 BUSINESS MANAGEMENT UNIT 1

Business Management Unit 1 practice exam 2017 and suggested answers

ROSALIE HOFMAN | DISTANCE EDUCATION CENTRE VICTORIA

The following practice exam covers the three areas of study in VCE Business Management Unit 1.

The practice exam consists of a case study with structured questions and is presented in the form of a question-and-answer book. All questions are compulsory. The total marks available are 75.

The number of lines provided after each question and the number of marks allocated to each question indicate the appropriate length of a response.

Additional space is provided at the end of the question-and-answer book.

The practice exam and suggested answers are based on the author's interpretation of the *VCE Business Management Study Design* (2017–2021) and have no official status.

Teachers are advised to preview and evaluate all practice exam material before distributing it to students.

Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Teacher: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

BUSINESS MANAGEMENT UNIT 1

**Practice written examination 2017**

**Reading time: 15 minutes**

**Writing time: 2 hours**

**Question and answer book**

**Structure of book**

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| *Number of questions* | *Number of questions to  be answered* | *Number of marks* |
| 13 | 13 | 75 |

* Students are permitted to bring into the examination room: pens, pencils, highlighters, erasers, sharpeners and rulers.
* Students are NOT permitted to bring into the examination room: blank sheets of paper and/or white-out liquid/tape.
* No calculator is allowed in this examination.

**Materials supplied**

* Question and answer book.
* Additional space is available at the end of the book if you need extra paper to complete an answer. Clearly label all answers with the appropriate section and question number.

**Instructions**

* Write your name and your teacher’s name in the spaces provided above on this page.
* All written responses must be in English.

**Students are NOT permitted to bring mobile phones and/or any other unauthorised electronic devices into the examination room.**

Instructions

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

HUMANIHUT’S INNOVATIVE ACCOMMODATION FOR REFUGEES

You’ve seen ‘pop-up’ shops come and go but have you heard of ‘pop-up’ accommodation? Yes, this does exist. The Humanihut is foldable, temporary housing, which is the brainchild of two South Australian friends, Neale Sutton, a former soldier and UN observer, and businessperson Andrew Hamilton. This could provide ‘pop-up' accommodation for refugees around the world and eliminate those endless dusty paddocks with a sea of flimsy tents flapping in the wind and abject misery for Syrians and other asylum seekers confined to a refugee camp.

The Humanihut is a family-sized hut that can be assembled in five minutes. Thousands of people displaced by war or any number of natural disasters could soon be living in this foldable hut invented by these two South Australian entrepreneurs.

What inspired the creators to come up with this idea? This groundbreaking Australian-made pop-up accommodation came from a casual conversation between Neale and Andrew on a back verandah in 2013. ‘What could the Western world do for individuals pouring across the border from Syria into Jordan? There must be a better solution than tents.’

Although neither man had any design or engineering qualifications, they had a basic idea of what they envisaged. They applied for and secured a $50 000 grant from the South Australian government and engaged the services of an Adelaide company, Applidyne, to come up with a feasible design based on their specifications for the Humanihut. Their idea was transformed into a business concept and then into three prototypes of its shelter system.

The final product is a strong family-sized hut that can be assembled in five minutes. A village of 2400 huts could be set up in three days. This would also include the water and power supply, in the form of solar panels, and sewage. Sixteen huts can fit into one shipping container, which, in turn, can be converted into an ablution (toilet/bathroom) block with shower, washing and cleaning facilities for the 16 huts. The village also comes with its own water treatment plant that can reuse 85 per cent of the ‘black’ water for showers and toilets, reducing contamination from wells significantly.

Refugees often live in a camp for 12 years, which is a significant period of time to be living in a tent. The Humanihut would provide more durable accommodation. It would cost $US9.5 million to set up a village of 2400 people with the Humanihut. This outlay, Sutton calculated, would take less than four years to reach the break-even point.

Humanihut Pty Ltd was established in 2013 and was initially financed by Sutton and Hamilton investing approximately $800 000 of their own money and a second state government grant of $20 000. This initial funding provided them with the basis to be able to turn this business idea and product into a commercially viable business and secure major contracts.

The main competitor of the Humanihut is Ikea’s Better Shelter flatpack prototype developed by UNHCR (United Nations Refugee Agency) and Ikea. There are thousands of these in use; however, this product does not provide water purification, sewerage, showers and power needs for a village.

There are potentially many other uses for this product. For instance, in Australia and the United States it could be used as temporary accommodation for whole communities that have lost their homes due to natural disasters such as bushfires and floods. Many businesses have also seen the potential of this product to be used as accommodation for cargo (CargoHut) or cars (CarHut).

