**SECTION A: The business idea**

**Instructions**

Read the following case study and answer **all** questions in the spaces provided.

**PAWFECT PAWZ PHOTOGRAPHY**

Pawfect Pawz Photography is a pet photography business established by owner Sally Mitchell. Sally has a background in wedding photography and worked in the past for a large business as both a photographer and videographer.

Sally decided to start her own business in pet photography following the increasing popularity of photo-sharing websites such as Facebook and Instagram. She was also inspired by many wedding clients asking for photos with their pets.

At Pawfect Pawz Photography, Sally offers photography services for pets such as cats, dogs, birds and rabbits. She provides a range of costumes and themes for pets, as well as a variety of airbrushing services. Clients may choose their own location for a photography session with their pet.

Sally operates in the southern suburbs of Melbourne where pet ownership is at an all-time high. Due to a rapid increase in bookings, she is considering a new business concept of Santa themed pet photos at Christmas time.

Sally is also thinking about expanding her business by developing a range of pet treats made from natural and nutritious ingredients, which she could display at photo sittings.

**Question 1** (2 marks)

Define business concept development using an example from the case to support your answer. 2 marks

*Marking guide:*

*Define – 1 mark*

*An example [ONE example fully explained] – 1 mark*

Sample answer:

Business concept development is an idea for a business including basic information such as the product, target market, plus proposed competitive advantage. It can be a new product or a new approach to delivering an existing product. An example of this for Pawfect Pawz Photography is the idea to offer Santa themed photos at Christmas time to achieve a competitive advantage over other pet photography businesses.

**Question 2** (2 mark)

Explain how the desire for financial independence might have been a personal motivation for Sally to start her business.

*Marking guide:*

*Explain financial independence – 1 mark.*

*HINT: what is independence?*

*NB. Link explanation to HOW this would be a personal motivation. – 1 mark*

*Include specific examples of what being financially independent would involve.*

Sample answer:

Sally’s desire for financial independence is where she would like to have the freedom to regulate her business cash flow and income earning capacity. She would like to choose products and services that she believes will be profitable and to be able to determine the pace of growth at the business. She will be able to do this without asking a boss for permission about any decision-making about what to do with the profits or which expenses to prioritise.

**Question 3** (2 marks)

Identify one characteristic of an entrepreneur and state how possessing this characteristic would help Sally to be a successful business owner.

*Marking guide:*

*Identify key features of ONE characteristic – 1 mark.*

*Explain HOW this characteristic can contribute to business success.*

Examples of characteristics of entrepreneurs:

* ability to take initiative
* self-motivated
* innovative thinker
* creative
* able to solve problems
* hardworking and self-disciplined
* flexible and adaptable to change
* resilient
* risk-taker

Sample answer for ‘resilience’:

To be a successful entrepreneur, Sally would need to be resilient. Resilience is the ability to cope with difficulties and adapt to challenges that could be very stressful. In establishing her business, Sally is likely to experience difficulties such as delays with suppliers or problems with cash flow. Being able to deal effectively with these challenges will ensure that Sally does not ‘give up’ on her business. Therefore, she will more likely experience success as a business owner if she possesses the characteristic of resilience.

**Question 4** (4 marks)

Explain how each of the following sources of business opportunity would help with the establishment of Pawfect Pawz Photography.

*Marking guide:*

*Outline of key terms for each source of business opportunity – 1 mark each =2 marks Explanation of HOW each source of business opportunity would help Pawfect Pawz Photography – 1 mark each = 2 marks.*

Sample answer:

1. Changing customer needs:

Consumers have preferences or tastes that alter over time. These preferences create opportunities for a business to provide new goods or services that consumers are willing to pay for. The increasing popularity of pet ownership has provided Pawfect Pawz Photography with opportunities to offer new services such as the Santa themed photos to satisfy these tastes.

