

DOT POINT

VCE BUSINESS MANAGEMENT UNITS 1 AND 2

• Charlene Su •



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Science Press

Unit 1 Planning a Business

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Unit 1

Planning a Business



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Area Of Study 1 The Business Idea.

1.1.1 Entrepreneurship.

1.1.1.1 Distinguish between an entrepreneur and a business manager.

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1.1.1.2 Describe the key concepts of entrepreneurship.

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1.1.2 Personal motivation behind starting a business.

1.1.2.1 Explain why it is important for entrepreneurs to have personal motivation when starting a business.

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1.1.2.2 Explain how the desire for financial and personal independence can motivate entrepreneurs to start a business.

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1.1.2.3 Compare and contrast the difference between earning a wage and making a profit, and explain how this is a personal motivation behind starting a business.

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1.1.2.4 Describe market needs as a motivation behind starting a business.

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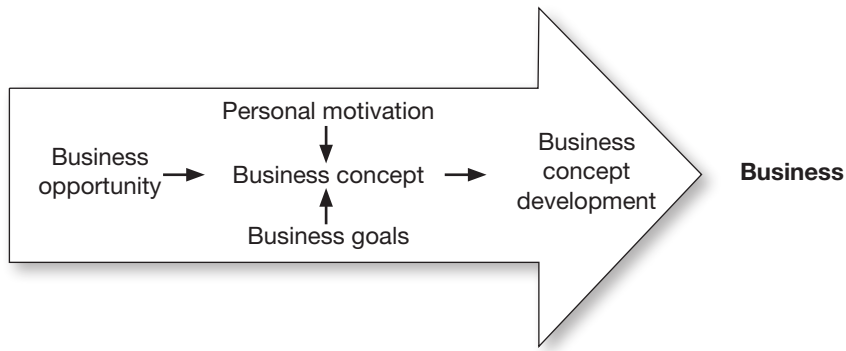
1.1.2.5 Describe social needs as a motivation behind starting a business.

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1.1.6 Business opportunities and business concept development.



1.1.6.1 Identify and outline three sources of business opportunities.

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1.1.6.2 Describe the process of developing a business concept.

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1.1.6.3 Explain why it is important for a business to protect its intellectual property.

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1.1.6.4 Compare and contrast between a trademark and a patent.

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1.1.6.5 Describe copyright.

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1.1.6.6 Define design right.

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1.1.6.7 Explain why a business should register its domain name.

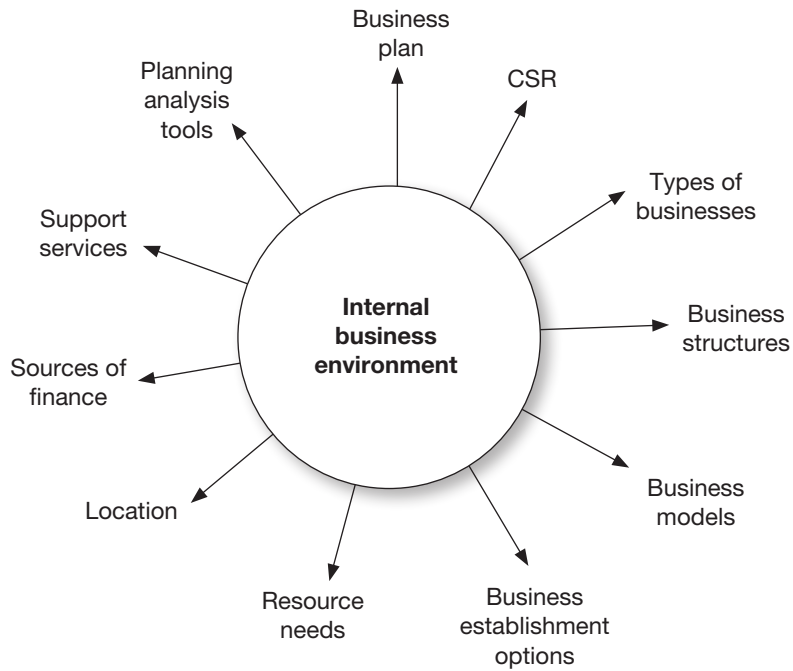
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Area Of Study 2 Internal Business Environment and Planning.

