

VCE Unit 1 Business Management

Semester 1 2019

Question and Answer Booklet

STUDENT NAME: Answers

TEACHER(S): Ms Emerson-Drake Mr Harris

TIME ALLOWED: Reading time  minutes

Writing time  minutes

INSTRUCTIONS

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| You are not permitted to use notes, texts or a dictionary.  You are to answer each question in space provided.  Do not write in pencil. |

STRUCTURE OF BOOKLET / MARKING SCHEME

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| --- | --- | --- |
| Section Number of questions | Number of questions to be answered | Number of marks |
| A 8  B 6 | 8  6 | 34  21  **Total**  55 |

**SECTION A**

**Instructions for Section A**

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

Alice is a vegan designer who values sustainable production methods and materials. She wants to start a business producing shoes using materials derived from pineapples. Pineapples can be used to produce a quality, leather-like substitute. Currently, there are few alternatives to leather. People who want to purchase shoes with a leather-like appearance (but not leather) choose plastic. Pineapple ‘leather’ is an innovative, sustainable material that provides a real alternative to using leather and plastic. However, it is not yet widely produced or used in the footwear and textiles industries. Pineapple ‘leather’ appeals to the vegan community who prefer not to wear leather shoes. It also appeals to environmentally conscious consumers who understand the impact of producing and using leather and the current alternatives, including plastic. Alice’s goal is to produce quality shoes for the vegan and environmentally conscious consumer.

**Question 1** (14 marks)

1. Describe how the following sources of business opportunity would affect Alice’s decision-making: 4 marks

*Marking guide:*

*Use of key terms of each business opportunity and how it affects decision making – 2 marks each*

* Innovation

Innovation is where a product or process is changed or improved to increase the likelihood of a business succeeding. Alice has used innovation in her decision-making to improve and create footwear from a new material called pineapple leather. This is a change from using animal products for leather shoes which does not support animal rights. It is also a change from using plastic that would increase landfill waste so will meet the needs of the environmentally conscious consumer.

* Changing customer needs

Consumers want to have products because they are essential or very important rather than just desirable. Alice has decided to make products that are wanted by vegans. These shoes appeal to these customers that expect their products to be produced free from animal cruelty and to be environmentally friendly. Using pineapple instead of animal leather will minimise the negative impact on both animals and the environment.

1. Explain a personal motivation driving Alice to start a new business. 2 marks

*Marking guide:*

*Clear identification of one personal motivation – 1 mark*

*Explanation relevant to Alice’s business – 1 mark*

One personal motivation for Alice would be to make a profit. Alice would achieve this by generating sales revenue whilst minimising her expenses so that she has surplus funds available to increase her wealth. Alice believes that she can do this by creating selling pineapple leather shoes.

[other options include:

To fulfil a social need: pineapple leather is a sustainable material that may help to reduce the negative environmental impact of leather and plastic. It is a raw material that will regenerate.

To fulfil a market need: vegan and environmentally conscious consumers do not have a real alternative to leather shooes. Shoes made of pineapple leather fill a product gap for these consumers.

A desire for independence: Alice may wish to be her own boss so that she is in control and assuming responsibility for all of the decision making. (this can include following her passion to create vegan friendly shoes)

1. Using examples, describe two business resource needs for Alice’s business. 4 marks

*Marking guide:*

*Description of each resource – 1 mark each*

*Example(s) relevant to Alice’s business – 1 mark each*

* Resource 1:

One resource for Alice is natural resources. These are materials from the land that occur in a natural state and have economic value. These resources include timber, fresh water or mineral deposits. An example from Alice’s business is the pineapple that would be used to create the shoes.

* Resource 2:

Another resource for Alice is labour resources. These are human physical and mental effort used in the creation of goods and services. For Alice, this would involve humans physically stitching the shoes, packing the shoes for distribution or using sales skills to sell the shoes to customers. It also includes the mental effort of Alice designing the shoes.

[another resource could be capital resources. These are human-made items used in the process of production. Machinery and equipment are examples. Machines are likely to be used to construct the shoes and trucks would be needed to deliver the shoes.

1. Compare a sole trader with a social enterprise.

*Marking guide:*

*Two similarities – 2 marks*

*Two differences – 2 marks (differences must be joined with a linking word eg. whereas, however)*

4 marks

One similarity between a sole trader and a social enterprise is that both businesses sell goods or services to customers. Another similarity is that both businesses aim to earn a profit by increasing sales revenue and minimising expenses.

