

# **BUSINESS MANAGEMENT**

## **Unit 1 – Written Examination**



## **2017 Trial Examination**

## **SOLUTIONS**

**Question 1 (2 marks)**

- Innovation – the process of creating a new or significantly improved good or service or process in supplying a good or service
- Entrepreneurship – to take a risk in a business venture

2 marks

**Question 2 (3 marks)**

Two other sources of business opportunity include:

Changing customer needs

Technological development

3 marks

*1 mark for identifying 2 business opportunities*

*1 mark for description of each*

**Question 3 (2 marks)**

Two reasons why Paul and Sophie may wish to start their own business include:

Desire for independence

To make money

To fill a gap in the market

To fulfil a social need

2 marks

**Question 4 (2 marks)**

Goal setting in business is important because this sets the ‘drive’ for the owner – what is the end goal wanting to be achieved?

The business also needs to regularly review these goals and adapt if goals are not being met.

2 marks

**Question 5 (4 marks)**

Two methods of market research Sophie could use include:

Survey method – personal, written or electronic questionnaires, focus groups

Observation method – recording the behaviour of customers

4 marks

*2 marks for description of each method*

**Question 6 (4 marks)**

Two methods by which a culture of business innovation and entrepreneurship may be fostered in a nation include:

Government investment in research & development  
Business mentorships

4 marks

*2 marks for each method described*

**Question 7 (2 marks)**

A feasibility study is an assessment of the likelihood of success and potential of a proposed business opportunity

2 marks

**Question 8 (2 marks)**

Two key legal and government regulations affecting businesses in the planning stage include:

Trading hours  
Signage

2 marks

**Question 9 (4 marks)**

Values and beliefs are attitudes about what is good or not. Many people are health conscious and may demand low fat milk and possible substitutes for sugar. Many consumers are concerned about the environment and may seek coffee from raintree forest alliance suppliers.

A trend is a general direction in consumer preferences. A trend amongst coffee drinkers may be soy milk or flavouring such as caramel. The coffee shop then needs to offer these options and ensure there is an accessible supply.

4 marks

**Question 10 (2 marks)**

Two advantages of preparing a business plan include:

A bank is more likely to provide finance if a carefully prepared plan is submitted

Virtually all the details of the business: product/service, finance, marketing, human resources, suppliers etc. have been thought about.

2 marks

**Question 11 (4 marks)**

Interest rates are applied to bank loans and credit cards. If interest rates are high, the business will need to make more money to cover these costs. Consumers may also have less disposable income if interest rates are high.

Tax rates determine the amount of tax paid on GST, Income tax, Company tax etc.

Likewise if these rates are high they will need to be factored into the pricing strategy.

4 marks

**Question 12 (4 marks)**

Suppliers – ingredients such as coffee, milk, sugar, cups, etc.

Customers – those people who purchase coffee from the coffee shop

4 marks

**Question 13 (5 marks)**

An advantage of a partnership

A disadvantage of a partnership

An advantage of a private limited company

A disadvantage of a private limited company

Overall, although a partnership is simpler to set up, a private limited company offers greater protection to investors

**Question 14 (1 mark)**

A social enterprise is a for-profit business but some or all of this is directed toward a social cause.

1 mark

**Question 15 (2 marks)**

Both businesses provide a product – either a good or service.

A key difference is that a bricks and mortar business has a physical presence that customers can come into. An on-line business does not have ‘walk in’ customers, they must make their purchase via a website.

2 marks

**Question 16 (6 marks)**

Three sources of support for a young business include:

Solicitor – legal advice about contracts, leases, copyright, franchises

Accountant – financial advice about investment, taxation, financial reporting

Bank Manager – financial advice, loans, EFTPOS facilities

6 marks

**Question 17 (6 marks)**

SWOT analysis to the Daily Grind Coffee Shop:

<u>Internal</u>	<u>Strengths</u>	<u>Weaknesses</u>
	Location	New business
	Management	New staff
<u>External</u>	<u>Opportunities</u>	<u>Threats</u>
	Expansion	Competitors
	Franchises	Economy
	Technology	

6 marks

**Question 18 (10 marks)**

A business manager or entrepreneur possesses the following characteristics:

Taking risks

Sharing a vision and demonstrating initiative

Innovation and enterprise

An established business has probably achieved all the above characteristics, therefore the individual buying an existing business is not a great risk taker but could still be innovative in their new venture.

An entrepreneur is likely to establish a new business which is riskier. An entrepreneur is more likely to demonstrate initiative, innovation and enterprise. In fact many entrepreneurs have been unsuccessful in their early business ventures.

10 marks

*Explanation of characteristics of successful entrepreneurs and discussion of these in relation to 2 options: start a new business or buy an existing business. Globally marked*