Questions

Question 1 (2 marks)

**a.** Explain how Andrew Hamilton and Neale Sutton’s idea for the Humanihut product was created. 1 mark

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**b.** Identify **one** other source of business ideas or opportunities for an entrepreneur. 1 mark

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Question 2 (4 marks)

Identify and describe **two** types of protection Andrew and Neale could obtain to prevent the Humanihut idea from being copied.

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Question 3 (5 marks)

**a.** Define the term ‘gap in the market’. 1 mark

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**b.** Explain why the Humanihut has filled a gap in the market. 1 mark

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**c.** Before proceeding with this idea, Andrew and Neale would have conducted a feasibility study.

**i.** Define the term ‘feasibility study’. 1 mark

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**ii.** Outline **two** items of information that should be included in a feasibility report. 2 marks

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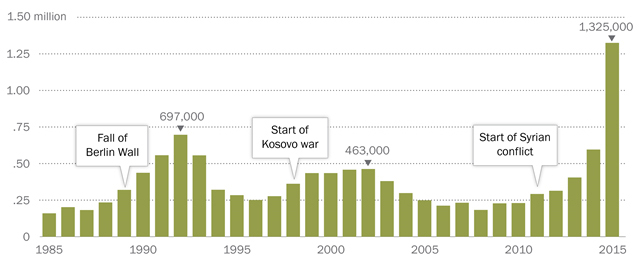
Question 4 (6 marks)

In 2014 there were 14.4 million refugees worldwide. By mid-2016 there were 65.3 million displaced people seeking refuge or asylum in other countries. Three countries account for more than half of the refugees in the world: Syria, Afganistan and Somalia.

Discuss whether Humanihut Pty Ltd should go ahead with the production of its innovative product. Support your answer with evidence from the case study, the above information and the two graphs below.

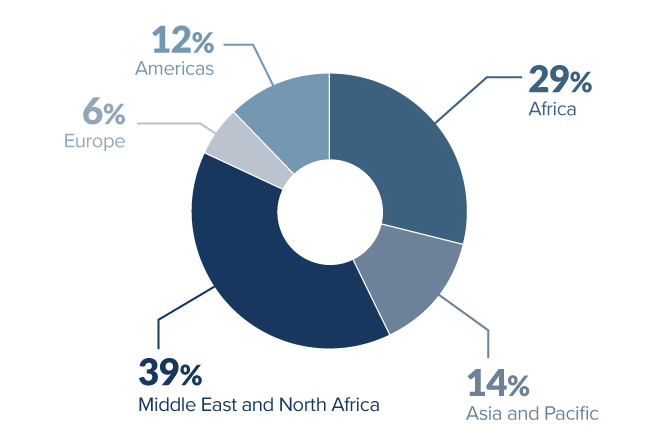
NUMBER OF ASYLUM SEEKERS IN EUROPE SURGES TO RECORD 1.3 MILLION IN 2015

*Annual number of asylum applications received by EU—28 countries, Norway and Switzerland, 1985 to 2015*



Source: Pew Research Center (analysis of Eurostar data), 2 August 2016, <http://www.pewglobal.org/2016/08/02/number-of-refugees-to-europe-surges-to-record-1-3-million-in-2015/>

WHERE THE WORLD’S DISPLACED PEOPLE ARE BEING HOSTED



Source: UNHCR, <http://www.unhcr.org/en-au/figures-at-a-glance.html>

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Question 5 (7 marks)

**a.** Explain **one** way that Humanihut Pty Ltd contributes to Australia’s economic growth and **one** way it contributes to social welfare in Australia. Provide an example of each type of contribution in your answer. 4 marks

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**b.** Identify and describe **three** characteristics needed by Andrew and Neale to be successful entrepreneurs. 3 marks

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Question 6 (3 marks)

Explain the importance of setting goals for a business and outline **one** business goal that Humanihut could have set.

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Question 7 (6 marks)

**a.** Identify the legal structure used by Humanihut. 1 mark

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**b.** Outline **three** advantages and **two** disadvantages of Andrew and Neale choosing the legal structure you identified in your answer to **part a**. 5 marks

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Question 8 (8 marks)

**a.** Identify and explain **two** macro environment factors that would have influenced the development of the Humanihut business concept. 4 marks

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**b.** Identify and explain **two** operating environment factors that would have influenced the development of the Humanihut business concept. 4 marks

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Question 9 (8 marks)

**a.** Define the term ‘SWOT analysis’. 1 mark

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**b.** Humanihut has decided to conduct a SWOT analysis.

