

2014 CURRICULUM NOTES

ACCOUNTING

BUSINESS MANAGEMENT

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9 July 29, 2014

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1 July 14, 2014

1.1 Accounting

- Identifying, recording and reporting the financial transactions of an entity (business). This is done so that business owners can make informed decisions.

1.2 Business

- An organisation that engages in sustained activities with the aim of achieving a set goal.
- Key goals (generally):
 - Generate a profit
 - Provide a high quality service
 - Meet a need in society

1.3 Management

- P.O.L.C
 - Planning
 - * Setting goals and objectives, and then forming strategies to achieve the goals.
 - Organising
 - * Using the resources of the business (physical, financial, or human) efficiently.
 - Leading
 - * Using communication skills to motivate employees to achieve business objectives and using decision-making skills.
 - Controlling
 - * Ensuring that plans to achieve business objectives are being followed, through making random checks and observations.

2 July 15, 2014

2.1 Business Stakeholders

- Business stakeholders are anyone with a vested interest in the activities of a business.
 - Internal Stakeholders main interest in a business
 - * Owners/Shareholders
 - Owners and shareholders want the business to generate profits for the owners and shareholders. Shareholders can profit through dividends (share of profits) or capital gains (increased share price).
 - * Management
 - Management want to achieve the business goals that set by the board or owners.
 - * Employees
 - Employees want fair pay and good working conditions.
 - External Stakeholders main interest in a business
 - * Customers
 - Customers want good quality products or services, at a reasonable price.
 - * Suppliers
 - Suppliers look to be paid on time and have advanced notice of orders. They also want continued business.
 - * Government
 - Government are reliant on businesses for tax income. They are also responsible for making sure businesses meet legal requirements.
 - * Community
 - The community wants the business to have a positive effect on society, to not sell harmful products, and to not damage the environment.
- Management of a business is complex, as managers must consider the interests of all the stakeholders when making decisions.
 - There are a number of situations withing managing a business where conflict of interests would arise.
 - * Examples
 - Shareholders want dividends, but not possible without underpaying employees or raising the price for customers.
 - Customers want good quality product, but business would be unable to pay suppliers for good quality product if they want keep the product at a 'reasonable price'.

- Management wants to achieve the businesses goals, but not possible without evading taxation.

2.2 Business Objectives

- In the course of running a business, businesses must set goals, or objectives, to outline the direction the business wants to go, and what sort of impact it wants to make on the market.
 - Examples
 - * Profitability
 - * Employee satisfaction
 - * Quality of product or service
 - * Customer service
 - * Customer satisfaction
 - * Market recognition
 - * Environmentally friendly
 - * Occupational Health & safety

3 July 16, 2014

3.1 Performance Indicators

- Performance indicator is the name used for the way a business checks how well they are following their business objectives.
 - Profitability
 - * Profitability is usually measured by calculating either the dollar profit of the business, or the gross profit ratio, which outlines the price they buy stock at, compared with the price they sell stock at.
 - Employee satisfaction
 - * Employee satisfaction is measured by one of three things: staff turnover, number of employee complaints, and the results of employee satisfaction surveys. Often the results would be generally more accurate if the surveys are anonymous as opposed to by name, as people are more likely to write what they actually think when there are no potential repercussions.
 - Quality of product or service
 - * The quality of a product or service can be measured through a number of methods. The business can ask customers for testimonials or to fill out feedback forms, which in turn can give the business an idea of the quality of their product. Safety standards can also be used as a benchmark for products or services.
 - Customer service/satisfaction
 - * Customer service quality and customer satisfaction can be measured with testimonials, the number of repeat customers, or the results of customer satisfaction surveys.
 - Market recognition
 - * Market recognition can be identified by calculating market share, and looking at the number of new customers.
 - Environmentally friendly
 - * The degree to which a business is environmentally friendly is easily measured, by looking at the results of pollution audits.
 - Occupational Health and Safety
 - * Whether a business is following occupational health and safety guidelines properly can easily be found by looking at the number of workplace accidents and injuries.