One difference is what each business does with the profits. A sole trader aims to keep all of the profits whereas a social enterprise distributes the majority of its profits to benefit society in a way. Eg. improve the community or the environment.

Another difference is the number of owners. A sole trader is owned by one person whereas a social enterprise is owned by a number of private investors.  
[a sole trader has unlimited liability where the owners are responsible for business debts whereas a social enterprise is generally structured with a separate legal entity so that the owners have limited liability for business debts.]

**Question 2** (4 marks)

Analyse two important elements of goal – setting in a business.

*Marking guide:*

*How use goal-setting elements in a business – 2 marks each*

*(must include a clear identification of each element. NB.‘Achievement’ or ‘timely’ are NOT elements)*

* **CLARITY:** Employees are motivated by clear goals with appropriate feedback regarding their achievement. Clear measurable, goals lead to better performance than vague goals. It includes a timeframe for completion eg. 1 year. (eg. set timeframe for set objective)
* **CHALLENGE**: goals must be adequately difficult to motivate staff or boredom may result. Staff are motivated to achieve a goal that is valued by the business and has not been successfully completed before.
* **COMMITMENT:** when staff help managers set goals (input into goal setting) then they are more motivated to achieve them. Goals develop a sense of purpose leading to increased motivation and performance.
* **FEEDBACK**: staff need specific information about how to correct and improve performance so that both personal and business goals can be achieved. Feedback is important to provide clarification and adjustment of goals plus recognition of efforts being made.
* **COMPLEXITY:** goal challenge should motivate staff but the task should not be too complicated or staff will become overwhelmed, leading to a loss of motivation = reduced business performance.

**Question 3** (2 marks)

Describe one characteristic of a successful business manager and one characteristic of a successful business entrepreneur.

*Marking guide:*

*Description of one management characteristic – 1 mark*

*Description of one entrepreneurial characteristic – 1 mark*

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| **Management characteristics.**  **Communication**: the transfer of information from a manager to staff about what needs to be done to operate a successful business. A manager would also need to transfer information to suppliers so that the suppliers understand what type of materials they need to provide the business, including quality and quantity.  **Leadership skills**: a manager needs to inspire and motivate staff to achieve business objectives. This would include communicating the vision and necessary information so that staff know how to perform their jobs successfully.  [Other management characteristics include technical, accounting or time management skills]  **Entrepreneurial characteristics**.  **Prepared to take risks***:* Taking a risk is about being prepared for the chance of failure. All aspiring businesspeople must invest (and risk) their own time and money into developing their idea.  **Resilience**: Resilience is about perseverance. Establishing and managing a business is hard, and it is normal for businesspeople to encounter setbacks or difficulties in the process. Resilience is about working through these issues, with the end goal in mind to demonstrate strength and determination in establishing a successful business.  **Confidence:** Being confident is about believing in your ability to achieve success with ideas or actions. Confidence is essential in business. If an aspiring business person is not confident in their skills, abilities or idea, they will find it difficult to make the decisions necessary to develop, launch and manage their business.  **Flexibility:** the ability to change goals and objectives to meet the needs of customers or business requirements. Eg. resource availability.  **Innovative thinking**: the ability to design (create or modify) a new product or process so that a new business will be successful. |

**Question 4** (4 marks)

Outline two ways that a business can contribute to the economic wellbeing of a nation.

*Marking guide:*

*Clear identification of two ways – 2 marks*

*Outline of each way – 2 marks*

* Provide goods and services
  + Provide employment (allows households / consumers to increase purchases of goods and services which improves standard of living plus supports other businesses in the economy)
  + Contribute tax revenue
  + Build infrastructure
  + Undertake research and development
  + Preserve and protect the environment

**Question 5** (1 mark)

Describe one legal or government regulation that may affect a business in the planning stage.

Sample answer:

Businesses that prepare and sell food must comply with food safety regulations that aim to protect consumers from contracting food-borne illnesses. A business would need to ensure that a kitchen is designed so that food-handling processes are a way that complies with the regulations.

Other options include Occupational Health and Safety Laws, registering a business with an Australian Business Registration [ABN] before trading, alcohol/liquor licences, complying with environmental legislation.

