

**VCE Unit 2** **Business Management PAPER**

**2021**

**Question and Answer Booklet**

**STUDENT NAME:**

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**TEACHER(S):** Mrs Julie Emerson-Drake Mr Stephen Harris

**TIME ALLOWED: Reading time** **minutes**

**Writing time**  **minutes**

**INSTRUCTIONS**

|  |
| --- |
| **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**

|  |  |  |
| --- | --- | --- |
| Number of questions | Number of questions to be answered | Total marks |
| SECTION A  SECTION B  TOTAL | 5  4   10 | 30  20   50 |

**SECTION A**

**Instructions**

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

**Question 1** (1 mark)

Identify **one** legal requirement 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), a unique 11-digit number that identifies businesses or organisations to the government and community, through the Australian Government’s Australian Business Register website.

All businesses must obtain a Tax File Number (TFN), a unique identifier for taxation purposes, from the Australian Taxation Office—a business TFN in the case of a company or an individual TFN in the case of sole traders.

*Other legal requirements:*

* If a business is operating as a company, it must be registered with the Australian Securities and Investments Commission (ASIC) so that an Australian Company Number (ACN) can be issued.
* 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).

***Marking guide:***

***1 mark*** *for identifying each legal requirement*

**Question 2** (3 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 or guiding principles or statements that set the direction for a business, while a procedure is a plan of action that is required to implement a policy. Introducing policies and procedures when establishing a business, especially in written form, helps to ensure that a business operates smoothly, efficiently and professionally, and assists in promoting stable and consistent decision-making based on operational procedures.

*Other reasons:*

* Policies and procedures are important when establishing a business as they help employees 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.
* 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.

***Marking guide:***

***1 mark*** *for demonstrating an understanding of policies and procedures*

***2 marks*** *for providing an accurate, well-explained reason*

**Question 3** (2 marks)

Justify why financial record-keeping is important when establishing a business.

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

Records include source documents such as bank statements, invoices and contracts and those that document revenue, sales and business purchases, as well as employee and customer details. Businesses are required by law to keep most financial records for five years. A system that logs, stores and disposes of records is therefore important when establishing a business because it helps businesses manage their legal and tax requirements. For example, accounting records will be used by a business in the preparation of an income tax return and GST return. They are also used to prepare financial reports, such as a cash flow statement and balance sheet.

Record-keeping also enables a business to monitor its progress and give an accurate picture of the state of the business. For example, a business can measure profit and performance by using income and revenue records to generate financial reports, such as a profit and loss statement. This will help it to identify any potential problems, and thereby enable it to manage possible risks to the business.

*Other reasons:*

Record-keeping in business is important because it can be used to:

* manage cash flow
* identify sources of income
* identify instances of fraud
* make informed business decisions.

***Marking guide:***

***2 marks*** *for explaining a reason for record-keeping, taking into account the accuracy and completeness of each reason*

**Question 4** (14 marks)

**a.** Describe **one** possible technological issue associated with the decision to establish Preloved Designer Fashion as an online store. 2 marks

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

Online stores rely on a well-functioning website. However, there are times when a website can be down, is too slow or parts of it do not load correctly because of issues such as hardware and software problems, a cyber attack or too much traffic on the site. Preloved Designer Fashion is relying solely on its website for sales. When a website is down, an online store cannot make sales and therefore cannot make profits.

Security is another issue facing an online store such as Preloved Designer Fashion. Hackers can break into the database of a website and steal confidential business information and customer data. A consideration when establishing Preloved Designer Fashion will have been to install security technology so that personal customer information, including payment details, are protected from hacking. This is essential as customers are unlikely to make purchases from online stores that are not secure.