For each part of the SWOT analysis, identify **one** internal or external factor that could affect the development of the Humanihut product. 4 marks

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**c.** Outline **three** support services Andrew and Neale could have used when they were in the initial stages of starting this business. Justify your answer. 3 marks

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Question 10 (6 marks)

To develop and grow the business, Andrew and Neale would need to raise capital.

**a.** Andrew and Neale obtained a grant of $50 000 from the South Australian government to develop the idea for their business. They also used their own funds.

Outline **one** other source of finance for developing the business idea and design of the Humanihut. 1 mark

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**b.** To proceed to the manufacturing stage and produce Humanihuts in commercial quantities, the owners needed $1.5 to $2 million.

Outline **two** other sources of finance, other than the owners’ contribution. 2 marks

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**c.** Define the term ‘competitor’. 1 mark

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**d.** The main competitor of the Humanihut is Ikea’s Better Shelter flatpack.

Explain why the Humanihut is a superior product. 2 marks

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Question 11 (6 marks)

**a.** Identify and describe a business model that would be suitable for the Humanihut business.

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**b.** Outline **two** advantages and **two** disadvantages of adopting the business model you identified in your answer to **part a**. 4 marks

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Question 12 (11 marks)

The factory where the Humanihut was designed and is currently being constructed is located in South Australia.

**a.** Identify and describe **four** key factors that would need to be considered when looking for a suitable location to manufacture the huts in commercial quantities. 4 marks

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**b.** Define the term ‘resources’. 1 mark

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**c.** Identify the **three** main types of resources Humanihut would require in order to operate as a business, giving an example of each type. 3 marks

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**d.** When starting a business, the owner(s) must consider their legal requirements and comply with legislation and regulations.

Identify **three** regulations that Andrew and Neale would need to comply with. 3 marks

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Question 13 (3 marks)

**a.** Define the term ‘corporate social responsibility’. 1 mark

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**b.** Outline **two** ways that Humanihut could demonstrate its corporate social responsibility.

2 marks

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**Extra space for responses**

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Suggested answers to Business Management Unit 1 practice exam 2017

Question 1 (2 marks)

**a. Explain how Andrew Hamilton and Neale Sutton’s idea for the Humanihut product was created. 1 mark**

The idea for the business was created when Andrew and Neale were discussing the problems associated with refugees pouring out of Syria and into Jordan.

*Marking guide:*

***1 mark*** *for explaining the reason*

**b. Identify *one* other source of business ideas or opportunities for an entrepreneur. 1 mark**

*Sample answer:*

Entrepreneurs might discover or generate business ideas or opportunities when attending trade shows, through brainstorming, from their own observations, by considering ways that existing products could be improved, by designing new products, or through reading articles or information published in the media.

*Marking guide:*

***1 mark*** *for identifying one source of business ideas or opportunities*

Question 2 (4 marks)

**Identify and describe *two* types of protection Andrew and Neale could obtain to prevent the Humanihut idea from being copied.**

*Suggested answer:*

Andrew and Neale could register a patent, which is a right granted for any device, substance, method or process that is new, inventive and useful, to ensure exclusive use of the idea of the Humanihut. The patent will stop others from manufacturing or selling copies of the Humanihut invention.

They could also register a trademark, which is a right granted for a letter, number, words, phrase, sound, shape, logo or pictures. A trademark would protect the Humanihut name and brand, help the brand name stand out in the marketplace, and will prevent other businesses from using the name.

*Other protections:*

Andrew and Neale could register the Humanihut design, which would give the owner exclusive rights to commercially use, licence or sell the product.

The owners could register a domain name to ensure the domain address featuring the word ‘Humanihut’ is not used by other businesses.

**Note:** Further information about protecting a business idea can be found at: <http://www.business.vic.gov.au/setting-up-a-business/how-to-start-a-business/protect-your-business-name-or-idea>

*Marking guide:*

***1 mark*** *for a description of each type of protection (x two = 2 marks)*

***1 mark*** *for describing how each protection type would safeguard the Humanihut invention (x two = 2 marks)*

Question 3 (5 marks)

**a. Define the term ‘gap in the market’. 1 mark**

A gap in the market refers to an opportunity for a business to enter into an area of the market not currently serviced by another product or service.

*Marking guide:*

***1 mark*** *for defining the term*

**b. Explain why the Humanihut has filled a gap in the market. 1 mark**

The Huminihut has filled a gap in the market because of the number of refugees who do not have adequate temporary housing options, save for flimsy tents. This sturdier product provides refugees who need emergency accommodation with better and more long-lasting and secure protection than that provided by tents.

