**VCE Unit 1 Business Management**

**EXAMINATION**

**Semester 1 2022**

# Question and Answer Booklet

**STUDENT NAME: Answers**

**TEACHER(S):** Ms Emerson-Drake and Mr Hyde

**TIME ALLOWED: Reading time 15 minutes**

# Writing time 90 minutes

**INSTRUCTIONS**

**You are not permitted to use notes, texts or a dictionary. You are to answer each question in the space provided. Do not write in pencil. Write in black or blue pen only.**

**STRUCTURE OF BOOKLET / MARKING SCHEME**

|  |  |  |
| --- | --- | --- |
| Exam Section | Number of questions to be answered | Total marks |
| SECTION A | 4 | 32 |
| SECTION B | 7 | 18 |
| TOTAL | 11 | 50 |

Students are not permitted to bring mobile phones or any other smart devices or unauthorised materials in the exam room.

**SECTION A** (32 marks)

**Instructions for Section A**

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

**Question 1** (22 marks)

**22nd Espresso**

Samantha Wei is planning on opening a takeaway café in a shopping centre in Melbourne’s central business district. She intends to name the café ‘22nd Espresso.’ The café will sell coffee, tea, sandwiches, cakes and muffins. She plans to focus mainly on selling food and drinks to office workers. She wants to keep her costs low and operate an environmentally sustainable business by minimizing waste and using single-use compostable cups and packaging. Samantha aims to make a profit and expand the business if the café is a success.

1. Describe and apply **one** labour resource, **one** capital resource and **one** natural resource for 22nd Espresso. 6 marks

Marking guide:

3 marks – describe each of the three resources

3 marks – use examples to ‘apply’ each resource.

TIP: pay attention to limiting word of ‘one’

Sample answer:

A labour resource is the human physical and mental effort required to create products or services. At 22nd Espresso, Samantha would use physical effort to serve customers.

A capital resource is These are human-made items used in the process of production. At 22nd Espresso, this would include machinery or equipment such as the use of a coffee machine to make the coffee.

A natural resource is a raw material from the land that has economic value. At 22nd Espresso, this could be the coffee beans used in the production of the coffee at the café.

1. Samantha does not have enough money from her savings to pay all business establishment costs, such as purchasing capital equipment.

Identify **two** sources of finance that Samantha could use to start her business. Justify **one** source of finance that would be the most suitable in helping Samantha to establish her business. 3 marks

Marking guide:

1 mark– identify 2 sources of finance

2 marks – justify one source of finance (2 reasons or 1 well explained reason). Justification should link to HOW the chosen option will help fund the purchase of capital equipment.

NB. Crowdfunding is best suited to funding a social enterprise BUT may be considered as an appropriate answer depending on rationale.

Best options would include use of a bank loan, personal savings, family and friends, supplier credit.

NB. The stock market is NOT relevant as Samantha is a sole trader.

Sample answer:

Two sources of finance for 22nd Espresso include owner’s equity (using personal savings to establish the business) and a bank loan. A bank loan is an amount of money that can be repaid in instalments including an interest rate.

A bank loan is the best source of finance for 22nd Espresso because it allows Samantha to borrow a large sum of money that can be used to buy expensive capital items such as a commercial coffee machine that would be needed for her business. It also allows her to repay the amount (including interest) over a period of time.

1. Describe one factor that might have influenced Samantha’s decision to locate her business in a shopping centre in the CBD. 2 marks

Marking guide:

1 mark– Identify and outline of one relevant location choice factor.

2 marks – describe HOW this factor would help Samantha’s decision-making.

NB. Relevant factors include: cost, visibility, foot traffic, access to transport, proximity to suppliers, proximity to customers, amount of competition.

TIP: remember to DESCRIBE using clear features of chosen factor.

TIP: use glossary terms such as ‘customer’ or ‘complementary businesses’ to help you describe.