*Other possible technological issues:*

* An online business cannot rely solely on potential customers using search engines to find its store. Preloved Designer Fashion will need to develop a marketing strategy using technology such as social media, for example by establishing Facebook and Twitter accounts.
* Preloved Designer Fashion will need to use suitable software to build a customer database to communicate with existing and potential customers, and build relationships with them. Quality customer database software should be able to record, store, search, access and import and export data, allow for email marketing, and ensure that customer data is secure.
* An effective online store needs a website with a wide range of features, such as an online payment-processing system, different payment options, user-friendly navigation, product filtering such as by colour, size or gender, a ‘wishlist’ to enable customers to list a product they might want to buy at a later time, a shopping cart, and a live chat facility.

***Marking guide:***

***2 marks*** *for describing one possible technological issue, taking into account the completeness and depth of the answer*

**b.** Preloved Designer Fashion would like to expand globally. It has found a retailer in Singapore to sell its products to test the level of customer demand before establishing an online store to service south east Asia.

Evaluate Dimitri and Sophia’s decision to choose an overseas retailer to expand its business to Singapore. 5 marks

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

Preloved Designer Fashion is an online business that is currently only available to Australian customers and does not ship overseas. As Preloved Designer Fashionis an online store, it could reconfigure its website to enable global access and sign an agreement with Australia Post or any other delivery company to ship its products overseas at agreed rates.

Benefits of opening up its online retail outlet to global customers include increased visibility of the brand and a larger potential market. This means potentially more customers, which could result in increased sales and profit. Expanding globally could also help to reduce Preloved Designer Fashion’s reliance on the domestic market and help to maintain stable revenue sources if sales in the Australian market slow down.

However, when a business operates globally, it needs to comply with the laws of each country it ships to, such as regulations relating to taxation, for example sales tax, consumer protection and importing goods. Specific examples of legal requirements that Preloved Designer Fashionmight need to abide by include import tariffs, packaging and labelling regulations, restrictions on the importation of certain types of products, while some countries require certain natural products to be fumigated before entering the country. Also, Preloved Designer Fashion might need to restrict global access to countries where English is the first language, as language is an obstacle to international business. Most customers in other countries, such as China or Japan, will want to use websites that are in their own language.

In my opinion, Dimitri and Sophia should do the research required to expand their business globally to give Preloved Designer Fashionthe opportunity to increase its customer base and the possibility of greater revenue.

*Alternative conclusion:*

As the challenges of expanding globally outweigh the potential benefits of doing so and pose a number of business risks, in my opinion Preloved Designer Fashion should not expand its business globally.

***Note:*** *In forming a conclusion there is no right or wrong answer, providing the opinion provided is well reasoned and follows logically from the arguments presented.*

*Other benefits:*

* Improving the reputation of the business as an international business is a benefit of global expansion.
* Expanding globally can create a competitive advantage as Preloved Designer Fashion could build strong brand awareness in countries where competitors do not operate.

*Other limitations:*

* Time zones could restrict the ability to communicate with customers and suppliers at all hours of the day.
* Cultural differences influence the types of clothes customers want to buy. Consumers in other countries might not find Preloved Designer Fashion’s products appealing or suitable.
* Currency fluctuations can result in financial losses for a business.
* The need to manage variations in shipping rates (depending on package weight and size) and shipping delays are limitations of expanding a business globally.

***Marking guide (global):***

***1–4 marks*** *for the evaluation, stating at least one benefit and one weakness of global expansion, taking into account the relevance and clarity of the points made, the breadth/depth of treatment, and the logic of the connection between the arguments presented and the conclusion*

***1 mark*** *for a well-reasoned, logical opinion*

# c. Describe two external operating environment factors that could affect the establishment of a customer base at Preloved Designer Fashion. 4 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 is its main source of revenue. One external operating factor that will affect Preloved Designer Fashion’s ability to establish a customer base is suppliers and the supply chain. As it is a store selling pre-owned designer clothing, Dimitri and Sophia need to establish effective relationships with the owners of designer clothing from whom they want to procure quality clothes. The owners of such clothing are effectively Preloved Designer Fashion’s suppliers. To establish a customer base for their business, Dimitri and Sophia need a steady flow of suitable and good quality clothing from reliable suppliers, and which is in keeping with consumer preferences and trends.