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| 1. Technological development:

Technology is the application of scientific knowledge to create new goods or services. The application of science to create social media sharing platforms has made the sharing of photographs faster and more convenient for customers hence an opportunity for Sally to offer high-quality photographs to meet customers’ technology needs. |

**Question 5** (3 marks)

Outline the importance of goal setting for Sally at Pawfect Pawz Photography and suggest a goal for Pawfect Paws.

*Marking guide:*

*Outline of key terms of a goal – 1 mark*

*Link of key terms to why goal setting is important – 1 mark.*

*Suggestion of ONE goal for Pawfect Pawz Photography*

Sample answer:

Goal-setting is where a business sets an objective to be completed in a set period of time. It is important because it can determine business progress in achieving the goal and its successful completion. One goal for Pawfect Pawz Photography is to sell a specific number of Santa photos at Christmas time. Eg. 100 photos over a 2 week time period.

**Question 6** (4 marks)

**a.** Explain one way Pawfect Pawz Photography could contribute to the economic wellbeing of the nation. (2 marks)

*Marking guide:*

*Identify and explain ONE economic contribution – 1 mark*

*Explanation of HOW the economic contribution has a positive impact on nation- 1 mark*

Sample answer:

One way that Pawfect Pawz Photography could contribute to the economic wellbeing of the nation is by employment. When Sally hires a 2nd photographer, this employee will pay tax to the government. This tax revenue will improve economic wellbeing because it can fund government services such as hospitals, schools and roads.

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| ***b.*** *Explain one way Pawfect Pawz Photography could contribute to the social wellbeing of the nation. (2 marks)**Marking guide:**Identify and explain ONE social contribution – 1 mark**Explanation of HOW the social contribution has a positive impact on nation- 1 mark NB. Tax is NOT a social contribution. There are many examples of corporate social responsibility that can be used here.* Sample answer:One way that Pawfect Pawz Photography could contribute to the social wellbeing of the nation is by employing people from the local community. This is a social contribution because it provides jobs to the local community thus reducing dependence on unemployment benefits and improving living standards and mental health for these people. |

**SECTION b: external environment**

**Instructions**

Read the following case study and answer **all** questions in the spaces provided.

Just Jeans is an Australian-owned jeans retailer that has 400 physical stores across Australia and New Zealand, as well as an online store.

In 2019, according to Australian Bureau of Statistics figures, retail spending was found to be at its lowest level since the Australian recession of the 1990s. A key reason for the reduced spending is high levels of household debt, low wage growth and consumers’ concerns about their job security.

**Question 1** (5 marks)

**a.** Distinguish between the macro environment and the operating environment of abusiness. Use examples of each to support your answer.

 3 marks

*Marking guide:*

*Outline a key feature of each of the macro and operating environments and explain how they are different = distinguish.*

*A linking word to join the differences is required for full marks. – 2 marks.*

*An example of a factor from each environment – 1 mark*

Sample answer:

The macro environment includes external factors that act as forces on the business. eg. economic conditions *whereas* the operating environment includes factors that the business interacts with eg. suppliers.

*[OR could use feature of level of control. Ie. No control over macro factors vs a small amount of control over operating factors]*

**b.** Global issues include pressure from overseas competitors, overseas markets and online sales.

 Justify how one global issue and might operate as a pressure on business planning at Just Jeans. 2 marks

*Marking guide:*

*Identification and explanation of ONE global issue FROM LIST ABOVE – 1 mark. Justification of HOW this global issue could pressure the business {positively or negatively] – 1 mark.*

Sample answer:

One global issue is overseas markets where the business can sell its goods to customers in other countries. This would be a positive pressure on Just Jeans as it can increase its production output so that it can meet the needs of increased sales in other countries. By selling jeans that meet the tastes and preferences of these overseas customers, Just Jeans can compensate for the low level of Australian sales.

**Question 2** (6 marks)

Describe and discuss two external factors that could influence business planning at Just Jeans.