*Marking guide:*

***1 mark*** *for explaining why Humanihut has filled a gap in the market*

**c. Before proceeding with this idea, Andrew and Neale would have conducted a feasibility study.**

**i. Define the term ‘feasibility study’. 1 mark**

A feasibility study refers to the initial research that is undertaken to determine whether a business concept has potential and would be viable, or whether for identified reasons the business concept should not proceed.

*Marking guide:*

***1 mark*** *for an accurate definition*

**ii. Outline *two* items of information that should be included in a feasibility report.**

**2 marks**

*Sample answer:*

A feasibility report should contain information that describes the business idea and products and/or services to be offered. It should list the key people involved and provide a description of the market.

*Other items of information:*

A feasibility report should list:

* who the owners identify as their competition and whether there is a threat of any substitute products coming onto the market
* financial information (sources of finance, working capital, estimated profitability and break-even analysis) should be provided
* the expected location of the business
* relevant personal circumstances of the person who has created the business idea.

*Marking guide:*

***1 mark*** *per item outlined (x two = 2 marks)*

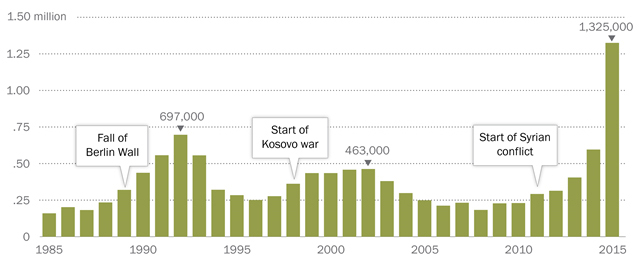
Question 4 (6 marks)

**In 2014 there were 14.4 million refugees worldwide. By mid-2016 there were 65.3 million displaced people seeking refuge or asylum in other countries. Three countries account for more than half of the refugees in the world: Syria, Afganistan and Somalia.**

**Discuss whether Humanihut Pty Ltd should go ahead with the production of its innovative product. Support your answer with evidence from the case study, the above information and the two graphs below.**

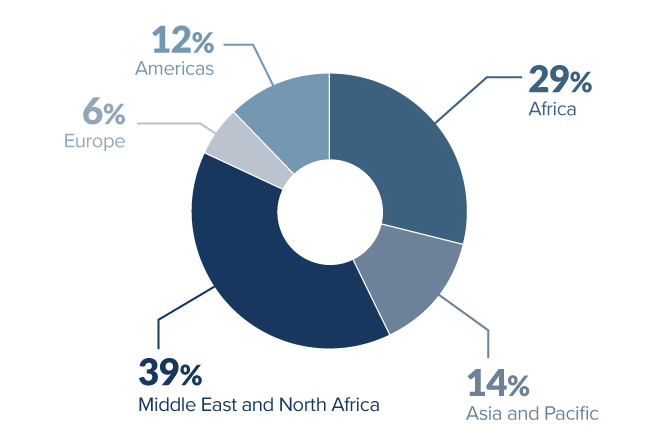
NUMBER OF ASYLUM SEEKERS IN EUROPE SURGES TO RECORD 1.3 MILLION IN 2015

*Annual number of asylum applications received by EU—28 countries, Norway and Switzerland, 1985 to 2015*



Source: Pew Research Center (analysis of Eurostar data), 2 August 2016, <http://www.pewglobal.org/2016/08/02/number-of-refugees-to-europe-surges-to-record-1-3-million-in-2015/>

WHERE THE WORLD’S DISPLACED PEOPLE ARE BEING HOSTED



Source: UNHCR, <http://www.unhcr.org/en-au/figures-at-a-glance.html>

*Sample answer:*

In the 10-year period from 2005–15, the number of refugees in Europe has trebled. Wars in the Middle East are escalating causing many people to flee their homes. At each location where there has been conflict and war, there has been a movement of civilians away from their homes to a more peaceful and safe environment. The refugee problem is not confined to Europe or the Middle East but is also a problem in Asia, Africa and the Americas. The data provided states that in 2014 there were 14.4 million refugees worldwide, with the number escalating to 63.5 million in 2016.

These statistics indicate that there is a need for temporary accommodation that is sturdy to house people fleeing war-torn countries. While the Humanihut costs more than a tent and requires transportation via containers to the port closest to the area of need, it has been demonstrated that once at the camp it can be erected in a very short time, comparable to that of a tent. In addition, the Humanihut provides sanitary options for the refugees to use if they can access safe water supplies.

It would, however, be important for Humanihut Pty Ltd to gauge whether humanitarian aid organisations are likely to support its product, that is, that they have the means to pay for the Humanihuts and freight costs, before the company starts mass producing the product in commercial quantities.