Another external operating factor is competitors’ behaviour. Dimitri and Sophia need to be aware of their competitors in the pre-owned clothing sector, which include charities with physical stores as well as similar for-profit outlets selling quality second-hand clothes. Many potential customers would prefer to purchase from a business that supports a worthy cause or from a bricks-and-mortar store where they can try on the clothes for sale. Dimitri and Sophia should also monitor the marketing strategies used by competitors and be aware of potential competitors. The strategies and plans of competitors is a factor that could affect Preloved Designer Fashion’s ability to establish a customer base.

*Other factors:*

* customer needs and expectations (businesses must respond to customer needs and expectations if they are to remain viable and profitable)

***Marking guide:***

***1 mark*** *for describing each relevant external operating environment factor* ***(x two = 2 marks)***

***1 mark*** *for linking each factor to the case study* ***(x two = 2 marks)***

**d.** Dimitri and Sophia have decided to conduct market research to identify the types of designer labels their target market would be most interested in purchasing.

Distinguish between primary and secondary research and recommend the most suitable method of data collection for Dimitri and Sophia.

3 marks

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

Primary research refers to data collected from the original source with the specific purpose of finding out what a customer is thinking. Methods of primary data collection include surveys an and observation. Whereas, secondary research refers to data previously collected for another purpose. For exam, data collected by the Australia Bureau of Statistics as part of a census might include information that would assist a business’ marketing decision-making.

The most suitable method of data collection for Dimitri and Sophia would be primary research as it is qualitative so would enable them to have direct contact with prospective customers and gain valuable insights to their fashion tastes.

***Marking guide:***

***1 mark*** *for describing each market research practice and applying it to the case study****(x two = 2 marks)***

***1 mark*** *for explaining one difference between the two practices*

**Question 5** (10 marks)

**a.** Using different market segments describe the likely target market for Joel’s Central.

4 marks

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

Market segmentation, which refers to a market being segmented based on the characteristics of the target segment, such as the geographic location, the demographic make-up of the group, and psychographic and behavioural characteristics.

Joel’s Central target market consists mainly of young single employees or young couples who are working from home due to government-imposed lockdowns and who live in or close to the city. They are likely to be time poor and health conscious and hence prefer freshly made lunches and dinners rather than processed foods. Joel’s Central target market is segmented based on consumer location (geographic), age (demographic), lifestyle (psychographic) and functional needs and purchasing frequency (behavioural).

*Other attributes:* consumer trends, consumer behaviour

***Marking guide:***

***3 mark*** *for describing the target market of Joel’s Central using different segments* ***(***

***1 mark*** *for application to the case study*

**b.** Joel is considering employing staff at his café on a part-time or casual basis.

Compare these employment arrangements. 4 marks

Part-time staff are employed on a permanent basis to work a set number of hours each week which is less than the 38 hours worked by full time staff. For example, Joel may employ a barista to work 7.30am – 2.30pm every day of the week which ensures he has access to the barista when required.

Similarly, casual staff work on a part-time basis in that they work less than 38 hours per week. They work when needed by the business so as a result if Joel’s café is quieter during the school holidays he will not use his casual staff which will save him wages.

Part-time staff are permanently employed to provide the business with some staff reliability and staff with job security. As a result, staff receive various benefits including sick leave, maternity leave and superannuation contributions from the employer.

Whereas, casual staff do not receive access to the same benefits as they’re not considered permanent staff. Furthermore, unlike part-time staff, casual staff do not have set hours and only work when asked to by their employer which reduces their job security.

***Marking guide:***

***1 mark*** *for demonstrating an understanding of each term* ***(x two = 2 marks)***

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

***1 mark*** *for explaining a difference between the two types of recruitment*

**c.** Explain how the performance of Joel’s staff relates to the achievement of the business objectives of Joel’s Central. 2 marks

Joel’s Central will have business objectives such as increasing sales, making a profit and enhancing customer satisfaction and he will need well-trained, motivated staff to help him achieve these objectives. Having high-performing staff is necessary for generating sales and profits.