3.2 Industries

- The industry of a business refers to the type of business activity that a business undertakes.
 - Examples
 - * Agriculture, Forestry and Fishing
 - * Mining
 - * Manufacturing
 - * Electricity, Gas and Water Supply
 - * Construction
 - * Wholesale Trade
 - * Retail Trade
 - * Accommodation, Cafes and Restaurants
 - * Transport and Storage
 - * Communication Services
 - * Finance and Insurance
 - * Property and Business Services
 - * Education
 - * Health and Community Services
 - * Cultural and Recreational Services
 - * Personal and Other Services
- Different industries have different business sizes, which influences the distribution of an industry's small, medium and large businesses.
 - In the small business sector, the industries with the largest number of businesses are, respectively:
 - * Property and Business Services
 - * Construction
 - * Retail Trade
 - In the medium business sector, the industries with the largest number of businesses are, respectively:
 - * Property and Business Services
 - * Retail Trade
 - * Manufacturing
 - In the large business sector, the industries with the largest number of businesses are, respectively:
 - * Property and Business Services
 - * Manufacturing
 - * Retail Trade

4 July 17, 2014

4.1 Small Business

- Characteristics of small business
 - The business has under 20 employees. A business with 1 to 5 employees is also classed as a micro-business.
 - Ownership structures – strictly for non-public businesses
 - * Sole proprietorship
 - A sole proprietorship is where one person owns and manages a business. Variable tax rates apply proportionally to the income of the business and individuals.
 - * Partnership
 - A partnership is a business where 2 to 20 people collectively own the business. Variable tax rates apply proportionally to the income of the business and individuals.
 - * Private company
 - A private company is where a business is a separate legal entity to the owner. A private company can have 1 to 50 shareholders. A flat tax rate applies (30%) to the business.
 - Sources of finance
 - * Personal funds of the owner or owners can be used as a source of finance.
 - * Bank loans may be taken out as a source of finance.
 - A small business is usually limited to one physical location. If the business is based around the internet, it is also possible to have zero physical locations.
 - A small business usually has a relatively small market share.
 - Small businesses often allow a high level of independence for the owner.
 - * The exception is a franchise, where one buys the rights to a franchise in order to use their business model and use their name, which has pre-existing marketing and market share. This has the advantage of the business being already known, but the disadvantage of having little to no independence.
- Economic contributions of small business
 - Small businesses contribute tax revenue to the government. The government can then re-invest this money into the economy.
 - Small businesses represent 30 percent of the total workforce.
 - Small businesses contribute a major amount of the Gross Domestic Product (GDP).

- Small business exports help reduce Australia's trade deficit.
- Small businesses stimulate activity in other sectors of the economy by either being a customer or a supplier to a larger business.

5 July 21, 2014

5.1 Ownership Structures

- Sole Proprietorship
 - This is an ownership structure where one owner provides all the capital for the business. Usually the owner is also the manager, and makes all key business decisions. A sole proprietor will normally set up an A.B.N (Australian Business Number) and may make up a business name, however, in a legal sense a sole proprietorship is not a separate legal entity from the owner.
 - Advantages
 - * Total independence in decision-making
 - * Easy and inexpensive to set up as there are no registration fees and potentially less legal fees
 - * Taxed through individual income tax - progressive income tax rates apply
 - * All income goes to the owner
 - The lowest block of income, \$0 to \$18,200, requires 0% to go to the government.
 - The second block of income, \$18,200 to \$37,000, requires 19% to go to the government.
 - The third block of income, \$37,000 to \$80,000, requires 32.5% to go to the government.
 - The fourth block of income, \$80,000 to \$180,000, requires 37% to go to the government.
 - The highest block of income, \$180,000 and above, requires 45% to go to the government.
 - Disadvantages
 - * Owners have unlimited liability, where they are obliged to use personal assets to pay off business debts
 - * Capital limited to owner's personal funds
 - * Limited expertise, and unable to share decision making
 - * More tax than private company once past 45% with a progressive taxation system
- Partnership
 - This is where 2-20 partners pool their resources to start a business. Usually a partnership agreement is drawn up that specifies the owner's stake in the business, responsibilities and share of the profits. Partnerships are not separate entities from the owners, and therefore partnership shares are not transferable.

- Advantages
 - * Shared decision-making process
 - * Greater access to capital with more people
 - * As the tax free threshold can be claimed by each partner the total amount of tax paid is likely to be less.
- Disadvantages
 - * Profits shared among partners
 - * Having to compromise with partners
 - * Partners are jointly and severally liable, while still having unlimited liability
 - * Partnership dissolves if one partner leaves
 - * The tax rate is generally favourable, unless each partner earns over \$180,000 from their share of the profits.

