbourne-based toy retailer that is expanding nationally and opening new stores in Sydney and Brisbane. The human resource manager, Jill Anderson, has been asked to recruit sales staff for each location.**

**a. The first step for the human resource manager, Jill Anderson, is to undertake a job analysis and create a job design for the new sales positions.**

**Distinguish between a job analysis and a job design. 3 marks**

A job analysis is the systematic process of looking at a particular job to find out exactly what it entails, and what kind of skills and experience people should have to do the job effectively. A job analysis generates the source material for preparing the job description, which states the duties involved, and a job specification, which identifies the qualifications required. On the other hand, a job design is the process of grouping together tasks for a particular job, which should incorporate variety and challenge for the job holder. It also involves specifying the order in which tasks and duties are to be performed, organising the techniques and procedures to be used in carrying them out, and identifying the relationships between the job holder and his or her managers and co-workers.

A job analysis determines the duties of an existing job, while a job design follows a job analysis and focuses on how the tasks are to be carried out in a way that is best for both the business and the employee.

*Marking guide:*

***1 mark*** *for defining a job analysis*

***1 mark*** *for defining a job design*

***1 mark*** *for explaining the difference between the two terms*

**b. Jill Anderson has the choice of using existing staff and relocating them or choosing new sales staff from outside the business.**

**Using examples, compare internal recruitment and external recruitment. 5 marks**

Internal recruitment is the process of identifying a pool of applicants for a position from within the business, whereas external recruitment identifies a pool of applicants from outside the business. Both types of recruitment aim to find potential applicants for a vacancy and use different recruitment methods. External recruitment methods include recruitment agencies, TAFE colleges and universities, job advertisements (such as on SEEK), and government-sponsored programs. Internal recruitment methods include promotion, advertising the position internally, and upgrading a temporary employee to a permanent position.

External recruitment is a more lengthy and more costly process than internal recruitment. The choice of candidates for a position is much greater than internal recruitment offers. Induction training will be required for an externally recruited applicant but not for an applicant who is already employed within a business.

*Marking guide:*

***2 marks*** *for explaining the differences between the two types of recruitment*

***1 mark*** *for explaining the similarity between the two types of recruitment*

***2 marks*** *for outlining examples of recruitment methods of the two types*

Question 2 (5 marks)

**a. Define the term ‘employee induction’. 1 mark**

 Employee induction is the process used by many businesses to welcome new employees and prepare them for their new job by familiarising them with the nature, culture and policies and procedures of a business, the key personnel in the business, and their co-workers and supervisors.

*Marking guide:*

***1 mark*** *for a correct definition*

**b. Explain *one* benefit for a business and *one* advantage for new employees of a well-run induction program. 4 marks**

 One benefit of a well-run induction program for a business is that the new employee is likely to settle into their role quickly, understand the job role and the associated responsibilities, become familiar with the business’s policies and procedures, and be a productive member of staff as soon as possible.

 An advantage for employees is that they feel comfortable with the new workplace and new colleagues as soon as possible and are more likely to be motivated to work hard and remain in the business. It will also help them settle in more quickly and contribute effectively to the business as soon as possible.

*Marking guide:*

***2 marks*** *for providing one benefit for a business of a well-run induction program*

***2 marks*** *for providing one advantage for new employees of a well-run induction program*

Question 3 (17 marks)

**Jill Anderson has decided to recruit casual staff to maximise staffing flexibility, especially in the early stages of expansion.**

**a. Discuss the implications of Jill’s proposed staffing strategy from the perspectives of both the business and its employees. 8 marks**

Casual recruitment is a form of recruitment where the employee is offered a higher rate of pay (such as a higher hourly rate than permanent employees doing the same job) but receives fewer benefits than permanent employees.