It is Joel’s staff who will generate repeat sales from satisfied customers. They will need to prepare tasty and nutritious meals under clean conditions and in a timely manner, using hygienic and safe food-handling practices. If they fail to do this, Joel’s Central customers will not be satisfied and will not place repeat orders and might even post negative reviews, which will affect future sales and profits. Therefore, for Joel’s Central to achieve its objectives, the staff, including chefs, order-processing workers and delivery staff, will need to perform at their best. Doing so will rely on appropriate training and guidance from Joel.

***Marking guide:***

***1 mark*** *for identifying possible objectives of Joel’s Central*

***1 mark*** *for describing the relationship between staff performance and business objectives*

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

**Section B**

**Question 1** (2 marks)

Describe the stage in the product life cycle that the Egg Pod is at.

The Egg Pod is at the introduction stage of its product life cycle. This is the stage when the product has been launched and marketing is aimed at increasing the visibility of the product to increase sales, as the market is small at this stage. At this stage, pricing strategies such as penetration pricing and money-back guarantee strategies are used to encourage consumers to try the product, and sales and profits are yet to increase. It is also the stage at which the Egg Pod has been launched and is gaining visibility through advertising and online sales platforms.

***Marking guide:***

***1 mark*** *for identifying the stage at which the Egg Pod has reached (introduction stage)*

***1 mark*** *for describing the introduction stage of the product life cycle*

**Question 2** (4 marks)

Product, physical evidence and people are three of the 7Ps of marketing.

Explain how **two** of the other 7Ps of marketing have been used by the makers of the Egg Pod to market the product.

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

One of the 7Ps is promotion, which is a marketing strategy that involves communicating with potential customers. It is used to make a product visible and to raise awareness of a product, increase brand loyalty or attract new buyers. Promotion has been used by the makers of Egg Pod makers as they have developed advertisements shown on three free-to-air television channels and the streaming service Foxtel and targeted at busy consumers, including young people, who seek convenient, time-saving and healthy food preparation methods. The manufacturer has also used the promotional benefits of selling the product through online outlets including Global Shop Direct, which uses a series of photos to show the process of making hard-boiled eggs using the Egg Pod, from start to finish.

Price is another one of the 7Ps. The makers of the Egg Pod had to decide on an appropriate price for the product. Different strategies for setting a price can be used and one or more of these strategies can be used. The Egg Pod is priced at $39.95. The Egg Pod makers have used psychological pricing as one strategy because the product is priced at just under $40, which will appeal to potential buyers’ emotional instincts rather than their rational instincts. On the other hand, the product is sold on eBay for $25, which could be a form of penetration pricing to encourage consumers to try it. Penetration pricing is generally used when a product is in the introduction stage of its product life cycle.

*Other Ps:* place, process

***Note:*** *Students should not choose any of the following of the 7Ps as they are excluded from the question: product, physical evidence and people*

***Marking guide:***

***1 mark*** *for describing each of the (relevant) 7Ps of marketing* ***(x two = 2 marks)***

***1 mark*** *for applying each of the 7Ps selected to the case study* ***(x two = 2 marks)***

**Question 3** (4 marks)

As new technology is developed and improved, such as mobile apps and cloud technology, and consumer trends change, such as a consumer preference for online shopping, online businesses must keep up-to-date with changing technology so that they remain competitive.

Propose **two** ways technology could affect the staffing needs of Global Shop Direct.

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

Global Shop Direct might need to increase its investment in highly trained IT staff who can improve and maintain its website and use e-commerce tools to maximise the shopping experience of its customers. As Global Shop Direct is an online retail outlet, it will need also need customer service staff who are skilled in e-commerce applications, including the ability to operate online ordering systems and social media platforms.