*Marking guide:*

*Describe two external factors – 2 marks*

*Discuss two external factors – 4 marks. Ideally one positive and one negative influence for each external factor. NB. The factors chosen MUST be an OPERATING or MACRO factor – NOT any random case study feature eg. household debt!*

Sample answer:

One external operating factor is a customer. A customer is a person who buys goods and services from a business. Customers can have a positive impact on Just Jeans when they buy an increased number of jeans that the business has available leading to an increase in sales and profit. However, when consumer confidence is low due to poor economic conditions, consumers will reduce spending on non-essential items such as jeans, thus having a negative impact on Just Jeans. Just Jeans may need to reduce retails prices (and resultant profit) to encourage customer purchases.

Another external operating factor is suppliers. A supplier provides materials for a business production, distribution and retail needs. A supplier can have a positive impact on the Just Jeans when it provides materials in a timely manner. This leads to increased production of jeans and increased sales to customers. However, if there are delivery delays, a supplier could have a negative impact on Just Jeans as it would not have the necessary jens available to meet customer orders, leading to decreased sales and profit.

**Question 3** (2 marks)

Describe one impact of a possible technological development on business planning at Just Jeans.

*Marking guide:*

*Identify a relevant example of technology to be used at Just Jeans. – 1 mark*

*Describe how ONE example of technology could impact Just Jeans – either positively or negatively - 2 marks*

Sample answer:

Just Jeans could introduce a cashless payment system to assist with customer transactions. This would positively impact customer satisfaction, leading to increased sales, due to COVID-19 health concerns of handling money. [other options include online sales / website or new factory equipment such as robotics or drone delivery or virtual dressing rooms where customers can simulate trying on jean designs]

**Question 4** (4 marks)

Despite the retail sector’s decline, Just Jeans believes now is a good time to launch its ‘Green Jeans’ corporate social responsibility initiative. Just Jeans has identified two strategies to support this initiative:

1. 50% of all energy consumption to be solar generated
2. To source 90% of materials from local suppliers rather than from overseas.

Discuss Just Jeans’ corporate social responsibility strategies.

*Marking guide:*

*Outline a positive and negative impact of each strategy x 2 strategies= 4 marks*

Sample answer:

A positive for Just Jeans of using 50% solar energy is that there would be reduced carbon pollution distributed to the environment. (this strategy would also result in reduced power bills). A negative for Just Jeans of using solar energy is that it may be unreliable in its supply (or large amounts of space is required to harvest this energy or a suitable climate to guarantee supply)

A positive for Just Jeans of sourcing materials from local suppliers is that it provides jobs to people in the local community. This improves the living standards of those with an income to buy goods and services from other businesses. A negative of this is that the materials could be a higher cost for Just Jeans than sourcing from overseas suppliers.

**SECTION C: internal environment**

**Instructions**

Read the following case study and answer **all** questions in the spaces provided.

Flo’s Fitness Centres is an Australian gym business started by Florence and her two business partners Nabin and Jesse, who pooled their savings to start the business.

Flo’s Fitness Centres offer a range of different products and services, including group fitness classes, one-on-one personal training, cardio machines and strength training with weights. It also offers an on-site child care centre allowing working parents to participate in specific fitness programs.

**Question 1** (8 marks)

**a.** Using an example, outline one resource that Flo’s Fitness Centres would have required to establish the business. 2 marks

*Marking guide:*

*Outline ONE resource – identify and provide an overview of key features of chosen resource (natural, labour or capital). – 1 mark.*

*Provide ONE example of chosen resource – 1 mark.*

Sample answer:

One resource is capital. This is the man-made equipment and machinery used by Flo’s Fitness. An example is the gym equipment needed for the cardio and strength training.