Establishing Humanihuts for a village of 2400 people costs US$9.5 million. For international aid organisations, which operate under tight financial conditions and depend on government aid, that is a huge sum of money, especially when they have to prioritise previous aid dollars by focusing on providing food, health care and water in existing refugee camps that are growing in size due to the constant flow of refugees. Humanihut also faces the challenge of competition from Ikea’s Better Shelter flatpack prototype, developed by the United Nations Refugee Agency (UNHCR) and Ikea.

Overall, if humanitarian aid organisations are likely to support the product, the developers should go ahead with mass production of the Humanihut, as there is a definite need to replace tents with accommodation that is stronger and gives better protection, especially as it has been shown that many refugees live in camps for as long as 12 years.

***Note:*** *To gain full marks students need to have fully examined the issue and stated arguments or opinions covering both sides of the question of whether production of the Humanihut should go ahead.*

*Marking guide:*

***4 marks*** *for a discussion of the positive and negative implications of proceeding with the production of Humanihuts*

***2 marks*** *for supporting evidence from the case study, the stimulus material and the graphs*

Question 5 (7 marks)

**a. Explain *one* way that Humanihut Pty Ltd contributes to Australia’s economic growth and *one* way it contributes to social welfare in Australia. Provide an example of each type of contribution in your answer. 4 marks**

*Sample answer:*

Humanihut Pty Ltd employs people to manufacture the product, thus providing income for their employees, who in turn will feel good about working. The company also contributes to the economy by paying taxes as an Australian company and the employees pay personal income tax, both of which is revenue for the federal government to maintain social welfare payments to those on income support payments such as the Age Pension.

OR

The sale and export of these huts will contribute to Australia’s Gross Domestic Product and its export income if purchased by overseas humanitarian aid organisations.

Providing employment opportunities to people in South Australia will help to reduce unemployment in that state. It will also assist in improving people’s feelings of self-worth, self-esteem and happiness as they are not only employed and achieving higher living standards for their families, they are also facilitating the provision of humanitarian assistance to refugees.

*Marking guide:*

***1 mark*** *for an explanation of each type of contribution (x two = 2 marks)*

***1 mark*** *for an example of each type of contribution (x two = 2 marks)*

**b. Identify and describe *three* characteristics needed by Andrew and Neale to be successful entrepreneurs. 3 marks**

**Note:** Students could choose from the following characteristics: passion and motivation, perseverance, self-confidence, risk-taking, resourcefulness, adaptability and flexibility, leadership ability, planning.

*Marking guide:*

***1 mark*** *for each characteristics identified and described and linked to the owners as entrepreneurs (x three = 3 marks)*

Question 6 (3 marks)

**Explain the importance of setting goals for a business and outline *one* business goal that Humanihut could have set.**

*Sample answer:*

Business goals are broad statements that relate to the future direction of a business, and represent the aspirations the owners have for the business. It is important for a business to set goals as part of a business plan as goals provide direction for a business and help to describe what it wants to accomplish. Setting goals helps to increase employee motivation, facilitates business planning, provides a focus for a business, allows tasks to be completed efficiently, and is a key to achieving and measuring business success. An example of a business goal that Humanihut Pty Ltd could have set is: *‘To sell Humanihuts to all nations that have a refugee population so that refugees do not have to live in flimsy tents’.*

**Note:** Other examples of goals Humanihut could have set could relate to profitability, growth, customer service and efficiency.

*Marking guide:*

***2 marks*** *for explaining the importance of setting goals for a business*

***1 mark*** *for outlining a business goal that Humanihut could have set*

Question 7 (6 marks)

**a. Identify the legal structure used by Humanihut. 1 mark**

The legal structure used by Humanihut is a private company, identified by the words ‘proprietary limited’ at the end of its name.

*Marking guide:*

***1 mark*** *for identifying the legal structure used as a private company*

**b. Outline *three* advantages and *two* disadvantages of Andrew and Neale choosing the legal structure you identified in your answer to *part a*. 5 marks**

*Suggested answer:*

*Advantages:*

* The owners of the business have limited liability in the event of the business not succeeding.
* The business is a separate legal entity from the owners.
* The business can raise additional capital by issuing more shares.
* Its ongoing existence is not affected by the death or departure of one of its owners.
* The business can trade anywhere in Australia.

*Disadvantages:*

* It is more complex to establish a private company than a sole proprietorship or a partnership.
* It is a more expensive structure to establish due to the legal documentation required.
* It requires the prior consent of all shareholders to trade the shares in the company.