1.2.1 The business environment.



1.2.1.1 Distinguish between the internal business environment and the external business environment.

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1.2.1.2 Explain the relationship between the internal environment and the external environment.

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1.2.1.3 Describe the internal business environment.

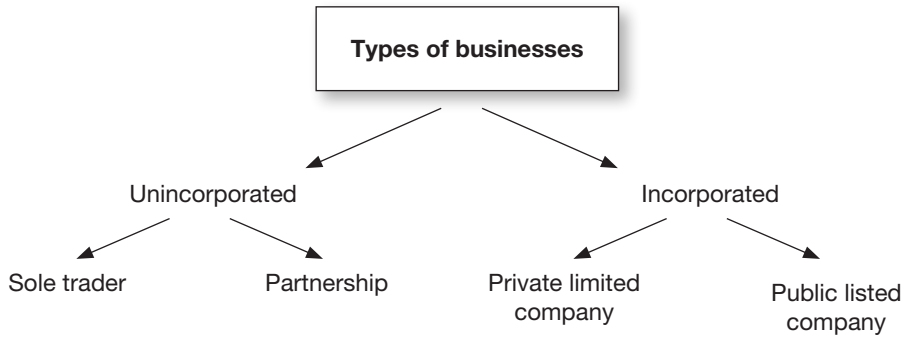
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1.2.2 Types of businesses.



1.2.2.1 Define a sole trader.

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1.2.2.2 Discuss the advantages and disadvantages of a sole trader.

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1.2.2.3 Describe a partnership.

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1.2.2.4 Discuss the advantages and disadvantages of a partnership.

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1.2.2.5 Differentiate between a private limited company and a public listed company.

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1.2.2.6 Distinguish between an incorporated and an unincorporated business.

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1.2.2.14 For the following situations, identify the most suitable choice of business structure.

- (a) A small or micro business just starting out.....
- (b) A sole trader needs more finance, skills and expertise.....
- (c) A medium sized business seeks the protection of limited liability but would like to retain control over the introduction of new owners.
.....
- (d) A business wishing to raise funds by selling shares to the public.....
- (e) A national or transnational corporation seeking to expand.....

1.2.3 Business models.

1.2.3.1 Define a business model.

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1.2.3.2 Define online business models.

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1.2.3.3 In the table below, describe the seven main online business models.

Online business model	Describe (features and characteristics)
Advertising model	
Affiliates model	
Brokerage model	
Information model	
Subscription model	
Merchant model/B2C	
Community model	

1.2.3.4 Discuss the advantages and disadvantages of online business models.

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1.2.3.5 Distinguish between the direct to consumer (D2C) business model and the B2C model.

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1.2.6.6 Identify three other factors affecting the choice of business location.

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1.2.6.7 Use the following information to answer this question.

Lux Foundry, Brunswick

Our building
 Built in 1889 our heritage listed warehouse was the former Brunswick Gas and Coke Company. It is the last retort house to remain from several gas making works built in the nineteenth century around Melbourne. The Lux Foundry purchased the site in 1906 and the warehouse served as the company’s workshop for making their popular Lux brand stoves. This continued until the late 1950s when the firm was taken over by the Ferrier Company.

Our cafe
 Housed in a heritage listed building, Lux Foundry is a bustling warehouse cafe in the back streets of Brunswick. Serving locals for over 10 years, our modern menu offers innovative dishes using locally sourced ingredients. Our expansive courtyard is perfect for sunny days and is also pooch friendly. Our beans are by Proud Mary, and we’re passionate about supporting our amazing local suppliers.

Analyse the factors affecting Lux Foundry’s choice of business location.