Sample answer:

One factor that might influence Samantha’s decision to locate her business in the shopping centre is proximity to customers. A shopping centre would be close to someone relevant who would buy the café goods. For example, consumers with an income that can afford to purchase coffee from a café and with an interest in purchasing from a business that provides environmentally friendly materials such as compostable cups. Such customers would need to be able to afford the increased costs of this packaging.

[other options include access to transport, proximity to competitors, proximity to suppliers, foot traffic]

1. Samantha is considering undertaking a SWOT analysis to help with business planning once her business is established. Explain how Samantha would conduct a SWOT analysis of her business. 4 marks

Marking guide:

1 point per mark as a guide so…

1 mark – outline of what SWOT is

3 marks – apply examples of SWOT to Samantha’s business

OR

4 marks – apply 4 examples of SWOT to the business.

NB. Ideas include:
STRENGTHS of having an environmentally sustainable business – use of compostable cups and packaging.

WEAKNESSES – limited funds to pay for new equipment eg. a coffee machine

OPPORTUNITY – could expand to new locations (open more cafes with this environmental theme)

TIP: strengths and weaknesses are factors affecting a business NOW (eg. what it is currently good at OR what is has performed poorly in) whereas opportunities and threats are factors affecting a business IN THE FUTURE (eg. what it can use to its advantage or factors that could negatively affect it)

Sample answer:

A SWOT analysis is helpful for a business to identify the internal environment strengths and weaknesses of and the external environment opportunities and threats. It can help guide business decision-making both now and in the future.

A **strength** for 22nd Espresso is that it is an environmentally sustainable business that uses “single use compostable cups and packaging”.

A **weakness** for 22nd Espresso is that the owner, Samantha, has limited personal savings to pay for establishment costs such as the purchase of new machinery such as a coffee machine.

An **opportunity** for 22nd Espresso is to expand its number of café locations to increase its total number of sales and profit.

A **threat** for 22nd Espresso could be other environmentally focused competitor cafes opening in the shopping centre in the future.

1. Propose and justify **two** possible personal motivations behind Samantha’s decision to open ‘22nd Espresso’. 4 marks

Marking guide:

2 marks - Propose (put forward a suggested option) two personal motivations

2 marks - Justify – provide reason(s) for each personal motivation

NB. Options MUST be as listed on the STUDY DESIGN.

For example, to make a profit, to fulfil a market need, to fulfil a social need, the desire for independence (financially and personally)

Sample answer:

One personal motivation for Samantha is to make a profit. This is where sales revenue exceeds business expenses resulting in surplus funds. Samantha could make a profit by earning sales revenue from selling her coffee in the compostable cups.

Another personal motivation is to fulfil a social need. This is where the business aims to benefit either the community or the environment with its activities. Samantha aims to benefit the environment by reducing landfill waste with her compostable coffee cups.

[Other options include a desire for independence (financial or personal) OR to fulfil a market need]

1. Samantha has decided to employ workers with an asylum seeker background. She has approached an organization that helps match asylum seekers seeking employment with a suitable employer.

Explain how this decision could influence the economic and social wellbeing of Australia. 3 marks

Marking guide:

1 mark – outline of decision of employing workers who may struggle to secure a job due to a lack of skills, qualifications or language difficulties.

1 mark – explain how this decision will help economic wellbeing of the nation.

[eg. obtaining a job helps individuals in society to earn a good income to improve their living standards and support other businesses by buying their goods and services]

1 mark – explain how this decision will help social wellbeing of the nation.

[eg. social benefits include fewer people living in poverty thus contributing to improved mental wellbeing and social belonging in society]

Sample answer:

It is beneficial for a business to employ workers with an asylum seeker background because these workers struggle to find a job. Employing these workers is an **economic benefi**t because these workers will earn an income. This income can then be spent on goods and services from other businesses in the economy, thus stimulating economic growth [GDP].

Employing these workers is also a **social benefit** because employment can help improve mental wellbeing of many individuals in society from the social connections found at work.