*Marking guide:*

***1 mark*** *for each relevant advantage and disadvantage*

Question 8 (8 marks)

**a. Identify and explain *two* macro environment factors that would have influenced the development of the Humanihut business concept. 4 marks**

*Sample answer:*

Macro environment factors are those factors that can affect the planning of a business and over which it has no direct control. For example, global factors would influence the demand for additional temporary housing for refugees and the costs and logistics of moving the product to where it is required. The causes of people becoming refugees (such as famine due to natural disasters, being persecuted or being displaced by war) in the particular country in which they are located would impact on how the Humanihuts are delivered, located and constructed.

Current economic conditions in Australia would have an impact on whether local charities and communities are willing to raise funds to purchase Humanihuts to send overseas as part of a humanitarian cause to areas in greatest need. Economic conditions would also influence the level of federal government foreign aid, which would affect the financial ability of humanitarian aid organisations relying on government financial assistance to purchase Humanihuts. This would directly impact on orders for Humanihuts. Economic conditions in overseas countries would have a similar flow-on effect on demand for the product.

**Note:** Other macro environment factors that could be identified and explained are: technological issues and societal attitudes and behaviour.

*Marking guide:*

***2 marks*** *for identifying and explaining each macro environment factor and its influence on the development of the product concept (x two = 2 marks)*

**b. Identify and explain *two* operating environment factors that would have influenced the development of the Humanihut business concept. 4 marks**

*Sample answer:*

The operating environment of a business has a range of factors that influence a business. These factors form part of the environment immediately outside the business with which they have close interaction and a small amount of control over. The preferences of and financial position of its prospective customers, including governments of countries hosting refugees and humanitarian aid organisations hoping to provide support and assistance to refugees, would influence orders for the Humanihut and therefore production levels.

Competitors of products such as tents already in use in refugee camps would be interested in the Humanihut product and the pricing of it in order to determine whether they are competing in the same market. The developers of the Ikea Better Shelter flatpack might be interested in upgrading its product in order to compete more effectively with the Humanihut. Any changes in these areas could affect orders and hence production of the Humanihut.

OR

Suppliers of the component parts used to manufacture the Humanihuts would need to be contracted to supply parts in order to ensure the business can meet the demand for the product. Any change in this area would affect production levels of the Humanihut. Also, logistics companies would need to be contracted to ensure they are able to deliver the product to the required locations.

*Marking guide:*

***2 marks*** *for identifying and explaining each operating environment factor and its influence on planning and development (x two = 2 marks)*

Question 9 (8 marks)

**a. Define the term ‘SWOT analysis. 1 mark**

*Sample answer:*

A SWOT analysis is an analytical tool used during the strategic planning process. Its aim is to identify the strengths and weaknesses of the internal environment of a business and the opportunities and threats posed by the external environment of a business.

*Marking guide:*

***1 mark*** *for an accurate definition*

**b. Humanihut has decided to conduct a SWOT analysis.**

**For each part of the SWOT analysis, identify *one* internal or external factor that could affect the development of the Humanihut product. 4 marks**

*Suggested answer:*

Strengths:

* The ease of being erected on site, that is, in five minutes, is a strength of the product.
* It has its own water and power supply.
* Sixteen huts can fit into one shipping container.
* Each shipping container can be turned into an ablution block.
* The owners have visionary and leadership characteristics and skills to oversee the development of the product.

*Weaknesses:*

* Both business owners do not have formal engineering qualifications.
* The finished product is bulky and needs to be shipped to the required locations.
* The Humanihut is more expensive than canvas tents.
* The business currently depends on global events.

*Opportunities:*

* The huts can be used worldwide for different purposes.
* In Australia, this form of accommodation could be used:
* for emergency accommodation following disasters such as floods, cyclones or bushfires
* as housing for homeless people
* as military shelters for defence forces
* Humanihuts can be adapted for different uses, for example to house cargo or cars.

*Threats:*

* Ikea’s Better Shelter flatpack could make improvements to its product so that it competes directly with the Humanihut and is a substitute for it.
* Global circumstances could change and the need for refugee accommodation could decline.
* Exchange rates could change, thereby making the product more expensive, which could impact on the viability of the business.

*Marking guide:*

***1 mark*** *for identifying one consideration from each of the four elements of a SWOT analysis (x four = 4 marks)*

**c. Outline *three* support services Andrew and Neale could have used when they were in the initial stages of starting this business. Justify your answer. 3 marks**

*Suggested answers:*

* Design and technical advice—both business owners had no formal engineering experience.
* Austrade—to provide advice on exporting a product—neither business owners were previously involved in an exporting business.
* Lawyers—to set up the private company and negotiate and draw up complex legal contracts.
* Accountants—to assist with the financial side of the business, for example preparing financial reports (such as balance sheets, budgets and cash flow statements), arranging loans, financial advice and analysis, preparing Business Activity Statements (BAS) and preparing annual taxation returns.