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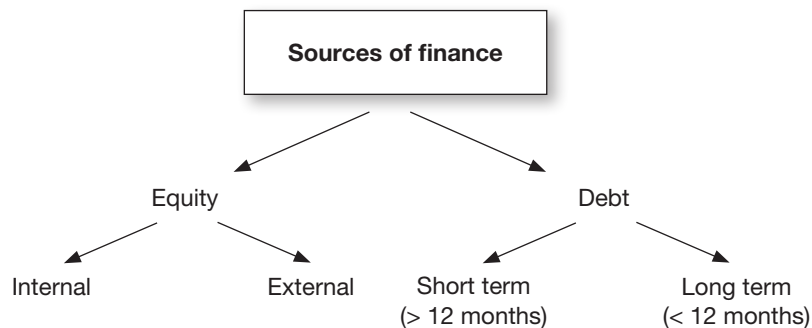
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1.2.7 Sources of finance.



1.2.7.1 Define finance.

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1.2.7.2 Outline three financial considerations an entrepreneur must make when making business decisions.

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1.2.11 Corporate social responsibility considerations and business planning.

1.2.11.1 Describe corporate social responsibility as a concept.

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1.2.11.2 Analyse how planning decisions involving environmental factors may affect the success of a business.

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1.2.11.3 Analyse how planning decisions involving community and societal factors may affect the success of a business.

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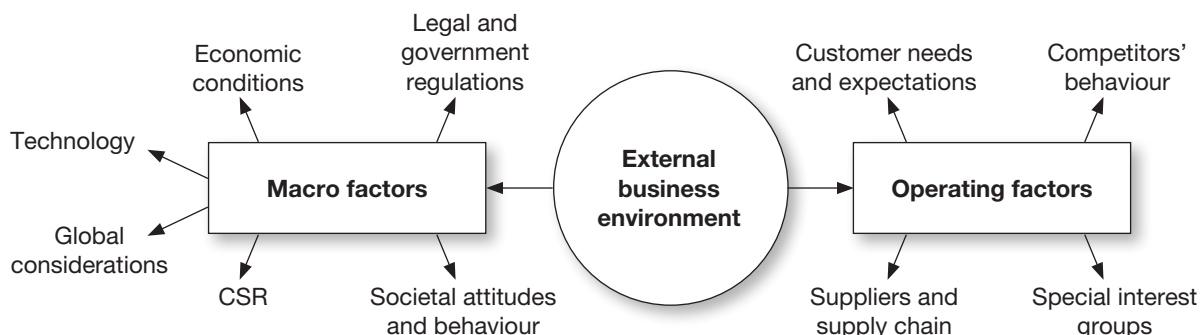
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Area Of Study 3 External Business Environment and Planning.

1.3.1 External business environments.



1.3.1.1 Distinguish between the internal and external business environment.

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1.3.1.2 Describe the operating environment.

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1.3.1.3 Describe the macro environment.

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Macro factors affecting business planning

1.3.2 Key legal and government regulations.

1.3.2.1 Outline what a business owner must do when starting a business for the first time.

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1.3.2.2 Describe the taxation obligations of a business.

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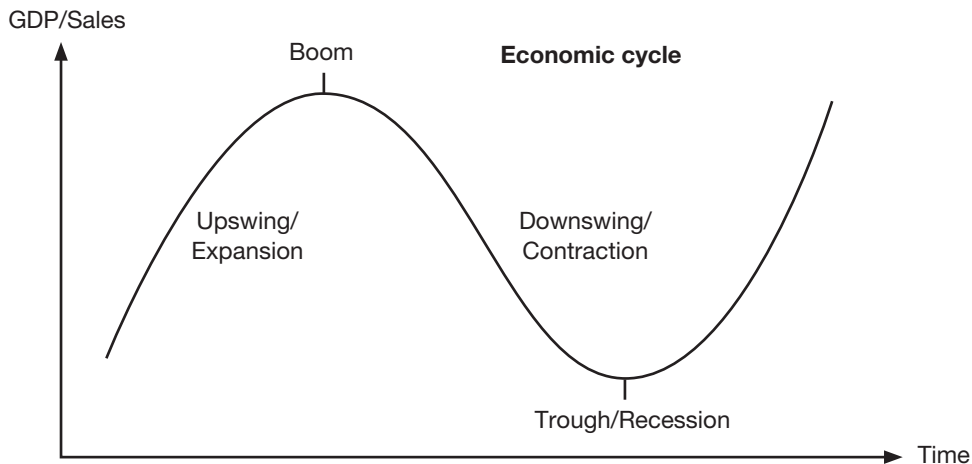
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1.3.2.3 Explain the responsibilities a business has towards its employees.