Advances in artificial intelligence could result in a reduction in Global Shop Direct’s staffing requirements in the future as it increasingly uses labour-saving technologies. Examples of these include virtual assistants, for example Google Assistant and chatbots (that enable online chats about customer queries about products), and technologies that enable personalised shopping experiences, such as automated recommendations for products based on previous purchases. These types of technologies could result in Global Shop Direct reducing its staffing requirements in the future.

***Marking guide:***

***1 mark*** *for outlining each way that technology could affect staffing needs at Global Shop Direct* ***(x two = 2 marks)***

***1 mark*** *for relating each way to the case study* ***(x two = 2 marks)***

**Question 4** (10 marks)

**a.** Distinguish between a job analysis and a job design. 2 marks

A job analysis is the first step of understanding what a potential employee will be doing in a role and includes a job description, which identifies the duties, tasks and responsibilities of the job, and a job specification, which details the education, experience, skills and qualities required by the job holder.

A job design refers to the number, kind and variety of tasks that an individual employee performs in a particular job, as outlined in the job description. It organises the tasks in a way that enables variety and job satisfaction for the employee, A job design is completed following a job analysis.

A key difference between the two concepts is that a job analysis is carried out to determine the requirements of a new or changed job and is used for recruitment, while a job design follows a job analysis and is focused on structuring the job tasks to maximise efficiency and provide a challenging experience for the employee.

***Marking guide:***

***1 mark*** *for demonstrating an understanding of each term* ***(x two = 2 marks)***

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

**b.** The human resources manager at Global Shop Direct has the choice of using existing staff from other non-customer service functions and relocating them or recruiting new customer service staff from outside the business.

Distinguish between internal recruitment and external recruitment and justify which method should be used. Use an example of this method in your answer. 4 marks

Internal recruitment occurs when a business decides to fill a position using existing employees. External recruitment is used when a business thinks that a suitable person for a job cannot be recruited from within the organisation and that fresh ideas are needed.

Both forms of recruitment are aimed at attracting suitable candidates to fill a job vacancy.

Internal recruitment is carried out using internal advertisements published via internal emails, a noticeboard or the careers section of the business intranet. It is an easier and quicker way to recruit employees than using external recruitment and is therefore less expensive. External recruitment is carried out using newspaper advertisements, an online employment service or a recruitment agency.

Internal recruitment is focused on selecting candidates from a pool known by the employer, whereas external recruitment involves selecting from a wider pool of workers who have no relationship with the employer.

***Marking guide:***

***1 mark*** *for demonstrating an understanding of each term* ***(x two = 2 marks)***

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

***1 mark*** *for explaining a difference between the two types of recruitment*

**c.** Discuss the suitability of **one** selection method the human resources manager at Global Shop Direct could use to choose staff for the new positions. 4 marks

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

The human resource manager of Global Shop Direct could use face-to-face interviews either in person or online to select suitable staff for the new positions. This process requires a panel of interviewees, a set of interview questions that will test the skills, knowledge and experience of each candidate, a time and place to be determined for each interview, and selection criteria to rank and decide on the candidate to be offered the position.

The advantage of interviews is that they give the interviewer the opportunity to assess the candidate’s interpersonal skills and suitability for the role firsthand, based on the responses to the questions asked. They also give the interviewee the opportunity to understand the requirements of the role and to ask questions, and the chance to demonstrate that they are the best person for the position. Candidates are often chosen by a panel of people, which will help a business recruit the most suitable candidate for a position and reduce the possibility of bias in the selection process.

However, not all candidates interview well and some perform better on the job than in an interview. Also, some interviewees might not give completely honest answers to questions and their actual skills and knowledge will only be known when they start working. Interviewing prospective employees is a time-consuming and expensive process because it involves selecting candidates on the basis of written applications, interpreting and collating responses to questions, creating a shortlist and notifying the successful candidate and those not selected of the outcome. *Other suitable selection methods:* work testing, psychological testing

***Marking guide (global):***

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

***1–3 marks*** *for explaining at least one advantage and one disadvantage of the identified selection method, taking into account the accuracy, relevance, clarity and depth/breadth of the answer*