This provides employers with flexibility as they can reduce or increase the number of employees depending on the volume of business and are not committed to employing a set number of employees. The overall cost of employing casual staff is also lower as they do not receive the same benefits given to permanent employees; for example, they do not receive paid holiday leave, carer’s leave or sick leave, although they have some benefits such as protection from unfair dismissal. However, this also means that they may not have a committed or stable workforce as staff members are free to leave and may do so when they find suitable employment. Staff training is also wasted if employees leave the business prematurely. Managing casual staff can also be challenging due to the uncertainty of employees’ availability and the range of shifts that need to be managed, with changes having to be made often on a weekly basis.

Workers often choose casual employment if they cannot commit to full-time or part-time employment due to study or personal commitments or responsibilities. Most casual workers are young people or women. Casual work offers them the flexibility to try different types of jobs and industries. However, casual work does not provide employees with guaranteed hours of work, a regular amount of income and often not a sufficient level of income to meet their financial commitments, and they receive only a few of the benefits that permanent employees are given. Notice of termination periods do not apply to casual workers so they can also be replaced easily if, for example, they are not available for rosters, or they are no longer required.

Jill’s strategy offers the business and employees various benefits, such as flexibility and lower costs, but also has disadvantages, such as the challenge of managing a casual staff and the range of shifts that might need to be managed, and which often need to be changed on a weekly basis.

*Marking guide (global):*

***1–4 marks*** *for explaining the benefits and limitations of Jill’s staffing strategy for the business*

***1–4 marks*** *for explaining the benefits and limitations of Jill’s staffing strategy for employees*

**b. Identify *one* selection method Jill could use to select her sales staff and explain *one* advantage and *one* disadvantage of its use. 3 marks**

***Note:*** *This is one of a number of possible answers to this question.*

One selection method Jill could use is the interview. An advantage of the interview is that Jill can convene a panel and ask detailed questions in a face-to-face meeting that is likely to elicit clear, detailed answers, which will test the suitability of and accurately screen applicants and provide a thorough assessment of each applicant. A disadvantage is that an interview might not test the person’s customer service skills on the job, while some applicants interview well but might not be competent enough as salespeople or might have a poor work ethic. This may result in unsuitable staff being selected by Jill.

*Other selection methods:* psychological testing*;* work testing*;* online selection

*Other advantages of interviews:* Interviewees’ words can be recorded; ambiguities or unclear questions can be clarified; information about personal feelings and opinions can be obtained; non-verbal and as well as verbal cues can be captured.

*Other disadvantages of interviews:* They are time-consuming because of the time involved in setting them up, undertaking multiple interviews, transcribing them, analysing recorded information, and reporting a decision; they can be costly; interviewers can transcribe and interpret interviews in different ways.

*Marking guide:*

***1 mark*** *for identifying a selection method*

***1 mark*** *for an advantage*

***1 mark*** *for a disadvantage*

**c. Identify and explain *two* legal obligations Jill needs to follow for staffing her business. 6 marks**

***Note:*** *This is one of a number of possible answers to this question.*

One legal obligation is to comply with the *Equal Employment Opportunity Act 1984*. Jill needs to ensure that the positions are open to any qualified person who are interested and no potential applicant is discriminated against on the basis of gender, age and race. If this not done, she could be referred to Fair Work Australia for unfair recruitment practices.

Another legal obligation is that she pays at least the minimum wage set by Fair Work Australia under the *Fair Work Act* *2009* for her casual staff. She also needs to ensure she meets the terms of the award that her industry must abide by or the enterprise bargaining agreement in place (if her business has signed one with its employees) by paying appropriate wages and providing minimum conditions of employment. If she does not do this, she could be referred to Fair Work Australia for not meeting minimum rates of pay or working conditions.

*Other legal obligations:*

* Compliance with occupational health and safety (OH&S) laws (*Occupational Health and Safety Act 2004*), which require employers to provide a safe working environment and to develop an OH&S policy.
* Compulsory workers compensation insurance, such as WorkCover.
* Payment of superannuation on behalf of employees (Superannuation Guarantee).
* Adherence to workplace relations laws that relate to resolving workplace disputes.

 *Marking guide:*

***1 mark*** *for identifying each legal obligation (x 2 marks)*

***2 marks*** *detailing the features of each legal obligation (x 4 marks)*

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