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1.3.4 Economic conditions.



1.3.4.1 Describe the economic cycle.

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1.3.4.2 Explain how interest rate levels will affect a business.

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1.3.4.3 Explain how employment levels in an economy will affect a business.

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1.3.4.4 Explain how levels of income taxes will affect a business's profits.

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1.3.4.5 Explain how levels of consumer confidence will affect a business.

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1.3.11.2 Describe how environmental lobby groups impact business planning.

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1.3.11.3 Describe how business associations impact business planning.

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1.3.11.4 Describe how unions impact business planning.

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Answers



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Unit 1 Planning a Business

1.1.1 Entrepreneurship.

1.1.1.1 An entrepreneur is a person who sets up a business and takes financial risks in the hope of gaining a profit. They make their innovative ideas tangible through the businesses they set up. On the other hand, a business manager is a person who is responsible for coordinating the day to day aspects of a business to ensure the business's long term goals are met.

1.1.1.2 Entrepreneurial initiatives cover the concepts of creation, risk taking, renewal and innovation inside and outside of existing businesses. Entrepreneurs seek to create new ideas or improve on existing ideas when starting up their own businesses.

1.1.2 Personal motivation behind starting a business.

1.1.2.1 It is important for entrepreneurs to have personal motivation when starting their own business because there are a lot of risks and hard work involved in starting a business. Business owners have to invest their time and money into a business, often working long hours and foregoing holidays and days off, with no guarantee of business success. Entrepreneurs must therefore be passionate about their reasons to start the business, and devote themselves to their personal motivations to run their own business.

1.1.2.2 Entrepreneurs who start their own business are able to gain financial and personal independence by becoming their own boss. They dictate their own working hours, working locations, and pay. This gives them greater control over their work day, providing flexibility that suits their lifestyle needs. This is seen through the trending growth of young mothers starting their own business as it gives them the freedom to choose where and when they work, allowing them to raise their children while still making an income.

1.1.2.3 A wage is the income earned by working for an employer while profit is what is left over from the revenue of a business after the expenses have been paid. An entrepreneur works for themselves and is therefore entitled to the profit that a business makes. This is an incentive for people to start their own business as the potential profit of a business is limitless, while a wage is generally capped at a certain level. While the profit of a business is low or negative in its establishment phase, many entrepreneurs will choose to start their own business in the hope of generating profit in the long term.

1.1.2.4 Market needs refer to the needs and wants of a target market. An entrepreneur may identify gaps in the market where needs and wants are currently not fulfilled and hence create or improve on a product to satisfy the market's desires. A business that is able to create a unique product will be able to generate high levels of sales and thus profits for the owner.

1.1.2.5 An entrepreneur who wants to fulfil the social needs of the market would be motivated to start a business to help others. The aim of a social enterprise is to serve the needs of the community or the environment through its business operations. They could help others by providing goods and services that help others, such as the provision of recycling services, or through the provision of employment for the members in the community. The profits made through such a business operation are often reinvested into the business to continue serving the interests of the community.

1.1.3 Characteristics of successful business managers and business entrepreneurs.

1.1.3.1 A business manager is a person who is in charge of coordinating the day to day operations of a business while a business entrepreneur is the person who creates the business idea. Both the business manager and the entrepreneur must work together to ensure business success.