**b.** Identify and justify one source of finance that could have been be used to establish Flo’s Fitness Centres. 2 marks

*Marking guide:*

*Identify ONE source of finance that could be used by Flo’s business – 1 mark*

*Justify – provide reasons WHY this is a good choice of finance for the business.*

Sample answer:

One source of finance that could be used to establish Flo’s Fitness Centre is a bank loan. This is where the business can borrow a sum of money from the bank and repay the amount over a period of time with interest. This is useful for Flo’s Fitness centre because a large sum of money can be borrowed to purchase large capital items such as the gym equipment. It can then be paid back in instalments over an extended period of time to fit in with the cash flow of the business.

**c.** Compare the legal business structure used by Flo’s Fitness Centres with one other type of legal business structure. 4 marks

*Marking guide:*

*Compare = similarities and differences of CLEAR FEATURES. Hence, an answer MUST contain both elements to earn full marks. Aim for 1 point per mark. Answers can include 2 similarities and 2 differences OR other combinations as long as at least one similarity and one difference are included.*

*TIP: Draw a VENN circle when reading time ends so that you don’t forget to include both similarities and differences.*

*HINT: use sentence starters to show clarity. Eg. Both businesses include………..A difference is that a partnership has……….whereas the business structure of……………has………….*

*NB. A linking word MUST join differences for full marks to be earnt for each listed difference.*

Sample answer:

Flo’s Fitness Centre is a partnership. Both a partnership and a public company sell goods and services to the public in order to make a profit. Both businesses have primary objectives of increasing profit and market share.

However, a partnership has unlimited liability which means that the partner owners are fully responsible for any business debts. They may need to sell personal assets to fund any debts whereas the shareholder owners of a public company have limited liability where the owners are not personally responsible for business debts. These owners are only liable to the value of their share holdings.

Another difference is the number of owners. A partnership is owned by 2 to 20 partner owners whereas a public company is owned by an unlimited number of public shareholders.

**Question 2** (8 marks)

**a.** Outline two factors that Florence, Nabin and Jesse could have considered when choosing a location for their fitness centres. 2 marks

*Marking guide:*

*Outline two clear location factors = 2 marks*

Sample answer:

One factor that would help in the decision of the fitness centre location is foot traffic. This is the amount of pedestrians who walk past the business, noticing it and increasing their likelihood of purchasing this fitness service.

Another factor is amount of competition. This is the number of rival businesses who offer similar fitness services and who would be aiming to attract a similar group of customers.

**b.** The COVID-19 restrictions has prompted Flo’s Fitness Centres to consider shifting permanently to an online business model.

 Evaluate the suitability of this business model for Flo’s Fitness Centres. 6 marks

*Marking guide:*

*TIP: Evaluate requires an answer with strengths, weakness and an overall opinion of the best option to be chosen, supported with case study evidence.*

*This question required students to evaluate an ONLINE BUSINESS MODEL – in theory – not just the specific case study with its response to COVID. It is important to READ a question carefully.*

 *It is important to use SENTENCE STARTERS to monitor that all parts of this question have been answered.*

*Strengths of an online business model (theory) – 2 marks*

*Weaknesses of an online business model (theory) – 2 marks*

*Opinion of the suitability of this business model for Flo’s Fitness Centre – 2 marks*

Sample answer:

A strength for a business of using an online business model is that operating costs are reduced. For example, reduced wage and rent costs. Customers can also conveniently access information about available goods or services and can make purchases from the convenience of their homes throughout a 24 hour time period.

A weakness of using an online business model is that it is difficult for the business to form a positive relationship with customers to encourage brand loyalty due to the lack of personal interactions. It is also difficult for customers to see or touch available goods or services to be used.

Overall, an online business is not the best option for Flo’s Fitness Centre as many customers would prefer to use the specialised equipment available at the Fitness centre instead of purchasing their own items. The fitness centre is also staffed by professional staff who can guide customer workouts and more actively develop customer fitness programs.

*[It is possible to have the alternate view – support any claims with an appropriate example of evidence]*