6 July 22, 2014

6.1 Ownership Structures

- Private company
 - A private company can be set up by 1 to 50 shareholders. Companies need to be registered with the Australian Securities and Investment Commission (ASIC) and must adhere to laws that govern the operation of companies. Private companies are separate legal entities, where the company pays tax, rather than the owners, and can distribute profits to shareholders through dividends. Shares in companies can be sold with the consent of the owner.
 - Advantages
 - * Limited liability means the personal assets of shareholders are protected if the business accrues debt.
 - * As the company is a separate entity it can be bought/sold.
 - * Advantageous for businesses making large amounts of money.
 - * Owner or owners can raise capital through selling shares
 - Disadvantages
 - * Setup and registration fees are costly for
 - * Can lead to a loss of control for the owner.
 - * Tax rate of 30% is higher than the lower rates for personal income tax, so companies earning low profits pay more tax than other ownership structures.

6.2 Small Business

- Failure of small business
 - Statistically, most small businesses fail within the first 5 years of operation.
 - * Most common causes
 - Inefficient processes
 - Selling products or services at too low a price.
 - Business taken by a much larger businesses within the same industry
 - Being sued by another individual or business.
 - Inadequate start-up capital
 - Failure to repay interest in borrowings
 - Inadequate advertising and promotion
 - Can't absorb losses from customers failing to pay
 - Lack of management experience or poor decision-making

- Lack of financial knowledge or record keeping
- Lack of formalised business plan
- Business idea not unique enough
- Poor choice of location

6.3 Business Plan

- Executive summary
 - Will include the rationale for the business being successful
 - Includes an overview of each of the major sections – operations, marketing, and finance
 - 1 page long
- Operations
 - Explain how the business will operate on a daily basis.
 - * Hours of operation
 - * Staffing
 - Number of staff
 - Responsibilities
 - * Facilities
 - * Location
- Marketing
 - Explain how the business would handle its relationship with customers
 - * Identify the target market
 - * Marketing strategies
- Finance
 - Explain how much finance is needed
 - * What would the money be used for
 - * Where is it coming from
 - * Demonstrate how the business will make money using a cash flow statement

7 July 24, 2014

7.1 Business Plan

- Executive summary
 - Key components
 - * Business name
 - * Business description
 - * Legal structure
 - * Mission statement
 - * Goals: short term, medium term, long term
- Operations plan
 - Key components
 - * Daily operations
 - * Systems and procedures
 - * Physical layout
 - * Organisational structure
- Marketing plan
 - Key components
 - * Market research and target market
 - * Sales objectives
 - * Analysis of competition
 - * Marketplace strategy
 - * Promotional activities
- Financial plan
 - Key components
 - * Set-up costs
 - * Cash flow forecast
 - * Record-keeping systems
 - * Assets and liabilities

8 July 28, 2014

8.1 Business Plan Assessment Task

- Business description
 - A website-based service where people certified as translators can offer their services, and people who speak a language other than English can host an ad, or choose a translator to help with their everyday activities.
- Rationale for success
 - The recent surge in immigration to Australia, particularly from Asian countries, has seen an increase in demand for translators, through people needing a translator in day-to-day activities, who either speak limited or no English. The potential, however, of an increase in demand for translators, has not been adequately met by any businesses offering real-time translation services. Starting a business in this market, which is primarily dominated by ‘freelancers’, provides a means to fill the market need for translators in Australia, and establish itself as a recognised name internationally.
- Ownership structure and justification
 - This business would be opened as a private company (Proprietary Limited), under regulations set by the Australian Securities & Investment Commission. The reason for this is the potential the business has as large international service. Other ownership structures, such as sole proprietorship and partnerships, would be inadequate for this business, as they quickly become more expensive to run, particularly in taxation, as the profits increase. As a private company, the business would be controlled by a single director (with the potential to change), while being owned by its shareholders.

9 July 29, 2014

- Operations plan – three paragraphs at least
 - Key components
 - * Daily operations
 - * Systems and procedures
 - * Physical layout
 - * Organisational structure
 - * Operations summary
 - Staffing requirements
 - Physical layout
 - Location
 - Cost of site
 - Local demographics
 - Location of competitors
 - Access to site
 - Transport links
 - Suitability of buildings
 - Exposure to passing traffic
 - The web as a location
- Marketing plan
 - Key components
 - * Market research and target market
 - * Sales objectives
 - * Analysis of competition
 - * Marketplace strategy
 - * Promotional activities
- Financial plan
 - Key components
 - * Set-up costs
 - * Cash flow forecast
 - * Record-keeping systems
 - * Assets and liabilities