**Question 2** (2 marks)

Describe **two** business support services that a new business owner could use to help them establish their business.

Marking guide:

2 marks – description of two relevant services. Eg. financial, legal or technology or mentors that would help the business owner.

TIP: what do these support services do to help the business owner?

Sample answer:

One business support service is a legal service such as a lawyer. A lawyer could help the business set up its legal business structure such as a private listed company.

Another business support service is a financial service such as an accountant. An accountant could help the business owner prepare financial statements for taxation purpose or help them to create a budget to monitor sales revenue and expenses.

[options include legal, financial or technological services OR business mentors]

**Question 3** (4 marks)

Describe and discuss a sole trader as a legal business structure.

Marking guide:

2 marks – describe a sole trader business structure. [include 2 to 3 specific features such as number of owners, liability, who gets the profits, who makes the decisions]

2 marks – discuss a sole trader [1 positive and 1 negative]

[NB. The use of sentence starters will help guide answer]

Sample answer:

A sole trader has one owner who makes all operating decisions. This one owner receives all business profits and has unlimited liability.

A positive of this type of legal business structure is that the owner makes the operating decisions so there will be no disputes about decisions such as product development or location expansion.

A negative of this type of legal business structure is the unlimited liability. This is where the owner risks losing personal assets such as a house or car to cover any business debts.

**Question 4** (4 marks)

Explain **one** benefit and **one** cost for a business owner of establishing their own business.

Marking guide:

2 marks – identify and expand one benefit

[for example, freedom to control business concept (design features, delivery, packaging) OR ability to expand at own pace depending on funds available and customer purchasing trends]

2 marks – identify and expand one cost

[for example, costs of hiring and training new staff, costs of buying new equipment]

Sample answer:

One benefit for a business owner of establishing their own business is that they have complete autonomy over the business concept. The owner can choose the type of product(s) they wish to sell and any relevant design or service features to include.

One cost is the fact that no customer base currently exists. This means that the owner needs to spend money marketing the business to potential customers who would be interested in purchasing the products or services.

**SECTION B: CASE STUDY** (18 marks)

# Moonshot Automotive

Helen Tusk owns a car design and manufacturing company called Moonshot Automotive. The company has developed an electric car powered by a battery that enables the car to travel 100 kilometres without the driving having to stop and recharge.

Representing Australian companies like Moonshot Automotive at the national level is Electric Vehicle Association, which is a special interest group that supports the electric vehicle industry.

Helen plans to keep the company 100% Australian owned and use Australian-manufactured components.

She has identified the following issues that could affect business planning at Moonshot Automotive and the long-term success of the business:

* competition from overseas businesses
* pressure to adopt socially responsible practices.

**Instructions for Section B**

Use the case study provided to answer the questions in this section. Answers must apply to the case study. Answer **all** questions in the spaces provided.

**Question 1** (2 marks)

With reference to Moonshot Automotive, define the term ‘special interest group.’

Marking guide:

1 mark – provide key terms to give the precise meaning for a ‘special interest group’

1 mark – include an example of a special interest group for Moonshot Automotive.

TIP: combine the glossary terms for ‘special interest group’ and ‘lobby group’

Sample answer:

A special interest group is an organization seeking or receiving special advantages or privileges. It aims to influence an organization or governments in their decision-making process with issues such as environmental action. For Moonshot Automotive, the special interest group would support the business in helping to promote the purchase and use of electric vehicles by consumers.

**Question 2** (4 marks)

Using examples, distinguish between the macro and operating environments of a business such as Moonshot Automotive.

Marking guide:

2 marks – distinguish between each environment.

NB. A linking word must join the difference of the same feature.

Eg. whereas, however.

NB. Key terms include macro forces being ‘outside factors that act as pressures’ from external environment vs ‘outside factors that interact’ from external environment.

2 marks – example(s) from each environment.

Sample answer:

The macro environment is the external environment of a business including factors which are outside the control of the business acting as PRESSURES on business decision-making WHEREAS the operating environment is the external environment of a business including factors which INTERACT with business decision-making.