1.1.3.2 A successful business manager has strong leadership skills, strong organisational skills, and is able to make decisions effectively and efficiently. It is important that a business manager possesses these skills as they are responsible for coordinating the different parts of a business to ensure the business's long term goals are achieved. A business manager will be faced with issues during the operations of a business and must be able to decide on solutions effectively and efficiently to avoid the issue from getting bigger. As a manager, the rest of the employees of a business will also rely on them for guidance and support. A person's leadership skills are therefore crucial as they will need to influence, encourage and support the rest of the team to achieve the business's goals.

1.1.3.3 A successful business entrepreneur is able to communicate their visions effectively, willing to take risks, and is innovative in creating new products or solutions. As the business owner, the entrepreneur is responsible for the overall direction of the business and its products. They must constantly scan the market to identify gaps that need filling. This means the entrepreneur must be creative and innovative in developing new products or finding new ways to improve an existing product. When the new idea is developed, the entrepreneur must then effectively share their vision with the business managers and the rest of the employees to ensure the team understands the overall goal of the business, and can therefore work together to achieve it. Finally, the process of starting a business requires a lot of investment in time and effort, with no guarantee of success. A business entrepreneur must therefore be open to taking risks in order to establish their business.

1.1.4 Sources of business opportunity.

1.1.4.1 Business opportunity refers to a set of circumstances that presents itself as a channel for business success.

1.2.6.3

Business location	Description	Advantages	Disadvantages
Shopping centres	A shopping centre is a collection of independent retail stores, services, and a parking area conceived, constructed and maintained by a management firm as a unit. They often contain restaurants, banks, cinemas, salons, post offices, professional offices and other establishments.	<ul style="list-style-type: none"> • High foot traffic • Convenient for customers • Good exposure 	<ul style="list-style-type: none"> • Rent can be expensive
Retail shopping strips	Retail shopping strips are stores arranged in a row along major roads or sidewalks.	<ul style="list-style-type: none"> • High foot traffic • High visibility and good exposure 	<ul style="list-style-type: none"> • Unable to compete with the growth of shopping centres • Parking for customers can be inconvenient
Home based business	A home based business is operated out of the home of its owner. Many tradespersons and other service providers have traditionally run their businesses from home as the services are usually carried out at the customer's residence or business premises.	<ul style="list-style-type: none"> • Low business overhead (costs) • The rise of ecommerce makes it easier to run a home based business 	<ul style="list-style-type: none"> • Businesses will need to increase their marketing efforts as there is no physical evidence of the business (such as an office or signage)
Online	Due to technological advances, many businesses conduct their business online via the internet. Such online activities can include communication with customers and suppliers, conducting market research online, establishing a website to provide information about the business and its products, enabling customers to complete purchases online, as well as advertising online.	<ul style="list-style-type: none"> • Cheap to establish • Technological advances and societal trends favour online business locations • Ease of access for a wider range of customers 	<ul style="list-style-type: none"> • More competition from local and overseas businesses
Industrial estates	Industrial estates are sites zoned for industrial use as opposed to residential or commercial use. This is popular for manufacturing businesses as high visibility is not crucial to the business.	<ul style="list-style-type: none"> • Does not disturb households with the business's operations • Grouped with other similar businesses 	<ul style="list-style-type: none"> • Must comply with zoning laws • Tend to be isolated, which may cause issues with logistics

1.2.6.4

The location of a business can impact the performance of a business. The location will often affect the visibility of the business, which will then affect the sales gained by the business. For example, a clothing shop in a busy shopping centre will attract both existing customers to the business, and also customers who are shopping in the centre who are passing by the shop. The clothing shop must ensure their customer service is impeccable in order to maximise their sales to passers-by. In these cases, the busyness of the shopping centre will assist the business in its performance. Another example would be for a furniture manufacturer to operate in an industrial estate where the rent is cheaper, the space is larger and more appropriate for the building of furniture, and where customer visibility and foot traffic is not crucial. The furniture manufacturer will be able to build its furniture at this location, selling the finished products to retailers, furniture shops, or direct to customers. While this may reduce the cost of the business, they must consider the location of the industrial estate and its proximity to the customers, showrooms or retailers, and consider the transportation or warehousing of the furniture. Selecting the appropriate business location will help businesses in their business performance.

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