*Marking guide:*

***1 mark*** *for each relevant support service identified and justified (x three = 3 marks)*

Question 10 (6 marks)

**To develop and grow the business, Andrew and Neale would need to raise capital.**

**a. Andrew and Neale obtained a grant of $50 000 from the South Australian government to develop the idea for their business. They also used their own funds.**

**Outline *one* other source of funds for developing the business idea and design of the Humanihut. 1 mark**

*Sample answer:*

Andrew and Neale could have:

* approached other prospective investors to invest in the company, such as family members, friends and associates
* used crowdfunding by raising funds through online and social networks
* formed a partnership with a more established company with a strategic interest in helping Andrew and Neale to develop their business idea.
* asked a major customer of Humanihuts to cover the initial development costs in order to purchase the product before others can or by prepaying for orders.

*Marking guide:*

***1 mark*** *for identifying one source of funds other than government grants and use of the owners’ own funds*

**b. To proceed to the manufacturing stage and produce Humanihuts in commercial quantities, the owners needed $1.5 to $2 million.**

**Outline *two* other sources of finance other than the owners’ contribution. 2 marks**

*Suggested answer:*

The owners, Andrew and Neale could have:

* applied to the South Australian government for an additional grant or to the federal government for an initial grant
* applied to a bank for overdraft facilities to cover their cash flow and a business loan to purchase capital items
* offered shares in the business to new investors, thereby increasing the number of shareholders from the current two to up to no more than the maximum number allowed.

*Marking guide:*

***1 mark*** *for each source of finance (x two = 2 marks)*

**c. Define the term ‘competitor’. 1 mark**

A competitor is a business in the same or a similar industry that sells a similar product or service.

*Marking guide:*

***1 mark*** *for a correct definition of the term*

**d. The main competitor of the Humanihut is Ikea’s Better Shelter flatpack.**

**Explain why the Humanihut is a superior product. 2 marks**

*Sample answer:*

The Humanihut has many more features. The Better Shelter flatpack does not provide water purification, sewerage, showers or power to the shelter. All of these facilities are included with the Humanihut.

*Marking guide:*

***2 marks*** *for explaining the reason*

Question 11 (6 marks)

**a. Identify and describe a business model that would be suitable for the Humanihut business. 2 marks**

*Sample answer:*

A bricks-and-mortar business model could be used, which means the business has a physical presence such as a shop or showroom that involves face-to-face interaction with customers.

OR

An online business is one where the business conducts its activities via the Internet. Humanihuts Pty Ltd as the merchant would sell the product to customers via its website.

*Marking guide:*

***1 mark*** *for identifying and describing an appropriate business model*

**b. Outline *two* advantages and *two* disadvantages of adopting the business model you identified in your answer to *part a.* 4 marks**

*Sample answer:*

**Bricks-and-mortar model**

*Advantages:*

* Face-to-face interaction with customers occurs makes it possible to respond immediately to the questions of prospective customers.
* Customers can inspect the product and gauge its quality and durability firsthand. They can also view a demonstration of the construction of the Humanihut.
* Trust between the manufacturer and prospective customers is easier to develop because of the existence of a physical business location.

*Disadvantages:*

* The costs of having a shopfront or showroom are very high.
* Due to the size of the premises and hence the location, the business is unlikely to have passing traffic, so the cost of having a showroom may not be justified.
* The business hours will not be 24 hours a day, seven days a week.
* The location of the business raises the issue of how to get customers to know about the business.

**Online business model**

*Advantages:*

* Advertising is done online on the company website and is less expensive than other methods.
* It is possible to develop an instant connection with customers due to the 24/7 online presence.
* Tracking website visitors with the aim of converting them into leads or sales.
* The reach to a wide (worldwide) audience is possible.

*Disadvantages:*

* It is an impersonal method of conducting a business as there is no face-to-face contact with customers.
* Online fraud is a possibility.
* It is essential that the website is kept up-to-date by making changes regularly, so this requirement might be onerous.
* It is more difficult to establish a sense of trust between the business and prospective customers.

*Marking guide:*

***2 marks*** *for outlining two advantages of the chosen business model*

***2 marks*** *for outlining two disadvantages of the chosen business model*

Question 12 (11 marks)

**The factory where the Humanihut was designed and is currently being constructed is located in South Australia.**

**a. Identify and describe *four* key factors that would need to be considered when looking for a suitable location to manufacture the huts in commercial quantities. 4 marks**

*Sample answer:*

* An industrial site location would be needed to allow for a large factory where Humanihuts can be constructed.
* Proximity to a highway is an important consideration so that it is possible to gain easy access to the closest port, as Humanihuts will be loaded into containers for shipping to other countries.
* The business will need to be close to a ready supply of workers who have the skills and qualifications required, such as electricians, engineers, sheet metal workers and plumbers, to assist in the construction of the Humanihuts.
* Proximity to suppliers and component parts needed for the Humanihuts is important so that the business does not need to store large amounts of stock.