A macro factor affecting Moonshot Automotive is societal attitudes such as environmentally friendly behaviour and purchasing trends.

An operating factor for Moonshot Automotive is competitors who are the rival businesses who could be offering electric vehicles at a lower retail price or with better battery performance.

**Question 3** (2 marks)

Describe one technological issue that could affect business planning at Moonshot Automotive.

Marking guide:

1 mark – outline one technological issue

2 marks – describe HOW this technological issue could affect Moonshot Automotive

TIP: pay attention to limiting word of ONE

Sample answer:

Technology is the application of science to achieve commercial objectives. One technology issue for Moonshot Automotive is advancements in battery science. Advancements could result in an improvement in faster battery charging. Mooonshot would need to incorporate these advancements into their decision-making to attract customers from competitors.

**Question 4** (3 marks)

Explain how overseas competition could affect business planning at Moonshot Automotive.

Marking guide:

1 mark – outline overseas competition (as a rival business internationally)

2 marks – explain HOW a rival business could affect decision-making at Moonshot Automotive. [decisions affected could be short or long-term examples]

Sample answer:

Overseas competition is a rival in the same market for products or services offered by the business. Moonshot may need to decide to lower its retail prices if a rival business is selling lower priced electric vehicles due to using lower cost wages from a developing country for its manufacturing.

[OR Moonshot may need to improve the performance of its electric batteries if a rival business is producing cars with longer lasting batteries than 100km.]

**Question 5** (2 marks)

Propose a supply chain for Moonshot Automotive.

Marking guide:

1 mark – put forward a suggestion for what would be in the ‘movement’ of resources for a business

[raw materials from suppliers to manufacturing to distribution warehouses to customer delivery]

2 marks – use examples for Moonshot Automotive.

Sample answer:

A supply chain is a network of businesses (suppliers) that provide inputs such as raw materials to another business such as a manufacturer. This network includes the transportation of inputs from the supplier to the manufacturer and transportation of the manufactured product from the manufacturer to the consumer for final sale.

At Moonshot this would include sourcing materials such as the electric battery minerals and metals for the car parts. These inputs would be transported by road or ship to a factory for manufacturing. This finished assembled electric car would then be transported by road or shipping to the customer.

**Question 6** (2 marks)

Describe one corporate social responsibility decision that Moonshot Automotive could make to improve its business reputation.

Marking guide:

1 mark – describe ONE CSR decision.

[examples can include activities or decisions that benefit the community or the environment]

2 marks – suggest HOW this decision will improve the business reputation.

[eg. attract customers with a better reputation to increase sales and increase profit. Attract customers from competitors to increase market share]

Sample answer:

One corporate social responsibility decision for Moonshot could be to purchase renewable energy (such as solar or wind power) from a local supplier. This would improve the reputation of the business because customers would be impressed with this environmentally friendly behaviour so would increase their sales and increase business profit.

[OR employ asylum seeking refugees to demonstrate concern for all members of society] OR use a recycling program to minimize metal or battery waste to reduce landfill waste]

**Question 7** (3 marks)

Propose and justify **one** type of business model that would be appropriate for Moonshot to use to sell its products.

Marking guide:

1 mark – propose ONE business model. [Eg. bricks and mortar or online]

NB. A social enterprise is NOT a relevant option for this business.

2 marks – justify (give 2 reasons) why this model would be useful for Moonshot Automotive to use.

TIP: use sentence starters to guide your answer

Sample answer:

One type of business model that would be appropriate for Moonshot to use would be a bricks and mortar business. This is a physical store to sell the cars including staff to provide customer service.

This would be a **benefit** for Moonshot because customers could receive product information (such as battery performance or ability to find a charging station) about the electric vehicles to guide their purchasing.

This would **also be a benefit** because the customers can physically see and touch the electric vehicle to properly inspect its product features and attributes (benefits)