**Question 6** (4 marks)

1. Define corporate social responsibility. 1 mark

Corporate social responsibility refers to a business’s sense of responsibility towards the community and the environment in which it operates. It is when a business makes moral or ethical decisions that impact positively on a number of stakeholders such as the community or employees or suppliers*.*

1. Evaluate one example of corporate social responsibility behaviour that a business could demonstrate. 3 marks

*Marking guide:*

*A strength of CSR behaviour –1 mark*

*A weakness of CSR behaviour – 1 mark*

*Overall view of this business behaviour [is it a benefit or cost overall for business] – 1 mark*

*Eg. long term attract repeat customers to increase sales.*

*Examples of corporate social responsibility (CSR) issues:*

* *Using Fair Trade inputs*
* *Donating to a charity*
* *Employing staff from the local community*
* *Employing staff from minority groups. Eg refugees, disabled workers*
* *Using recycled paper for packaging*
* *Using recycled timber for furniture*
* *Using paper carry bags instead of plastic*
* *Use electric vehicle cars for transport to minimise CO2 gas pollution*
* *Source locally to reduce transport times and vehicle pollution*

*Costs:*

* *Moral / ethical decisions can be more expensive for businesses*
* *It can be difficult to guarantee supply of raw materials from trusted suppliers.*
* *It can be time consuming to change production processes to use CSR elements such as green energy OR reduce CO2 pollution in production processes.*

*Benefits:*

* *Contribution to environmental protection = benefit community*
* *Employing local staff = jobs for local community = increased GDP and increased living standards for local economy.*
* *Increased customer satisfaction leading to repeat sales*
* *Improved reputation leads to increased customers leads to increased number of sales, profit and % of market share.*
* *Increased reputation increases ability to attract the best employees*

**Question 7** (2 marks)

Explain one way that interest rates may affect business planning.

Interest rates are the cost of borrowing money for a business. It is the amount charged, expressed as a percentage, by a lender to a borrower for the use of assets.

Interest rates affect business planning because they influence the cost of borrowing money, and how difficult it is to pay it back. For example, if interest rates are relatively low then money is relatively low cost. In this case, a business might decide to borrow money to expand their operations eg. by buying new stock, developing a new product range or by setting up new locations (buildings or furniture) *.*

**Question 8** (3 marks)

Describe how crowdfunding works as a source of finance. Discuss its advantages and disadvantages.

*Marking guide:*

*Description – 1 mark*

*Advantage(s) – 1 mark*

*Disadvantage(s) – 1 mark*

Sample answer:

Crowdfunding is a way of financing a business through donations of money from the public. This is commonly done through a website with a description of the project. If people want to support the campaign then they can donate money to help the business achieve its goal in a set timeframe.

An advantage of this is that it is a low cost form of finance as the business does not need to pay the cost of interest as it would with a bank loan. It can also gain a customer base committed to the product as a result of advertising the social cause it wants to support. It provides an opportunity to interact directly with customers to gain feedback on the business idea with free word-of-mouth advertising.

However, it can be difficult for a business to raise a guaranteed amount of funds that it needs to launch or expand its business. The business also needs to spend time and money developing a campaign to present the product it wants customers to support the launch of. It might be necessary for the business to provide incentives such as free products to complete with other businesses also using crowdfunding to raise funds.

**SECTION B**

**Instructions for Section B**

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

Sam has recently graduated as a pharmacist and plans to open a new pharmacy in the suburb he grew up in – ‘Sam’s Pharmacy Store’. He wants to operate as an independent owner and manager of the store. Sam has definite ideas about how he wants to develop the business, and therefore wants complete control over decision-making.

He wishes to employ two pharmacists to work at the store as employees. He will also need to employ shop assistants.

After 24 months of operating Sam’s Pharmacy Store, Sam is quite happy with how his business has grown in the community. Customer feedback from a satisfaction survey suggests that customers are happy with their experience. Customers are happy with the expert advice provided by the pharmacists and the timely filling of prescriptions. The staff are friendly, patient and helpful in answering customer questions.

However, customers do complain that the products offered are more expensive than online products. The store is also quite small so does not stock a large range of goods. Sam is also nervous that another pharmacy is planning to open at the new shopping centre currently being built.

Sam is thoughtful about the new private hospital that will be opening in 18 months. The local newspaper is advertising for traders to fill the vacant retail stores on the ground floor.

**Question 1** (3 marks)

Identify the business model that Sam will adopt at his pharmacy. Describe one advantage and one disadvantage of this model.

*Marking guide:*

*Identify business model – 1 mark*

*One advantage – 1 mark*

*One disadvantage – 1 mark*

Sample answer:

Sam’s pharmacy is a traditional ‘bricks and mortar’ store which means customers need to attend a physical store in order to purchase products and access services. The advantage of this model is that the customer receives personalised attention, which is essential in a pharmacy. By interacting with customers, Sam will be able to build a rapport with the community, which helps establish and maintain a positive reputation. Unfortunately, the bricks and mortar model is expensive because the owner must rent or buy a shop front.