*Marking guide:*

***1 mark*** *for identifying and describing each key factor (x four = 4 marks)*

**b. Define the term ‘resources’. 1 mark**

*Sample answer:*

Resources are inputs that are used in the production of a product, such as raw materials, workers (labour), services and capital items.

*Marking guide:*

***1 mark*** *for an accurate definition*

**c. Identify the *three* main types of resources Humanihut would require in order to operate as a business, giving an example of each type. 3 marks**

*Sample answer:*

The three types of resources Humanihut Pty Ltd would need are: natural resources, human resources and capital resources. The business would need natural resources such as land, water and minerals (used in the raw materials, such as aluminium and steel). It would require human resources such as construction workers, electricians, engineers, sheet metal workers and plumbers to manufacture the huts. It would need employees to source the construction materials and others to organise transportation of the huts to the countries in which they are required. The business would also need employees who are able to liaise effectively with the humanitarian aid groups (customers) that are likely to purchase the huts. The business would require capital resources such as money, machinery and equipment to manufacture the huts.

*Marking guide:*

***1 mark*** *for identifying each type of resource and an example of each type (x three = 3 marks)*

**d. When starting a business, the owner(s) must consider their legal requirements and comply with legislation and regulations.**

**Identify *three* regulations that Andrew and Neale would need to comply with. 3 marks**

*Sample answer:*

**Note:** Various responses could be provided for this question.

Andrew and Neale would need to:

* register the name of the business: ‘Humanihuts’ (which requires holding an Australian Business Number—ABN)
* register the private company ‘Humanihuts Pty Ltd’ and receive an Australian Company Number (ACN)
* register a patent, trademark or design for the Humanihut invention and brand
* comply with occupational, health and safety laws and anti-discrimination and equal employment opportunity laws
* take out workers’ compensation insurance (with the Victorian Work Cover Authority) in the event of employees sustaining a work-related injury or illness (the insurance will cover their medical costs and lost wages)
* meet the requirements of other employment-related legislation such as employees’ pay, taxation, annual leave and superannuation
* take out public liability insurance to cover potential liabilities to third parties, such as customers and the general public, for personal injury or property damage if the business is found to be negligent
* register for taxation, such as company tax (which requires a Tax File Number), payroll tax, and the Goods and Services Tax (GST).

*Marking guide:*

***1 mark*** *for each regulation identified (x three = 3 marks)*

Question 13 (3 marks)

**a. Define the term ‘corporate social responsibility’. 1 mark**

*Sample answer:*

Corporate social responsibility is a commitment by businesses to conduct their business activities in an ethical manner and to take responsibility for the economic, social and environmental consequences of their activities. The business also accepts that it is accountable to a wide range of stakeholders, including employees, customers and suppliers.

*Marking guide:*

***1 mark*** *for a correct definition*

**b. Outline *two* ways that Humanihut could demonstrate its corporate social responsibility. 2 marks**

**Note:** Various answers could be provided for this question.

*Sample answer:*

Humanihut could demonstrate its corporate social responsibility by:

* using environmentally friendly produced materials/components when constructing the huts
* donating a hut to a family in need
* providing time for their employees to be involved in making something for their local community, such as playground equipment
* treating employees fairly and ethically
* using recycled materials when constructing the huts
* installing tanks for water and solar panels for electricity
* employing people from disadvantaged groups in the community.

*Marking guide:*

***1 mark*** *for outlining two ways Humanihut Pty Ltd could meet its corporate social responsibilities*

Teacher notes

The following references were used to compile the case study:

* *Humanihut animation*, YouTube, 24 May 2016, <https://www.youtube.com/watch?v=VBz-zPCNZ18>
* Humanihut website, <http://humanihut.com/>
* ‘Refugees, displaced people surpass 60 million for first time, UNHCR says’, *The Two-way*, NPR, 30 June 2016, <http://www.npr.org/sections/thetwo-way/2016/06/20/482762237/refugees-displaced-people-surpass-60-million-for-first-time-unhcr-says>
* ‘South Australian entrepreneurs seek to improve refugee lives with Humanihut’, *The Sydney Morning Herald*, 6 June 2016, <http://www.smh.com.au/small-business/entrepreneur/south-australian-entrepreneurs-seek-to-improve-refugee-lives-with-humanihut-20160602-gp9tpd.html>

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