**Question 2** (4 marks)

Analyse the decision to establish a new business instead of purchasing an existing business.

*Marking guide: 3 – 4 ideas [with at least one strength or one weakness of each type – so clear reference to each type of business in decision-making]*

*Analyse refers to ‘breaking into parts and examining eg. essential components in decision-making or problem-solving’ so is likely to include pros & cons*

*Why / why not purchase a new business – 2 marks*

*Why / why not purchase an existing business – 2 marks*

Sample answer:

On the one hand, a business owner who starts from scratch gets to decide on the business name and location, choose the employees, develop the marketing materials and similar decisions so that their personal vision is reflected in the business. They also get to develop the business processes that support the operation of the business. In other words, the business will look and operate as they intend. While this can be attractive, starting a business from scratch is a complex and time-consuming process. Furthermore, once the business is established, it takes time to attract customers, establish a reputation and begin earning revenue.

On the other hand, a business owner who purchases a going concern does not get the same freedom as one who establishes a new business, and may overpay for intangible assets like ‘goodwill’. However, they get to access and use existing facilities, processes and employees. A customer base is already established, which means that there is less risk involved, with more certain revenue generation.

**Question 3** (2 marks)

Describe the legal business structure that would best suit Sam.

Marking guide:

Identify an appropriate structure – 1 mark

Justification of what would ‘best suit’ Sam – 1 mark

Sample answer:

The most appropriate business structure for Sam to adopt is the ‘sole trader’ structure. In this structure, a single owner/operator manages the business. This structure would give Sam complete control over decision making, which is important to him. Sam would be entitled to all of the profits generated by the business.

**Question 4** (6 marks)

Propose and discuss two possible location options for Sam. In your answer, include reference to two factors affecting the choice of a location.

Marking guide:

Propose two locations – 2 marks

Discuss [pros & cons] each location – 2 marks each [include reference to two clear factors in this]

One possible location option for Sam is to open in a shopping centre. An advantage of this location is that there is access to a large number of car parking spaces for customers. There is also access to a large number of complementary goods for customers to purchase. However, this option could be very expensive for Sam due to the high cost of rent and ongoing staff wages required for the shop.

Another location option for Sam is to have an online presence. This would be very beneficial for Sam to reduce his costs such as rent for a bricks and mortar store. He could also reduce his wages cost as fewer staff will be needed to serve customers. He could then reduce the prices of his goods to compete more effectively with competitors. However, a disadvantage is that his friendly, helpful staff would be less able to persuade customers to purchase goods when shopping online.

[other location options accepted included inside the new hospital or near a GP]

**Question 5** (4 marks)

Sam is reviewing the performance of his business in its first two years. To help Sam undertake strategic planning for the future, he would like to undertake a SWOT analysis. Explain how Sam would do this for his business.

Marking guide:

Outline of SWOT – 1 mark [not essential – may just include examples of each SWOT]

Examples of SWOT for Sam’s business – 3 marks

*A SWOT analysis is an assessment of the internal strengths and weaknesses and the external threats and opportunities for a business in a given situation.*

|  |  |
| --- | --- |
| *Strengths* | *Weaknesses* |
| * *Expert advice from pharmacists.* * *Good service from sales assistances.* * *Patient, friendly staff.* * *Fast prescription fill service.* | * *Products are relatively expensive.* * *Limited product range.* |
| *Opportunities* | *Threats* |
| * *Potential to generate additional revenue by expanding into the local private hospital. The second store could offer specialist hospital-specific products and services.* * *Potential to generate additional income by renting out the small room to a complimentary business. This business could bring new customers into the pharmacy.* | * *Another pharmacy is about to open in the shopping center opposite ‘Sam’s Pharmacy Store’. This competition will affect Sam’s customer base and revenue.* |

**Question 6** (2 marks)

Describe one situation where a business owner might need to use a support service.

Marking guide:

Clear identification of a business support service – 1 mark

How use this business support service – 1 mark

One business support service is legal support. This is where a lawyer may assist in reading and checking contracts involved in setting up a new business. For example, documents for purchasing new buildings or equipment.

[other support services include financial support – for example an accountant. The accountant will help to establish a financial recording system so that a business can prepare profit and loss statements (by accurately recording sales revenue and expenses) or prepare loan applicatons]